

	ASX	5129.50	-0.47
	DOW JONES	14,973.96	+142.38

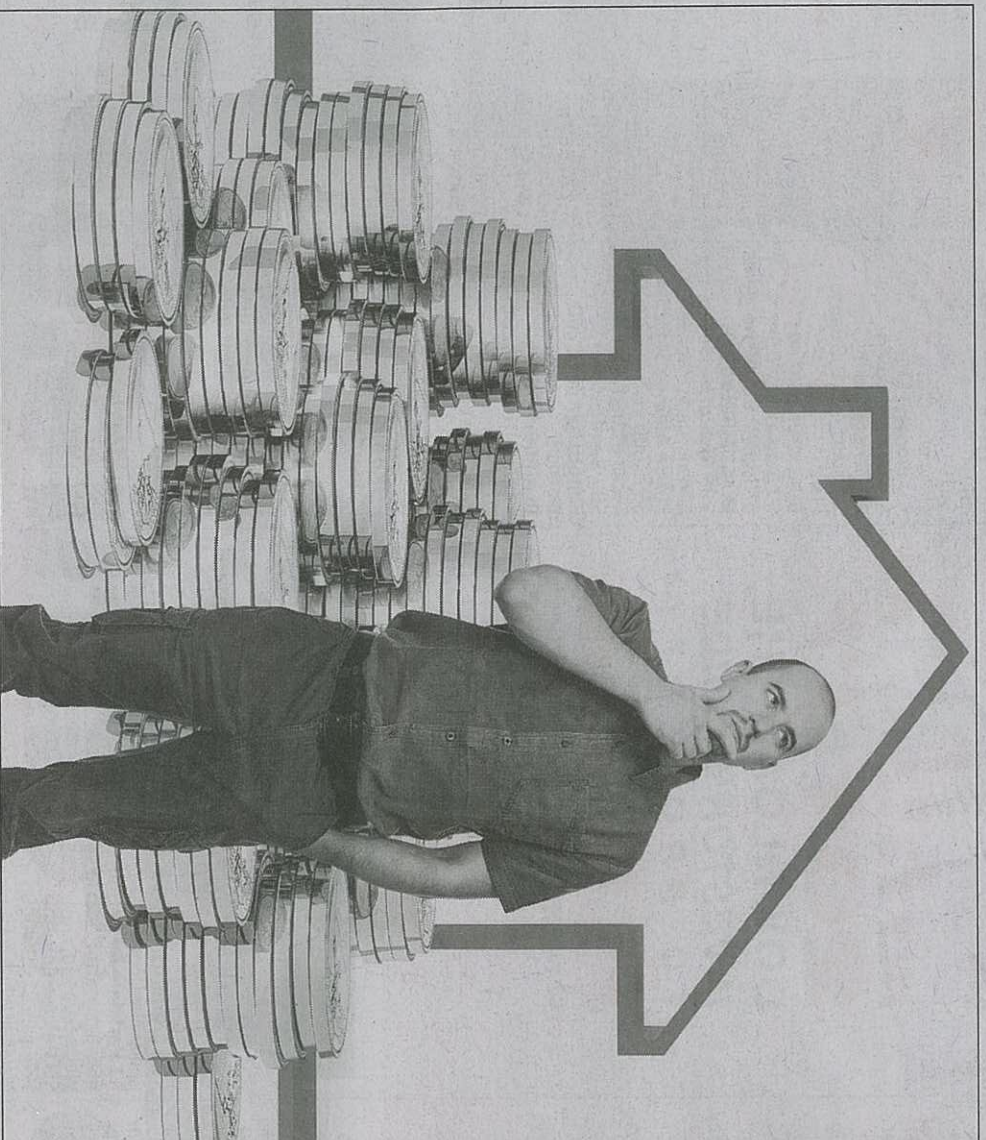
	FTSE 100	6521.46	+60.75
	DAX	8122.29	+160.58

	GOLD	1391.34	+17.64
	OIL	95.61	0.00

Missing piece vital in saving solution

Mortgage maths a taxing problem

Q Hello Scott, Am I crazy for paying off a house when I could be saving? Let me explain. I'm paying off an investment property at 6.07 per cent with \$420,000 remaining. Repayments are \$700 a week, plus \$100 week for rates, insurance and maintenance. My rental income is \$400 week. My total spend — if I pay off the house in 30 years — is about \$1.1 million. But if I put \$400 a week into a high-interest savings account (say 5.71 per cent at UBank, which I saw recently) for 30 years, I'll make about \$1.5 million. So am I crazy? Thanks heaps, Dean



BAREFOOT INVESTOR

SCOTT PAPER

If you've got a burning money question, or you want to win a fight with your hubby, shoot over to Barefootinvestor.com and ask me a question.

YOUR QUESTIONS ANSWERED

Scott Paper is a licensed and totally independent financial adviser (though he doesn't mention this at parties). The comments in this column are of a general nature and are not intended as specific personal advice.

A Hey Dean, There's a missing piece to your puzzle: the taxman. That 5.71 per cent that UBank are paying would be slashed by more than a third in tax if you earn more than \$37,000. A better solution is to focus on paying down your mortgage. You'll save hundreds of thousands of dollars in interest costs (it's compounding in reverse), and you don't pay tax on the interest you save.

Let's talk numbers: If you kept paying \$700 a week and also paid the rental income (\$400) straight into your loan, you'd pay off the house in nine years and nine months, saving you more than \$350,000 in interest. By then you'd be in the habit of saving \$1100 a week, so I'd want you to invest this into a share portfolio over a 20-year period. If you averaged 9 per cent after tax returns, your balance would be a cool \$2 million.

HOME TRUTHS
Q Hi Scott, I'm 30 and I have more than \$150,000 in a term deposit and \$70,000 in shares. I want to buy a house but I'm waiting for the

market to 'correct itself', because I don't want to see those savings dwindle away. To increase my wealth even further, what else would you do with the money while the housing market comes back to reality?
 Thanks, Nick

A Nick, Don't save up sex for your old age. In other words, don't put your life on hold for an event that may happen years from now. Yes, our housing market is the most overvalued in the world. But buying a home isn't just a financial decision, it's an emotional

one, too. So long as you have a 20 per cent deposit and you can afford to make extra repayments on one wage — buy. You won't regret it.
HOUSE OR CAR?
 Hey Scott, I am 26 years old and I have a 1994 car. I would really, really like to buy a newer model, something around the \$25,000 mark. Having a new car will save on petrol and maintenance costs. The only problem is that I also want to buy my first house, but getting a loan for a new car would affect my

borrowing power. What do you recommend?
 Dan

A Hi Susan, Keep your money in super, drawing a pension, which in most cases will mean paying little or no tax. And keep your money with Australian Super. It's a big fund that offers many investment choices, like cash and fixed interest securities — not just shares.
PRENUP UPSET
 Hi Scott, After months of hinging, my fiance has come out and asked me to sign a prenuptial agreement. He owns a number of investment properties and is

much wealthier than me. The whole thing has really upset me, which he translates into me wanting his money (but it's not that at all). Any advice?
 Lori

European, US markets soar

EUROPEAN and US stock markets have soared, with the Dow, S&P 500 and Germany's Dax setting new records, as strong US jobs data for April revived confidence in the US economic recovery.

At the end of a cautious week, tempered by bearish economic views from the Federal Reserve and the European Central Bank, market bulls on Friday unleashed their energy after the US report painted a much brighter picture of the economy than was felt in recent weeks.

The Department of Labor reported an addition of 166,000 jobs for April, which exceeded analyst expectations. But it also made large upward revisions for the prior two months that showed 114,000 more jobs were added than initially estimated.

US stocks soared 1 per cent from the opening bell, with the Dow Jones Industrial Average breaching 15,000 for the first time and the S&P cracking 1600.

At the close, the Dow finished at 14,973.96, up 0.96 per cent. The S&P 500 gained 1.05 per cent to 1614.42, and the Nasdaq Composite Index rose 38.01 (1.14 per cent) to 3378.63.

Portugal to slash jobs

PORTUGAL'S prime minister says the government aims to slash 30,000 public sector jobs as part of a sweeping package of spending cuts to satisfy international creditors.

In a speech to the nation on Friday, Pedro Passos Coelho also said that the full pension age would be pushed back to 66 and civil servants would be expected to work 40 hours per week instead of 35. The measures were announced in order to keep the small debt-hit eurozone member eligible for another slice of its much-needed bailout.

Coelho was unveiling the contents of the centre-right government's new "medium-term program", under which Portugal was hoping to save a total of \$7.7 billion to 2016.

With the cuts, Portugal's public deficit is anticipated to narrow to 5.5 per cent of gross domestic product this year, to 4 per cent in 2014 and finally to 2.5 per cent in 2015, under the EU's ceiling of 3 per cent.