

First-home buyers get some help

State and federal governments are creating new incentives to help first-home buyers get into the overheated housing market.

Buying your own home is the largest purchase decision most people will make in their lives. However, a long run of low interest rates has fuelled spectacular dwelling price growth, record housing debt and phenomenal asset values, particularly in Sydney and Melbourne. According to the Reserve Bank of Australia, housing prices nationally have increased 7.25 per cent a year, on average, over the past 30 years.

Financial analysis and advisory firm CoreLogic adds that housing affordability has worsened over the past 15 years by every measure. It now takes 1.5 years of household income to save for a 20 per cent deposit on a dwelling compared with 0.8 years 15 years ago, the firm's Perceptions of Housing Affordability Report 2017 shows.

Government assistance

There are incentives prospective first-home buyers can use to make their dream of owning their own home come true. This year's Federal Budget, for example, proposes allowing individuals to make voluntary contributions to their superannuation accounts to save for a house deposit.

It is proposed that super contributions and earnings be taxed at 15 per cent, rather than higher marginal rates. Withdrawals would be taxed at their marginal rate, less 30 percentage points. Contributions would be limited to \$30,000 per person in total and \$15,000 per year and both members of a couple could take advantage of the scheme.

Additional non-concessional contributions could also be made but would not benefit from the tax concessions apart from the earnings being taxed at 15 per cent.

Currently, the NSW and Victorian governments offer first-home buyers:

- no stamp duty on all homes worth up to \$650,000 in NSW and \$600,000 in Victoria
- stamp duty relief for homes worth up to \$800,000 in NSW and \$750,000 in Victoria
- a \$10,000 grant for builders of new homes worth up to \$750,000 and purchasers of new homes worth up to \$600,000 in NSW
- no duty on lenders mortgage insurance in NSW
- a \$20,000 grant for new homes built in regional Victoria valued at up to \$750,000 – which is double the amount available in metropolitan areas.

Most states also have first-home buyer grants, each with different criteria.

Some state governments are also making it harder for foreign investors by increasing duties and land taxes and introducing other measures to reduce competition for first-home buyers.

Seek advice

There are many investment options that can help you build a deposit, each of which has different risk and return factors, but you don't have to make financial decisions by yourself.

Talk to an adviser to develop a plan that's tailored to you. Your adviser can help you:

- understand your current situation
- identify your financial and savings (home deposit) goals

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- determine your current income needs
- prepare a budget
- start a home savings plan
- protect your income and assets through personal insurance.

Sources:

- <https://www.rba.gov.au/publications/bulletin/2015/sep/pdf/bu-0915-3.pdf>
- https://www.corelogic.com.au/resources/pdf/reports/housing-affordability/2017-05-CoreLogicHousingAffordabilityReport_May2017.pdf?language_id=1

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