# HOME FINANCE NEWS

## May 2019

**DONT LET BREXIT DEFLECT YOU FROM YOUR GOALS**

**MAKING PROTECTION A FAMILY MATTER**

**BUY-TO-LET LANDLORDS TAKING STOCK**

# DONT LET BREXIT DEFLECT YOU FROM YOUR GOALS

Brexit has cast a shadow over life in the UK since June 2016. For much of that time, businesses have had to operate against a background of economic uncertainty and put in place contingency plans in case the UK were to leave the EU without a deal in place.

Clearly Brexit can have a major impact on interest rates, foreign exchange rates and the strength of the economy. It may also affect everything from our passports to the validity of UK driving licences in the EU, but the fact is at the moment no one can be sure of what the outcome will be, there is clearly much to be defined once we have a firm plan in place. Whilst organisations have been planning for the worst, it's not a foregone conclusion.

**Focus on your objectives**

In the meantime, it makes sense to pursue your goals. Not all parts of the UK housing market have been impacted negatively, focus on local rather than national housing markets. Despite the uncertainty, it's a good idea for buyers to consider their long-term plan. If you're looking to buy somewhere to live for the long-term, it might not necessarily be the best idea to wait for an outcome that may never come. If you're buying a house in the current climate, the right advice is key to ensure you've weighed up your options properly and find the right deal for you.

# COSTS FIRST-TIME BUYERS NEED TO BUDGET FOR

Firstly, you'll need a deposit, and you've probably heard that the bigger the cash sum you can put down, the better the deal you are likely to get from a lender.

According to research, on average, first-time buyers borrow 85% of the purchase price of their property, so that means finding a deposit equal to 15% of the property's value. Whilst it is possible to get a mortgage with just a 5% deposit, the interest rate is likely to be higher, meaning that the mortgage will cost more over the full term.

**Other expenses**

Mortgage lenders charge an arrangement fee, and solicitor's costs can be around the £1,000 mark, depending on the work involved. Your mortgage lender may require you to have buildings insurance as a condition of granting your loan, and you may want to pay for a structural survey. You may also need to hire a removal van.

The good news is that as a first-time buyer you will be exempt from paying Stamp Duty on a property up to the value of £300,000. If a property is worth between £300,001 and £500,000 you will only pay Stamp Duty on the amount over £300,000, but if it's worth more than £500,000 you won't get any relief at all.

***Your home may be repossessed if you do not keep up repayments on your mortgage. As with all insurance policies, conditions and exclusions will apply.***

## BUY-TO-LET LANDLORDS TAKING STOCK

Over the last few years, investing in buy-to-let property has been an attractive proposition. However, landlords will have their Income Tax relief on mortgage interest restricted to 20% by 2020, on top of higher Stamp Duty. In addition, changes proposed in the Autumn 2018 Budget could mean changes in Capital Gains Tax rules for those landlords who lived in their property before renting it out.

Many landlords are reviewing their options; some are considering selling up. Research published by estate agent Haart shows that the number of landlords registering to buy property has fallen sharply. Although the number of landlords registering to buy rose by 2% between December and January, it was down 37.4% annually. In London, the number of landlord registrations was down 41.3% annually.

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## EQUITY RELEASE - WHATS THE ALTERNATIVE?

To bolster retirement income, many people choose to release capital from their home by downsizing to a smaller, cheaper property with lower running costs.

**Getting good advice**

However, if moving home isn't something you want to do, then it's well worth talking to your adviser about your options. Remortgaging or an interest-only retirement mortgage might be available to you, depending on your circumstances. Many lenders are now prepared to lend to older people, providing they meet their affordability requirements.

***A lifetime mortgage is a long-term commitment which could accumulate interest and is secured against your home. Equity release is not right for everyone and may reduce the value of your estate. You may have to pay an early repayment charge to your existing lender if you remortgage.***

## HOW MORTGAGE OVERPAYMENTS MAKE AN IMPACT

Mortgage overpayments help you pay off your mortgage sooner and reduce the amount of interest you pay.

Research shows that if a borrower took out a £200,000 mortgage over a 25-year term, they could save £1,146 in interest by making a monthly £100 overpayment, becoming mortgage-free four months earlier.

Those who can 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 a £100 overpayment, could save £10,000 in interest, becoming mortgage-free almost 17 months earlier.

The combination of paying off capital and consequential reduction in interest results in the time reduction.

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# ADDING COVER TO YOUR HOME INSURANCE

Any good home insurance policy will cover a variety of commonly-encountered risks, but if you have specific risks that you'd like to include in your policy, then you may wish to consider some home-insurance add-ons.

**Personal possessions used away from home**

When you take out a policy, youll have protection for your personal possessions in your own home. This type of 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 to school, or you lose your watch on the way to work.

**Accidental damage**

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 broken mirrors or paint spilt on your carpets.

**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.

***As with all insurance policies, conditions and exclusions will apply.***

# LIFE INSURANCE - SETTING THE RECORD STRAIGHT

There are a lot of myths surrounding life insurance. Here we tackle a few of the commonly-held misconceptions around this important aspect of financial planning.

**"Insurers don't pay out"**
Figures for 2018 from the Association of British Insurers show that insurers pay out a staggering £13.9m every day, and that 98% of claims are paid.

**"It's too expensive"**
This is a common misconception, but believe it or not, life insurance cover is much more affordable than you might think and can cost as little as a monthly Netflix subscription.

**"Finding the right policy is too time-consuming"**
This isn't the case if you take advice. Your adviser will discuss your circumstances, work out the cover you need, research the market on your behalf and recommend the right type of policy to meet your specific requirements. You won't pay for this service - your adviser will receive commission from the policy provider.

**"Only breadwinners need cover"**
Not so – stay-at-home parents do a lot for their families, such as cooking, cleaning and childcare. If they weren't around, replacing these services would cost a lot of money.

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# MAKING PROTECTION A FAMILY MATTER

**No matter what age you are, life insurance is something you should seriously think about including in your financial plan.**

Whether you are new parents, parents with grown-up children, or you're looking after your own parents, life insurance can help secure your family's financial stability, and protect against life's unexpected and unwelcome events like death, accident or critical illness.

The funds from a policy could be used to:

- Pay off a mortgage or other outstanding debts
- Cover loss of income
- Help a family maintain its lifestyle
- Cover childcare fees, and provide extra help with household costs, like cooking and cleaning
- Pay funeral costs
- Help in reducing Inheritance Tax on your estate, if the policy is put in a trust.

**Deciding how much cover you need**

The amount of cover that's right for your family depends on your personal circumstances. Many families take out enough to repay the balance outstanding on their mortgage. It also makes sense to think about your day-to-day lifestyle and the amount of money your family would need to maintain it. So, that could include household bills and regular expenses, current or future school fees, and any loans outstanding. As a rough guide, many experts would suggest the amount of cover families generally need is roughly 10 times the annual income of the breadwinner.

And it's important not to forget the value of a stay-at-home parent. For many households, the list of tasks they perform includes childcare, cleaning, cooking, laundry, taxi service, shopping and much more besides. If these services had to be paid for, then the bill could be many thousands of pounds a year.

**Tailoring cover to meet your needs**

When you take out a protection policy, you will have the choice between a term policy and a whole-of-life policy. Both types of contract have their advantages and can be used to meet different financial objectives.

The most basic difference between the two types of cover is the period of time each contract covers. Term insurance provides protection for a set number of years, whilst a whole-of-life policy, as the name suggests, lasts for the remaining life of the person insured.

Term policies can be taken for just a few years, or for up to 40 years. This means that you can choose the length of policy you need, so for example you can provide cover for your family whilst your children are growing up.

Insurance policies can protect your finances, your home and your family in the event of incapacity, a serious illness, an accident or death, so why not give your family the peace of mind of knowing that you've put plans in place?

***As with all insurance policies, conditions and exclusions will apply.***

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