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Every mortgage has an interest-rate risk. Either the consumer or the lender carries the risk that interest rates will change.

*Forget past mistakes.
Forget failures.
Forget everything
except what you're
going to do now, and
do it.*

- William Durant

TRACKER MORTGAGES: RIGHT FOR YOU?

Tracker mortgages allow any homeowner with good equity to benefit from a generous discount compared to variable mortgages.

With a tracker mortgage (so named because it tracks the European Central Bank (ECB) rate), the mortgage lender charges a fixed percentage above the ECB rate to establish the rate of the mortgage. Therefore, when the ECB rate rises, the tracker mortgage rate will also be higher. The advantage comes when the interest rates decrease, and your mortgage payments decrease along with them.

Every mortgage has an interest-rate risk. Either the consumer or the lender carries the risk that interest rates will change. If you have a variable rate, and rates move up, you lose because your payment increases; when you fix and rates move up, you win and the lender loses.

The lender offers a tracker mortgage at a lifetime variable rate, which is discounted from the normal variable rate. In addition, you can increase your

discount by having good equity in your home—as the lender sees it, the more equity you have, the less likely you are to default.

The Irish financial market offers many options for those who are interested in tracker mortgages. Here are six things you should know before purchasing a tracker mortgage:

1. Tracker mortgages track your ECB rate as long as the first loan lasts.
2. The ECB rates are announced publicly and with great transparency, assuring absolute fairness with a lock-in to your mortgage rate.
3. A tracker mortgage includes the ECB base interest rate plus a certain percentage, set by the lender. For example, the tracker mortgage could charge the 4% interest rate of the ECB plus .75% (or more, depending on the terms of the loan).
4. Today's rates are very favorable for borrowers, and they may never be as low again. If you get one of these

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January Money Tip: Never...ever... guarantee a personal loan.

As financial advisors, we've seen far too many clients whose credit was destroyed because they guaranteed a loan.

A lender who requires a guarantor does so because he is concerned that the borrower can't repay the loan. When you guarantee a loan, you're responsible for repayment, just as if you borrowed the money yourself. When the payments are late, the delinquency is recorded on *your* credit profile.

Also at risk when you guarantee a loan is your relationship with the

borrower. Unless you're willing to risk that, say "no" now.

A mortgage, on the other hand, is not an impulse buy. If you've been asked by your son or daughter to guarantee a mortgage, guarantee only the amount that the bank won't lend. For example, if your child needs to borrow €300,000, and the lender is willing to loan only €265,000, you may be asked to guarantee the remaining €35,000. In this case, have your name removed from the mortgage as soon as possible—typically when the buyer's income has increased.



*Live this day as if
it were your last.
The past is over
and gone. The
future is not
guaranteed.*

- Wayne Dyer

TRACKER MORTGAGES (CONTINUED FROM PAGE 1)

favorable contracts at only .75% to 1.1% above the ECB, this band is locked in for the entire term of your mortgage.

5. You cannot fix the rate on a tracker mortgage; if you change your mind, you must refinance. This is the one true disadvantage of a tracker.
6. If you set a certain period of time to benefit from a tracker mortgage, your mortgage will revert to the standard interest rates charged by your lender at the close of the contract (unless you opt for the lifetime tracker mortgage).

Forecasters predict that the interest rates of the ECB will not grow by much in the foreseeable future, which is great news for people who want to take advantage of the low rates of a tracker mortgage. Not sure yet if a tracker mortgage is the best option for you and your family? Here are some pros and cons gathered from our customers (check the graphic).

Here is a quick quiz to see if you are suited for a tracker mortgage.

1. Do you have good equity in your home?
2. Are you looking for the lowest possible long-term rate for your mortgage?
3. Can you live with interest rates constantly changing?
4. Do you intend to live in your home for at least the next three years?

5. Do you dislike being locked in to a fixed mortgage rate?

If you answered yes to 5 questions, you are a prime candidate to save money with a tracker.

If you answered yes to 4 questions, you are still a great candidate to save money with a tracker.

If you answered yes to 3 questions, you may benefit from a tracker, but it is unlikely.

If you answered yes to 1 or 2 questions, wait for next month's article, when we will discuss fixed mortgages.

Although today's first-time buyers usually opt for a fixed mortgage, wise people look for ways to take advantage of low mortgage payments. Tracker mortgages are gaining in popularity with our clients, especially those who have good equity.

If you think a tracker mortgage makes sense for you call us at **01 xxx xxxx**. We will review your circumstances and discuss your options in depth. This will drive our research. There are many great deals in the market today, with a variety of trackers to suit many circumstances. We will compare rates, terms, and special offers, and then help you to choose the best one for you!

A person with a €250,000 mortgage on a standard variable rate of 5.2% for 25 years can save €65 per month by switching to a tracker rate of 4.75%. That's a total savings of €19,500 over the lifetime of the mortgage!

To see how much you can save, call us now at **01 xxx xxxx**.

Quick Quiz

Stamp duty was changed in the latest national budget. How many bands do we now have for residential property?

- a. 2 bands
- b. 4 bands
- c. 5 bands

Send your answer by phone, fax or email:

Phone: **xxx xxxxx**

Fax: **xxx xxxx**

Email: info@yourco.ie

This month's winner gets a **€60** gift voucher for (**your local**) restaurant.

NEW YEAR, NEW BEGINNING

Every year, January 1 is marked as a milestone—a turning point in the lives of those who resolve to conquer one of their demons or embark on some course of personal enrichment.

A year from now, countless folks will be celebrating their successful efforts to quit smoking, start exercising, get out of debt, or lose weight. Others, though, will find themselves returning to old habits by February, wondering what went wrong.

What about you? Does the dawn of the New Year inspire you to make sweeping changes in your life—to become the best you can be? Or does it just call to mind years past, when all your grand intentions fell by the wayside before winter's chill left the air?

Whether you're inspired or intimidated by the thought of making a commitment to improve your life, there are steps you can take right now to increase your chance for success. A little forethought and planning will help to make next January 1 a time to celebrate your victory, rather than a painful reminder of good intentions gone bad.

- **Resolve to please yourself.** Attempting to change your behavior to please someone else just won't work—it's a breeding ground for resentment and failure. Make sure your resolutions reflect what's important to you.
- **Put your resolutions in writing, and review them daily.** This practice will help you overcome avoidance and denial—two of the most treacherous hazards on your road to success.
- **Keep your list of resolutions short.** Let's face it—change is hard, and trying to change all the habits of a lifetime in one year is almost certain to lead to failure. Instead, choose one or two goals you can stick to. Next year, when you're patting yourself on the back for a job well done, you can tackle another target for change.
- **Set realistic goals.** Incremental steps are far more likely to result in

lasting change. If you've been sedentary for the past 10 years, resolving to run 10k several times a week is probably not a great idea. Instead, resolve to walk for 20 minutes, three times a week. Gradually increase the length, speed, and frequency of your walks, and by the end of the year—who knows?—you might be running that 10k.

- **Be specific.** In order to be successful, you must be accountable; to make yourself accountable, set identifiable and measurable goals. Instead of vowing to "save more money," resolve to increase monthly savings by 3 percent.
- **Cut your goals down to a manageable size.** In the realm of behavioral change, a year might as well be "forever," and "never" is too much to fathom. When you set goals with long-term goal lines, you could be setting yourself up to fail. Saving €20 a week is the same as saving €1040 in a year, but the former seems much more attainable, and it's more likely to lead you to your goal.
- **Have a plan for dealing with obstacles.** You've probably heard plenty of advice encouraging you to maintain a positive attitude when you're trying to change a behavior, and you'll certainly get no argument here. But thinking positive doesn't mean you have to ignore the negative. Anticipate all the things that *could* get in the way of your goal, and then make a plan for dealing with them, if and when they arise.
- **Don't go it alone.** Share your resolutions with another person to make yourself more accountable, and seek outside help if you need it. Groups like Weight Watchers and Alcoholics Anonymous have helped millions of people turn New Years resolutions into lifetime changes.

Our goals can only be reached through a vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act. There is no other route to success.

- Stephen A Brennan

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FREE REPORT

25 TOP TAX SAVINGS TIPS FOR 2008

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Why pay more than you have to? Either you keep your money, or the revenue will take it.

To get these simple, easy-to-use tips, just call our office at **xxx 1212**, or email us at yourname@yourdomain.com.

* * *

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