

# MONEY

THE WEEK  
AT A  
GLANCE

## BEST BULLS

	Price	% rise
<b>Gunns</b> Asset sale speculation	\$0.27	28.6
<b>Seven West Media</b> \$3.35 New credit facility	\$3.35	13.6
<b>Coalspur Mines</b> Increased yield	\$1.71	9.3
<b>Cochlear</b> Rises after general meeting	\$57.98	7.9
<b>Myer Holdings</b> \$2.39 Sector recovery	\$2.39	7.7

## WORST BEARS

	Price	% fall
<b>OceanGold Corp</b> \$2.14 Management update	\$2.14	-15.1
<b>Pacific Brands</b> Shareholder sells	\$0.62	-14.5
<b>Murchison Metals</b> \$0.26 Oakajee woes continue	\$0.26	-13.6
<b>Fortescue Metals</b> \$4.25 Ore pricing concerns	\$4.25	-13.1
<b>Lynas Corp</b> \$1.10 Malaysian lice concerns	\$1.10	-12.1

## WORLD INDICES

	WEEKLY CHANGE
ALL ORDS	4203 -66
DOW JONES	11,809 +165
FTSE100	5489 +23
NIKKEI	8679 -69
HANG SENG	18,026 -476
NZSE	3281 -21
<b>COMMODITIES</b>	
GOLD (NY, \$US/OZ)	1637.29
OIL (NY, \$US/BARREL)	87.24

## CURRENCY WATCH

	BUY	SELL
Brunei	1.524	1.11
Canada	1.145	0.934
China	7.353	5.631
Denmark	6.433	4.641
Egypt	7.036	4.928
Euro	0.791	0.691
Fiji	2.121	1.552
French Pacific Franc	103.43	74.17
Hong Kong	8.731	7.21
Indonesia	10557	7372
Japan	86.05	72.26
Jordan	0.85	0.591
New Zealand	1.395	1.214
Norway	6.659	4.814
Oman	0.504	0.33
Papua New Guinea	2.685	1.81
Philippines	50.974	37.272
Saudi Arabia	4.522	3.211
Singapore	1.469	1.137
South Africa	9.566	7.078
Sweden	7.918	5.752
Switzerland	1.069	0.788
Taiwan	36.392	26.109
Thailand	35.88	27.633
United Kingdom	0.687	0.601
United States	1.079	0.985
United Arab Emirates	4.324	3.205
Vanuatu	111.60	77.13
Vietnam	25.063	16.903



**Home dilemma:** Samantha Reading, with son Jye, 5, weighs the choice of renting or buying.  
Picture: Robyne Cueler

# Home's no place for super savings



Noel Whittaker

BUYING that first home has never been easy, and ideas to help young people gain a foothold in the housing market are being floated continually.

The latest one comes from Lateral Economics head Nicholas Gruen, who wants the rules changed to allow young people to use their superannuation savings as a deposit for a house.

Apart from driving up house prices, the plan has two other big faults.

It ignores the true cost of home ownership and the real purpose of superannuation.

Even at today's low interest rates there is still a hefty margin between the costs of renting and owning.

Take a house worth \$400,000 that is let at \$400 a week. The tenant has occupancy for a total yearly cost

of \$20,800. In contrast, a mortgage of \$350,000 at 7 per cent will cost at least \$24,500 a year in interest alone. But the mortgage repayments are not the end of it; add at least \$3000 a year for rates and maintenance. This means that the tenant is almost \$7000 a year better off than the owner.

Obviously, renters who cannot save can end up with serious financial problems if they somehow wrangle enough money for a home deposit.

Then there is the concept of superannuation. It has one major goal - to provide people with a retirement income so they won't be living on the streets in their old age when the government runs out of welfare money.

How much you have when you retire depends on three factors: the amount contributed, the rate earned and the time the money was in there. Reduce any of these and you reduce the final payout.

Suppose two people invest \$3000 a year for 40 years. If one earns 5 per cent each year and the other earns 10 per cent each year, the end benefits are \$400,000 and \$16 million respectively.

**Superannuation has one major goal - to provide people with a retirement income in their old age**

Doubling the rate of return quadruples the end benefit.

This example shows that the primary objective of anybody with money in superannuation is to achieve the highest returns possible. You could never achieve this if you borrow money from your superannuation account and use it to reduce your home loan.

Yes, home ownership is a worthy aim but superannuation is not the vehicle to fund it.

If you are renting, and want a home, the solution is simple.

All you have to do is find a home you like, work out the monthly payments on the loan that it would take to buy it, and then add \$250 a month for ownership costs. Subtract the rent you are paying

from this figure and then start an aggressive savings campaign with the difference.

Suppose you pay \$300 a week rent now (\$1300 a month) and want to borrow \$350,000 to buy a \$400,000 home - the loan payments would be \$2330 a month.

Add the \$250 a month ownership costs to the \$1030 a month you save by renting and you get to the figure of \$1280 a month that you have to bank without fail each month.

If you earn 5 per cent interest you will have almost \$16,000 in your term deposit in one year and more than \$32,000 in two years.

By then you will have convinced yourself and your bank of your ability to pay off a home loan.

Then you can consider buying your own home, secure in the knowledge that your superannuation is doing the job it was designed to do.

**Noel Whittaker is a co-founder of Whittaker Macnaught Pty Ltd. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. His email is noelwhitt@gmail.com**