



**FIRST HOME**  
BUYER CLUB



Clayton Tierney

Imagine having a  
**MORTGAGE**

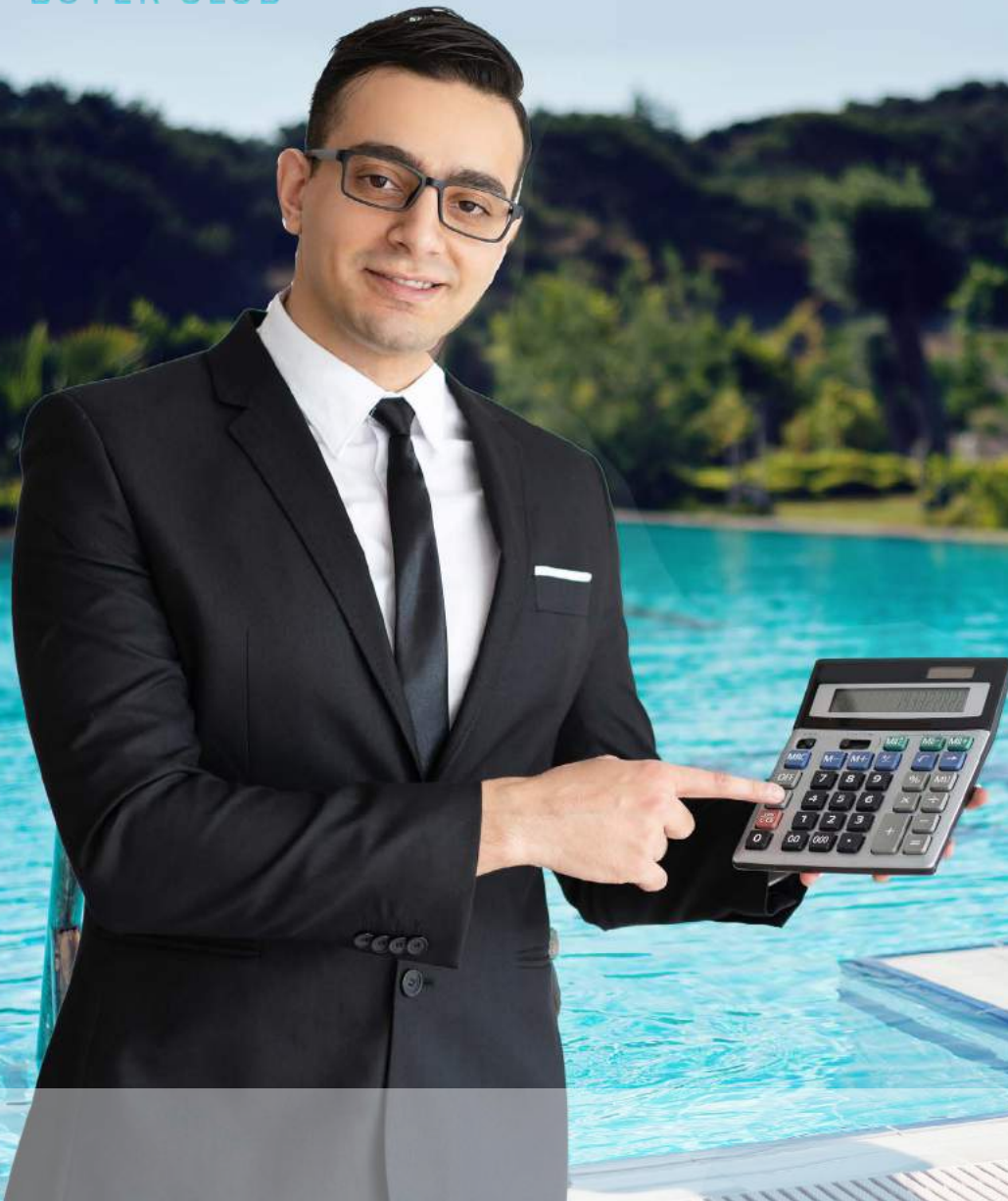
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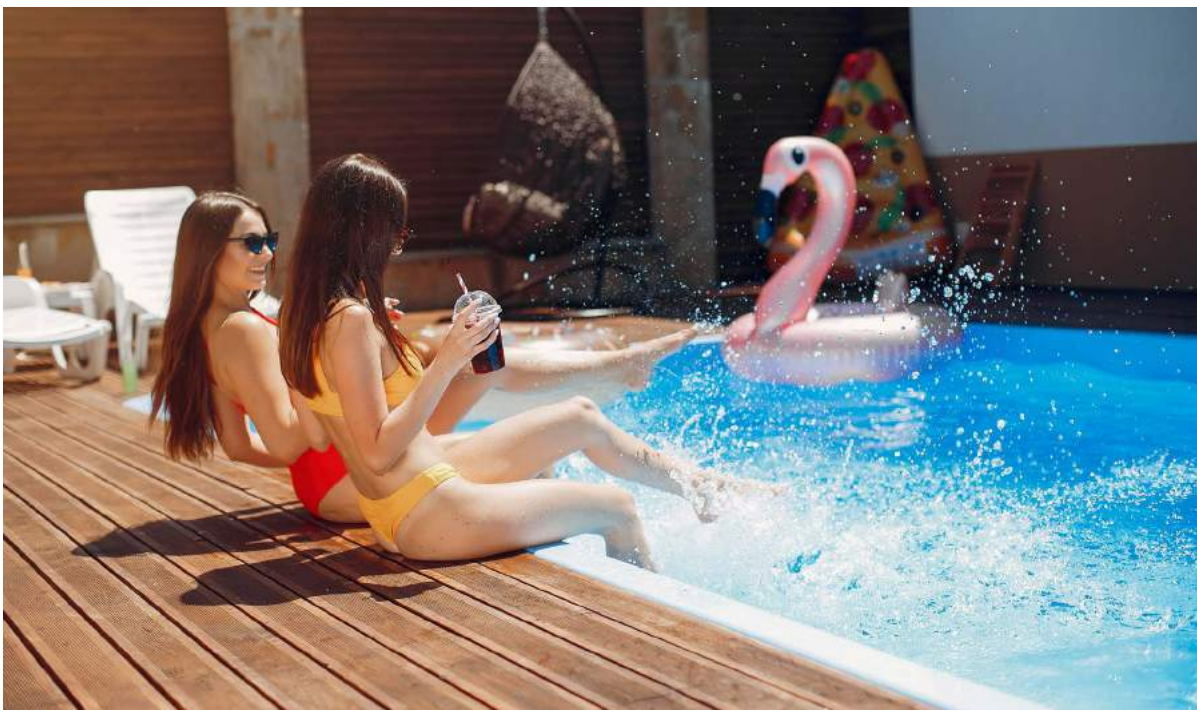
So... You want to buy a pool but is it worth it?

It is a common thing and apparently 16% of all households in Brisbane currently have one. It's a big number and it had me wondering if pools are really worth it.

What you will read in this report is information that I have collected on pools and the cost of pool ownership.

As I don't own a pool I can't comment from personal experiences and as such have used google and articles found on google for my sources of information.

Not all numbers in this report maybe accurate based on the fact I have had to use third party sources and can only use as an estimate.



There are going to be a few areas of the pool that we focus on today which include:

1. The cost of buying a pool (including the interest you pay back),
2. The ownership costs associated with owning a pool each year, and
3. The financial effect on your mortgage by not putting the extra repayments onto your home loan.





## 1. The cost of buying a pool

I have asked a few sources in regards to what it would cost or did cost to purchase their own pool and the general feedback in regards to this is approx. \$30,000, so let's start there.

When purchasing a pool comes you have 2 options when paying it. Your hard-earned cash or a personal loan. In both Cases, this occurs after you've moved into your home.

If you are buying anything with cash that is great as it is one less thing that you need to pay interest on.

For those that need to get a personal loan to pay for the pool here are the numbers of what it truly costs.

On top of the \$30,000 you borrow for the loan; you need to pay interest and on a \$30,000 personal loan over 7 years at 10%, your repayments are approx. \$498 per month and for the duration of the loan you will pay back **\$41,834.98**.





## 2. The cost of pool maintenance

If you are contemplating buying a swimming pool, the initial costs are not your only consideration. Pool maintenance costs can be high and if you think you will be using a pool only occasionally, it might be wise to know your maintenance costs.

You may find having a pool is too expensive because pools can cost up to 30 percent of your power bill. On average, Australians spend about \$1000 to \$1400 or more on pool maintenance per year. Here is the breakdown of some of the costs if you have an eight metre by four metre swimming pool:

- A pump costs about \$110 per month in summer and \$80 a month in winter. The pump runs about 10 hours a day and over the course of a year, it might cost over \$1200 per year,
- Heating depends on the system you have. Solar is the least expensive, costing around \$100 to \$200 per year. Electric heating can cost between \$250 and \$750 per year and gas is the most expensive, costing between \$500 and \$1500 per year,
- Water evaporates in a swimming pool. An eight metre by four metre pool can lose up to 160 litres per day and the water has to be replaced, along with the chemicals that keep the water clean. **160 litres x 365 days = 58,400 litres.**
- Pools have to be cleaned and maintained occasionally. A pool maintenance company may charge \$100 each time they clean the pool and in spring, summer and into autumn, that may be once a month if you use a pool frequently.
- Another cost of pool maintenance is the chemicals used in the pool and they might cost up to \$200.

As you can see above these costs can easily add up to another \$2,500 each year in running costs.



## The financial effect on your mortgage

So by now you are probably wondering are these costs really worth it and what should I do?

Well... There is no right or wrong answer to this question. As you will know if you have worked with me or followed my business page for a while, I only have one priority when it comes to you and that is setting up your future.

I am looking at this purely from a numbers point of view. I will discuss the effects that it will have on your mortgage by investing this money (weekly costs for the pool) into your own home (and future).



As we have covered in the first 2 points above we have noticed two things:

1. Your \$30,000 pool is really going to cost you \$41,834.98, and
2. Maintenance costs will be approx. \$2,500 per year.

Over the 7 years that will add up to approx. \$59,334.98. If you were to invest this same money into your mortgage you will propel your mortgage repayments and be in a far better position than if you hadn't done anything at all. **(EDIT: After the Facebook live, I realised I should be finding the average of a 3.5% interest rate and not 3%)**

Year	Interest	Principal	Balance
1	\$15,612.34	\$8,636.08	\$441,363.92
2	\$15,305.18	\$8,943.23	\$432,420.69
3	\$14,987.09	\$9,261.32	\$423,159.37
4	\$14,657.70	\$9,590.72	\$413,568.66
5	\$14,316.59	\$9,931.83	\$403,636.83
6	\$13,963.34	\$9,931.83	\$393,351.75
7	\$13,597.53	\$10,650.88	\$382,700.87
8	\$13,218.71	\$11,029.70	\$371,671.17
9	\$12,826.42	\$11,421.99	\$360,249.18
10	\$12,420.17	\$11,828.24	\$348,420.94
11	\$11,999.48	\$12,248.93	\$336,172.01
12	\$11,563.82	\$12,684.59	\$323,487.41

The table above shows what a \$450,000 mortgage over 30 years at 3.5% would be each year.

The interesting part of this is after 7 years the person that buys the pool will have a mortgage of approx. \$382,000 compared to the non-pool buying client that only has a mortgage of approx. \$323,000.

Just in equity the difference between you owning a pool and not owning a pool is approx. \$60,000 however, that doesn't include the interest repayments on the home loan that the pool owner will need to pay to reach the same equity point as the non-pool owner.

When I originally discussed this I spoke about the fact that the difference between owning a pool and not owning a pool could cost you approx. \$71,000.

This is factored in for the equity point of view for the home loan and the interest you would have paid on the pool.

Now that I have had more time to review the tables I noticed this shocking point that I didn't think about earlier.

Family A buys the pool and spends approx. \$60,000 in costs over the 7 years period and family B invests that money directly back into their mortgage (We utilise offset accounts with our clients for better advantages).

As you can see from the table provided on the previous page that \$60,000 knocks an additional 7 years off the mortgage.

Family A, that purchased the pool has 5 more years of interest repayments to pay back before they reach the same point as the non-pool buying family.

Family A has to pay interest amounts of:

- Year 8 - \$13,218.71
- Year 9 - \$12,826.42
- Year 10 - \$12,420.17
- Year 11 - \$11,999.48,
- Year 12 - \$11,563.82.

That is a total of \$62,028.06 in interest repayments that family A still needs to pay that family b has skipped by investing their money back into their mortgage, instead of buying the pool.







## What does this mean?

- Family A still needs to pay \$62,028.06 in interest repayments before they reach the same equity position as family B, and
- Family B that didn't purchase the pool has approx. \$60,000 in extra equity.

Ok so now my brain is going crazy thinking about this and interpreting the data the best way

I can so I compare this to an elevator.

Family A is approx. 62 levels (\$62,000) below ground level and Family B is approx. 60 levels (\$60,000) above ground level.

**Ground level being zero or a base point.**

**So then when I see these numbers, I notice that the true difference between family A and family B is more like \$122,000.**



Now obviously at this point everything that we discuss is hypothetical and not actually guaranteed results however we are starting to see some interesting numbers as a result of understanding our money better.

I want to take us back to the start for a split second so we can focus on the cost of the pool over the 7 year period.

Firstly, we noticed that the \$30,000 pool once we paid the interest back would cost us \$41,834.98 and the running costs of \$2,500 each year would be another \$17,500.

This totalled \$59,334.98 over the period of the 7 years and when I divided that by 7 (the years) and then 52 (the weeks in a year) it worked out to be \$163 per week.

Our example for the above mortgage was \$450,000 at 3.5% over 30 years. When we put the extra \$163 per week towards your mortgage (remember we recommend using the offset accounts instead as you get the same benefits plus more) it makes a huge difference.



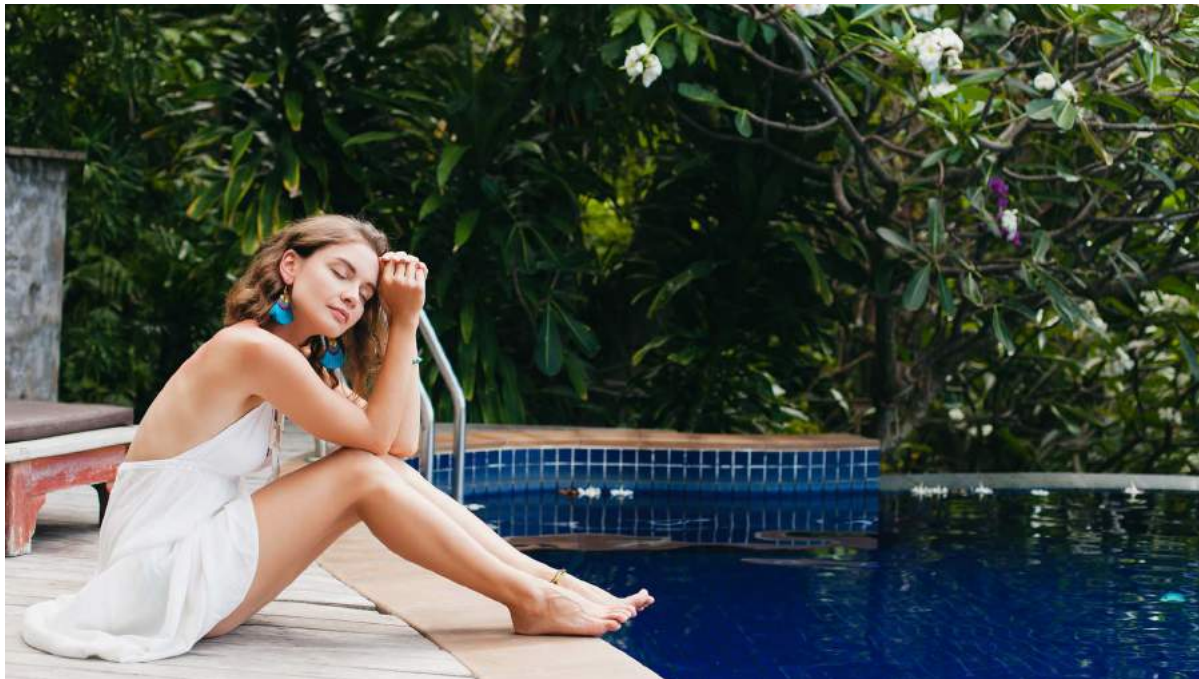


## What is my thought pattern on this?

Well... I think to myself if family B were disciplined to maintain the same repayment (\$163 pw) and instead of buying a pool invested into their mortgage for 7 years that the habits would be strong enough to continue past that point.

**Whilst this is hypothetical it's cool to see what effects a little extra effort can have on your mortgage and when I crunch the numbers, I see that this extra repayment will reduce your mortgage by 10 years and 9 months.**

It also shows that by maintaining this you will save approx. \$105,200.95 in repayments as well. Now considering the average person gets taxed around 25 to 30% of what they earn this shows me to save around \$105,000 you would actually need to make around \$150,000, the tax man would put his hand in your pocket and take out what he thinks is fair and then that's what you are left over with.







## So, what is my opinion?

Find a friend, neighbour or family member and use their pool! Haha

Seriously though... Do what makes you happy! I am not here to tell you how to live your life, I'm just here to show you financially what your decisions today could make on your future.


You work hard for your money and should be able to reward yourself with any and all ways you want. You just need to weight it up and think about this:

**Short term financial difference** – Approx. \$120,000 in the first 7 years, and

**Long term financial difference** – Being mortgage free nearly 11 years earlier (instead of the original 30 year loan term).

A pool is a luxury item, it's a want and not a need! You need to decide what is best for your family and what choices you want to make.

Like every big financial decision, this should be discussed with the family and no impulse purchase should ever happen.

If you are wanting to chat to the team and you still have a few burning questions in relation to what you have read today – Call  **(07) 3911 1377**

**Cheers,**

*Clayton Tierney*

**Director**

**First Home Buyer Club**

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