

YOUR HOME FINANCE

SPRING 2019

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MORTGAGES – EVEN SMALL OVERPAYMENTS HAVE AN IMPACT

Mortgage overpayments can help you pay off your mortgage sooner and can significantly reduce the amount of interest you pay over the course of your loan. The amount you overpay goes towards repaying the mortgage itself, not on any interest you owe.

Research from Santander¹ shows that if a borrower took out a £200,000 mortgage over a 25-year term, they could save £1,146 in interest (based on current rates) by making a monthly £10 overpayment, and they'd become mortgage-free four months earlier.

Those who can afford to make a £100 overpayment each month on a £200,000 mortgage could save £9,948 in interest and reduce their mortgage term by three years in the process. Those with a £500,000 mortgage making the same £100 overpayment could save over £10,000 in interest and become mortgage-free one year and five months earlier. A combination of paying off capital and the consequent reduction in interest, result in the time saving.

SAVINGS MATTER TOO

Whilst paying less interest and being mortgage free earlier can be attractive, it's important not to overlook the need to keep some emergency savings set aside for unexpected bills and expenses.

¹Santander, 2018

FIRST-TIME BUYERS KEEPING THE MARKET BUOYANT



The recent slowdown in the market has been good news for those who want to get into the housing market and make that all-important first purchase.

Whilst the number of current owners moving home has come to a virtual standstill, due in part to the uncertainties surrounding Brexit, the number of first-timers has increased. Analysis by Lloyds Bank² shows that 372,100 first-time buyers entered the market in 2018, up by 3% on the figure for 2017.

STAMP DUTY STIMULUS

Changes in Stamp Duty provided much-needed help. First-time buyers in England and Northern Ireland now pay no Stamp Duty on properties worth up to £300,000. This means that they save up to £5,000. For properties costing up to £500,000 they pay no Stamp Duty on the first £300,000 but will pay duty on the remaining £200,000. (If they buy a property worth over £500,000, then they pay the standard rate and won't qualify for first-time buyer's relief). In Scotland, first-time buyers enjoy Land and Buildings Transaction Tax relief that saves them up to £600, whilst in Wales they get no special Land Transaction Tax concessions.

As of October 2018, first-time buyers under Shared Ownership schemes can now claim First-Time Buyer's Stamp Duty relief on homes worth up to £500,000. This change applies to homes purchased on or after 22 November 2017. Those purchasers who chose to pay Stamp Duty in stages and were previously not eligible for the relief can now claim this tax back.

TIME TO MAKE YOUR MOVE?

As well as being able to take advantage of what has become a buyer's market, first-time buyers can also benefit from historically-low interest rates on mortgages. The mortgage market remains very competitive and lenders are currently offering a range of attractive deals specifically designed to help young people get on the housing ladder.

In the current market conditions, it's worth checking out recent sold prices in the area in which you're looking to buy, as you may be able to secure a property with an offer lower than the asking price, especially if the owners are keen to move as soon as possible.

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.

²Lloyds, 2019

IN THE NEWS...

HOUSE MOVING COSTS STACK UP TO A THIRD OF THE AVERAGE SALARY

When moving home, it's important to budget for all the associated costs, like Stamp Duty, estate agents' fees, conveyancing, an energy performance certificate and removal costs.

The total cost of buying and selling for the average homeowner has increased to a record high of £9,812, which is close to one-third of the median UK salary of £29,588³.

BIRMINGHAM AND MANCHESTER SEE PROPERTY PRICE BOOM

Brexit may have cooled property prices in London and the South, but half of the UK's biggest cities have seen major growth since the EU referendum. Birmingham and Manchester have seen prices rise by 16% and 15% respectively, since June 2016, with another eight cities – mostly in the North – also seeing growth beyond 10% in the same period⁴.

MORTGAGES CAN NOW LAST UNTIL YOU'RE 85

Five years ago, mortgages that allowed borrowers to repay their debt between the ages of 80 and 84 were a rarity. This has changed following a sharp increase in demand; there are now more than 1,000 mortgages designed to run into a borrower's later years.

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³reallymoving, Feb 2018

⁴Zoopla and Hometrack, Dec 2018



NEW BUILD OR OLDER PROPERTY – HOW TO CHOOSE

Before you start house hunting in earnest, you need to decide what style of property will best suit your lifestyle. Do you opt for an older pre-loved home, or jump at the chance to be the first owner of a brand-new property?

PERIOD CHARM

One of the major appeals of an older property can be the space they offer growing families. Average room sizes have shrunk over the years, so too has the size of gardens. In contrast with new builds, older homes often have spacious rooms, front and back gardens, period features and thicker walls too. They can have the advantage of being part of a long-established community and be nearer to local amenities and schools.

The downsides can include higher maintenance costs and the need to update things like heating systems and improve insulation. Getting a survey done before you buy is important and will highlight any repairs that might be needed.

NEW BUILD BENEFITS

Many people enjoy the thought of being the first owners of a home. It presents them with a blank canvas that they can personalise to their own taste. New homes are designed to be energy-efficient and come with energy-saving features like double glazing. They offer modern bathrooms and kitchens that generally come complete with a range of built-in appliances. New-build properties normally benefit from a 10-year protection, under which buyers get a two-year builder warranty to cover eligible faults and a further eight-year insurance to cover certain major defects.

The downsides for some can be that the properties may all look very similar and come with the same internal layout. New estates don't always have easy access to local facilities.

LIFE COVER TAKE-UP VARIES BY REGION

New evidence⁵ shows a marked variation in the amount of life cover taken out by people across the UK. Those living in the capital have higher amounts of cover compared to their regional counterparts, and the lowest uptake is to be found in the West Midlands where 63% of the population don't have any cover.

WHY COVER MAKES SENSE

It doesn't matter where you live; if you have people who rely on you for your income or day-to-day support, then you should think about putting some protection in place against life's unwelcome and unexpected events, like accident, disability or death.

Contrary to what you may have heard, life insurance premiums aren't expensive, especially when you consider the costs that would be involved in looking after a family if there was no protection plan in place.

PEACE OF MIND

Policies can be tailored to meet your specific circumstances, and if you've been overwhelmed by the huge number of policies and types of cover available, that's where we fit in. We can recommend the right sort of policy with the correct level of cover that meets your needs, giving you valuable peace of mind.

Income protection (with no investment link) has no cash in value at any time and will cease at the end of the term. If you stop paying premiums your cover may end.

⁵LifeSearch, 2018



FEATURES THAT COULD REDUCE YOUR PROPERTY VALUATION, AND HOW TO FIX THEM

As we're currently in a buyer's market, if you're thinking of moving, then it makes sense to be aware of the factors that could mean that buyers are only prepared to make you a very low offer, or worse still, are put off buying your home altogether.

TOO MUCH EVIDENCE OF PETS

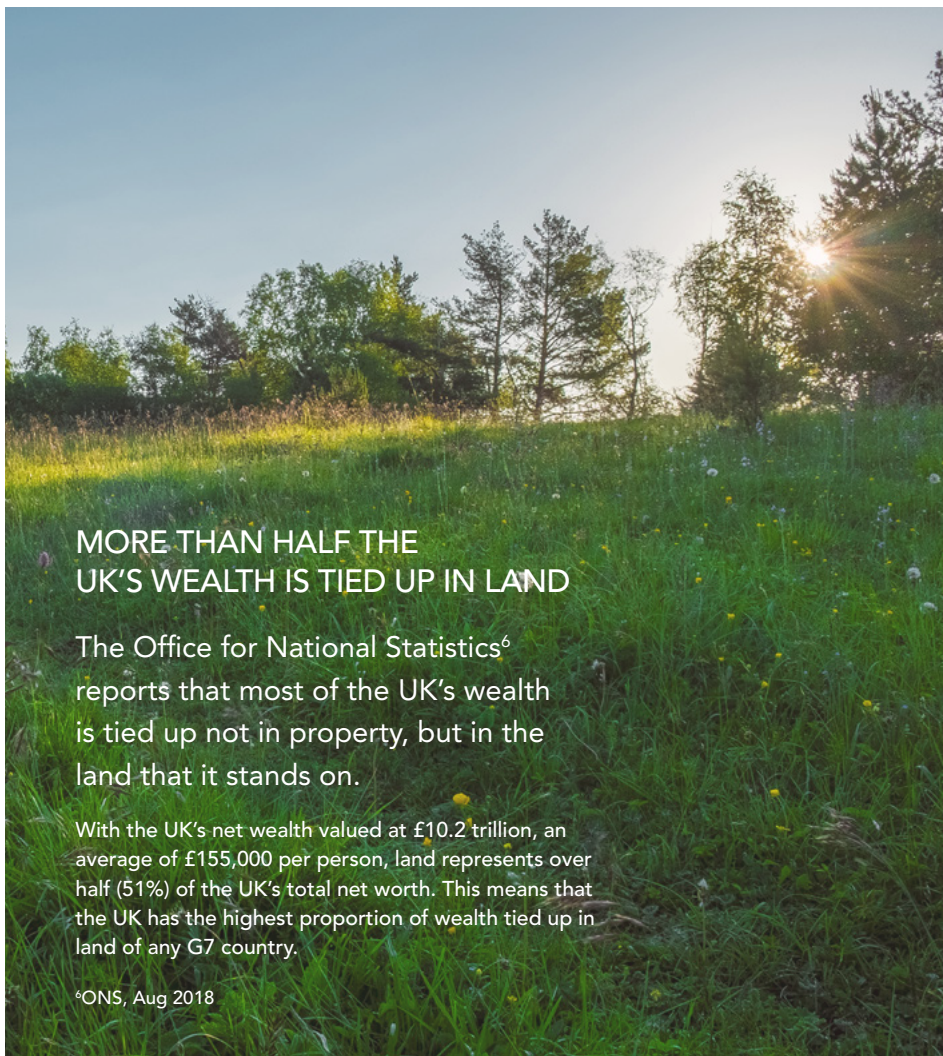
Although we're a nation of animal lovers, too much animal hair and distinctive smells can be a real turn-off and could reduce the value of your property by as much as £11,000. So, make sure the pets are kept outside during viewings, and that rooms are well cleaned and smell fresh.

FIXTURES AND FITTINGS FROM A BYGONE AGE

Although you may have grown used to your avocado bathroom suite, prospective buyers will see a bathroom that will need serious cash spending on it to bring it up to date. If you're intent on getting a sale, you may need to consider a make-over.

MESSY KIDS

A messy child's bedroom can affect the value of a property, so if necessary, bribe the children to tidy everything into storage boxes.



MORE THAN HALF THE UK'S WEALTH IS TIED UP IN LAND

The Office for National Statistics⁶ reports that most of the UK's wealth is tied up not in property, but in the land that it stands on.

With the UK's net wealth valued at £10.2 trillion, an average of £155,000 per person, land represents over half (51%) of the UK's total net worth. This means that the UK has the highest proportion of wealth tied up in land of any G7 country.

⁶ONS, Aug 2018

A CRACKING SUMMER

The long, hot summer led to a huge rise in subsidence problems. The Association of British Insurers⁷ reports that claims quadrupled to the highest level in more than a decade. In just three months of 2018, over 10,000 households made subsidence claims worth a total of £64 million. This increase represents the highest quarter-on-quarter jump since records began more than 25 years ago.

If you've noticed cracks appearing and are concerned that your property might be experiencing subsidence, contact your insurer for assistance.

⁷ABI, 2018

CHEAPER MORTGAGE DEALS FOR LOW-DEPOSIT HOMEBUYERS

There's good news for those who have smaller amounts saved and want to buy a property. Although lenders generally reserve the lowest mortgage interest rates for borrowers who can put down large deposits, those with lower deposits may still be able to get a cost-effective mortgage deal.

Banks and building societies are focusing their efforts on attracting potential home buyers who only have a 5% deposit saved – exciting news for those who are looking to make this the year they enter the property market.

First-time buyers are generally seen as the lifeblood that keeps the property market going, so lenders are naturally keen to attract them onto their books.

LENDING CRITERIA STILL APPLY

It's important to be aware that under the Financial Conduct Authority rules, lenders will still require potential borrowers to meet strict affordability criteria. Anyone applying for a loan will need to show that they have sufficient income to cover mortgage repayments now, and when interest rates start to rise again.

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HOME INSURANCE – OPTIONAL EXTRAS YOU MAY WANT TO CONSIDER

Sometimes you might need a bit more protection, and add-ons can help you tailor your cover to your own needs.

Whilst standard policies can cover buildings and all the things kept in a home such as TVs, furniture, carpets and personal belongings, you can also choose additional cover for specific risks.

HOME EMERGENCY COVER

This covers life's unexpected events like burst pipes, boiler breakdown, blocked drains or electrical failure. It can provide access to a 24-hour helpline, and also pay towards the cost of accommodation if it's not safe for you to stay in your home after an emergency.

ACCIDENTAL DAMAGE

As the name suggests, this provides cover for unintentional one-off accidents that harm your home or your possessions. So, under your building policy you can add cover for risks such as cracking your bathroom washbasin, and under your contents insurance you can protect against risks like shattered mirrors or broken glass in cabinets or coffee tables.

PERSONAL POSSESSIONS USED AWAY FROM HOME

This cover protects portable items such as cameras, laptops, or jewellery away

from home, up to a specified limit. It can provide useful protection if, for example, your children take their phones or iPads to school, or you lose your watch on the way to work.

PEDAL CYCLES

You can protect your family's bikes against loss or damage in the UK and get cover if you decide to take them with you on holiday abroad.

JEWELLERY, ANTIQUES AND MUSICAL INSTRUMENTS

Many people wrongly assume that these will all be automatically covered on a standard home contents policy. Some insurers restrict the cover they provide for high-value items.

Getting the right cover in place is important; we can help you find the right policy.

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.

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

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.

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