Tips to keep cash on tap

WITH another possible interest rate hike looming and credit card debt still at an all-time high, managing the mortgage has never been so tough for some, says Justin Doobov, managing director of Intelligent Finance.

"All across the country we're hearing stories of people grappling with making ends meet," Doobov says.

The combination of a slowing property market and a succession of interest rate rises means that some homeowners who jumped into the property boom in early 2000 and onwards are now hurting, he says.

"The biggest threat to homeowners in this kind of climate is simply not being able to make the mortgage payments and that can have long-term implications."

Monitoring monthly cashflow is just as important as finding the cheapest interest rate.

"Cashflow always has been, and still is, King," says Mr Doobov.

He advises clients to ensure their cash-flow is as strong as possible, by taking four key steps.

1. If you have a mortgage or are taking out a new one, move part to a fixed rate.

A FIXED rate means you know exactly what your monthly commitment is. It also spares you from interest rate fluctuations.

"Yes, its a gamble, but the worst that can happen is that if rates go down, you miss out on saving some money, whereas if rates go up, it costs you more and that's when you feel it most," Mr Dobov adds.

2. Save with an Interest Only loan

WHETHER taking out a new mortgage or refinancing an existing one, consider interest only options at least for the first few years.

"Having an interest only loan structure takes the pressure off your cashflow," says Mr Dobov. "In most cases I find that interest only loan repayments are more beneficial than principal and interest loans.

"By having your loan repayments as interest only, it reduces the physical cash leaving your bank account each month - allowing you to put that extra cash into this loan, which helps reduce the interest charged per month.

"The other benefit is that in many cases you can redraw that extra cash if needed," he says.

3. Consolidate your debts

LOOK at how you can roll your various loans into your home loan and reduce your monthly outlay.

"If there is enough equity in your home, you can consolidate your personal loans, car loans and credit cards by refinancing them into your home loan, thus creating a much reduced monthly repayment," says Mr Doobov.

"We've recently helped a client reduce their monthly debt repayments from $8000 to $3000 per month.

"It will vary depending on your situation, but it demonstrates that by simply reorganising your finances, you can save substantial amounts.

4. Seek advice

PROFESSIONALS who spend their days structuring loans to suit a variety of lifestyles and financial needs can be a valuable resource.

There are so many products and options out there that it does make a difference to speak to someone who can navigate their way around the loan landscape.

"My biggest piece of advice is to make sure you structure your loan correctly from the beginning when cashflow's not an issue," says Mr Dobov. "If you ever need to access funds from your loan through a redraw facility, you'll have more flexibility."