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YOUR HOME FINANCE

SUMMER 2019

INSIDE THIS ISSUE

IS A 40-YEAR MORTGAGE A LIFELINE OR A LIFE SENTENCE?

Most people who choose a 40-year mortgage do so because they want a low monthly repayment. If you were to take a typical 25-year mortgage, your repayment would be higher. By stretching out the loan, monthly payments decrease.

WHAT YOU NEED TO CONSIDER

While lower monthly payments may be attractive and can represent your best chance of getting onto the housing ladder, there are downsides you should be aware of. Taking out a 40-year mortgage means you'll pay more in interest, and you'll find that you build equity, the amount of the property that you in effect own, more slowly.

Even if you don't actually keep a 40-year mortgage for 40 years, the loan is designed with a 40-year timeframe in mind, so you could find that the interest rate is higher than it would be for a more traditional mortgage term. The chances are you'll be making repayments in your retirement years, so that's something you'll need to consider. It makes sense to check that you can make overpayments if you can afford them and consider swapping to a shorter-term loan when your circumstances allow.

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.

WHICH SEASON IS BEST FOR SELLING YOUR HOME?

The answer to this is that it depends on a range of factors, but there are some seasonal trends that can help you decide when to sell.

Estate agents report that typically once the warmer weather arrives and the evenings are lighter for longer, people are more likely to think about moving home, especially if they have school-age children and want to arrange their move around the summer holidays.

BREXIT CASTING A SHADOW

However, economic and political events play their part too. The uncertainties surrounding Brexit have meant that in some parts of the country, especially London, markets have been subdued in the first few months of this year.

Many homeowners wasted little time listing their properties once the new Brexit date at the end of October was confirmed. Nearly half (49%) of major UK towns and cities analysed by online estate agent Housesimple[1], saw an increase in listings in April. The biggest month on month rise was in Stevenage (69.4%), followed by Salford (43.8%), while Chichester saw a rise of 33.8%. In London, the biggest rise was in Kensington and Chelsea, with listings up by 17.3%.

AUTUMN AND WINTER ACTIVITY

Once the school holidays end, market activity tends to pick up. Buyers think ahead and often picture themselves celebrating Christmas in a new home. Although December sees house sales fall, by January those intent on fulfilling their housing dreams in the coming year start to be in the market.

PRICE IS AS IMPORTANT AS TIMING

Whatever time of the year you intend to sell, the price has to be right. Ideally you want to create plenty of interest and encourage a good number of viewings to help ensure you find a buyer. You can get an idea of what your property might fetch by looking at the various online sites that show the prices that properties in your area have sold for, as opposed to the figure that they might have been advertised for.

[1]Housesimple, May 2019

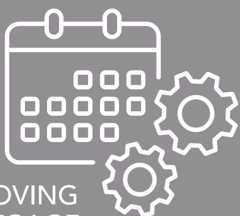
IN THE NEWS…

FIVE-YEAR FIX GROWS IN POPULARITY

According to mortgage lenders and brokers, five-year fixed rate mortgage deals are now outselling two-year options. With some UK homeowners concerned about the outlook for the economy, more are choosing to lock into lower interest rates, especially as the difference between interest rates charged on five and two-year deals has narrowed in the past two years.

EQUITY RELEASE BREAKS RECORDS IN Q1

Equity Release Council[2] figures show that the market has experienced its busiest start to any year on record. Q1 2019 saw £936m of property wealth unlocked by 20,397 customers, including 10,854 who took out new plans. Client numbers in Q1 2019 increased 10% year on year, while the total equity released increased by 8% and the number of new plans agreed rose by 6%.



IMPROVING MORTGAGE AFFORDABILITY

In some parts of the country, mortgage affordability has been rising at its fastest rate since 2011, helped by annual wage growth at 3.4%, and subdued house price growth. This is particularly good news for first-time buyers, as many mortgage rates remain competitive.

[2]ERC, Apr 2019

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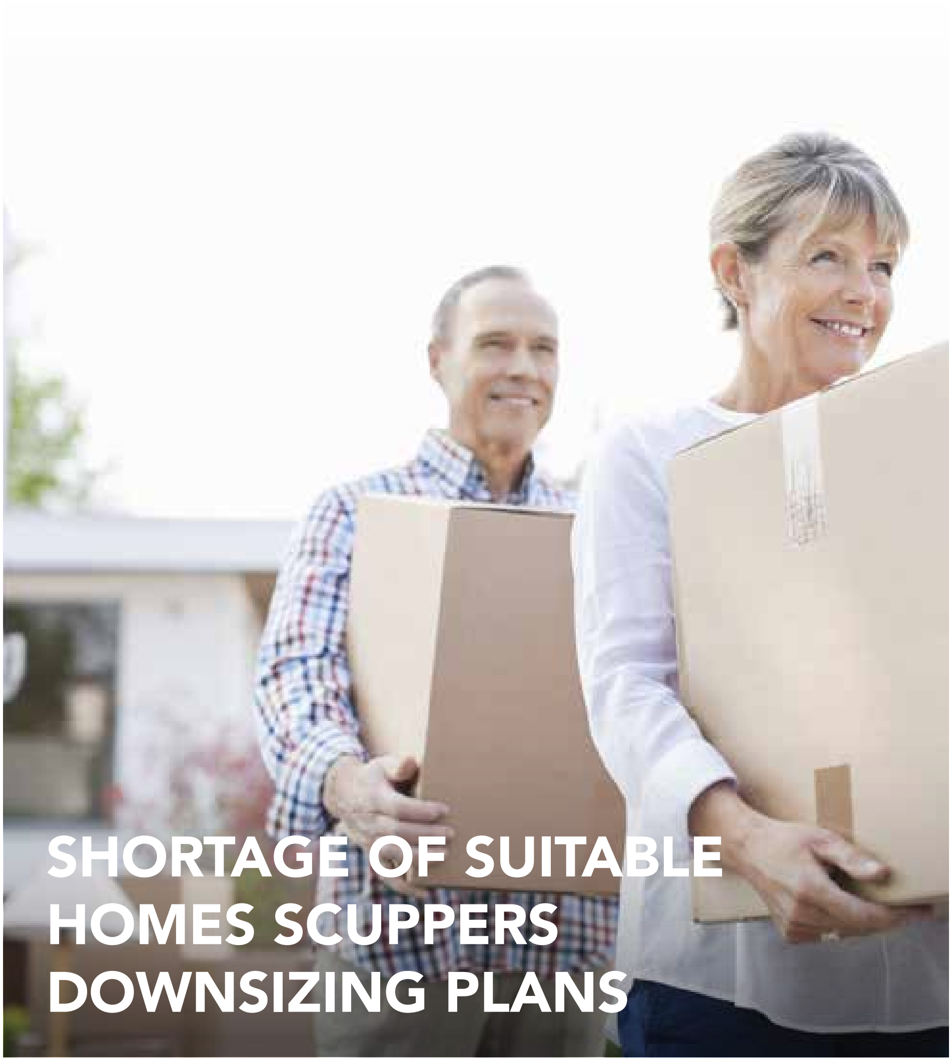


SHORTAGE OF SUITABLE HOMES SCUPPERS DOWNSIZING PLANS

Once their offspring have left home, parents can often find the family house is too big for their needs and expensive to maintain. That's why, as retirement approaches, many people think about downsizing, and moving to a smaller, easier-to-manage home that's cheaper to run.

However, it seems that suitable properties might not be that easy to find due to a shortage of retirement homes. The think tank Demos[3] has estimated that the UK has a shortfall of around 22,800 new retirement properties, homes that are needed just to meet current demand. With an ageing population, this figure is likely to rise steeply over the coming years.

HOUSING SUPPLY PROBLEMS

If older people can't find suitable smaller properties to move into, then their larger family homes aren't freed up to meet the demand from younger families looking for the extra space they need to grow. A shortage of smaller properties, in particular bungalows, means that prices continue to remain high.

MEETING DEMAND

The research shows that around three million people aged over 60 would be interested in purchasing retirement properties.

At present, many new housing developments are concentrated on providing 3, 4 and 5-bedroom homes, and in some parts of the country there are double the number of 4-bedroom properties on the market compared to two-bed homes.

Research from around the UK[4] shows that in Cambridge and Rugby there were three four-bed homes available for every two-bed property. However, in St Helens, Hull and Sunderland two-bed properties outnumbered four-beds.

LOOK BEFORE YOU LEAP

There's a lot to think about when you're considering downsizing. If you're looking to raise cash by making your move, you need to do your sums carefully to ensure that it would be worthwhile after taking into consideration all the various costs involved.

[3]Demos, 2017
[4]Responsible Life, 2019

SELF-STORAGE FACILITIES: IF IT'S WORTH STORING, IT'S WORTH INSURING

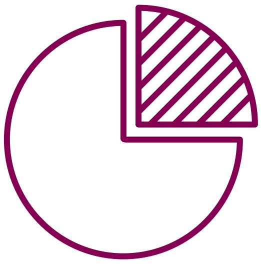
Self-storage units have become a popular way of finding extra space for possessions between house moves, during renovations, or just because there isn't room for them at home. If you're putting items into a self-storage unit, you'll need an insurance policy to protect them.

Nearly all of the major storage companies offer their own form of storage insurance, and many make it compulsory to have insurance in place before the storage unit can be rented.

When you're rushing through the paperwork and arranging a storage unit, it's easy to just tick the box and set up the storage company's own insurance policy. However, you need to be aware that this might not be your best option and you should take advice. Recently, MPs have raised concerns about the policies sold by storage companies as they may not be value for money or provide sufficient cover.

GETTING THE RIGHT COVER

Home insurance policies can provide cover for 'items temporarily removed' from your home, although you'd need to check as there may be a time limit, typically 30 to 90 days, and you will need to inform your insurer when you put items into storage.



HOW MUCH OF YOUR HOME HAVE YOU BOUGHT?

If you've just bought a property, it's tempting to feel that you own the whole thing, but research[5] shows that in effect, the average first-time buyer in many parts of the country probably just owns the kitchen and a bathroom when they first move in. That's because in many cases you may not have much equity in your home, especially if you're a first-time buyer.

SECOND STEPPING

If you have been paying off your mortgage for several years, and house prices have risen or remained stable, you will by this time own more of your property. By the time you are ready to make your next move, you'll need to work out how much equity you now have. So, for example, if your home is valued at £275,000 and your outstanding mortgage is £100,000, then your equity, the amount of the value of your home that you truly 'own' is roughly £175,000.

Having more equity can mean that you will be able to obtain a mortgage on your next property at a more favourable rate of interest.

[5]MoneySuperMarket, 2018

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SHOULD POLICY REFORM REPLACE THE BANK OF MUM AND DAD?

The House of Lords Committee on Intergenerational Fairness and Provision has called on the government to make society fairer by supporting younger people in employment and the provision of housing, rather than leaving many to rely on help from the Bank of Mum and Dad.

The Committee's recommendations included requiring better-off workers over the State Pension age to pay National Insurance Contributions while they work, and a review of the triple lock on State Pensions, free TV licences, free bus passes and winter fuel subsidies.

SHOULD YOU REMORTGAGE?

Whilst everyone's circumstances are different, remortgaging could make sense if you can get a better deal than the one you are currently on. You may, for instance, be able to find a deal that will mean you pay less interest, or one that gives you more flexibility, for example the facility to make overpayments so that you repay your mortgage quicker.

Given the hundreds of different mortgages available, getting professional advice will not only help you get the best deal for your circumstances, it will save you time and stress too. Get in touch.

HOMEBUYER REGRETS, THEY'VE HAD A FEW

Thousands of people move home every year and settle happily into their new property, but some experience buyer remorse. Here are some of the problems that can occur and how to avoid them.

FAILING TO CONDUCT A STRUCTURAL SURVEY

Poor quality building work or a previous owner's neglect can mean expensive repairs, so a structural survey is important. More serious problems like subsidence can leave a house uninsurable and potentially unsellable.

MAKING A RUSHED DECISION

Buying a property is a huge commitment and needs careful consideration. However, it's easy to put yourself under pressure to buy, especially if it's your first home. Take time and think carefully before agreeing to purchase a property and be sure it's right for your needs.

PAYING TOO MUCH FOR YOUR PROPERTY

It can be tempting when faced with the property of your dreams, to spend more than your budget. The excitement of finding a home that you like can lead to you overstretching financially and then regretting this afterwards. Have a clear price in mind and be prepared to widen your search area in order to keep within your budget.

LIFE INSURANCE: IS IT TIME TO REVIEW YOUR COVER?

If you've taken out a life insurance policy it's tempting to cross this important task off your 'to do' list, put the paperwork somewhere safe and forget all about it.

However, if you don't review your policy from time to time, you could risk being underinsured, or be missing out on a newer, more cost-effective policy that might better suit your needs.

So, here are a few life stages when it often makes sense to talk about protection insurance with us.

GETTING MARRIED OR ENTERING A CIVIL PARTNERSHIP

If you've decided to share your lives, the chances are that you'll also be sharing your wealth. This means that it's important to make sure that if anything were to happen to either of you, there would be funds available to meet your financial commitments.

MOVING TO A BIGGER HOUSE

A larger home often means a bigger mortgage, so you need to consider taking out more protection insurance to cover the additional amount you're borrowing.

HAVING MORE CHILDREN

If your family is growing, your financial responsibilities are likely to increase, and your cover will need to reflect this. It is often when families reach this stage that they find it's appropriate to consider other forms of cover, such as accident, sickness and unemployment, critical illness or income protection.

YOU'VE GONE UP IN THE WORLD

If you've received a salary increase or promotion, your lifestyle might have changed too. Your children may be in private school, and your family may have got used to expensive holidays and meals out. If that's the case, then it might be time to increase your cover, so that if anything were to happen to you, they could continue to enjoy a good standard of living.

RETIREMENT BECKONS

At this time in life, a protection policy can help in Inheritance Tax planning, providing a payout on death that will help cover a tax liability on your estate.

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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.

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

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