

## YOUR HOME FINANCE

SPRING 2020

In the current climate, there is uncertainty in all of our lives with both health and financial concerns. However, while we are all understandably focusing on the here and now, it might be worth using this time to take a step back and review your long-term financial wellbeing as well. This newsletter takes a look at some of the areas you might want to consider. Of course, we are on hand to support you through any challenges ahead.

### LESS THAN A THIRD OF FIRST-TIME PARENTS HAVE LIFE INSURANCE

**The amount expectant parents are spending on preparing for their new arrival is up 18% since 2012, a study<sup>1</sup> has found. According to the research, the average spend is now £1,645.**

But there appears to be one thing that the majority of parents-to-be are forgetting – life insurance. In fact, just 27% of new parents are financially protected if one of them were to die.

#### NEW RESPONSIBILITIES

There are many costs associated with having a child and it's probably unlikely that you would be able to cover these should you lose a major source of income. While the majority of parents are making provision for their child's future financial security, with nearly six in ten opening savings accounts for their baby, it appears that less are considering how they would manage financially right now if the worst happened.

With a new family member on the way, protecting yourself financially is more important than ever, to ensure that your baby would stay safe, be well cared for and have a roof over their head if you were no longer here.

#### TALK TO US

Taking out life insurance doesn't have to be complicated. Come to us for sound advice on finding the most suitable policy for you.

<sup>1</sup>Aviva, 2020



What's the mood in today's housing market? A new 'State of the Property Nation' report<sup>2</sup> noted growing eagerness among would-be buyers, with nervousness about the economy causing sellers to hold their fire. The subsequent COVID-19 outbreak will no doubt have an impact.

#### BUYERS GROWING MORE BULLISH

Finding the right property at the right price has always been challenging for buyers, but the good news is that the number of house-hunters feeling frustrated by these difficulties has fallen five percentage points in the past year. Meanwhile, nearly a third (32%) of active property seekers say they are more serious about moving than ever.

#### SELLERS UNSURE ABOUT ASKING PRICES

The sentiment gap is growing, however. It appears that sellers are less convinced by the so-called 'Boris bounce' than buyers and remain wary of ongoing economic instability. They're particularly worried about not achieving their asking price, with 31% of aspiring sellers concerned that buyers won't be willing to pay what they feel their property is worth.

#### WHAT DO THE EXPERTS THINK?

Are prospective sellers justified in feeling so anxious? Well, perhaps not. Experts predict modest house price growth this year, with Savills<sup>3</sup> and Rightmove<sup>4</sup> predicting 1% and 2% growth, respectively.

Looking further ahead, Savills forecast a more significant cumulative rise in house prices of 15% over the next five years – although the estate agent expects some significant regional differences. While the true impact of Brexit remains uncertain during the 2020 transition period, research suggests that three-quarters of Britons overestimate the negative impact the whole Brexit process has had on house prices<sup>5</sup>.

#### BUYING OR SELLING, WE'LL BE RIGHT BEHIND YOU

Whether you're buying, selling, or both, property transactions can be daunting, so it's little wonder that many remain cautious. That's where we come in. We can assess your financial situation; help you find the right mortgage deal for your circumstances and offer professional advice to ease your doubts. Just get in touch.

<sup>2</sup>Zoopla, 2020, <sup>3</sup>Savills, 2020, <sup>4</sup>Rightmove, 2020,

<sup>5</sup>Good Move, 2019

# KEY POINTS FROM THE SPRING BUDGET

## THE ECONOMY

- Economy predicted to grow by 1.1% in 2020-21, revised down from 1.4% forecast a year ago (this figure does not take into account the impact of COVID-19)
- Growth predicted to rebound to 1.8% in 2021-22, easing back to 1.5% in 2022-23
- Inflation forecast of 1.4% this year, increasing to 1.8% in 2021-2022

## PUBLIC SERVICES AND CORONAVIRUS

- £5bn emergency response fund to support the NHS and other public services in England
- All those advised to self-isolate will be entitled to Statutory Sick Pay, even if they have not presented with symptoms
- Self-employed workers who are not eligible will be able to claim contributory Employment and Support Allowance (available from day one)

- £500m hardship fund for councils in England to help the most vulnerable in their areas
- Firms with fewer than 250 staff will be refunded for sick pay payments for two weeks
- Small firms will be able to access business interruption loans
- Business rates in England will be suspended for firms in the retail, leisure and hospitality sectors with a rateable value below £51,000
- £6bn in extra NHS funding over five years to pay for staff recruitment and start of hospital upgrades

## PERSONAL TAXATION, WAGES AND PENSIONS

- The tax threshold for National Insurance Contributions will rise to £9,500 (previously announced)
- Tax paid on the pensions of high earners, including NHS consultants, to be recalculated to address staffing issues

- The two tapered Annual Allowance thresholds for pensions will each be raised by £90,000
- The minimum level to which the Annual Allowance can taper down will reduce from £10,000 to £4,000 from April 2020
- Annual Capital Gains Tax exemption increased to £12,300 from 2020-21
- ISA allowance to remain at £20,000 for 2020-21 tax year / JISA allowance increase to £9,000 for 2020-21 tax year
- The Lifetime Allowance for pensions will increase in line with the Consumer Prices Index, to £1,073,100 for 2020-21
- From 11 March 2020 the Lifetime Allowance on gains eligible for Entrepreneurs' Relief reduced from £10m to £1m
- The new single-tier State Pension will increase to £175.20 per week in April 2020, pensioners receiving the older basic State Pension will see it increase to £134.25 per week.

## THE BUDGET - HOUSING NEWS

**Rishi Sunak's debut Budget decisively tackled the COVID-19 outbreak, countering with a £30bn fiscal stimulus to support businesses and public services.**

In the first of two Budgets in 2020 the agenda contained little about housing. From 1 April 2021 non-resident buyers of homes in England and Northern Ireland will have to pay a 2% Stamp Duty Land Tax surcharge. This measure is expected to affect 70,000 of the UK's total 1.2 million annual property transactions.

### OTHER MEASURES

Additional housing measures include:

- An extension of the affordable homes programme (£12.2bn funding)
- 1% cut for local authorities in interest rates for social housing
- £1.1bn allocation from the Housing Infrastructure Fund to build 70,000 new homes in high-demand areas
- Funding to remove unsafe cladding
- In all, over £600bn is to be spent on roads, rail, broadband and housing by the middle of 2025.

### RATE CUT

On Budget day, the Bank of England announced an emergency cut in its base rate from 0.75% to 0.25%, returning it to its lowest level in history: 'to help UK businesses and households manage through



*an economic shock that could prove sharp and large but should be temporary.'* A further cut to 0.1% was announced on 19 March. Positive news for home buyers, those looking to remortgage and those on base rate tracker or variable rate mortgages. The large number of homeowners who have already taken advantage of lower lending rates to secure a fixed mortgage will not benefit. Also, many aspiring first-time buyers saving for a deposit may initially suffer downside from the base rate move, as banks and building societies may opt to cut their savings rates.

Some housing industry commentators have expressed disappointment that there were no initiatives announced to help first-time buyers, replace Help to Buy, or measures proposed to reform Stamp Duty.



## BUYING PROPERTY WITH FRIENDS? HERE'S WHAT TO LOOK OUT FOR

For many young people, getting on today's property ladder is prohibitively expensive. One potential solution is to club together with friends to co-buy somewhere to live.

Research<sup>6</sup> shows that three out of five millennials (60%) would take out a mortgage with friends, with some providers offering a 'mortgage for four' to cater for this growing market.

### LOOK BEFORE YOU LEAP

Getting a mortgage with your friends is a big commitment, no matter how well you know and trust each other. So, here are some things to consider before taking the plunge.

### TEST THE WATERS BY RENTING

Pooling your finances and sharing a living space can put a strain on even the closest relationships. Renting together first for six

months or a year may be wise to ensure you're happy to go one step further and commit to home ownership.

### SORT OUT THE LEGAL NICETIES

There are two types of ownership when co-buying a property: tenancy in common and joint tenancy.

Tenancy in common is usually advisable for friends purchasing together. It means they each own a particular share of the property and it enables them to leave their share to whomever they choose in their Will.

### NAIL DOWN YOUR ARRANGEMENTS

A cohabitation agreement will outline who owns what. It can detail how mortgage and other payments will be split, how joint possessions acquired during the tenancy will be owned and how those assets will be divided if the friends go their separate ways.

<sup>6</sup>M&S Bank, 2018

## TAKE THE HASSLE OUT OF HOUSE-MOVING

**Moving house is a major undertaking, but if you plan ahead you can remove the stress and give yourself every chance of making it as smooth a process as possible. So, while you're dealing with the legal paperwork, last-minute phone calls and financial transactions, spare some time for sorting out the mechanics of the move – you'll be glad you did.**

Once you've found your new home, you can start putting your removal plans in place. First-time buyers might be able to manage with a van and a little help from their friends, but for most people a professional removal firm is best. It's vital to get estimates from at least two and to use a reputable company. Costs depend on the amount of furniture and belongings involved, distance, and whether accessibility allows the use of one big lorry rather than two smaller vehicles.

### CHOOSE YOUR REMOVAL FIRM WITH CARE

If your budget allows, avoid scrimping on removal fees. Don't jump at the cheapest quotation and check the firm has insurance for your possessions while they're in transit. Consider having delicate and valuable items such as pictures, china, glassware, cooking utensils and books packed for you a day or two ahead of moving. It costs extra but saves time and energy, and proper packing can also reduce breakages. Estimates should itemise the extras you've selected.

When choosing a remover, word-of-mouth is valuable, as is membership of the British Association of Removers and/or the Road Haulage Association, as these signify professionalism. Wait until your completion date is fixed (usually at exchange of contracts) before confirming removal details. Most removers can offer storage if you need it.

### EXPECT THE UNEXPECTED

Occasionally, unexpected events can cause delays. An optional advance payment can cover the removers' extra costs if there's a last-minute glitch. If everything runs perfectly, the keys will be released just as the removers arrive at your new address. While this can never be guaranteed, you can take steps to improve your chances of it happening.

## UNCERTAIN TIMES – KEEP IN TOUCH

**After the election last December, the housing market gained some momentum as the 'Boris Bounce' took effect, with data highlighting buyer interest in some parts of the UK jumped over 60% year-on-year. Now the global COVID-19 outbreak has arrived, it's difficult to quantify the likely impact on the residential and commercial sectors.**

There are many factors involved with determining the mood and movement of the property market, few things have a bigger impact than uncertainty. Rest assured we are here to help, if you have any questions about the property sector, mortgages or your protection requirements – get in touch.

**As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.**

## INSURING AGAINST THE RAVAGES OF NATURE

Nature can be especially cruel to the uninsured homeowner. In Australia, it is estimated that more than 2,000 homes were destroyed by last summer's bushfires. In the UK, storms Ciara and Dennis have flooded over 1,200 homes. Fire and flood damage to your home is a heart-breaking prospect at any time – but even more so if you are uninsured. As more homes get built in 'at risk' areas, the more likely it is that insurers will be reluctant to insure them, though the 'Flood Re' scheme was created to assist householders where possible.

Clearly, the greatest tragedy of natural disasters is the loss of human and animal life. However, those who have escaped injury but lost their homes and possessions have often suffered trauma, as well as the prospect of rebuilding their finances, their homes and their lives. Insurance cover can be a financial lifeline when such a disaster strikes.

### UNDERINSURANCE: A FALSE ECONOMY

Uninsured and underinsured householders could end up regretting their false economy. In fire-ravaged New South Wales, a levy on insurers pays the bulk of emergency service costs and this adds about 25% to premiums, meaning more people there aren't insured. Other states fund emergency services through a property tax, making insurance more affordable. In the UK, research shows that as many as six million homes have no form of insurance. The moral of the story? Wherever you are in the world, don't be tempted to save money by underinsuring your property. You might end up paying for it down the line.

### DISASTERS HAPPEN

Statistics show that one in six UK properties are located where there is a serious risk of flooding. The threat of UK wildfires should not be discounted either. According to New Scientist, there were more UK wildfires last year than ever before, with fires recorded in the Midlands, South West, Wales, Northern Ireland and the Scottish Highlands.



## BETTER SURVEY THAN SORRY

You've fallen in love with a house and want to buy it, but remember the saying: 'love is blind'. Your dream home may look perfect to you but, unless you happen to be a qualified surveyor, you are not judging with a professional eye. There could be costly hidden structural defects that you wouldn't recognise. So, before it's too late, request a survey to uncover any significant problems.

### QUALIFICATIONS MATTER

The Royal Institution of Chartered Surveyors (RICS) is the professional body that sets standards across the surveying profession. A RICS qualification confirms that the surveyor has undergone rigorous study and training to achieve the following levels of qualification (in ascending order): Associate Members (AssocRICS), Chartered Members (MRICS) and Fellows (FRICS). They can offer a range of survey types, including HomeBuyer Reports and Building Surveys, which are governed by laws and rules that may vary in different parts of the UK.

There are other qualifications, including the Diploma in Residential Surveying (DipRSurv). This is a route some surveyors take to their AssocRICS. Surveyors may also belong to the Residential Property Surveyors Association (RPSA) or the Independent Surveyors and Valuers Association (ISVA).

### THE HISTORY

Back in 1792, during the architectural heyday of the Georgian era, a group of leading surveyors set up The Surveyors' Club. Initially an informal gathering, in the ensuing decades its membership increased and plans were made for a more structured professional association.

The next (19th) century saw rapid urban, industrial and transport development, urgently requiring reliable standards. In 1868, about 50 participants gathered at a Westminster hotel and resolved to form the Institution of Surveyors under the presidency of eminent railway surveyor, John Clutton.

### ROYAL CHARTER

The Institution leased premises near the Houses of Parliament – still the headquarters of RICS today – and its work was quickly recognised as beneficial to the many ambitious projects of the day. In 1881, The Royal Institution of Chartered Surveyors was incorporated by Royal Charter granted by Queen Victoria.

RICS' standards and qualifications have been updated over the decades to ensure they meet current needs. Remember to check the credentials of anyone conducting a survey on your behalf.

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

**As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.**

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

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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.**