

SAVING FOR YOUR FIRST HOME

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SAVING FOR YOUR FIRST HOME

So, you're thinking about buying a home? What an exciting milestone in your life to date. Whether you're buying a new apartment or an old fixer-upper, there's some things you'll need to figure out first.

This LifeGuide will give you an overview of some of the costs and considerations you'll need to think about before putting in an offer.



WHERE TO START

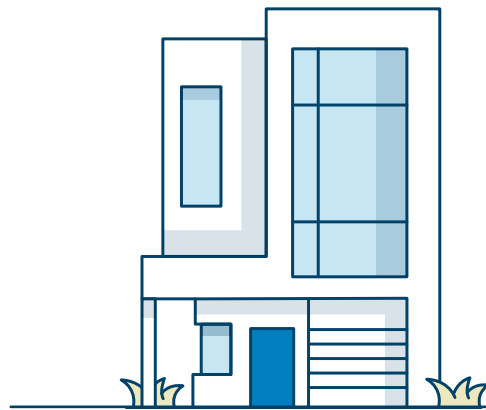
For some people, buying a big house in a nice suburb is their goal. For others, a modest home in a town or suburb they can afford works best. Whatever your situation, looking for a home can sometimes be overwhelming - but narrowing down your search area can help make saving for your first home easier and more achievable.

WHERE TO LIVE

Think about:

- What amenities are important to you and are they nearby?
- Are there public transport links?
- How much are properties in your desired area (and is that in line with your budget)?
- Have properties in that area increased in value (and are they likely to continue to)?

A good way to get an idea of the above is to browse property sales websites. ANZ can also offer a free, property profile report for the area you are interested in. This includes facts and figures about a specific address and its surrounding location. Pop into your local branch or visit the [ANZ website](#) to request one.



RENT VS. BUY

It's the age-old question: should I rent or buy? Over time, property can be a smart investment. But you've got to have the means to purchase – and find somewhere that will work for you.

If you're in the market for your first home, outside factors can contribute to your decision to buy. These include:

- The current market climate
- Interest rates
- Deposit requirements

You should also consider your financial situation, job security and lifestyle and any other factors that might impact your ability to pay back a home loan.

Some of the pros and cons of buying include:

- ✓ You'll have your own place to call home
- ✓ You will be paying off your own mortgage, not someone else's
- ✓ You can renovate or redesign to your own liking
- ✗ You may not be able to afford to buy in your desired area
- ✗ You have to have a lump sum of money saved to pay for a deposit
- ✗ You're at the mercy of interest rates (if your loan is variable)

Some of the pros and cons of renting include:

- ✓ You can often afford to live in more desirable suburbs or areas you couldn't afford to buy in
- ✓ You have a limited long-term commitment and can change rental properties as desired
- ✓ You can find a rental rate to suit your budget
- ✗ You're at the mercy of your landlord
- ✗ You're paying someone else's mortgage, not your own
- ✗ You may have trouble finding a rental if vacancy rates are low



THE DEPOSIT

It's perhaps the biggest hurdle to homeownership, saving for a deposit. It can require years of commitment and saving – or the offer of a guarantor from a parent or family member.

Typically, you'll need to save a 20% deposit to buy a home. But if you have a stable income and can demonstrate you can make the repayments on a home loan, some lenders will allow you to take out a loan with just a 10% deposit. However, you may have to pay a one-off premium called [lenders mortgage insurance](#) (LMI). This is added to the full amount of your home loan to protect the lender if you default.

If you're planning to buy a home in the short-term, it can be a smart idea to open a cash or term deposit account with a competitive interest rate. This means your money is relatively secure and serviced by an agreed rate of return. Make sure you consider any fees, charges, and the likely rate of inflation before committing though, so you can estimate how much you will save.

Another option could be a [cash management account](#) which typically offer a higher interest rate than regular bank savings accounts. These accounts allow you to deposit money as you receive it, but it can still be withdrawn if needed.

Or you might try putting your money in a [term deposit account](#). These accounts have a fixed period with a fixed interest rate and generally earn a higher rate of interest.

INTEREST RATES

Taking notice of current interest rates is important in figuring out how much your home loan repayments are likely to be. Interest rates in Australia are influenced by the cash rate, which is set by the Reserve Bank of Australia (RBA).

There are two types of interest rates:

Fixed rate: one rate for a fixed period of time

Variable rate: a rate that changes in response to the market

When negotiating your home loan interest rate you can pick one or a combination of both. For example, you might have a fixed rate loan for three years, then switch to variable. It's a good idea to shop around for a competitive interest rate – but remember you need to be able to pay your loan now, and in the future.

ANZ's [Home Loan Repayment calculator](#) can help estimate your repayments based on different interest rates or home loans.

GOVERNMENT INCENTIVES

There are several national and state-based incentives you may be eligible for as a first home buyer.

As an overview, some of the current incentives include:

[First Home Owner Grant](#)

This differs between states but is typically a lump sum of money to help you buy a or build your first home

[First Home Super Saver Scheme](#)

A program that allows people to save money (and interest) via their superannuation fund that can be put towards a deposit.

[Home Guarantee Scheme](#)

A shared equity scheme in which eligible buyers only need a 5% deposit (for first home buyers, single parents and people looking to buy in regional areas).

You may also be eligible for duty concessions and exemptions. For more information, check your local state or territory government website to see what's available to you. Their websites are listed at the [end](#) of this LifeGuide.

YOUR FINANCES

Buying a home is no small feat and your finances need to be in check before taking on a home loan.

BUDGETING AND EXTRA COSTS

There are a lot of costs associated with buying a home – from paying for a building inspection prior to purchase to conveyancing and stamp duty. To help you save, sit down and create a budget of your income and your regular expenses such as bills and groceries so you're aware of how much you could save.

If you need a hand doing this, ANZ's estimating tools are a great way to break down and set goals for your spending.

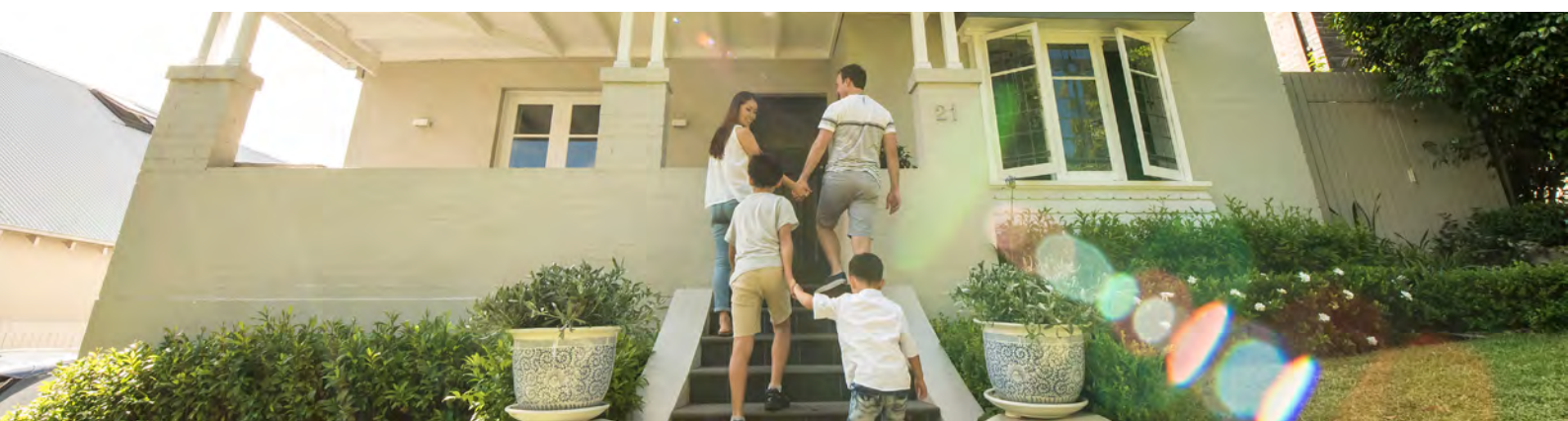
These resources include:

- [Budget planner](#)
- [Savings goals calculator](#)
- [Home loan deposit calculator](#)
- [Borrowing calculator](#)



Some of the additional costs of buying a home may include:

- Stamp duty
- Mortgage duty
- Home loan fees
- Lenders mortgage insurance
- Building insurance
- Mortgage protection insurance
- Deposit bond
- Conveyancing
- Buyer's advocate
- Disbursements
- Building inspection
- Building certificate
- Pest inspection
- Survey report
- Strata report
- Removalists
- Utility reconnection
- Minor improvements



OBTAINING FINANCIAL ADVICE

It can be a good idea to seek a professional opinion when you're starting the homebuying process, such as from a financial planner or accountant. They can take a look at your current financial situation and help you set out clear and achievable goals to save money.

A financial planner is someone who's qualified to advise you on your money and what you should do with it. They'll take into account your income, personal goals and circumstances and help create a plan that works for you.

An accountant is someone who is qualified for taxation purposes and can help with your yearly tax return.

If you're searching for an accountant, ask a friend or colleague to recommend someone or try the industry bodies below:

Institute of Chartered Accountants of Australia/New Zealand

www.charteredaccountantsanz.com or call 1300 137 322

Certified Practising Accountant (CPA) Australia

www.cpaaustralia.com.au or call 1300 737 373

Institute of Public Accountants (IPA)

www.publicaccountants.org.au or call 1800 625 625

TIP

The Australian Securities and Investments Commission (ASIC)'s consumer website, [MoneySmart](http://www.money-smart.gov.au), is a great place to start if you're looking for a planner or other financial resources. There's also a dedicated budget planning section, too.

GET RID OF DEBT

Before you apply for a home loan, you may have to tighten up your spending and sort out any current debts you have.

As part of the application process, your bank or loan provider will go through your bank account and identify spending habits to ensure you can service a loan.

Things you can do to help your financial situation:

Manage debt

It might not be possible to pay off everything, but it's a good idea to have a clear pay-back plan and understand how long you will be in debt. If you have multiple debts, you may consider whether you can combine them under one personal loan at a lower interest rate.

Put a limit on your credit cards

Don't fall into the trap of spending outside your means. Put a cap on your credit card limit (or cancel it, if you don't need it!)

Stick to your budget

It may sound simple but sticking to your budget is one of the best things you can do to keep your finances on track

Curb your spending (for now)

Cutting back on unnecessary costs like eating out can sharpen your financial situation in the eyes of a lender

ANZ FINANCIAL WELLBEING PROGRAM

If you're looking for some helpful insights, tips or tools, check out the ANZ Financial Wellbeing program – a free online resource designed to help you become better with your money. Complete modules at your own pace, regardless of who you bank with, or sign up for a 6-week challenge and receive helpful information straight to your inbox.

Read more about how we can help boost the power of your finances at anz.com.au/financialwellbeing



MORE HELP

For more resources, the contacts listed below may be helpful

First Home Owner Grant

www.firsthome.gov.au

State Revenue Office Victoria

www.sro.vic.gov.au

NSW Office of State Revenue

www.revenue.nsw.gov.au

Queensland Office of State Revenue

www.treasury.qld.gov.au/budget-and-financial-management/revenue-and-taxation

ACT Government

www.act.gov.au

Tasmanian Department of Treasury and Finance

www.treasury.tas.gov.au

Western Australian Office of State Revenue

www.wa.gov.au/organisation/departments-of-finance

South Australian Department of Treasury and Finance

www.treasury.sa.gov.au

Northern Territory Government

www.nt.gov.au





ABOUT LIFEGUIDES

ANZ has a proud history of helping customers across Australia and New Zealand, especially in times of change. Through these LifeGuides, ANZ is furthering its commitment to the broader community by providing general resources and useful information about key life moments – helping make them a little easier on you.

