



I am 24 and earn \$34,000 whilst my boyfriend is 22 and earns \$36,000. The bank told us we could borrow \$490,000 to buy a house. Should we go to the limit? We want to get married & have kids in a few years time.

Sharon, Bidwill, NSW

I must admit that it is really tempting to take all the money that a bank throws at you but taking on a mortgage is a huge commitment and will impact on future decisions.

21% of first home owners are currently under mortgage stress and you need to make sure that you don't become one of them Sharon. And that means not accepting the highest amount that a bank will lend to you.

I am not a big fan of going to a bank's borrowing limit and actually prefer to be quite conservative. I encourage taking a loan of only 70% of what they say. In your case that would mean borrowing no more than \$343,000. Sure you may need to forgo buying the mansion overlooking the beach but each journey of a thousand kilometres starts with the first step.

I am also a big believer in putting together a 20% deposit on a place as it proves you can be disciplined and save as well as providing a buffer should things get tough.

By not extending yourselves too much will give more flexibility in the future.

The last thing that you want to be told in a few years time is that you can't afford to get married or worse not being able to have a child because the monthly interest charged on your mortgage is so crippling. What would you do if interest rates rose by 4%?

Couples that are considering starting a family also need to factor in a reduction of income to be able to repay the mortgage and it is advisable to lodge a loan application based on one income only.

Remember that it is always better to have a great night's sleep in an average home rather than an average night's sleep in a great home.

