

## YOUR HOME FINANCE

## WINTER 2017/18

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### INTEREST RATE RISES

On 2nd November, the Bank of England's Monetary Policy Committee voted to increase the Bank's base rate from 0.25% to 0.5%. Many lenders immediately signalled that they would be passing the increase on to their variable rate and tracker mortgages. It's estimated that four million out of the 8.1 million households with a mortgage will face higher interest payments as a result. Some experts think this increase in mortgage costs could depress house prices.

Savers, by contrast may not feel the benefit of this rise, as many banks and building societies have yet to announce that they will pass the increase on to their customers.

This modest increase of 0.25% in interest rates has simply reversed the cut that the Bank of England made in August 2016 following the June Brexit vote, so it's unlikely to majorly impact investments.

The governor, Mark Carney, has said that if the UK economy grows at the expected rate of 1.7% over the next few years, then it is likely that we can expect about two more interest rate increases over the next three years. However, revised Office for Budget Responsibility forecasts mentioned in the Chancellor's more recent Budget Speech indicated annual growth somewhat below 1.7% until 2022.

### HOUSE BUYING – HOW TO KEEP THE UPPER HAND IN 2018

With the annual growth rate for UK residential properties having slowed to an estimated 1.8% at the end of 2017, this year could offer better prospects for would-be first-time buyers.

New data from Barclays Mortgages shows that there are some simple but effective ways of making sure you get a good deal when buying a property. Their research shows that one in five first-time buyers who bought over the last five years wish they had negotiated a better price for their property. Those who had paid more than the asking price did so to the tune of around £8,000 on average, £13,000 in London. This was largely due to fears that they would lose their purchase if they made an offer closer to the asking price.

So, the advice is to take your time. By getting an 'agreement in principle' from a mortgage lender, this will give sellers confidence that any deal they make with you has a good chance of going ahead.

### DO YOUR HOMEWORK

Many estate agency websites give you access to data regarding the actual sale prices achieved for properties in the area where you are looking to buy, rather than what properties are currently on the market for. This information can help you form a realistic picture of what the property is likely to sell for, meaning you can pitch your offer accordingly.

If you find a property you are really keen on buying, get a professional survey carried out. By doing so, if there are defects that you will need to put right, the report should tell you what the cost of repairs is likely to be. If you're still keen to proceed with your



purchase, you can often use the survey findings to negotiate the price down.

In addition, as part of the mortgage process, your lender will want to carry out a mortgage valuation to ensure the value of the property will cover the amount you want to borrow. If it's overvalued, the report will show what it's realistically worth.

Don't forget that being a first-time buyer can mean that, from the seller's point of view, you are a more attractive purchaser than another potentially-interested buyer who has a property they need to sell before they can proceed.

### RESULT!

One of the big stories from the Autumn Budget was the abolition, with immediate effect, of stamp duty for first-time buyers purchasing properties worth up to £300,000. To help those in expensive areas, the first £300,000 of the cost of a maximum £500,000 purchase will be exempt from stamp duty, with the excess of up to £200,000 incurring 5% duty. This is a huge positive for all those first-time buyers saving hard to get a first foot on the housing ladder. The Scottish Government is deciding on any equivalent Land & Buildings Transaction Tax change.

## WHY FAMILIES NEED PROTECTION AGAINST LIFE'S UNEXPECTED EVENTS

We all want to do the best for our families, and keep them properly protected on every occasion.

Understandably, nobody wants to dwell on the unwelcome and unexpected events that life sometimes has in store. So, it's hardly surprising that many people overlook the benefits of protection insurance that could be a great help financially in the case of an accident, illness or death.

One of the many occasions when it can be vital for parents to think about the protection policies they need to have in place, is when they are making their wills. It's often the case that couples will, very sensibly, nominate relatives or close friends whom they would like to step in to act as a guardian to their children, if anything were to happen to them both.

Although anyone appointed to fulfil this important role would be gratified to be thought of as worthy of carrying it out, it's important to remember that there could be all sorts of financial implications for them and their families.

### PROVIDING FOR YOUR FAMILY'S FUTURE

If family members or friends had to step in and look after the children, they would need to have sufficient financial provision in place to be able to do so. If, for instance, the guardian lives in a different part of the country, they might have to move both house and job to look after the children's needs. A pay-out from a policy could make the difference between your family facing a financial struggle at a challenging and emotional period in their lives, and being able to maintain the sort of lifestyle they enjoyed when you were still around.

### HOW WE CAN HELP

We're on hand to help you choose the most appropriate cover, based on our research into what's on offer from a wide range of insurers. We can save you hours of internet searching and calls to insurance companies for quotes, and make the process far less time-consuming and stressful.

## GETTING THE MOST FROM YOUR INSURANCE POLICY THIS WINTER

High winds and rain can cause major damage to property, so before winter tightens its grip, it's worth checking (without putting yourself in danger) that your roof is in good repair, and that gutters are clear of leaves and other blockages. Make sure items like patio furniture and children's play equipment are stowed safely away in a garage or shed. Clear paths of moss, and keep salt handy to clear ice and prevent falls.

### MAKE SURE YOU HAVE THE RIGHT COVER IN PLACE

It's also a good time to check out the details of your home insurance policy. If you're not sure what sort of cover it provides, you should check your policy schedule now. Keep a note of your insurance company's emergency and claims handling telephone numbers in case

of need. Check you know what your policy excess is – this is the first part of your claim which you have to pay yourself. Knowing this will help you decide if it's appropriate to make a claim.

If you want to increase the type of cover you have for home emergencies, then we can help you find the right policy for your needs. Home emergency policies typically cover problems that arise with plumbing and drainage, main supply pipes for water and gas, central heating, glazing and windows, home electrics and home security.

### PREVENTING FURTHER DAMAGE

If you suffer damage, you may need to think about carrying out temporary repairs to prevent the damage getting worse. Call your insurer's emergency number first, and ask for their advice. Keep the receipts for any work they suggest you carry out, as you may need these for your claim.

It's a good idea to take pictures of the damage, but don't put yourself at risk of harm by doing so. Don't rush to get rid of damaged items, as your insurer may want to inspect them.



## TENANTS TUNE IN – BUY-TO-LET LANDLORDS RAISING RENTS



*In November 2016, only 16% of agents saw landlords increasing rents, but that figure had risen to 35% by November 2017, and is widely expected to rise further over the coming months.*

Landlords facing higher interest rates, increased stamp duty and the phased loss of their buy-to-let tax breaks are beginning to pass on these increases to their tenants in the form of rent rises.

### TAX CHANGES STARTING TO BITE

The tax changes were announced in 2015 by the then Chancellor, George Osborne, who saw them as a way to 'level the playing field', deterring buy-to-let landlords from acquiring those properties that could instead be bought by first-time buyers anxious to enter the housing market.

The new tax rules mean that landlords who were able to claim mortgage tax relief worth 40% or 45% will find their relief restricted to the basic rate of 20% once the changes are fully implemented in 2020.

For the 2017–18 tax year, landlords are only able to offset 75% of their mortgage interest payments for tax purposes. This figure decreases by 25 percentage points each year until none can be accounted for in 2020–21, although a

20% tax credit will help. In addition, from April 2016, anyone purchasing an additional residential property for £40,000 or more pays a stamp duty surcharge of 3%.

### RENT RISES

Data from the Association of Residential Lettings Agents suggests that these changes are already filtering through to the lettings market. In November 2016, only 16% of agents saw landlords increasing rents, but that figure had risen to 35% by November 2017, and is widely expected to rise further over the coming months. Following the recent rise in interest rates, it's likely that more landlords will be considering offsetting their rising costs by raising rents.

In addition, lenders have introduced more stringent vetting procedures for those landlords who own four or more mortgaged properties, and this may give rise to further changes in the dynamics of the buy-to-let market.

**A mortgage is a loan secured against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.**

## WHY 70% OF BUYERS PREFER TO USE A MORTGAGE ADVISER



There's an awful lot to think about when you're looking for a mortgage. It's not surprising that these days, 70% of buyers are choosing to work with a mortgage adviser to help ensure they get the most appropriate deal for their financial circumstances.

There are hundreds of deals on offer, so how do you find the right, most cost-effective deal? Should you fix the rate, if so, how long for? What about deals offering 'extras', would they suit your needs? Making the wrong choice about your mortgage could cost you hundreds, even thousands of pounds more than you need to pay.

By talking to us, rather than trawling umpteen websites and spending hours putting in applications to a range of lenders, you can save yourself stress and time. You'll also be able to tap into a wealth of good advice that can help ensure you make a success of your property purchase.

### GETTING THE BEST ADVICE

We are professionally-trained and know an awful lot of useful stuff, not only about the mortgage market, but about the whole home-buying and selling process. We can also offer tips on everything from finding a solicitor, to getting the right type of property survey

We'll be able to help you every step of the way, offering advice on making sure your finances are in order before you put your application in, and helping you put in place the right type of insurance policies to protect your mortgage and your home.

### MAKING YOUR APPLICATION

Although all lenders operate broadly the same lending criteria, the way in which they interpret the rules will differ. We can ensure that your application is made in the right way to the most appropriate lender.

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## RETIREMENT PROPERTIES: HIDDEN COSTS TO CONSIDER

Choosing and buying a property for your retirement can be a nerve-racking business. After all, you'll hopefully spend a long and happy time there. With life expectancy meaning that many more of us are likely to live well into our 90s if not longer, the choice has to be the right one.

### A READY-MADE COMMUNITY

Retirement complexes can provide a ready-made community of people of your own generation, a warden who is on hand to help, ready access to emergency services should you need them, a residents' lounge offering the opportunity for socialising, as well as gardens and grounds. Meals are often available from a central restaurant, and many complexes offer help with household chores like laundry. Residents don't have to worry about repairs or maintenance issues, as these services are included in the management charges.

### COSTS TO CONSIDER

You need to be aware from the outset that retirement properties, for all their many benefits, don't operate in the same way as normal residential housing. There may, for instance, be an exit fee on resale. This is a sum of money that goes back to the freeholder, and is built into your lease.

Service charges can be much higher than you'd expect to pay for an ordinary leasehold property, mainly because of the wide range of services on offer to support the needs of elderly residents. If you're thinking of buying a retirement property, you'll need to factor these costs into your monthly retirement budget.

These charges are often payable up until the property is sold, which means if the owner needs to go into hospital or care, the service charge still needs to be paid. If the owner dies, the same thing applies. Retirement flats don't always sell quickly, and over the last few years haven't enjoyed the same growth in value experienced elsewhere in the property market.

When the property comes to be sold, the freeholder can stipulate that this must be done through their own company. This can mean that the charges will be higher than those of high street estate agents.

### MAKE SURE YOU DO YOUR RESEARCH

It makes sense to get a solicitor to look at the proposed lease. This will help you understand what restrictions and charges might be involved. Some retirement complexes are now offering 'Try before you buy' stays to provide would-be residents with a chance to sample the lifestyle before committing themselves. This will give you the opportunity to meet other residents and seek their views on issues like the quality of the management, how swiftly repairs and maintenance issues are dealt with, running costs, and the range of services on offer.

## HIGHLIGHTS FROM THE AUTUMN BUDGET

- Stamp duty abolished immediately for first-time buyers purchasing properties worth up to £300,000
- To help those in expensive areas, the first £300,000 of the cost of a maximum £500,000 purchase will be exempt from stamp duty, with the excess of up to £200,000 incurring 5% duty

Not applicable in Scotland unless Scottish government decides to follow suit

- Pension lifetime allowance to increase in April 2018 to £1,030,000
- Higher-rate tax threshold to increase to £46,350 from April 2018 (Scotland may differ)
- ISA limit for 2018/19 to remain at £20,000
- JISA and CTF allowance will be uprated in line with CPI to £4,260 in 2018/19
- The National Living Wage and the National Minimum Wage will increase from April 2018
- The tax-free personal allowance will rise with inflation to £11,850 from April 2018
- An extra £3 billion to prepare for Brexit over the next two years
- £6.3 billion of new funding for the NHS in England
- Fuel duty will remain frozen for an eighth year
- A new railcard for those aged 26 to 30
- Business rates will switch to being increased by the Consumer Prices Index (CPI) two years earlier than planned
- Capital gains tax relief for overseas buyers of UK commercial property to be phased out

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.

It is important to take professional advice before making any decision relating to your personal finances.

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain.

Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.

Information is based on our understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change.

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Tax treatment is based on individual circumstances and may be subject to change in the future.