# Best Interest Duty Story Template

Goals and objectives

Joe and Suzie are partners and would like to purchase an investment property around the Brisbane Area, area up to $... purchase price. Seeking preapproval for $... plus LMI… = $... to assist with new purchase. Funds to complete will come from savings held at … Bank. Loan to be secured against new purchase and expected rental is $... per week.

The Story:   
Joe & Suzie are seeking to invest together and purchase a good property where the tenant will help them pay down their debt each month and build up equity in the next 2 to 3 years so they can look at acquiring another investment property using equity in the property and savings. This is part of their strategy to create wealth together and build up a decent property portfolio as part of their transition to retirement. Depending on the condition of the property, they may need to set aside $… to $... to upgrade the place like repainting, updating kitchen and bathrooms. They have no plans to renovate their existing owner-occupied property as it was renovated a couple of years ago, they have no plans to purchase a car as they are working from home and would normally catch public transport or Uber when required. They both have adequate insurances through his super. They do not expect to be travelling overseas due to covid but will travel locally and cover this with their savings.

*Financial Awareness*

Joe & Suzie have a good general understanding of finances as evidenced by their history of effectively managing and paying down their current mortgage and other loans and managing other debts (credit cards). They understand basic financing regarding how principal and interest works. They were not fully aware of the differences between an offset and re-draw. I discussed with them the benefits and challenges of offset and re-draw facilities and how they apply to their goals.

Loan split and product selection

$... on 3 year fix @ …%pa p&I over …years = approx. $...pm

$... + LMI $...= $... on variable @ …%pa p&I over …years = approx. $...pm

Loan to be secured over new purchase in the Brisbane area up to $750k purchase price. Property to be purchased in both Joe and Suzie names as Tenants in Common in equal shares.

Joe and Suzie would like a split facility and take advantage of the cheap fix rates on offer. They would like a large portion of the loan on a fixed rate to mitigate against any future rate rise and certainty in repayments on that portion during that term. They will focus on paying extra into the variable by using the rent and making additional repayments of $... each into the variable portion to cover any vacancies or repairs when required and build up equity for a future purchase.

They are both aware that they can only pay an extra $... per annum on the fixed loan without penalties and there are potential break costs if they repay the loan early before the fix rate expires via either paying more than $... or selling or refinancing to another lender.

They understand variable rates fluctuate with the market. They like the offset and redraw facility on variable loan. They like the flexibility of variable in that they can pay extra without penalties and have access to these funds should they need it for future purchase or emergency.

Lender preference and why

Looked at CBA, Macquarie and Westpac as possible lenders as comparable products, interest rates and internet platform. They opted to proceed with Macquarie as both are existing Macquarie clients and happy with the internet platform, brand and competitive interest rates on offer. Macquarie preapproval is valid for 6 months compared to Westpac and CBA only valid for 3 months and loan approval turnaround time is only 2 to 3 days compared to Westpac which is up to 4 weeks which is too long as they are wishing to attend some upcoming auctions. Macquarie borrowing capacity was higher than Westpac and CBA as their assessment rate and living expenses was higher than Macquarie should they wish to increase loan amount if they cannot find anything for $...

Interest rate

Based on Joe & Suzie’s current situation and goals, split rate loan provides them with a low variable and fixed rate. Macquarie offered variable rate of …%pa and 3 year fix at …%pa compared to Westpac variable …%pa and 3 year fix at …%pa and Macquarie variable …%pa and 3 year fix rate was …%pa.

Turnaround time (are there any specific deadlines for the clients?)

Advised Joe and Suzie turnaround time with Macquarie is around 2-3 days if all documents are in order and streamline process compared to CBA 3-5 days and Westpac turnaround time of 42 days. Joe and Suzie would like to bid at an auction this coming weekend and so an urgent pre-approval is required, hence further justification for selecting Macquarie.

Why is the recommended loan structure in the best interest of your client?

After working with the clients to understand their needs and objectives, the loan product… from Macquarie with current variable rate of x with a re-draw and offset will help them pay down their loan before term. The fixed rate loan with rate of x will give Joe & Suzie the opportunity to take advantage of the current low rates and feel comfortable with the stability of knowing what their repayments will be over this time.

Borrowing capacity

They would qualify for proposed loan amount with all the lenders selected as servicing is evident as both have stable employment, good income and sound net asset.

I have used Joe’s gross fortnight pay after pre-tax deduction into super of $... per fortnight as per current payslips for servicing.

I have used Suzie’s gross monthly salary of $... pm as per current payslip. In addition, I have used 80% of commission income of $... which is in line with 2020 commission of $...kpa.

She has Macquarie Mastercard which will be to $5k limit and AMEX of $5k which have both been included in servicing.