



IS FOMO¹ CATCHING UP WITH YOU?

HOW TO AFFORD YOUR TOYS AND GETAWAYS

After so many of us have spent prolonged periods at home over the last few years, it's not surprising to see Australians flocking to explore their own backyard and creating a spike in domestic tourism¹.

Travel to regional and outback areas of Australia is now on the radar of many travellers. As a result, they are purchasing four-wheel drives for exploring, and caravans, camping trailers and motor homes for extended regional travel and family fun.

If they're not exploring, they are enjoying their local area with family and friends on motor bikes, boats and jet skis.

Others are just spoiling themselves and using the opportunity to upgrade their car, potentially a sports car or convertible, that they would have previously considered a luxury.

What about you?

If you have been considering the purchase of a lifestyle item or need a good holiday but think you do not have the savings to purchase these items, there may be a few different funding options available to you, while still allowing you to enjoy more time with your family.

While most people immediately think of a car or personal loan to fund these items, it might also be worth considering utilising your home equity to fund these purchases.

However, you need to carefully consider the pros and cons of utilising an extension of your home loan to fund these lifestyle items.

The most notable advantage of using a home loan extension to fund the purchase of your lifestyle item is that the interest rate available is usually lower than other forms



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of credit. This is due to your home being the security for the loan (rather than the lifestyle item) providing greater certainty to the lender in the event you are unable to repay the loan.

However, you need to be careful that you do not end up paying more over the term of the loan. While you may be paying a lower interest rate, you could in fact end up paying more interest if you were to repay the loan over a longer period.

Many car and personal loans are taken out over two to five year terms. More than likely they have a significantly shorter period than your home loan that probably has a remaining term of say 10 or more years.

However this can be avoided if you structure the loan funds to purchase your lifestyle item into a split loan that you repay over a shorter time. The objective is to help you obtain that lifestyle item AND help you repay it in the most cost effective manner.

Everyone's financial circumstances are different and it's important to understand your objectives and the nature of your intended purchase to determine the optimal and most suitable financial solution for you and your family. It is best to contact us first, your finance specialist, so we can better assist you with your decision making.

Sources

1. FOMO - Fear Of Missing Out
2. ABC Surge in Domestic Travel, but will it save the Australian Travel Industry <https://www.abc.net.au/news/2020-09-23/regional-tourism-booming-but-will-it-last/12674086>