



# No place like *home*

**F**inally. You've got the keys. You open the door and take your first steps into your first ever home. Goodbye renting. Hello mortgage. Suddenly, all the blood, sweat and tears feel worth it. All your saving and planning means you've achieved this dream.

Buying your first property can seem like a daunting prospect especially in areas where the price tag on homes look more like the GDP for a small country. However, it can be done.

## Start at the end

Paula Parsons is a registered financial planner with Bright Wealth. She says that one of the first steps you need to take is to research the market. There is no point mapping out a savings plan if you're not sure what you are saving for. "Decide where you would like to buy and how much you want to spend," she says. "Once you know how much you can afford, make a plan. Although a bank will tell you how much they can lend you, this may

differ greatly from what you can afford. Work out a budget for today and be realistic about it. The reason budgets fail is because people are not realistic about their expenses over a number of years and, while it is easy sticking to a budget for one month, three to five years is another story."

From there it's a matter of working backwards from your budget which will tell you what you can put towards savings and how long it will take. "This shortfall should



Affording your first home isn't easy. We talk to smart women about how they did it – and report on the steps you need to make it happen.

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be transferred monthly to a high yielding interest account, ING, Bankwest or other online accounts with low fees," says Paula. "Ensure that the funds are not as easily available as going to an ATM machine on a whim, but that they require you to transfer the funds to a bank account to withdraw."

### Smart ways to save

It's not just about putting a set amount of money in the bank each month. You can be

strategic about your savings in other areas of your life. Paula suggests the following:

1. Your budget tells you what it costs for you to live. Any pay rises you receive over the savings period should be transferred immediately into your savings account.
2. If you live in a city with good public transport, get rid of the car. The cost of owning a car versus public transport in large cities is guaranteed to be more annually. For the sake of convenience you will see your savings increase. ▶

### What's your timeframe?

Another key point is your timeframe, says Paula Parsons. For example, if you are planning on buying in six months, I would not recommend investing a \$50,000 or \$100,000 deposit where there is a chance of you losing money. Cash in the bank, once again in a high interest account with no ATM withdrawals is the best option. If your time frame is longer, then your options are broader.

If you do not require the money for more than seven years, then I would recommend you investing in the Australian and International share market. In Australia, this can be accessed via a share portfolio or a managed fund.

However, if your timeframe is three to four years, you may only have a small portion of your portfolio invested in the share market and the remainder in less volatile investments such as a savings account with a bank or a term deposit.

By having some exposure to the share market, it may boost your return, but keep in mind that the share market is volatile and you do risk losing your money. This is where the timeframe approach works. If there is downward movement in the share market you will need time to recover anything that has been lost in value.

Over the last 100 years, share markets have outperformed any other investment. However, there are risks and it is important that you understand the risks. To reduce the risk on investing in the share market you need to be diversified and you need to get expert advice.

3. How many unwanted gifts have you received over the last couple of years that could be turned to cash? Make eBay your friend; it will also help you purchase things that can be cheaper than going to a traditional retailer.

4. Tell your close family members and friends that you are saving for your first home and ask if they could they give you cash donations instead of presents. Instead of taking the cash, give them your savings account details.

### Money and friends

Although there is a saying that money and friends don't mix, Paula doesn't agree. "Talk to friends that may be in the same situation as you," she says. "We are seeing an increase in people buying their first home with friends and splitting the money required to get into the market. As long as your attitudes towards the purchase are the same and you share the same values and adopt the same principles, this is a great way to achieving your first home for both of you."

However, she issues a caveat. "Make sure you get legal advice – and I recommend that you sit down together and prepare a document that covers 'the what if', your expectations and what to do if either of your circumstances change."

### Help from your parents

Ask your parents if they want to invest or assist. "Parents understand that getting into the property market today is much harder than it was when they first started buying property," says Paula. "They are

often willing to help, especially if it means getting their 27-year-old son or daughter off their couch and onto their own.

"If you are unable to save the required amount for a deposit, you may be able to use your parent's home as security for the mortgage. How does this work? You purchase a property for \$300,000. You have only saved \$20,000 for a deposit and the bank is only prepared to lend you \$270,000. You will need \$10,000 plus any costs down.

"Your parents can put their property up to secure the shortfall of \$10,000 plus (providing they don't have the cash to donate to your cause). Providing your income supports paying the mortgage on your own, in effect Mum and Dad become guarantors. There are some legalities around becoming a guarantor and the consequences. You will need to talk to your lawyer (you will need one to complete the purchase anyway and they will be able to give you this advice), but this is common practice."

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What could you do with ...

Don't just stick your money in the bank. Make it work for you. Bright Wealth's Paula Parsons suggests what you could do with these chunks of cash:

Think about:

## \$5,000

I would suggest investing in regular investment (that is, regular automatic savings into high interest bank accounts) and also in Australian managed funds.

## \$10,000

It is a good idea to start building an Australian share portfolio which means buying your own blue chip shares.

## \$50,000

You should diversify from Australian shares and invest a small amount in international markets to give you more exposure to the global economy.

## \$100,000

Look at investing across a range of areas including Australian and International shares, managed funds, cash and also property. (Note: property in this sense isn't buying property, but including it in your managed fund, or property shares).