

YOUR HOME FINANCE

AUTUMN 2019

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HOMEOWNERS PUT OFF MOVING DUE TO STRESS

VALUING PROTECTION

Having the confidence to know that everything you hold dear is protected is a good place to be.

Regard protection insurance as something that safeguards everything that is important in your world: your health, your life, your home and your job. If you have a partner or dependants, these are obviously a chief priority too.

CUT TO THE CHASE

Working out the difference between life insurance, critical illness, income protection and buildings and contents insurance can be tricky, especially when they are wrapped up in the blanket term 'protection', but don't let the jargon put you off.

Understanding what is available and choosing the right amount of cover for you and your family is important. Working with us will help you find protection which is affordable and understand the value of each type of insurance, so you are reassured that you are selecting the correct policies to secure your financial future.

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 find yourself recoiling at the prospect of selling up and finding a new property, you're not alone. Quite apart from Brexit uncertainty and the housing market slowdown, it seems that many homeowners are putting off moving because it's simply too stressful. Concerns about moving to a new location, having noisy neighbours and high estate agency fees, among others, explain why 60% of homeowners in a recent study¹ are reluctant to start looking.

Some respondents even said that moving home was more stressful than getting divorced (34%), having a baby (31%) or starting a new job (27%). It could be worth the pain, however; 62% of those surveyed said they believed that moving could make them happier. Taking action to minimise your stress, then, rather than avoiding it altogether, could make for a smoother transition and a brighter future.

FEAR OF THE UNKNOWN

Not knowing much about the location you are moving to is likely to increase your anxiety, so the best thing you can do is conduct some research. Find out about the schools, healthcare and amenities available in the area, talk to current residents, and see what noise and traffic levels are like at different points in the day/week. Arming yourself with more knowledge should help to alleviate your fears and improve your outlook.

FRETTING OVER THE FINANCES

For many, the prospect of finding a new mortgage is their biggest worry when considering a move. Seeking our advice as early as possible will give you more time to explore the available options and decide what's best for you, whether this be transferring your existing mortgage, increasing the size of your loan or finding a new provider.

Remember, change can be positive – so if you're thinking about moving, now could be the time.

¹Yopa, 2019

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

IN THE NEWS...

FLAT AS A PANCAKE

Statistics from the Land Registry reveal an increase in the average price of houses across the UK, contrasting with a fall of 2% in flats and maisonettes. Various reasons cited for this fall include a distrust of leasehold properties, prompting first-time buyers to favour renting a leasehold apartment while saving a more substantial deposit, to make a freehold house their primary purchase.



APPROVALS AT DECADE HIGH

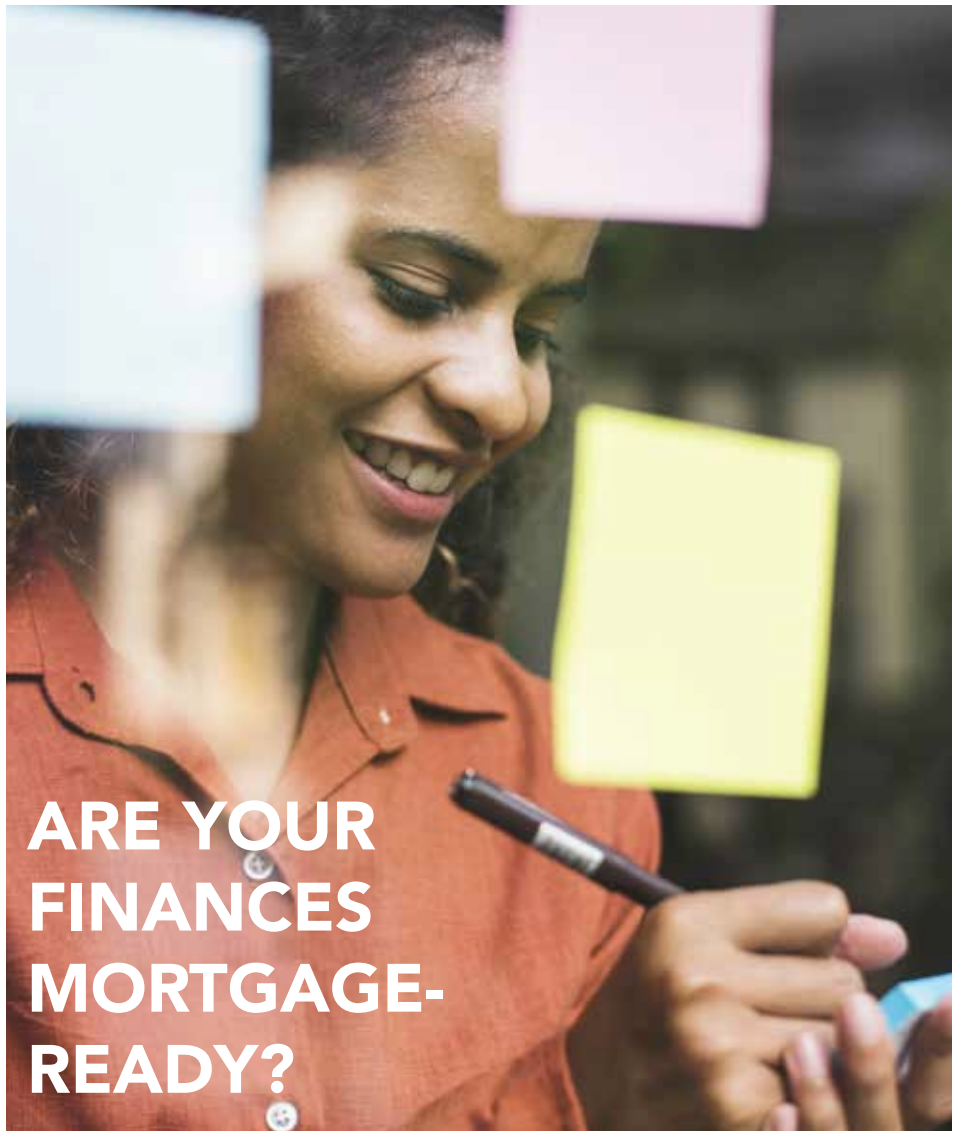
In July, the number of home loans approved by UK mortgage lenders hit its highest level for ten years, totalling 95,126 approvals, the highest monthly total since July 2009². Remortgages were the driving force behind these levels, with households taking advantage of the competitive rates available. On an annual basis, remortgage approvals were 19.4% higher, mortgage approvals for home purchases were 16.4% and approvals for other secured borrowing 12.7% higher.

GREEN MORTGAGES SET TO FLOURISH

The government has pledged £5m as part of its Green Finance Strategy. Money from the Green Home Finance Innovation Fund is set to help the financial services industry offer more green mortgages, the perks of which can include a reduction in the rate for customers who upgrade the energy rating on their home.

²UK Finance, Aug 2019

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ARE YOUR FINANCES MORTGAGE-READY?

Time spent organising your finances before you apply for a mortgage will help lenders assess your suitability and may even result in them lending you more.

ASSESS CURRENT DEBTS

A prospective lender will want to know about any debts you already have. If you can afford to, pay down loans and credit card balances, but make sure you have enough saved for unexpected emergencies.

CHECK YOUR CREDIT RATING

The better your credit rating the better mortgage offer you can expect. You can improve your rating by making sure you're on the electoral roll, paying utility bills on time and paying off your credit card balance in full each month.

CANCEL UNUSED SUBSCRIPTIONS

It's too easy to continue to make monthly payments for services you no longer use or need. Check through your direct debits and standing orders and cancel those no longer in use.

FAMILY HELP

Your parents or grandparents may be able to help you by giving or lending you some money. If not, they may be prepared to act as a guarantor.

ASK AN EXPERT

A mortgage is a big commitment and it's a good idea to take advice to find one that really suits your circumstances. We can help you navigate your way.

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BANK OF MUM AND DAD STILL PAVING THE WAY TO PROPERTY PURCHASES

Children are still relying on financial assistance from their parents to get their foot on the property ladder. For 'Generation Rent', becoming a homeowner is harder than ever, meaning that the Bank of Mum and Dad continues to play a significant role.

Parental support has become so vital, in fact, that the Bank of Mum and Dad became Britain's 11th largest mortgage lender in the year to 2018, providing £6.3bn to aspiring homeowners, both young and even some middle-aged adults. Over the same period, 20% of property transactions were supported in this way.

Children have seen a significant increase in parental contributions since 2018, which have risen by over £6,000 to £24,100³ – double the average house price increase of £3,000. Interestingly, research suggests that it's not just young adults or first-time buyers benefiting from parental assistance. In fact, 22% of those aged between 45 and 54 have enjoyed a welcome boost from BoMaD.

And, with 35% of prospective home buyers expecting to need financial assistance from their family in the next five years, it would appear that the Bank of Mum and Dad's prominence in the mortgage market is far from diminishing.

³Legal and General, June 2019

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RETIREMENT INTEREST-ONLY MORTGAGES: SHOULD YOU GET ONE?

The demand for mortgage products for older borrowers is growing and with lenders now more willing to lend to this age group, now could be the time to explore new ways of funding your retirement years.

A retirement interest-only mortgage is specifically designed for those over the age of 55 and for pensioners. The loan is secured against your property and can help fund your retirement lifestyle by repaying debts, carrying out home improvements or making lifetime gifts of money to children. In contrast to a standard interest-only mortgage, the amount borrowed doesn't have to be repaid until you die or move into long-term care. But you will need to prove that you can comfortably afford the monthly interest payments during your retirement years.

The amount you can borrow is based on an affordability assessment carried out by your lender to ensure you will be able to afford the monthly payments after retirement when your sources of income are likely to be from pensions, savings and investments.

NO FIXED TERM

This type of mortgage works well for retirees as the loan term isn't fixed, and there is no need to demonstrate how the mortgage will be repaid, as repayment will come from the eventual sale of the property. Some products, however, do allow borrowers to repay some of the capital as well as paying the interest on their loan. There is no roll-up of interest, meaning that it's more likely that there will be something left following the eventual sale to pass on as an inheritance.

GETTING THE BEST ADVICE

Retirement mortgages are a major financial commitment and it makes sense to talk to us about your specific circumstances and needs so we can find you the best available options.

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THE COMMON-LAW MARRIAGE MYTH

Although the number of cohabiting couples in the UK is increasing, there is a lack of awareness regarding the legal and financial rights of couples living without the formality of a marriage or civil partnership. Confusion surrounding the concept of common-law marriage still exists with the assumption that by living together, couples acquire the same legal status as a married couple.

However, if you are one of the estimated 3.3 million couples living together who are not married or in a civil partnership you should be aware that you do not have the same rights. In fact, your affairs need more careful planning to make sure your family is protected.

MAKE A WILL

For unmarried couples, making a Will is vital for ensuring that assets go to those you wish to receive them. If one of you dies and doesn't leave a Will, under the laws of intestacy the unmarried partner is only entitled to jointly owned assets. So, if you have children, the estate of the deceased partner will pass to them when they are 18. If there are no children, the estate will go to the deceased partner's closest relatives, not to the surviving partner.

LIFE INSURANCE

The issue of protecting finances is also important for cohabiting couples. It makes sense to work out how much cash your family would need if they lost your financial support. This could include paying off a mortgage and clearing debts as well as regular household bills. In the event of your death a life insurance policy would help them maintain the lifestyle they enjoyed whilst you were there to provide for them.

Life insurance provides a valuable safety net, so if you'd like to know more about how it could protect your family, do get in touch.

CALLING TIME ON NEW-BUILD LEASEHOLDS

If your property is leasehold, you own the property but not the land it is built on, whereas if it is freehold, you own the property and the land it is built on.

Traditionally, flats and apartments were sold on a leasehold basis, meaning that if you bought a flat you were liable to pay ground rent and sometimes an annual service charge to a landlord or estate management company, while houses were nearly always freehold properties. In recent years, house builders have been selling some new build houses as leaseholds, allowing landlords to charge ground rent and, if they wish, increase the cost of buying the freehold at a later date. This has trapped homeowners in an unfair and exploitative position, making re-sale of their property difficult.

In June this year, the Ministry of Housing, Communities and Local Government announced plans to abolish selling new houses as leasehold properties and to reduce ground rents to zero.

LEASEHOLD HOUSES

In the statement, in addition to all new houses being sold on a freehold basis, it was confirmed

that householders who have already been sold their new house as a leasehold will be able to get the freehold at no extra cost. Following on from this intervention, 60 developers have signed a pledge committing them to freeing existing leaseholders.

HELP-TO-BUY

The government's Help to Buy: Equity Loan scheme lends 20% of the value of a new-build home as long as the purchaser is able to put up a 5% deposit. Homes England, the government organisation responsible for increasing the number of new homes built in England, has been instructed by the government to renegotiate contracts with Help to Buy property developers to ensure that no new Help to Buy houses are sold as leasehold.

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

PRIME UNIVERSITY CITY HOMES COME AT A PREMIUM

In top university cities, higher-than-average house price growth is making it challenging for talented graduates to stay in the area and work locally. In the period between 2009 and 2018, house prices have risen a massive 76.3% in the capital, 73.4% in Cambridge and 66.8% in Oxford. This represents growth 25% higher than the national average⁴. On a longer-term basis, it is feared that the lack of affordable housing could negatively impact further economic growth. There is a call for local plans for higher density development and to include homes for key workers.

⁴Bidwells, July 2019

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.

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