



The Mermaid puts on a witches hat Predictions Late Summer 2010

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The Mermaid puts on her Witches Hat



This download, like all the others, is a 'seriously light-hearted' look at the market. Listening to hundreds of hours of speakers and spending even more hundreds of hours networking – I have the privilege of hearing, discussing and debating the current economic climate. The events since 2007 are certainly new but not so unprecedented... read below to find out my take on the coming year.

Late Summer Update

I can't believe that August is just days away ... we have weathered the New Chancellor's report Or have we? I still stand by my previous predictions and I am amazed at the information or mis-information being fed to the general public. I will tell you more in a minute.

Did any of you watch the BBC programme called Money Watch? It included the classic mistake of calling a home an asset – which if you have read Robert Kiyosaki you will know it is definitely not as it takes money from your pocket.

They also spent almost three hours scaring the general public, first into saving and then saying that if you save your money will just dwindle away because of low interest rates – that sounds like an opportunity for us to offer private returns on investments through property.

Here are my thoughts for the next three months – let me know what you think – I love a good debate
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Continue to plan wisely the bumpy ride is coming!

We know that the Chancellor's budget will result in cuts in government spending and with that increasing unemployment. There are also signs of belt tightening and stress in smaller local businesses. Many businesses have already made a small percentage of staff unemployed or not filled posts where staff have left of their own accord. This has put pressure on the remaining employees to pick up the slack.

Locally I have heard of a couple of businesses that have asked staff to accept no pay rise and in one case actually accept a pay cut. So staff in that business are now working 1.125 – 1.5 times harder for 90% of last year's salary. They under enormous stress and with that starting to look at how they spend their disposable income.

I believe that unfortunately we will see more unemployment as the lack of bank lending, government cuts and taxes and the general public reluctance to spend their cash while their credit lines dry up – hit the high street. This will have a knock on effect on demand and if the government is not careful it may even lean us towards deflation.

The bigger risk to everyone of course is inflation, because this means that as a country our products and services become too expensive for the foreign market – impacting on business – resulting in unemployment. It also means that the Bank of England will have to step in and balance the books because if we import more than we export, we are as a country technically in debt just like a household spending more than it is earning – they can't allow that. The result would be increased interest rates to slow down local consumer spending.

Increased interest rates would mean that what lending you could arrange would be more expensive, but almost more importantly to the housing market, home owners and investors alike – that the interest rate holiday will be over.

We all know home owners and investors that are only surviving because their mortgages are tracking base rate – as that rises - so will the pain, the repossessions, and the risk of another round of recession. I certainly would not want to have to manage the books for the country! (actually that's not true – I would love to give it a go.)

Global implications

Another layer of complexity comes in the form of the world economy, we have already seen countries like Iceland topple, and Greece wobble – who is next? I have read about a looming crisis in China (caused by an import / export imbalance which I won't go into). What about the potential crisis caused by an imbalance in the commercial lending market ?

Have seen the spoof video on You Tube about the Money Merry Go Round <http://bit.ly/Money-merry-go>

The end result is that a long running global system of selling debt and exponential growth is coming to a head and there will be a rebalancing of the books – a re-valuing of assets if you like. There will also be bumpy ride ahead as one economic measure sends out ripples of unknown impact causing new problems to be resolved. What impact will the VAT rise cause – little I suspect just as the VAT reduction. However 0.05% interest rate rise could be too much.

Saving verses spending

The other news recently was about the 're-scoring' in terms of confidence about certain countries ability to repay their debt – information and statistics like this can scare the financial markets. The pound can't really take any more pressure as millions more notes are already circulating causing the real value of the pound to be less today than last year.

According to the BBC Money Watch programme the reason savings interest rates are low is because of the government bail out. Banks don't need the savers money as they have government money !?!? Now I am not an economist as you can tell but surely that can't be right. Business and the general public alike want and need to borrow money – to buy property and to cash flow businesses. Now if you could borrow money from a member of the general public and pay them 5% then lend that money to a secure business for 10% surely you would make a profit?

What can you do?

As a family – continue review your budgets – know your expenses and know your income, make adjustments where necessary. Balance these figures and get yourself back in the black, start building a small nest egg to help you through the bleak winter ahead.

If you shop online why not download this free application, which will help you save money on something you were going to buy anyway <http://bit.ly/myshopping-genie>

On top of that get entrepreneurial – start a part time business to bring in extra income – something like My Shopping Genie, can help you earn income as people click to compare prices across the web, not just across a set number of suppliers. There is also a multi-level business model which will help you improve your selling skills too.

If you are interested there are a series of meetings being held across England and Ireland during August 2010, why not drop me an email and I can get you a free invite.

As a property investor – do the fundamentals - review your income and expenses, analyse your assets and liabilities. Review and monitor your rentals versus voids. Monitor and manage your maintenance budgets.

Get creative – identify ways to use other people's money to buy or control income generating assets, [Read](#) the Conspiracy of the Rich – the 8 New Rules of Money. and increase your financial IQ.

Get networking – find out what other people are doing – this is the time when innovation and creativity comes to the fore. Be successful by meeting people's needs or by watching others and recreating new business models for yourself (Ripp off and Deploy)

So to summarise

- ** We are not totally in control of our destiny as England is part of wider global economy full of other countries struggling to balance their books.
- ** The economy is built on debt which is susceptible to interest rates and a flow of money.
- ** Money is some how both tight (in that lenders won't lend) and abundant in that more notes are in circulation caused by quantitative easing.
- ** Savers want better interest rates – seemingly the banks and building societies do not want their money.
- ** Recession and increased unemployment remain a real risk as government cost cutting adds to a market starving of funds and a public holding on to their disposable incomes.

Maybe we should set up a new bank?

Offer savers better rates

Lend money to home buyers and businesses

Create jobs

I hope that you find these **Predictions** amusing and useful. Above all I am passionate about property investing. I focus on investing in property to create cashflowing portfolios for my clients and myself. Cashflow from property investment generates a passive income enabling us to live wealthy lives – and who wouldn't want that?

Please check my website www.ThePropertyMermaid.com, join the newsletter, leave me comments, become a friend on Facebook or LinkedIn, follow me on Twitter. Let me know how I can help you.

If you have any Predictions – please let me know and leave a comment on the site.



To our wealth and beyond
Vicki

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