MORTGAGE
T A L K

USING DEBT WISELY TO ACHIEVE FINANCIAL SUCCESS AND EARLY RETIREMENT.

MORTGAGE CONSULTANCY PTE LTD

MORTGAGE TALK

– USING DEBT WISELY TO ACHIEVE FINANCIAL SUCCESS AND EARLY RETIREMENT

PREFACE

Over the years, we have received a lot of feedback and support from our valued clients, fellow bankers and industry professionals. These valuable feedback has been useful to us in writing blog articles to the public for the past 2 years, which we have compiled them into this 80 over page book. Some articles have also been published in the media such as Yahoo Finance and Singapore Business Review.

In this "Mortgage Talk" book, we shall discuss mainly about using debt like property and business loans from the banks to help average Singaporeans like you and me to achieve financial success and early retirement. Debt can be a double edged sword. If it's not handled carefully, it can bring one to financial distress by over committing into unnecessary liabilities' purchase or making the wrong financial decision.

We hope that you will find this collection of articles a good read and be able to add value to your wealth and asset planning journey.

We also seek your understanding in any errors and please feel free to send your feedback to admin@mortgageconsultancy.com.sg or www.mortgageconsultancy.com.sg

Thank you and have a good year ahead!

Mortgage Consultancy Editorial Team

December 2019

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10 REASONS WHY YOU SHOULD ENGAGE A MORTGAGE BROKER

Whether you are an existing property owner looking to refinance your home loan OR a property buyer and investor, a competent mortgage broker can be a great help on your property matters.

Here's a wide range of services that we can offer and add value to you:

1) FREE consultation service for you! We are paid by banks directly for every successful loan application.
2) FREE comparison of up to date rates and packages from up to 16 banks in Singapore.
3) Independent and unbiased advice as we are not tied down by any banks.
4) We have fostered a strong working relationship with banks over the years. Hence, we know what the banks are looking out for.

5) Our mortgage consultants are well trained with years of experience in the banking and finance industry.
6) Say NO to tons of paperwork and leave this to us. We will ensure hassle free paperwork for you!
7) As part of after sales service, we provide FREE review and updates on your home loan matters in every 2 to 3 years!
8) Our mortgage consultants are mobile and we can meet you at your convenience!
9) We can be reached on Monday to Sunday from 9am to 10pm! We are just a phone call away!
10) Further value added service will include Creative Financing techniques which allows average home owners to own multiple properties, applying cash term loan from existing private property without having to sell etc!

With 3000 home and business owner owners and $1 Billion worth of mortgages under our care, customer satisfaction is our top priority!

SMS us at +65 8556 5271

https://www.mortgageconsultancy.com.sg

WHY IS MORTGAGE INSURANCE VERY MUCH NEEDED?

For most of us in Singapore, owning a property is the largest commitment.

This is due to the large housing loan we take up to finance the monthly housing instalment.

Have you ever thought what if something unfortunate happened to you?

Such as death, disability or a dread disease like cancer or heart attack.

As a result, the surviving loved ones would have to take over the housing loan payments and carry the financial burden.

If finances are not well planned, the surviving loved ones may have to sell away the property.

That is why Mortgage Insurance is very much needed as they offer lump sum payment to pay off the housing loan when such unfortunate events happen.

Now that you have taken up your housing loan successfully, you should get your home loan covered from as **LOW as $2 a day for as much as $1,000,000.00!**

Get a FREE quote from our partnering financial advisor and save on your monthly insurance payments and a better coverage!

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HOW CAN PRIVATE PROPERTY OWNERS UNLOCK CASH WITHOUT SELLING THEIR PROPERTY?

If you are looking at a large sum of money for some reasons such as funding your child overseas education, business expansion etc, you may like to explore Equity Term Loan.

So what exactly is this bank facility?

For private property owners, you may use the equity of your property as collateral. Hence, if your property value has risen over the years, an equity term loan maybe a good alternative to borrow some money at a low interest rate from 1%+ to 2%, which follows the your main home loan interest rate!

Equity term loan allows you to stretch your loan tenure to as Long as 75 year old, subject to approval. This allows your monthly instalment amount to be at a very affordable range and you cannot use your CPF funds to pay for the monthly instalments. Equity term loan application is subject to TDSR(Total Debt Servicing Ratio) and other credit checks.

HDB flat owners are not eligible for equity term loans. For Executive Condominium(EC) owners, you have to wait till end of 5 year Minimum Occupation Period (MOP) before you can consider this option.

For the best property loan and equity term loan rates, talk to any of our consultants now.

Our friendly hotline at + 65 85565271.

HOW TO USE GOOD DEBT TO ACHIEVE FINANCIAL SUCCESS AND RETIREMENT?

Debt can be a double edged sword.

If wisely used, it can bring massive wealth to you.

For instance, business owners tend to receive funding to expand their business operations. Time and money is vital for every business to stay ahead of competition.

Another example is taking a loan at a minimal interest rate of 1%-2% per annum and leveraging the money on investments such as stocks and shares and properties.

In the case of property investment in Singapore, the buyer is able to own a big ticket item like property by just paying a minimal 10%-25% downpayment.

On contrary, if he spends beyond his limit and buys depreciating items such as car, expensive holidays, country club memberships etc without proper financial planning, this may lead to financial distress.

Contact us at +65 8556 5271 for a FREE consultation on how you can convert good debt into your retirement and financial success plan.

Mortgage Consultancy currently manages $900 million worth of retail mortgages for 2000 home owners.

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FINDING THE BEST PROPERTY AGENT

For most people in Singapore, buying and selling a property is one of their biggest lifetime decisions.

Here are 5 consideration factors to look out for at during your property agent selection:

1) Request for his past transaction works and testimonials from customers.
2) The client's interest always comes first. Is your property agent putting himself in your shoes?
3) A good property agent owes a duty of care to his client. One example is connecting his client to a reliable mortgage broker to have his home loan eligibility assessed before placing any option fee deposit on the property.
4) A competent property agent is a good multi tasker. As property transactions can take several months to complete, he must be able to

follow through the client throughout the whole process from viewings, negotiation, planning, handover and inspection etc.

5) A responsible property agent helps to ensure that the client's housing financial and timeline plan is being well taken care. After all, every home buyer and seller would want their property sale and purchase to be smooth sailing.

Mortgage Consultancy currently manages $900 million worth of retail mortgages for 2000 home owners. Hence, we work with only the best property agents in Singapore.

Contact us at +65 8556 5271 for a FREE quote consultation.

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HOW SME MICRO LOAN CAN HELP SMALL BUSINESSES?

Today, in SME business talk, we shall talk about how SME Micro Loan can help small businesses in Singapore.

SME micro loan is a government assisted financing scheme which Enterprise Singapore shares the risk of loan defaults with banks and financial institutions.

Loan amount can be granted up to SG $100,000 dollars with an option of up to 4 year loan tenure, at a LOW interest rate of 3%+ from our bank partners!

Companies must be registered and operating in Singapore.

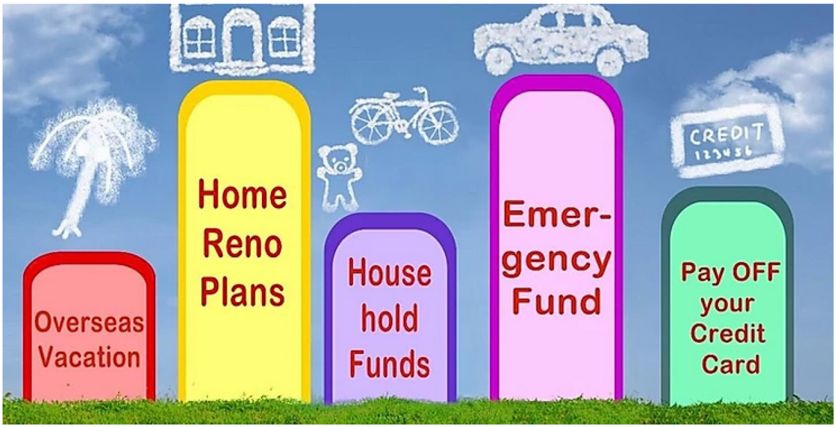
With minimally 30% locally owned.

Number of employees in the company must be less than 10 employees.

And the yearly sales should not exceed $1 million SG dollars.

To get the best rates and packages, contact Mortgage Consultancy. https://www.mortgageconsultancy.com.sg +65 85565271

HOW CAN WE USE A PERSONAL LOAN EFFECTIVELY?



If you are facing an emergency such as medical bills or purchasing a big ticket item such as home renovation, a personal loan facility from banks can come in handy.

In comparison, interest rate for personal loan can be as LOW as 3%-4%+ whereas credit card debts can go as high as 28%!

Personal loan can be paid via monthly installment at a FIXED amount.

With a tenure of up to 7 years.

In some cases, approval can be as fast as 1 day!

To get the best rates and packages, contact Mortgage Consultancy.

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SME WORKING CAPITAL LOAN APPLICATION

Today, in SME business talk, we shall talk about the basic criteria for SME Working Capital Loan Application.

Loan amount can be granted up to SG $300,000 dollars with an option of up to 5 year loan tenure, at a LOW interest rate of 3%+ from our bank partners!

Companies must be registered and operating in Singapore.

With minimally 30% locally owned.

Number of employees in the company must be less than 200 employees.

And the yearly sales should not exceed $100 million SG dollars.

To get the best rates and packages, contact Mortgage Consultancy.

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SHOULD I GET A HDB RESALE OR BTO FLAT?

Here's some consideration factors.

1. Housing grants up to $80,000 for resale HDB buyers.
2. Get keys for resale HDB units as soon as 3 months from the day you purchase to avoid long waiting time.
3. Able to view actual units for resale units.
4. BTO flats normally come with fixtures such as doors, flooring, windows etc which allows home buyers to save on partial renovation costs.

For the best home loan rates, talk to any of our consultants now.

Our friendly hotline at + 65 85565271.

HDB LOAN OR BANK LOAN?

Should I take up a HDB loan or bank loan?

For most home owners, buying a residential property is probably one of the biggest commitments in one's lifetime.

Here's some points which you should consider before taking up a housing loan.

1) HDB loan interest rate is at 2.6% pegged to CPFOA interest rate, which will be reviewed on a quarterly basis. For bank loans, interest rate can be as LOW as 2.05%.
2) Some bank loan rates are on a variable basis. One must be able to stomach future rate adjustments if any.
3) For HDB loans, maximum loan to value (LTV) can be up to 90%, which means that your initial downpayment is only 10% and can be paid using CPFOA funds. For bank loans, maximum loan to value

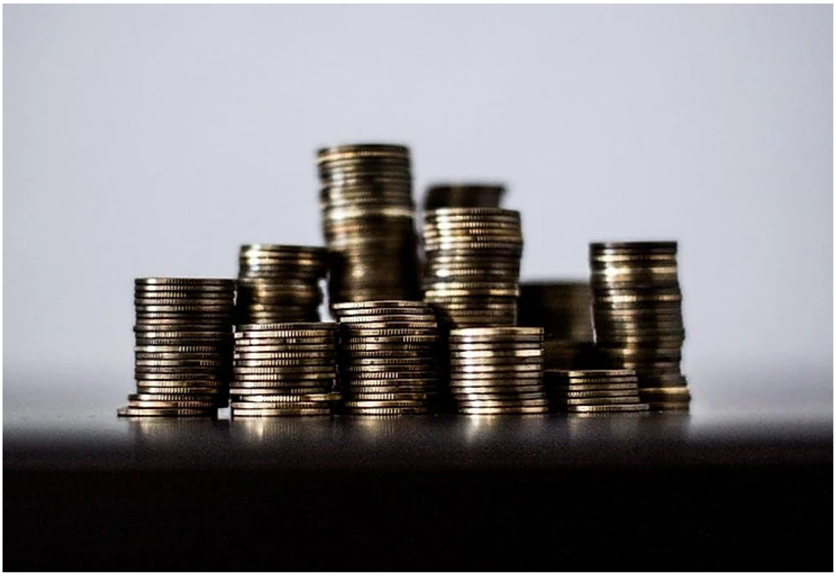
(LTV) can be up to 75%, with 5% using cash and 20% using COFOA funds.

It is highly advisable to apply an in principle approval (IPA) from banks or home loan eligibility (HLE) before committing into any housing plans.

Always speak to a professional mortgage broker on this matter.

For a FREE consultation session, you may like to PM us at our hotline +65 85565271 or https://www.mortgageconsultancy.com.sg

WAYS TO REDUCE MONTHLY INSTALMENT FOR YOUR HOME LOAN



As the standard of living and interest rate climate in Singapore rise, we are going to discuss about 4 ways to reduce monthly instalment for your home loan to further relieve your financial burden.

1) Full Loan Redemption

If you have excess CPF or cash funds and have no better place to grow your money, you may like to redeem your home loan. Before you do that, it's advisable to talk to a dedicated mortgage broker to Ensure that you are not subjected to any penalties due to cancellation fees imposed during lock in period etc.

2) Partial Loan Redemption

Most bank loan packages have a prerequisite of a minimum amount for partial loan redemption. Ample time notice has to be served to the bank before carrying out any redemption.

3) Refinancing to a Lower Interest Rate

If you are paying at or more than 2.5% on your home loan interest currently, it's time to do a review. Based on our observation, there's still some banks that offer home loan packages at rate at below 2%.

4) Extend your Loan Tenure

If your home loan fulfils the guidelines, you can have the option to extend your home loan tenure which will help to reduce your monthly home loan instalment amount. But do note that you may end up paying more interest instead over the Long run.

To get in touch with our Mortgage Advisory Manager, do PM us at +65 85565271.

SHOULD I PAY OFF MY HOME LOAN EARLIER?

It is common for many people to want to repay their home's mortgage early or before its loan tenure is done. The simple reason for this could be: to be able save on the interest rate or just to be able to become debt-free finally. Indeed, many debtors make it their aim to cut five up to as much as ten years off of their loan's tenure and also succeed in it.

Before you decide to make this your goal as well, consider the following advantages and disadvantages of repaying your mortgage before its loan tenure is up.

Advantages and Disadvantages of Repaying Your Home's Mortgage before the End of Its Tenure

ADVANTAGES:

1. ***The sooner you are able to pay off your mortgage, the less interest you will pay.***

On the other hand, if you speed up your repayment via refinancing and pay off the loan within a shorter loan tenure, your monthly repayments would become higher per month but the total interest repaid will decrease. Cutting a few years off of your loan's tenure can save you quite a lot of money which is an amount that is substantial enough to use for investing in something else important, say, for your retirement plan (equities, endowment funds, etc.)

2. ***You can avoid the inevitable rise of loan interest rates.***

Between year 2009 to 2017, home loan interest rates have been at their lowest, but right now, interest rates have begun to climb back up steadily again.

If you are able to pay off your home's loan the soonest that you can, then you would not have to deal with paying higher interest rates later on.

3. ***3. You may use Cash Out Refinancing if you pay off your home's loan early.***

Another advantage of a fully-paid up home loan is that banks will also allow you to access "Cash Out Refinancing". This is a type of loan that lets you use your home as collateral.

Through Cash Out Refinancing, some people can borrow money up to fifty percent of their home's value WITHOUT restrictions like Total Debt Servicing Ratio. And not only that, aside from letting you borrow a significant sum of money, the loan's interest rate is also very low, much lower than the annual rate that your CPF (Central Provident Fund) savings can accumulate.

You can then use your Cash Out loan to pay off all your other loans combined, such as your credit card loan, car loan, and other personal loans, in just one go. This consolidates all of your high-interest debts into just one loan at the lowest rate.

4. ***Paying off your debt saves you from anxiety.***

There is also the psychological benefit of paying off your home loan early.

Being able to pay off your biggest loan right away means you will not be burdened by debt most especially in your later years.

If you are able to repay your home loan in just a few years or in just one lump sum, then it could save you decades-worth of debt repayment. You can retire well and even find it easier to take on new projects or opportunities, such as building your own business or taking a career jump, knowing that you are not held back by a major loan.

5. ***You get more security for you and your family.***

If you are your family's breadwinner, repaying your home loan earlier than its due will make you more financially secure in the long term.

For instance, if you are suddenly unable to work but your home has already been paid off, then your spouse or children would no longer have to take on paying off your debt on your behalf.

DISADVANTAGES:

- ***Repaying your loan within a shorter time period can leave you with no savings.***

Do know that rushing your mortgage repayment could also wipe out all your savings or your opportunity to save more. As a rule of thumb, you should always have sufficient cash savings to cover at least six months of your total expenses in case of unforeseen events.

If you use up all your money to rush paying off your loan, then you would not be able to cope with family emergencies or personal crises. Yes, you may be well insured but a family member may not be, so you better be prepared in case a financial emergency happens.

- ***It is not financially-wise if you have other high-interest debts to pay as well.***

If you have other loans to pay like a personal loan or a credit card loan, then you should pay these off first (at least) before partial or full payment of your mortgage.

Your home mortgage is actually the cheapest loan you can have so it is better to prioritise the other higher interest loans that you have. A credit card loan can compound to around 24% - 28% per annum and a personal loan can compound to around 6%-10% per annum. Thus, it is much more prudent to use any spare cash you may have to settle those debts first before repaying your mortgage.

There really is no point in paying off your home loan early but then be forced into a higher-interest debt because you did not foresee the cash flow issues you may have unless, of course, you are able to get Cash Out Refinancing for your other loans.

- ***Most bank loans have pre-payment penalties.***

If you loaned from a bank, it is better to refinance your loan into a shorter time tenure instead of paying it off all at once. The reason is because most banks enforce a pre-payment penalty in order to make up for the interest they lost. This is commonly around 1.5% of the total amount that you prepaid.

Note, however, that some banks do not have prepayment penalties if your prepaid sum falls under a certain amount. Make sure to check with the bank first before getting a loan.

There is also no pre-payment penalty if you are using an HDB (Housing and Development Board) loan.

It really is no good to spend more money on the pre-payment penalty than to save more from paying a much lesser interest rate for repaying your loan earlier.

- ***You can lose out if you use your money to pay off your home loan instead of investing it.***

It is much better to invest your money if the acquired earnings can outpace your mortgage's interest rate.

For instance, if you invest in a profitable equity portfolio that gives you a return of 5%-7%, you can easily outpace your loan's interest by 2%. It is better to spend money on such investments than using it to pay off your mortgage right away as you would also be gaining some capital to buy a small asset.

Also note that even CPF (Central Provident Fund) interest rate can outpace a bank's mortgage by 2.5% per annum (and by as much as 4% for a CPF Special-type Account).

For a FREE consultation session, you may like to PM us at +65 85565271.

6 IMPORTANT POINTS TO TAKE NOTE BEFORE REFINANCING YOUR HOME LOAN

1) Bank loans can be offered in 4 different packages namely:

A. Fixed rates
B. FD linked rates
C. Board rates
D. Sibor rates

2) Cost of Refinancing should justify the savings made on home loan interest.
3) Most bank loans impose a penalty fee should you redeem your home loan during the lock in period.
4) New government cooling measures such as TDSR, LTV and MSR make Refinancing criteria stricter.

5) For HDB flats, you cannot go back to a HDB loan once you take up a bank loan.
6) Home owners can request to extend their home loan tenure to reduce their monthly instalment burden if need to.

These 6 important points can help you SAVE $10,000 to $30,000 interest.

Get your FREE mortgage consultation now!

This post was written by our Mortgage Advisory Manager in Mortgage Consultancy Pte Ltd. To get in touch with our guest writer, you may like to PM us at +65 85565271.

4 TYPES OF PROPERTY BANK LOAN PACKAGES

Are you confused by the types of property packages offered by various banks? In this article, we are going to summarise for you the 4 types of property packages.

1) Fixed Rates

This is the only package that offers home owners 100% certainty during a period of time between 2-3 years. Rates will be certain irregardless of market movements. However, such packages normally come with a lock in feature during the period where rates are fixed and home owners maybe subjected to cancellation fees should they make a redemption on the loan.

2) Variable Rates Pegged to SIBOR

SIBOR is a short form of Singapore Interbank Borrowing Offer Rate and is pegged to inter banks borrowing rates. SIBOR comes in 1, 3, 6, and 12 months tenor by banks and rates can be found in our newspapers, The Association of Banks in Singapore and various finance portals, which makes SIBOR very transparent to the public.

3) Variable Rates Pegged to Board Rate

This package is pegged to the bank's own internal interest rate. Hence, such packages offer lesser transparency to the public compared to SIBOR or Fixed Deposit linked rates packages.

4) Variable Rates Pegged to Fixed Deposit Linked Rate

This package has gained popularity among home owners during the recent few years in view of its lower volatility and rise comparing to SIBOR and board rates. The home loan rates are pegged to the banks' fixed deposit savings interest between 8-48 months tenor. However, one common misconception is that most home owners are always confused with these packages over fixed rates packages. Remember, fixed deposit linked rates are not fixed and are on a variable basis.

This post was written by our Mortgage Advisory Manager in Mortgage Consultancy Pte Ltd. To get in touch with our guest writer, you may like to PM us at +65 85565271.

HOW LONG WILL INTEREST RATES FOR HOME LOANS CONTINUE TO RISE?

I recalled that just one year ago, most banks were offering Low rates for home loans at 1%+. Today, we are seeing a new high in home loan interest rates with most banks offering at 2%. Through our observation, there's some fixed rate packages being offered at 2.68% and 2.7% respectively, which is very closed with some banks' personal loan rates at 3%+.

Several home loan interest rates in Singapore are tied to floating packages like Singapore Interbank Offered Rate (Sibor) or another floating rates pegged to banks fixed deposits or board rate. If the United States Federal Reserve Board continues increasing their interest basis point, very likely our home loan rates here will follow.

Refinancing to a lower interest rate is one solution that all home owners should look at. Talk to a mortgage broker who can help you to compare packages and rates from various ways so that you will not miss out any good deals. You may also like to consider to extending your loan tenure to bring down the monthly instalment amount or paying down to bring down the overall loan amount which will help to lower down the monthly instalment. In any way you do, a mortgage broker will be able to help you assess which works best for you.

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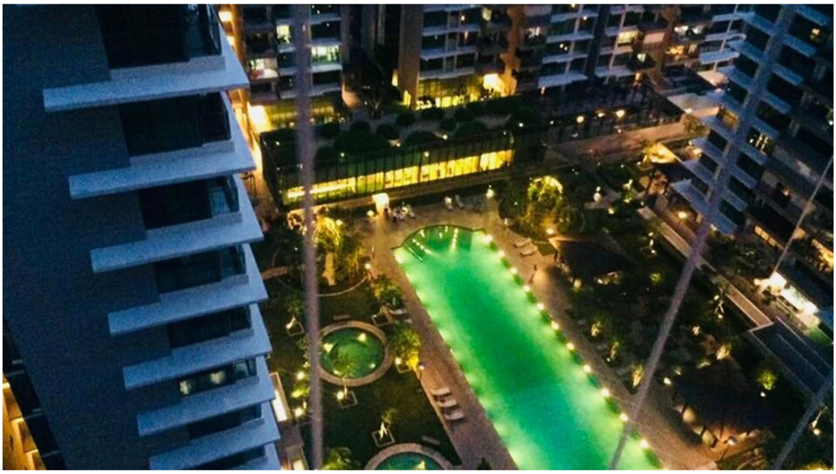
IMPORTANT POINTS TO TAKE NOTE FOR EC SINGAPORE HOME OWNERS & BUYERS



Executive Condo in Singapore

As property prices rose sharply for the past years, Executive Condo Singapore has become a very popular choice among families who aspire to have a better standard of living. Executive condos are a hybrid type of housing that fall between public and private housing. EC Singapore looks like private condo with guarded security, swimming pool, playground, gym, BBQ pits etc. They are sold to home buyers at a cheaper price as its is subsidized by the government.

Like HDB, there is a minimum occupancy period (MOP) of five years for EC new condo launch Singapore bought from developer, which means the unit cannot be sold or rented out as whole unit during this period. After five years, it can be sold to Singaporeans (SCs) or Singaporean Permanent Residents (SPRs). After ten years, the unit can then be sold to foreigners, which is pretty similar to a full-fledged condo.

Though ECs follow HDB guidelines, home owners are not eligible for HDB loans. When taking up bank loans for EC Singapore financing, home buyers need to fulfil on HDB loan criteria such as MSR (Mortgage Servicing Ratio), whereby the amount required to service the monthly instalment cannot exceed more than 30% of the borrower's monthly income. TDSR (Total Debt Servicing Ratio) is the next MAS guideline whereby the borrower's total debt with the banks cannot be more than 60% of their monthly income.

Get in touch with any of our dedicated mortgage advisory consultant. He/she will be able to assist in your home loan eligibility assessment. On top of that, he/she would be able to analyse and compare 60 different home loan packages from 16 banks in Singapore.

IS FIXED DEPOSIT LINKED RATE HOME LOAN PACKAGE STILL A "SAFE HAVEN" FOR HOME OWNERS?

Few years ago when interest rate climate was still at a relatively low level, fixed deposit linked rate packages were once very popular among home owners. Most of them regarded them as an "alternate safe haven" to fixed rate packages and the popularity arose as their rates were lower than fixed rates. Several home owners even have the impression that fixed deposit linked rate packages offer guaranteed rates just like fixed rates which in fact they are not! It all started from the local banks such as DBS home loan, UOB home loan and OCBC mortgage home loan in Singapore offering rates pegged to fixed deposits pegged to 8 months to as long as 36 months. Soon after, foreign banks like HSBC, Maybank and Standard Chartered joined in the wagon.

The low rates stayed for a while until last year where we started to see rate hike on these fixed deposit linked packages. From our observation, most banks have actually increased their rates for such packages 1-2 Times for the past 12 months. With the change in market climate, more home owners are looking to take up fixed rate packages instead. One trend that we noticed is the rate difference in a fixed rate vs a floating rate package is relatively close nowadays.

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MY HDB SINGAPORE - HDB RESALE PRICE SINGAPORE – HDB LOAN V/S BANK LOAN

HDB BTO, HDB Home Loan Calculator Singapore

Buying a property is probably the biggest financial commitment in everyone's lifetime. Today, we are going to discuss a hot topic very often posted by HDB home owners, whether he's buying a HDB BTO flat or resale HDB flat. In this blog, we will be providing you with all relevant information on HDB resale price in Singapore, HDB loan and other relevant aspects. You will also get to know about HDB home loan calculator.

Every Singaporean will be allowed to take up a HDB concessionary loan twice on their HDB flat purchase, assuming he/she fulfils the eligibility criteria. Some of the key points to highlight for HDB loan are that the loan to value (LTV) is up to 90% and the initial 10% downpayment can be fully paid using CPFOA funds. There's no penalty for early repayment and home owners can always go down to HDB branch office to make the payment arrangement. Most people have the impression that HDB rates are on a guaranteed basis with no chance of rate hike. While we do agree that HDB rates are relatively "stable", they are NOT guaranteed as their rates are pegged to CPFOA interest rate which will be reviewed by the board on a quarterly basis. Another impression that most home owners had is HDB will be more lenient towards home owners who default HDB loan instalment payments. However, home owners may like to take note that there is a 7.5% interest being late payment fee per year imposed by HDB.

For bank loans, the loan to value (LTV) is up to 75% in which 5% down-payment has to be paid in cash and the remaining 20% via CPFOA funds or housing grants. With over 60 home loan packages offered by 16 banks, a dedicated mortgage broker will be able to work with you to get a lower interest rate than HDB loan, at this current market climate. Also, for those who plan to apply for a second HDB loan, do note that the loan amount has to be reduced. You may keep only $25,000 or half of the cash proceeds, whichever amount is higher, from the sale of your current or immediate past HDB flat. There's some home owners who may like to opt for a bank loan instead as they are able to keep more cash proceeds amount from the sale of their current or immediate past HDB flat. Home owners also may like to consider factors like the resale selling price, outstanding loan amount, any levy imposed, additional expenses such as renovation, movers etc. Hence, you may like to keep all these in mind before putting up your HDB for sale in the open market.

In summary, bank loan seems to be more attractive in terms of interest rate savings. However, home owners may need to review and refinance their home loans in every 2-3 years. Talk to any of our friendly mortgage advisory consultants and get your figures right with our HDB loan calculator.

IS FIXED DEPOSIT IN SINGAPORE THE BEST OPTION FOR CONSERVATIVE INVESTORS?

For many years, fixed deposit offered by banks have been seen as the best option for one who wants to make their money grow in a conservative manner. However, during the past few years, as the awareness of financial and retirement planning increases, more individuals are channelling their money into various financial Instruments. Today, we shall discuss about these options.

Fixed deposit offers guaranteed returns by banks. Unlike a typical savings account with liquidity, Fixed deposits has a tied down on the account holder at a tenure of 6 months to 4 years. In return, fixed deposit gives a higher interest rate than ordinary saving accounts. Another advantage is that fixed deposit interest gains are not taxable in Singapore. However, based on the rates given by fixed deposit, they are less likely to beat inflation over time and one may lose their coupon pay out in the event of early redemption before the fixed Deposit tenure.

Singapore Savings Bonds are a special type of Singapore Government Securities that is suitable for individuals with low risk tolerance. Lately, we have seen increased popularity among subscribers as their interest rates tend to out beat fixed deposit. Some advantages include redeeming early with no penalty of losing your interest pay out. They are guaranteed by the government and interest gains are exempted from tax. These instruments offer the flexibility of short or long term investment period. Returns are calculated based on a step up interest basis where interest will be higher when kept for a longer period of time.

In summary, if one is looking for a short term time horizon with guaranteed principal at a higher interest rate by a bank savings account, the above two options should work well for you. To get in touch with our guest writer, you may like to PM our hotline at +65 85565271.

SHOULD I TAKE A FIXED OR FLOATING PACKAGE FOR MY HOME LOAN?

Should I take a Fixed or Floating Package for my Home Loan?

Many times we faced this common question when meeting home owners for mortgage planning and review.

First of all, let's try to understand what's the difference between a fixed rate and a floating rate for home loan package. A fixed rate package offers interest rate on a guaranteed basis of 1-3 years. That means in the event of any volatile market movement during this period, your monthly repayment amount will not be affected. Normally such rates offered will be slightly higher than those floating rates as the rates are on a guaranteed basis. One point to note is such packages come with a lock in period clause and hence, the home owner maybe penalised with cancellation fees should he/she sells off the property or make a full loan redemption during the lock in period.

Hence, if you are planning to sell your property within this short term period, you may like to relook your options and talk to a mortgage broker for a detailed calculation.

On the other hand, floating packages are pegged to interest rate elements such as SIBOR (Singapore Inter Bank Offered Rates) eg on 1/3/6/12 month interest revision basis, SOR (Singapore Offered Rate) which is lesser seen nowadays in home loan packages, fixed deposit linked rates(pegged to banks" fixed deposit rates) and board rates as deterred by banks. Floating rates are normally slightly lower as compared to fixed rates as they come with a risk element of rate hike adjustment possibility. Typically, most floating packages can come with no/1-3 year lock in feature. If you are looking at some form of flexibility like making a full redemption on your home loans without cancellation fees imposed, you may like to look at packages with no lock in feature. However, if you have taken any form of legal subsidy when you refinanced your home loan back then, a 3 year clawback clause on the legal subsidy taken maybe imposed to you by the bank.

Typically, there's no right or wrong answer on which is the best package. Importantly, home owners have to ask themselves whether the terms and conditions set for the home loan packages fulfil their requirements and expectations. Other than looking at the best rates in the market, we also highlight to clients about their risk tolerance as everyone's threshold towards rate hike adjustment is different.

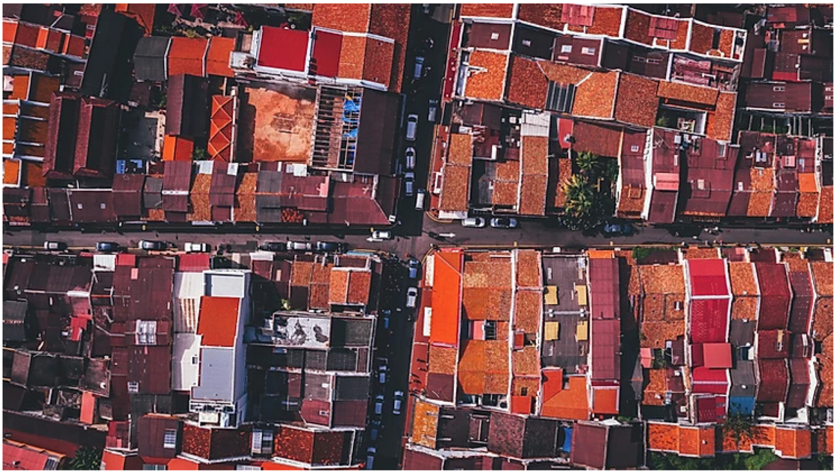
If you have trouble choosing between a fixed rate and a floating rate, you may like to PM our hotline at +65 85565271 and our mortgage consultants will be glad to advise on which package best suits you.

EXPENSES TO TAKE NOTE OF BEFORE BUYING A PROPERTY IN SINGAPORE

Buying a property is usually an exciting process for many people. However, careful planning is necessary before one commits to buy a property. One of the most important areas to look out for is to plan your finances before committing to a purchase. The buyer should always ensure that he or she has enough reserves not just to pay for the immediate expenses, but also the unexpected expenses in the short term and the long run. There are six main categories of expenses (but not limited to) at the point of purchase.

1) Downpayment If you are going for your first mortgage loan, the maximum loan-to-value (LTV) amount will be 75% of the purchase price or valuation price, whichever is lower. That will mean that you will have to fork out monies for the 25% downpayment.

If you are going for a second mortgage loan, LTV will only be 45% and if it's the third mortgage loan, LTV will only be 35%.



2) Legal Fees For a private property purchase, legal fees tend to be between $3,000 and $6,000, depending on how high the property price is. It also varies between law firms.
3) Stamp Duty For Singaporean citizens, Nationals and Permanent Residents (PR) of Iceland, Liechtenstein, Norway or Switzerland and Nationals of the United States of America, buyers' stamp duty for the first residential property, the rates are computed as such: 1% of First $180,000 2% of Next $180,000 3% of Next $640,000 4% of Remaining Amount Please take note that if you are going for your second property purchase or more, and/or if you are a PR/foreigner in Singapore, additional buyers' stamp duty applies.
4) Admin and Others There will be some small miscellaneous costs during the conveyancing period before completion of a project, such as for the valuation report, insurance etc. You may be required to pay agent fees in some instances, depending on the negotiation process.

5) Renovation Costs This varies from one property to another. It can be quite minimal for a small compact condominium which is nicely done up, but it can be pretty hefty for bigger purchases like a landed property.

For example, an internal full renovation of a terrace house can cost around $500,000, while a total rebuild of a 3,000 sq ft land size semi-detached can cost as much as $2,000,000. 6) Cash-Over-Valuation (COV) Most of the time, banks are willing to match the valuation price with the purchase price. However, there are instances where the purchase price is way above the recent transacted prices. Hence, there will be a COV component involved. For any amount that is above the valuation, buyers will have to top up by cash, as the COV amount cannot be financed using CPF monies or mortgage loans.

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PROS AND CONS OF OWNING A DUAL KEY UNIT

In recent years, some of the new condominium launches are coming up with dual key concept units.

So what is a dual key unit?

Simply put, a dual key unit is where a property is divided into two sub-types. For instance, a dual key unit may consist of a studio unit together with a one-bedroom unit. The two units usually only share a common foyer or entrance through which all occupants can enter. This allows one space to be shared by different parties.

The advantages of acquiring a dual key unit are:

- It allows the owner to stay in one part of the dual key unit and at the same time able to rent out the other part. Yet, the owner is still able to enjoy his/her own privacy. The rental income will be able to help pay off part of the monthly mortgage loan instalment at the same time.
- It could be a good arrangement for multi-generational families. It allows the owner to stay in one part of the dual key unit and the extended family to stay in the adjoining unit. And yet the owner is still able to enjoy his/her own privacy.
- Rental yields for dual key units are usually higher than conventional units of the same size too. Actual transactions at the Flamingo Valley Condominium in Siglap have shown this to be true.

For example, let's compare the current rental rates for an 800 sq ft dual key unit that contains a studio unit and a one-bedroom unit with a conventional 800 sq ft two-bedroom unit.

The studio unit can be rented out at $1,500/month and the one-bedroom unit at $1,800/month. That's a total of $3,300/month.

However, for the two-bedroom unit, the average monthly rent amounts to $2,500-$2,800/month.

So it's clear that the dual key unit has a much higher rental yield for this instance.

However, dual key units come with their own setbacks as well:

1) It caters to a very niche market. When it comes to reselling a dual key unit, the number of buyers may not be as high as buyers looking for a normal two-bedroom or three-bedroom unit.
2) If you have rented out both the units inside the dual key unit, showing the entire dual key unit to potential buyers could pose a challenge. It may take a lot of coordination to ensure that both tenants are present for the viewing.
3) Dispute management between tenants could get tricky too. While there's no doubt that both tenants have their own private units, the two tenants may have some disagreements. For example, one of the tenants may clutter up the common foyer, be too noisy, or hike up the electricity and water usage.

The owner has to prepare some guidelines to ensure that both tenants live in harmony. Otherwise, it can be a huge hassle every month to manage the two tenants.

In all, every property comes with its upsides and downsides, including dual key units. Always weigh both the pros and cons before jumping into the investment and remember to have an exit plan too.

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COFFEE TALK WITH OUR GURU

The purchase of a house is probably a person's biggest financial commitment. Since it is our biggest asset, why not take steps to ensure that we have our home loan covered?

Mortgage Insurance, also commonly known as Mortgage Reduced Term Assurance (MRTA), provides coverage for the home loan. This is important because if the payor is no longer able to service his loan due to his passing, the family will have enough to pay off the home loan. Mortgage Insurance provides a lump sum payout which decrease over time as the home loan is paid off. Such plans also provide options for coverage on Terminal Illness, Total & Permanent Disability or even Critical Illnesses.

Premiums are affordable and often end before the loan tenure. One can choose the desired coverage amount and number of years to cover.

Opt for it to cover the home loan and have a peace of mind!

Stay Tuned for the next article! Contributed by our guest writer, who's also a leading practitioner in the financial advsiory industry. To get in touch with our guest writer, you may like to PM us at 85565271.

HOW TO RETIRE YOUNG THROUGH PROPERTY INVESTMENT

How to Retire Young Through Property Investment

In the last ten over years of my real estate career, I have seen so many young adults who had just started out in their career splurge on luxury items that depreciate over time, and neglect planning financially for themselves. They are missing out on the advantages of compound interest through investments and leveraging on longer property loan tenure when they are young.

When you buy a property at 30 years old, you will be able to go for full loan tenure of 30 years and keep your monthly instalments low. Hence, there will be more positive monthly cash flow (or at least less negative monthly cash flow).

On the contrary, if you are 45 years old when you buy your property, your loan tenure will be capped at 20 years and your monthly instalments will be a lot higher. In the end, you may not be able to go for as much loan as you desired.

Through proper and prudent property investments, one can make good use of the power of leveraging through mortgage loans.

For example, if you buy a $1m property, and you take an 80% loan, your down payment is only 20% at $200,000.

So if the property appreciates by 20%, and hence the value becomes $1.2m, your returns (before expenses) are not just 20% but will be 100% instead (200k/200k times 100% = 100%)!

And not forgetting the monthly rent you will collect, which will further add up to your investment returns!

The question now is that, can a person with an average income be able to own a property at a younger age? The answer is yes, and I have seen so many successful examples over many years!

To illustrate my point, let's look at a 28-year-old adult that's earning $5,000/month.

Assuming he manages to save $3,000/month, it will translate to savings of $36,000 per year. Let's say he aims to buy an investment property at 35 years old. Hence in seven years' time, he will be able to save up to $252,000, which is sufficient to place the down payment for a $1m property.

And if he has pay increment over the next few years from 28 years old, he would be able to save even more.

Let's assume that if along the way, he has more monthly commitments (e.g. getting married, medical expenses etc.), and can only save $2000/month. Hence, by the age of 35, he will only be able to save up to $168,000. However, it is still possible to accumulate more than $200,000 in savings by the age of 35 through safe investments or savings vehicles, such as endowment plans or even Singapore Savings bonds (which have up to 2.5-3% of average yearly returns).

So what's next when you have enough capital to invest in a good investment property? Act on it!

Let's look at one example. Project name: Icon at Tanjong Pagar Unit type and size: 581 sq ft, one bedroom unit Purchase price: $1.05mil Expected conservative monthly rent: $3000 (average rent is between $3,200 to $3,500 per month)

Assuming one is taking an 80% loan, at 2% interest rate, with 30 years loan tenure Monthly instalment: $3200 (round up to nearest hundred) (Monthly loan interest is $1400/mth conservatively as this interest amount will get lower as the loan amount gets lesser every month)

Question:

So the $3000 monthly rent is less than the monthly loan instalment of $3200. Is this a lousy buy or is this still worth considering?

Let's crunch some numbers and do some assessments!

Buying expenses when you first bought this unit:

1) Stamp duty: $28,000 (round up) 2) Legal fees: $3,000 3) Others: $2,000

Subtotal (a): $33,000

Monthly expenses if you rent out this unit:

1) Loan interest: $1,400 2) Maintenance fees: $150 3) Rental income tax: $100 (depends on the individual's tax bracket) 4) Property tax: $200 5) Others: $200 (e.g. repairs, furnishing, vacancy periods when the unit is not able to rent out)

Subtotal (b):

$2,050 Monthly gain: $3,000 (rent collected) less $2,050: $950

Yearly gain: 12 months times $950 = $11,400 (c) Monthly cashflow: $3,000 rent less (items 2-5 for monthly expenses: $650) less $3,200 instalment = **($850)**

Selling expenses assuming selling at price of $1,200,000 five years later (based on a 3% year-on-year price appreciation):

1) Agent commission: $26,000 (assuming 2% of selling price plus GST, figure is rounded up) 2) Legal fees: $3,000 3) Others: $1,000

Subtotal (d): $30,000

Total gain: $1,200,000 (selling price) less $1,050,000 (purchase price) plus yearly gain of $11,400 (c) times 5 years less buying expenses $33,000 (a) less selling expenses $30,000 (d) = **$144,000**

Initial downpayment: 20% of $1,050,000: $210,000

Percentage gain on initial invested capital:

$144,000/$210,000 times 100% = **68.5%**

Yearly percentage gain on initial invested capital: 68.5%/5 years = **13.7%**

For the above scenario, he has to ensure that he has enough savings for the negative cashflow of $850 every month. If he liquidates his property at the age of 40, he will have $210,000 of principal and $144,000 of earnings, which will total up to $354,000. That amount is sufficient to place a down payment for another property of $1.5-$1.7m.

Imagine if at he sells off the second property again, he may be able to reap off even more profits, which may allow him to enjoy an earlier retirement very comfortably.

Of course, every investment comes with a set of risks. But, as long as one does his due diligence and had set aside enough reserves to hold on to the property, property investing can prove to be highly rewarding.

To get in touch with our guest writer, you may like to PM us at +65 85565271.

SHOULD YOU STAY AT YOUR HDB OR UPGRADE?

Buying a private property for investment vs upgrading to stay at a private property

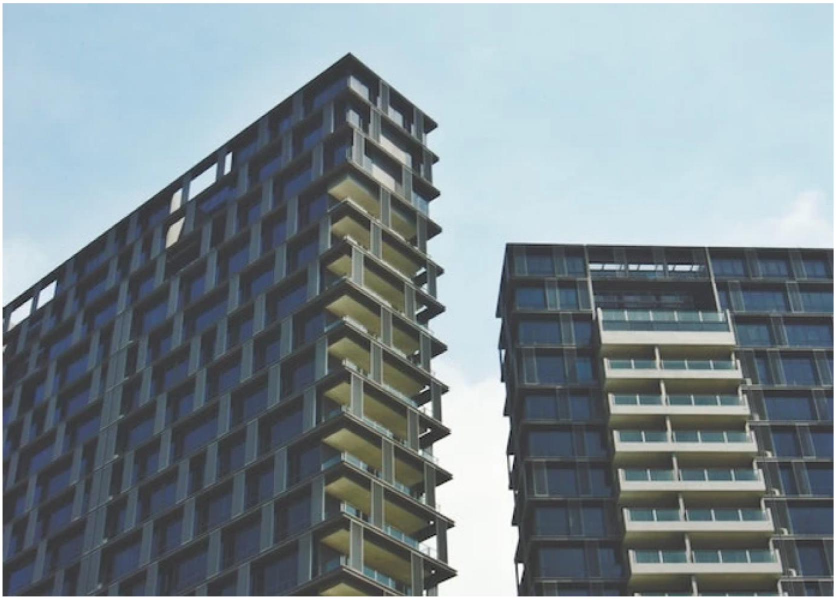
To a certain extent, I would agree that purchasing a private property in a good location with a good entry price would have a lot more capital gains as compared to a HDB. After all, HDB properties have always been meant for living purposes and not for speculative reasons.

However, one should not plunge immediately and sell one's HDB just for the sake of wanting to own a private property. After all, staying in a HDB allows one to keep living expenses low as compared to staying in a private property.

A breakdown of a HDB flat's living expenses:

1) Conservancy charges: $30 to $100 per month on average, depending on flat type
2) Property tax: $200 to $400 per year on average, depending on flat type
3) Utilities: It varies depending on individual usage. But from some observations, a HDB owner seems to be paying much lesser than a private owner
4) Parking charges: $90/month for surface car park and $120/month for sheltered car park

For HDB dwellers, there are discounts and rebates given from time to time, which can amount to considerable savings over time. For private property owners, they will be deprived of those privileges.



A breakdown of a condo's living expenses:

1) Condo maintenance fees: from around $300/month to over $1000/month, depending on condo type and location
2) Property tax: from around $1000/year to over $2000/year, depending on condo type and location
3) Utilities: Again, it varies depending on individual usage. But from my observations, most of the condo owners seem to be paying more than $200/month, and some of them are even paying an excess of $500/month
4) Parking charges: Maintenance fees would usually include parking charges

At a glance, it's clear that the monthly expenses for staying in a condominium are significantly higher than staying in a HDB. Moreover, the monthly loan instalments for private properties will be a lot higher – at least around an extra thousand dollars every month.

But does that mean that we have to stay in our HDB flat forever?

Not necessarily so! There are a few questions you have to ask yourself first before you make the decision to sell:

1) After selling your current HDB flat, would the sale proceeds be adequate for you to buy another condominium for your own stay? Or is it enough to even buy two private properties (one for your own stay and one for investment?)
2) Would you be very comfortable paying the monthly projected expenses and loan instalments if you really make the move?
3) If you and/or your spouse become unemployed, would you still be comfortable in paying your monthly expenses?
4) Do you have enough cash and CPF reserves for rainy days? For example,

a) At least 12 months' worth of reserves for property expenses

b) Unexpected expenditures in the family such as medical expenses, etc.
c) If you're buying to rent out, are you able to get by with lower than expected rent or when you cannot find a tenant in the short term?

Of course, living the condo lifestyle, the dream of financial freedom or early retirement is something many of us yearn to have. However, the most important question is, if things do go wrong, will it significantly affect the current life you and your loved ones have?

Exercise prudence as always; tread with caution and calculate your risks!

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THREE TIPS TO RENT OUT YOUR PROPERTY FASTER

Every landlord wants to rent out his unit at a good rate and spend minimally on furnishing and touching up the unit. However, I would urge all landlords not to be "penny wise, pounds foolish"!

Currently, the rental market is sluggish due to a large supply of rental units and the fall in the number of tenants. Hence, it makes it even more important to stand out from the rest of the rental units. After all, leaving the unit vacant could mean losing some rental income.

So the question now is: how can you quickly rent out your unit and not compromise on the bottom line?

Here are three useful tips to answer that question.

a) Price it right! As much as every landlord wants the highest possible rent, it’s best to price it to an attractive level to attract more viewers first. If you rent your unit at $3,000 per month when the average price is between $2,000 and $2,300 per month, you might lose out on a lot of potential renters.

You can price it slightly higher than the average rental prices if your unit has a unique selling point. For example, having a superb view, very well furnished and/or renovated unit in an old estate/condominium, etc.

Overpricing your unit would mean potentially leaving your unit vacant. As a result, most owners will eventually lower their rent expectations.

Assuming the market rent is $2,000 per month, and there's a tenant who wants to rent at $1,900 per month. If the tenant has minimal requirements, it would make sense to accept the offer. Rejecting the tenant could potentially leave the unit vacant for at least 1 or 2 months (every month of rental income loss would be $1,900/12 months: $158 per month). You could be worse off if you leave the unit vacant for more than one month!

b) First impression counts! Nobody likes to go through the hassle of touching up the unit even before finding a tenant. But if the unit doesn't look pleasant, the advertisement would not look attractive enough to lure in enquiries. In addition, tenants who viewed may also be turned off by how the property looks.

Simple and easy ways to spruce up the unit include painting the entire unit in white, removing any unnecessary clutter, and throwing away old furniture and appliances.

c) Be flexible with furnishing requests!

Do your math! Nowadays, furniture and appliances can be very affordable. For example, a brand new 40-inch television can cost less than $500. A proper dining table set? Less than $400.

Let's say there's a tenant who wants to rent the unit at $2,000 per month for a one year lease and requests for a dining table set and a television. Rather than rejecting him, perhaps you can negotiate for slightly higher rent at $2,050 per month? An extra $50 a month would mean earning another $600 for the entire year. Don't forget that, at the end of the lease, the TV and dining set will still belong to you!

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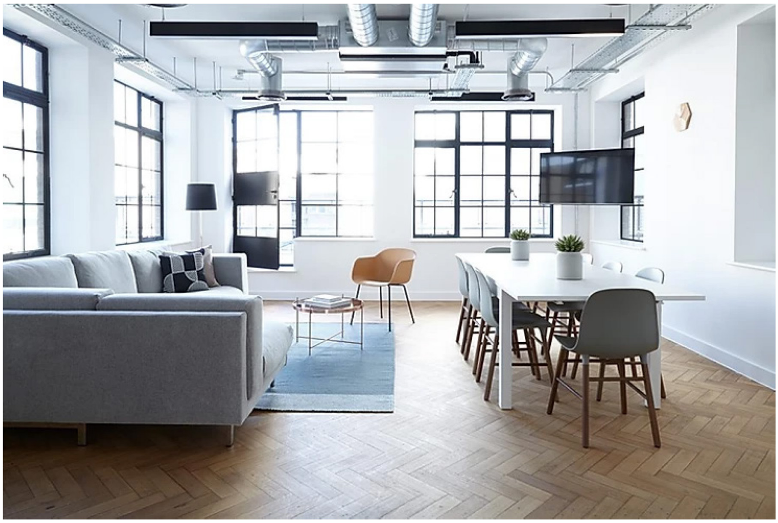
THE MOST POWERFUL STRESS TEST TO DETERMINE GOOD INVESTMENT PROPERTY BUYS!

There are so many indicators/stress tests for an investor to use before choosing the right investment property to buy. And there's no common indicator that can be used for ALL investment properties.

It will be largely depending on the type of investment property one is looking at (eg., commercial, industrial, landed properties, condominiums in CBD areas versus condominiums in heartland areas etc.) and also the objective of the investor (eg. cash flow, capital appreciation, rental yield, capital preservation etc.)



Let's use an example to illustrate how this indicator can be used.

Project name: Icon at Tanjong Pagar

Unit type and size: 581 sqft, one bedroom unit

Purchase price: $1.05mil

Expected conservative monthly rent: $3000 (average rent is between $3,200 to $3,500 per monthly)

Assuming one is taking 80% loan, at 2% interest rate, 25 years loan tenure

Monthly instalment: $3600 (round up to nearest hundred)

(Monthly loan interest is $1400/mth conservatively as this interest amount will get lower as the loan amount gets lesser every month)

N	Payment	Rate	Principal	Balance
1	$3560.38	$1400.00	$2160.38	$837839.62
2	$3560.38	$1396.40	$2163.98	$835675.62
3	$3560.38	$1392.79	$2167.59	$833508.06
4	$3560.38	$1389.18	$2171.20	$831336.88
5	$3560.38	$1385.56	$2174.82	$829162.06
6	$3560.38	$1381.94	$2178.44	$826983.62
7	$3560.38	$1378.31	$2182.07	$824801.56
8	$3560.38	$1374.67	$2185.71	$822615.88
9	$3560.38	$1371.03	$2189.35	$820426.50
10	$3560.38	$1367.38	$2193.00	$818233.50

Amount borrowed: $ 840000

Annual Interest rate: 2 %

Number of years: 25

Monthly payment: $ 3560.38

Total Interest: $ 228113.75

Total Payment: $ 1068113.75

Amortization Table

Question: Rent collected: $3000 is less than the monthly loan instalment of $3600. Is this a lousy buy or is this worth considering? Let's crunch some numbers and do some assessments!

Buying expenses when you first bought this unit: 1) Stamp duty: $28,000 (round up) 2) Legal fees: $3,000 3) Others: $2,000 **Subtotal (a): $33,000**

Monthly expenses if you rent out this unit: 1) Loan interest: $1,400 2) Maintenance fees: $250 3) Rental income tax: $200 (depends on individual's tax bracket) 4) Property tax: $200 5) Others: $200 (eg., repairs, furnishing, vacancy periods when the unit is not able to rent out) **Subtotal (b):**

$2,250 Monthly gain: $3,000 (rent collected) less $2,250: $750 **Yearly gain: 12 months times $750: $9,000 (c)**

Monthly cashflow: $3,000 less (items 2-5 for monthly expenses: $850) less $3,600 instalment: **($1,450)**

Total gain: $1,100,000 (selling price) less $1,050,000 (purchase price) plus yearly gain of $9,000 (c) times 5 years less buying expenses $33,000 (a) less selling expenses $30,000 (d) : **$32,000**

Initial downpayment: 20% of $1,050,000: $210,000

Percentage gain on initial invested capital: $32,000/$210,000 times 100%: **15.2%**

Yearly percentage gain on initial invested capital:

15.2%/5 years: **3.04%**

Breakeven price of this property if one is to sell on the fifth year: [yearly gain of $9,000 (c) times 5 years less buying expenses $33,000 (a) less selling expenses $30,000 (d): ($18,000)]

+ $1,050,000 (purchase price): **$1,068,000**

Breakeven year of this property if one is to sell at same price: [Buying expenses $33,000

(a) plus selling expenses $30,000 (d): $63,000] / Yearly gain: $9,000 (c): **7th year**

Summary and analysis of this investment (just on rental yield perspective):

1) If one see more upside in this area, meaning there are many catalysts for growth (eg., Keppel area redeveloping, CBD area, proximity to MRT, high rental demand, high investors' interests etc.), appreciating by more than $50,000 in 5 years' time or longer would be highly possible.

Do look at the historical prices too. If historically, the price of Icon unit has hit much higher than the entry price, then there may be a chance that it may hit that price again.

2) On a very conservative approach, if one is satisfied in just getting more than the returns as compared to putting monies in safe vehicles like time deposits (1-2% interest rates on average) or Singapore bonds (2-3% interest rates on average), then this investment would be ideal because even by using the most conservative way of calculating (assuming rent price remain this low throughout, marking up

the monthly and the transaction expenses etc.), the yearly returns on the invested capital is already 3.04%.

3) If market price remains stagnant all the way, and the purchaser sells the property on the 7th year at the same entry price, he will not lose money!
4) Always invest only when you have enough spare cash after setting aside monies for your needs. One must be prepared to top up close to $1,500 per month assuming rent remain low at $3,000 per month.

I would consider this unit as a good investment to look into.

For those with a bigger budget and/or higher risk appetites who want to invest in something of higher returns, properties like landed properties, conservation houses, condominiums in Orchard or even Sentosa may whet their appetites. Assessing these properties will require a different set of indicators. Using rental yield approach will not work because these are capital play vehicles and rental yield will be very low.

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THE BEST WELL-KEPT SECRETS TO SELL YOUR PROPERTY FAST AND AT HIGH PRICE! (PART 1)

1) Improve The Appeal Of Your House Before Showing!

First impression counts! The most basic thing to do is to clear unwanted clutter from your house. A messy house makes the place looks small.

Neutralise your home. Make your home like a piece of blank canvas that any buyer can visualise painting their own dreams upon. Remove quirky display items and loud paint colours. Painting the walls white works all the time!

Keep away food and all items that cause smell. For those who place altars at home, do try to avoid viewings when you are burning incense or joss sticks. Using an essential oil burner during viewing helps! Lavender oil or lemongrass oil are usually popular choices. Always ensure the floor is free from dirt and dust and especially oil stains! A sticky or dusty floor is a huge turn-off!

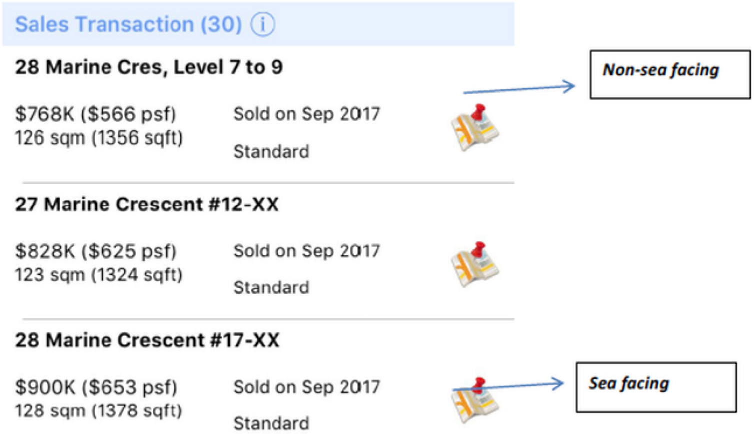
2) Taking good pictures!

The picture was taken with the photographer back facing the bright background of the scenery, using the "pano" function of the camera and clutter was removed before pictures were taken

Before taking any pictures, on all the lights first! Avoid taking pictures against bright backgrounds as it will only make the pictures look dark. Place your camera near your foot and tilt the camera upwards. The house will look bigger in the pictures. If you want the house to look even bigger, you can use the "pano" function in your camera to take pictures.

3) Pricing Your Property!

Understanding the attributes of your home and knowing the transacted prices in your neighbourhood with reference to similar flat types would allow you to be able to price your home realistically.



Sales Transaction (30)

28 Marine Cres, Level 7 to 9
$768K ($566 psf) Sold on Sep 2017
126 sqm (1356 sqft)
Standard

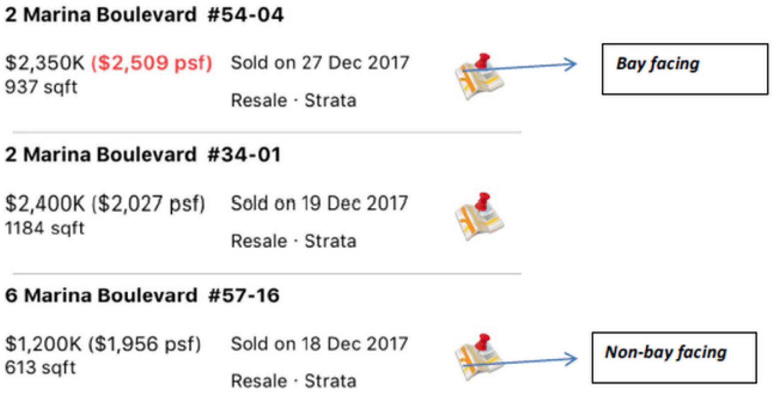
Non-sea facing

27 Marine Crescent #12-XX
$828K ($625 psf) Sold on Sep 2017
123 sqm (1324 sqft)
Standard

28 Marine Crescent #17-XX
$900K ($653 psf) Sold on Sep 2017
128 sqm (1378 sqft)
Standard

Sea facing

Above data is taken from SRX. A sea facing HDB unit at the same block sold $132,000 more than the non-sea facing unit.



2 Marina Boulevard #54-04
$2,350K ($2,509 psf) Sold on 27 Dec 2017
937 sqft
Resale · Strata

Bay facing

2 Marina Boulevard #34-01
$2,400K ($2,027 psf) Sold on 19 Dec 2017
1184 sqft
Resale · Strata

6 Marina Boulevard #57-16
$1,200K ($1,956 psf) Sold on 18 Dec 2017
613 sqft
Resale · Strata

Non-bay facing

Above data is taken from SRX. A bay facing unit at The Sail At Marina Bay Condo was sold $553 psf more than the non-bay facing unit.

Is Edgeprop or SRX X-Value an accurate gauge of the valuation of your property?

Definition as per SRX website: “X-ValueTM is a computer-generated appraisal of a home's market value. Developed with government and private funding, it sources from the nation's most comprehensive property database and instantaneously calculates a single value for every home using best practices methodologies, including comparable market analysis.”

The X-Value uses the comparable market analysis, which is what most if not all, valuers use to assess the valuation of a property. However, it should always be used as a guide only as the X-Value won't be able to tell whether your property has a premium facing, or whether your landed property is a two storey or three storey built up space, or whether your property was renovated two years ago at 1million dollars cost etc.!

For example, comparing two inter terrace in Joo Chiat of land size:

Sales Transaction (10)

3 Jalan Awang

$4,000K ($1,024 psf) Sold on 30 Aug 2017
3906 sqft
Resale · Land

4 Jalan Awang

$3,350K ($873 psf) Sold on 17 Jul 2017
3837 sqft
Resale · Land

Above data is taken from SRX. 3 Jalan Awang was sold at $1024 psf and was a three storey semi-detached house and 4 Jalan Awang was sold at $873 psf just one month ago and was a two storey semi-detached house.

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THE BEST WELL-KEPT SECRETS TO SELL YOUR PROPERTY FAST AND AT HIGH PRICE! (PART 2)

4) Advertise!

Expose your unit to the right crowd and as much as you can!

There are various ways such as property web portals, newspaper ads, SMSing to the 30,000 industry agents, reaching out to overseas customers, social media like Instagram or Facebook and many more!

Which method is most effective?

There are so many web portals such as PropertyGuru, 99.co, SRX, Edge-Prop, Carousell, Nestia, iProperty etc. It's literally impossible for a homeowner to subscribe to all portals (and only licensed property agents are allowed to subscribe to most of these portals anyway) as it is very costly to do so as well.

Hence, one of the key factors in choosing an effective property agent is to check whether he or she has access to all these portals. Just imagine the results you will have if you or if you get someone to market for you who have limited or zero access to these portals and can only rely on newspaper ads and word of mouth! Disastrous isn't it?

Newspaper ads are no longer as effective as before in this tech-savvy generation. However, for marketing landed properties, we still do get some enquiries from buyers for this category of properties though.

More than half the buyers have their own agents! The key question is, how do you reach out to all these agents all at one time?

Unless you have a SMS sending machine at home plus a database of the entire industry of real estate agents, SMSing to just a few hundreds or even thousands of agents is not going to be effective. If your salesperson has a database of the whole industry, it will surely be an additional boost for your marketing!

Social media marketing does not simply mean posting on your own Facebook wall and expecting tons of enquires to be flooding in!

Factors for a successful Facebook campaign include but not limited to:

a) The reach and the targeted crowd. You have to be specific on who you want to target! For example, if you are selling a $5,000,000 landed property in east coast area, targeting buyers who are married, above 35 years old, and staying in the east area is better than targeting the whole Singapore! Because based on your budget, if your reach is too wide, Facebook would not be able to optimise your ad as effective as compared to if you are targeting a niche market.

b) Your ad content! Have a catchy headline to entice viewers to take a second look!

"Why is this homeowner selling his $2,000,000 bungalow? Would be better than "Renovated bungalow for sale!"

c) Use nice pictures. Video works best! If you are using a video, ensure that the video is less than 60 second. This is because viewers tend to get bored if the video is too long and draggy.

5) Negotiating for the Best Price!

Always understand that every interested buyer has a NEED to buy and has ONE or MANY things that he likes about your unit.

Ask yourself:

a) Does the buyer have a compelling reason to buy your unit? For example, his or her parents stay in the same block, kids' school is nearby etc.
b) Are there many housing options in this area for the buyer? Is your unit the only unit on sale?
c) What does your buyer like about your unit? For example, the renovation or the facing or the view of the when you look out of the unit window?
d) Does the buyer have a dateline to meet? Perhaps he had sold his property and will be homeless soon?

By knowing the answers to the above questions, you would be able to know how to approach your buyers when negotiating.

Some buyers do not know that they can stretch their budget further as they are not familiar with the housing grants available to them if they are buying a HDB, or they do not know that they can take up more mortgage loan through revision of their own financial situations, or do not know the exact usage amount of their CPF monies, or are not familiar with the stamp duty regulations and hence they have to fork out more monies due to this ignorance etc.

Imagine a buyer, who initially thought that he can only buy a property that's worth a maximum of $500,000, is made known that he can actually purchase a property worth up to $600,000 due to higher loan amount and availability of the various grants. Do you think this will help the seller get a higher price for his unit? Chances that if the buyer likes his unit, he may increase his offer!

If you have a property agent, work closely with him to sell your home! As much as the commission that you will be paying to your agent may seem to be a lot at times, why not work out something with him or her that if he is able to deliver at a higher price (and of course still within realistic range), you shall pay him more commission for his efforts? Rather than focusing on how much you are going to pay to the agent in absolute value, you are definitely better off focussing on how much you are going to get after nett of expenses if you are going to sell at a higher price!

There's so much art and science behind the scenes of marketing and negotiation process. Sometimes by selling a property on your own in order to save brokerage fees can be proven to be very costly for you! An efficient and knowledgeable agent may have more resources to reach out to the right buyers and may have the experience to convince the buyer to offer the highest possible price for your unit.

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WHY YOU SHOULDN'T WORRY WHEN THE RENT IS LOWER THAN THE MONTHLY LOAN INSTALMENTS

On the surface, it might seem like a very bad situation to be in when one is not collecting monthly rent that is enough to cover the monthly loan instalments for the property.

However, the property may not necessarily be an unsuccessful investment as a loan instalment is not entirely an expense; it comprises of loan principal and interest.

Let's use an example to illustrate this point:

Project name: Icon at Tanjong Pagar

Unit type and size: 581 sq ft, one bedroom unit

Purchase price: $1.05 million

Expected monthly rent: $3000 (a conservative estimate)

Assuming one is taking an 80% loan, at 2% interest rate, with loan tenure of 25 years Monthly instalment: $3600 (rounded up to nearest hundred)

(Conservatively, the monthly loan interest is set at $1400/month, as this interest amount will get lower as the loan amount gets lesser every month)

N	Payment	Rate	Principal	Balance
1	$3560.38	$1400.00	$2160.38	$837839.62
2	$3560.38	$1396.40	$2163.98	$835675.62
3	$3560.38	$1392.79	$2167.59	$833508.06
4	$3560.38	$1389.18	$2171.20	$831336.88
5	$3560.38	$1385.56	$2174.82	$829162.06
6	$3560.38	$1381.94	$2178.44	$826983.62
7	$3560.38	$1378.31	$2182.07	$824801.56
8	$3560.38	$1374.67	$2185.71	$822615.88
9	$3560.38	$1371.03	$2189.35	$820426.50
10	$3560.38	$1367.38	$2193.00	$818233.50

Amount borrowed: $ 840000

Annual Interest rate: 2 %

Number of years: 25

Monthly payment: $ 3560.38

Total Interest: $ 228113.75

Total Payment: $ 1068113.75

Amortization Table

Question:

The rent collected is $3000, which is less than the monthly loan instalment of $3600. Is this investment property a liability or an asset to the property owner?

Let's crunch the numbers and do some assessments!

Monthly expenses if you rent out this unit:

1) Loan interest: $1,400

2) Maintenance fees: $250

3) Rental income tax: $200 (depends on individual's tax bracket)

4) Property tax: $200

5) Others: $200 (eg. repairs, furnishing, vacancy periods when the unit is not rented out)

Subtotal: $2,250

Monthly gain: $3,000 (rent collected) less $2,250: $750

Yearly gain: 12 months multiplied by $750: $9,000

Although there's a need to top up every month to service the loan instalment and other expenses, this property is still able to give a positive return to the property owner as the monthly rent collected is more than enough to cover the monthly expenses.

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ABOUT THE AUTHOR

Mortgage Consultancy is your Preferred One Stop Mortgage Solution.

Our Team of Dedicated Mortgage Brokers and Asset Strategists Comprises of Professionals who were Bankers, Real Estate Directors, Investment and Financial Advisers.

With our Vast Experience & Proven Track Record, our Objective is to compare the Best Rates Offered by Various Banks in Singapore which Best Suit the Client's Mortgage Needs and Expectations. Hence, the Advice Offered by our Mortgage Brokers & Asset Strategists is Independent and Unbiased as They are Not Tied Down by Any Banks. By Engaging our Services, This has Proven to be Very Cost Effective and a lot of Time Saved for Home Owners.

Our 45 Minute Comprehensive Consultation with our Mortgage Brokers & Asset Strategists is FREE for Home Owners. We are Only Being Paid Directly from Banks in the Event if the Client Decides to Take Up the Proposed Housing Loan Offer from the Bank.

Many Clients have Entrusted their Mortgage Matters to Us which Include Seeking for Approval in Principle (AIP) before Committing into Any Sales and Purchase Agreement with the Property Seller/Developer, Refinancing of their Existing Property Loans for Existing Property Owners, Equity Term Loans for Existing Property Owners to Cash Out Liquid Cash Without Selling their Existing Properties, Government Assisted Business Bank Loans and Capital Raising for SME Business Owners etc.

Currently, Mortgage Consultancy is managing more than S$1 Billion Worth of Mortgages for 3000 home and business owners.

*****Our List of Accolades*****

* Year 2018 & 2019 - Top 100 Mortgage Blog Worldwide
* January to July 2017 - Maybank Top Mortgage Loan Partner(Partnership Excellence Award)
* Guest Writer Contributor for Singapore Business Review
* Educational Speaker for Various MNCs and organisations
* Accredited with NS Mark by the Ministry of Defence
* As Seen on Yahoo Finance, Kiasu Parents, Renotalk, SG Invest Bloggers, SG WealthBuilder, SG Budget Babe, SG Wedding Guru and Talking Singapore.
* Featured on International Media like ABC, CBS, FOX, NBC, Daily Herald and Digital Journal.

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Over the years, we have received a lot of feedback and support from our valued clients, fellow bankers and industry professionals. These valuable feedback has been useful to us in writing blog articles to the public for the past 2 years, which we have compiled them into this 80 over page book. Some articles have also been published in the media such as Yahoo Finance and Singapore Business Review.

In this "Mortgage Talk" book, we shall discuss mainly about using debt like property and business loans from the banks to help average Singaporeans like you and me to achieve financial success and early retirement. Debt can be a double edged sword. If it's not handled carefully, it can bring one to financial distress by over committing into unnecessary liabilities' purchase or making the wrong financial decision.

We hope that you will find this collection of articles a good read and be able to add value to your wealth and asset planning journey.

We also seek your understanding in any errors and please feel free to send your feedback to admin@mortgageconsultancy.com.sg or www.mortgageconsultancy.com.sg

Thank you and have a good year ahead!

Mortgage Consultancy Editorial Team