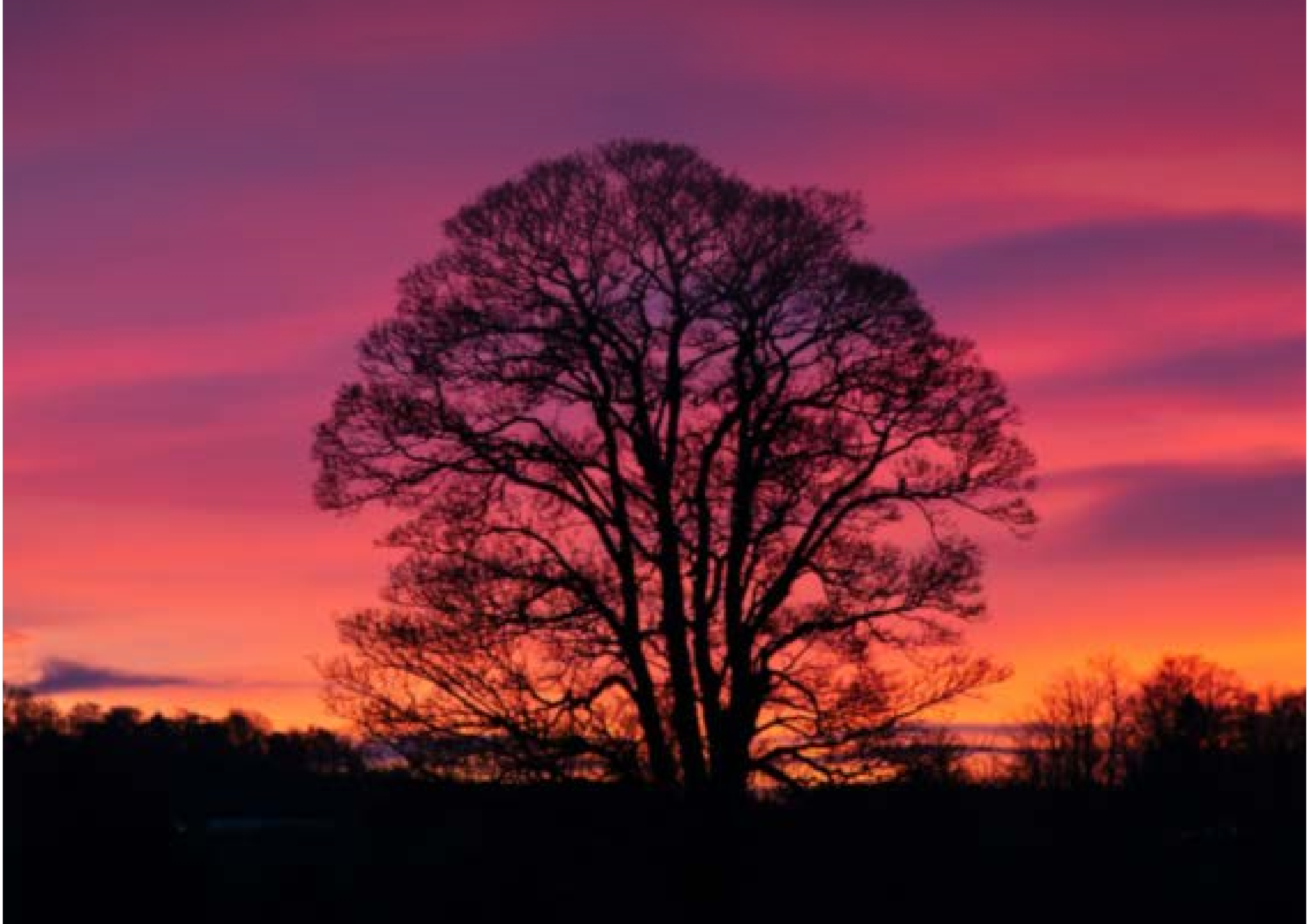
threshold financial services

VIEWPOINT

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.



PART OF THE Openwork PARTNERSHIP

1 & 2 The Brookside Centre, Auckland Road, Southampton SO15 0SD
newenquiry@thresholdmortgages.com | www.thresholdmortgages.com | 03300249115

Turning ‘generation rent’ into ‘generation buy’

New 95% mortgage scheme to help first-time buyers

Lenders are now offering a government-backed 95% mortgage scheme to help more first-time buyers onto the property ladder.

The government is hoping to turn ‘generation rent’ into ‘generation buy’ with the help of a 5% mortgage deposit scheme launched on 19 April.

Following the outbreak of the coronavirus pandemic, many lenders withdrew low-deposit mortgages. In just under a year, the number of 95% mortgages available to first-time buyers fell from 391 to just three. It’s hoped the scheme will give lenders the confidence to offer low-deposit mortgages again by taking on some of the risks involved.

What is the 5% deposit scheme?

First announced in this year’s Budget, the programme offers first-time buyers or current homeowners the chance to secure a 95% loan-to-value mortgage on homes worth up to £600,000. It’s available on both new-build and existing properties.

The government hopes the scheme will provide an affordable route to home ownership by helping people who may be renting but are unable to save for a deposit.

Buyers will still only be able to borrow in proportion to their income, typically a multiple of 4.5. As a result, the scheme will particularly benefit buyers in lower-value housing markets such as northern England and Scotland.

What does loan to value mean?

Loan to value is the percentage of the property value you’re loaned as a mortgage – in other words, the proportion you're borrowing. For example, if you have a 95% mortgage on a house worth £200,000, you would put down £10,000 (5%) of your own money as a deposit and borrow the rest (£190,000).

What’s the catch?

There are a few conditions that you’ll have to meet under the scheme. You’ll need to:

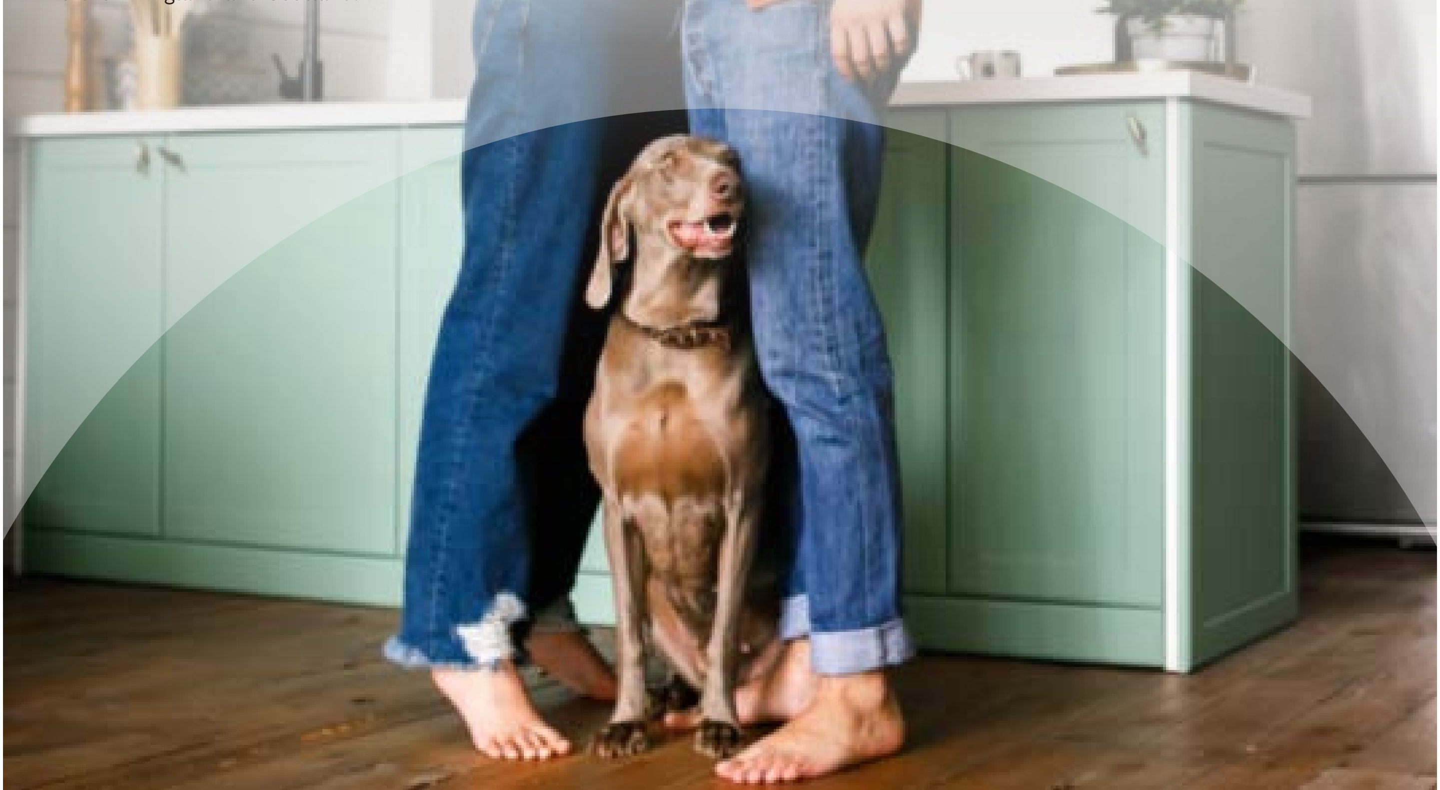
— Buy a property to live in – second homes and buy-to-let properties aren’t eligible.

— Apply for a repayment (not interest-only) mortgage

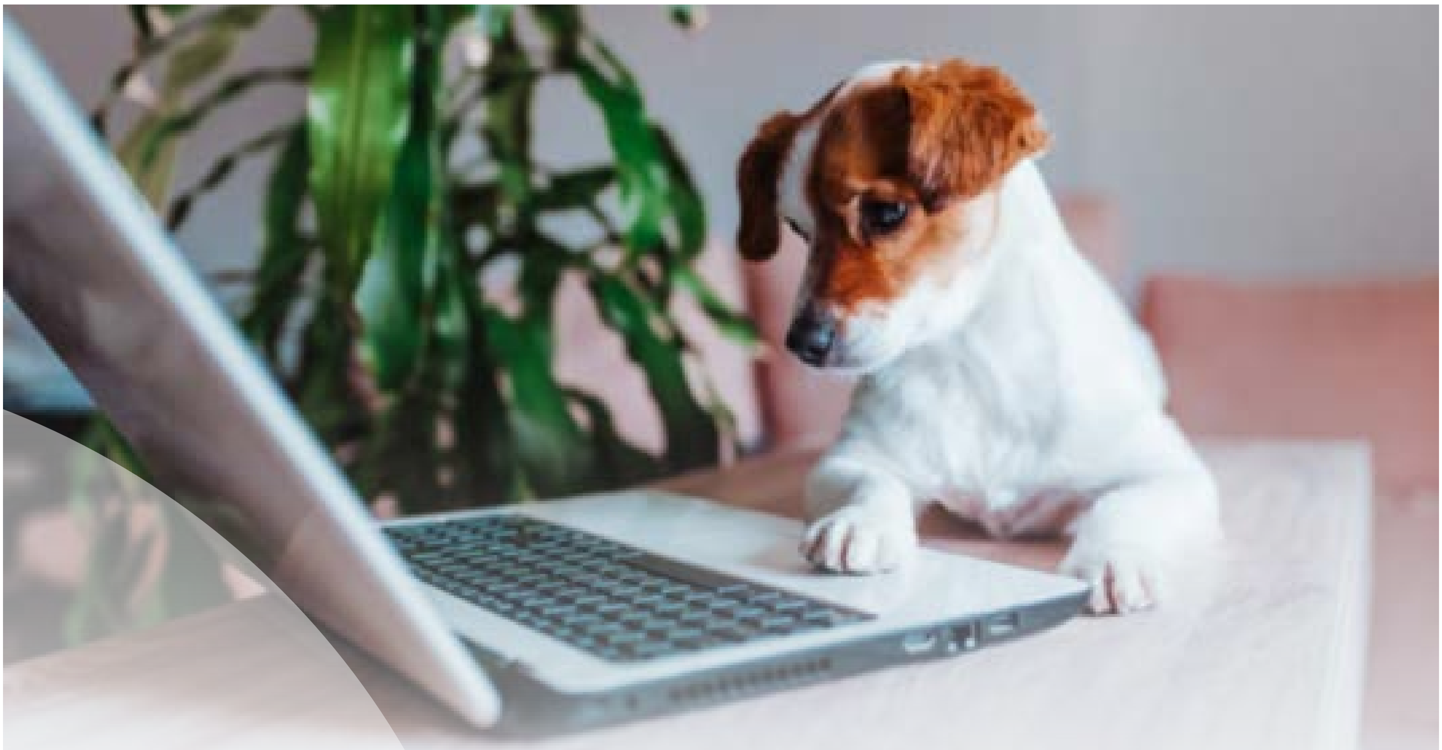
— Pass standard affordability checks, including a loan-to-income test and credit score assessment.

It’s worth considering the fact that the higher proportion of the property price you borrow, the higher the amount of interest you’ll repay on your mortgage. So it might be good to take a step back and figure out if you can save for a little longer and borrow less.

Speak to your financial adviser about how the 5% mortgage deposit scheme could help you get on the property ladder.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE.



Get to know your SVR

As a nation, we aren't great with our financial acronyms and terminology. Life is busy and our heads are often full of important things to get done to make it through the week, without having to worry whether we know our LTV from our ERC!

Incase you were wondering....

LTV
Loan-to-value

ERC
Early repayment charge

SVR
Standard variable rate

You're certainly not alone if you're feeling financially flustered. Recent research has found that more than a fifth of British adults are confused by everyday financial terms.

Worth taking the time to review your mortgage

When you do find some time to settle down on the sofa with a cuppa or a glass of wine in hand, if you are a mortgage holder, it could be a good time to become familiar with one important acronym worth knowing - SVR or Standard Variable Rate.

You may find that you are automatically switched to an SVR when your existing mortgage deal, whether that be a tracker, fixed rate or discounted mortgage, comes to an end. Unfortunately, this could mean you're paying over the odds, perhaps without even realising.

SVR rarely offer the most competitive rates and the SVR interest rate is usually linked to a percentage above the bank's base rate, meaning the rate can rise and fall, which makes you more vulnerable to potential interest rate rises in the future.

Take advantage of record low mortgage rates

After two Bank of England base rate cuts earlier this year, mortgage rates have remained at record low levels, so it makes sense to see if you can save money by switching to a better rate.

Good advice that cuts through the jargon

In a complex environment, getting good, clear advice can really pay – so get in touch and we'll guide you through the process, without using jargon.

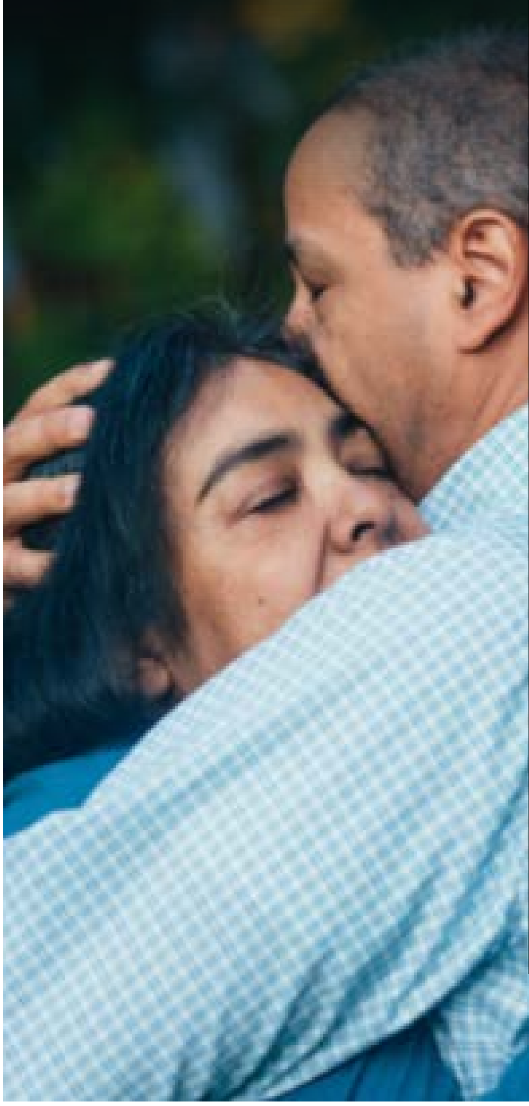
Don't worry if you're currently locked into a mortgage deal that has exit charges, you don't have to wait until it has come to an end as your adviser can help you find a deal three or six months before your lock-in period finishes.

The perks of protection

What support do insurers offer after the event?

Illness and bereavement help.
Many providers give free access to services offering practical and emotional support for those left behind after the death of the policyholder.

Rehabilitation.
Insurers usually offer back-to-work support services, including physiotherapy, careers guidance or advice if you choose to go self-employed. If you're returning to work following a mental health issue, providers will continue to cover counselling sessions for a set period of time.



As well as peace of mind, many insurance providers offer additional benefits that you may not know about.

Whether we're crossing the road or getting on a plane, we encounter risks every day. For many of us, life has felt more uncertain than ever over the past year as we continue to deal with the coronavirus pandemic. Although we can't always control what's happening in our lives, we can plan for the unexpected.

By taking out a protection policy, you can safeguard your family's finances if your situation changes. The main types of protection include:

— Life cover – pays out a lump sum if you die

— Health insurance – pays medical costs at a private hospital or private ward

— Critical illness – pays a tax-free lump sum if you're diagnosed with a major illness

— Home contents and buildings – covers your home's structure (including fixtures and fittings) and contents (furniture)

— Income – pays out if you can't work due to illness or injury

As well as peace of mind, protection policies often come with added extras. We've highlighted examples of some of the perks you could receive when you take out a policy, even if you don't make a claim.

Welcome gifts

When you sign up for a protection policy, some providers offer a welcome gift. For example, health insurers sometimes offer gadgets like an Apple Watch to help you track your activity – with some even offering a discount based on the amount of exercise you do each month.

Discounts

Many health insurers offer discounts on gym memberships and weight-loss programmes to help you embrace a healthier lifestyle. Some also offer you the option of taking a health check to reduce the amount you pay each month.

It's worth noting that when you take out a protection policy, your provider is likely to offer you discounts on other products such as pet or travel insurance.

Additional healthcare options

Some health insurers now cover complementary therapies such as osteopathy and acupuncture, giving you more treatment choices. In addition, counselling services are now included in most health insurance policies and many also give you the option to upgrade your hospital room if you need treatment.

Will writing

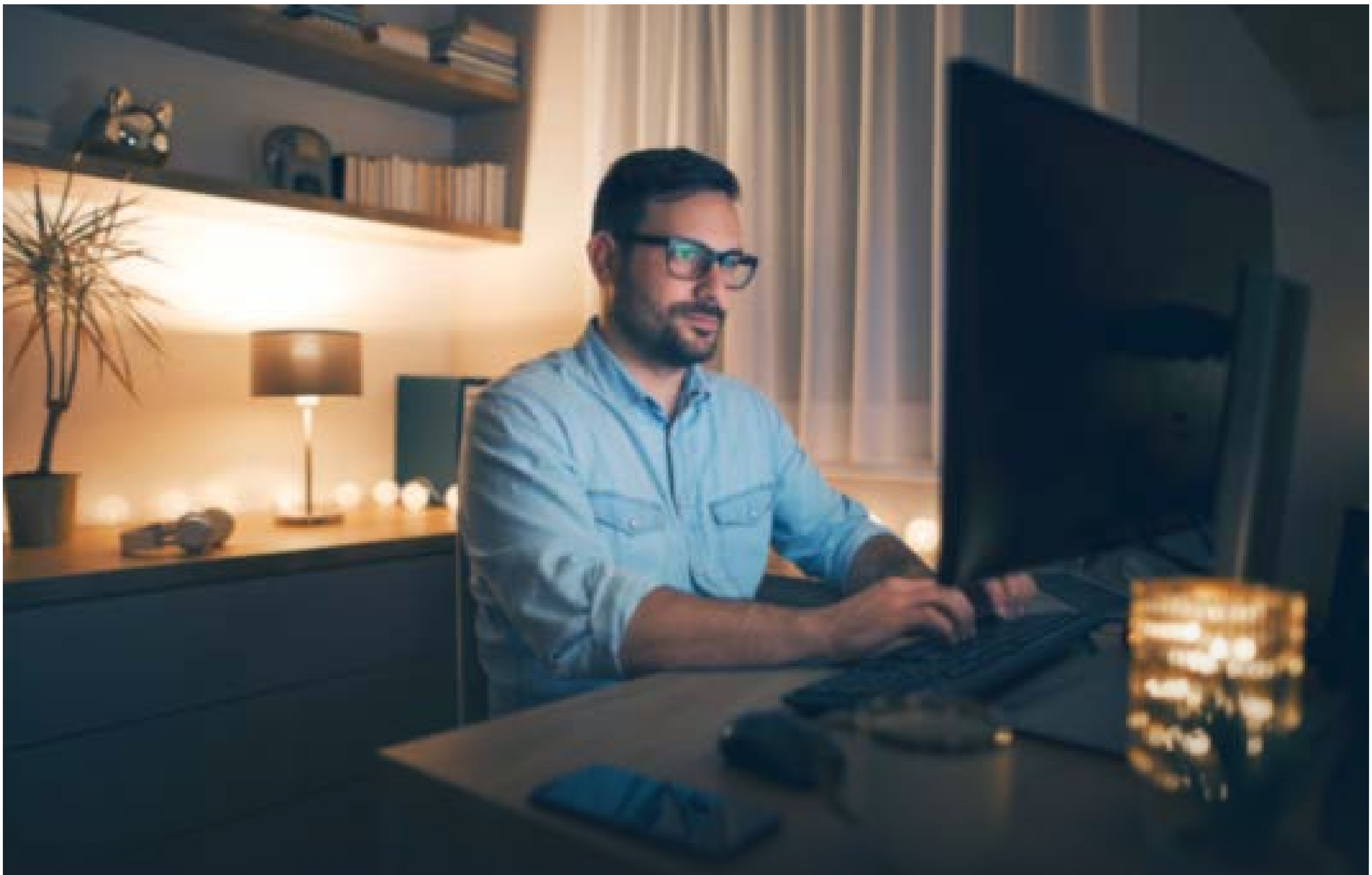
Some providers of life insurance give new policyholders the opportunity to draw up a will free of charge.

Cover for children

Many critical illness plans include free cover for dependent children.

Whatever type of protection you're looking for, get in touch and we can help

OW3219 Exp. 09/03/2022



Are you insured to work from home?

We all know that remote working has soared since the onset of the pandemic, with 30% of the population still working exclusively from home during the week ending 29 November 2020. But with millions of workers taking to their home offices, their kitchen tables and – let's face it – their sofas, are they adequately insured?

Although the Association of British Insurers issued a statement in the early months of the pandemic stating that office-based workers would not need to contact their insurer if working remotely during lockdown, things may now have changed. A recent survey revealed that more than two in five homeworkers have not reported to their home insurance company they are now working remotely – potentially invalidating their policy.

What if I continue to work from home?

You may need to contact your insurer if you continue to work from home, or are allowed to return to the office but choose to work from home several days per week, to tell them that your working patterns have changed.

In addition, if you are now receiving business clients in your property instead of the office, you'll likely need to check with your insurer for this, too. You may not be covered for certain aspects of your policy, such as loss of money or theft.

Will my work laptop be covered?

Your own home insurance policy is unlikely to cover business equipment such as laptops, tablets and other devices. You should check with your employer to see whether their business insurance covers equipment away from the office.

What about health and safety?

All employers are legally required to have employers' liability insurance, which covers their legal liability if employees suffer an injury during the course of their work. While some policies extend automatically to remote working, others don't – so have a word with your employer to ensure they're covered in case you have an accident while working from home.

If in doubt – check!

If you're in any doubt, check with your insurer – you don't want to risk invalidating your policy! Meanwhile, if you'd like to review your home insurance needs, just have a chat with us – we can review a wide range of policies and recommend the one most suited to your circumstances.

OW3144 Exp. 02/02/2022

Should we be concerned about rising inflation?

Most economists expect inflation to pick up over the next few months as lockdown restrictions ease and shops and restaurants reopen. But is this a cause for concern?

As lockdown measures begin to lift, financial markets are making their adjustments in anticipation of a rise in inflation, with bond yields picking up (meaning prices have fallen) and stock markets rotating from defensive sectors into cyclicals.

What is inflation?

Put simply, inflation measures the change in the prices of goods and services. If it rises then it takes more of our cash to buy things. We all experience inflation in our daily lives, from filling up our cars with fuel, buying groceries or using public transport.

In the UK, the official measure of inflation is the Consumer Prices Index. It's published by the Office for National Statistics (ONS), which monitors what people are spending their money on, using a basket of everyday goods and services.

The ONS adjusts the basket from time to time to reflect our changing spending habits. During lockdown, there was a shift with products like hand sanitiser and hand wipes being added, and items like white chocolate and ground coffee dropping off the list.

Inflation is all an illusion… or is it?

It's easy to ignore the impact of inflation on your finances. Most people's spending habits this month compared with the same time a year ago would probably stick to the same patterns – regardless of inflation at the time – because the differences seem small and therefore wouldn't affect the way they spend.

If you're trying to save money though, it's worth remembering that with interest rates currently lower than the rate of inflation, the real value of any cash savings is falling. In other words, the cost of living is increasing at a faster rate than your savings are growing, which means the spending power of your money is actually falling.

How will inflation affect investments?

Many people in the UK are preparing to spend the cash they've saved over the past year when the lockdown ends and shops, restaurants and entertainment venues reopen. Activity is likely to return to pre-pandemic levels and the expectation is that inflation is likely to pick up. Some economists are worried about inflationary pressures. In addition to this is the effect of government stimulus packages on the economy, which would provide another tailwind.

However, experts believe it's likely to be a short-lived phase and should not pose a longer-term challenge to fixed income or equity markets. The Bank of England does foresee inflation rising towards the 2% mark, but believes it will be a temporary phenomenon. Continuing deflationary forces like ageing demographics, technological innovation and global supply chains cast doubt over predictions of a new era of inflation.

Ultimately if you want to beat inflation in terms of finding some good returns on your savings, investing is the best option at the moment – due to cash savings rates being at such low levels.

One of the best ways to ensure your investments are given the strongest opportunity to navigate the effects of inflation on financial markets is through a global, multi-asset portfolio that's actively managed by a professional team of investors. Speak to a financial adviser to find out more.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

OW3380 Exp. 04/06/22

Investment Update

Energy shortages and supply disruptions continue

Stock markets bounced back in October despite an unsettled month due to global supply disruptions and energy shortages.

Financial markets were unsettled in October for a number of reasons. They include soaring energy prices due to the global shortage of natural gas supplies and high demand in Asia. Markets became calmer after Russian President Vladimir Putin indicated that his country could supply additional gas to Europe. The increase in energy prices and shipping costs prompted the The Organisation for Economic Co-operation and Development (OECD) to raise its inflation forecast for the G20.

The natural gas shortage pushed up oil prices, with Brent crude rising to its highest level in seven years. The Organisation of Oil Exporting Countries (OPEC) agreed to increase oil production gradually to meet high demand as countries come out of pandemic-induced lockdowns.

US stocks rally

In mid October the S&P 500 index enjoyed its best days since July, making up for fall earlier in the month. Strong company earnings results contributed to the performance, as did the stability brought by the news of the Senate's decision to temporarily raise the federal debt ceiling.

October followed September as a month of rising inflation in the US. However, higher prices didn't deter consumers, with retail sales also up from previous months. There was another lower-than-expected jobs report, with the working economy still affected by the Delta variant and a sluggish labour market.

UK Budget news and interest rate speculation

In early October the FTSE 100 had its best first week of the month since May, helping it to a 20-month high and a recovery of most of the losses it experienced since February 2020 and the start of the pandemic.

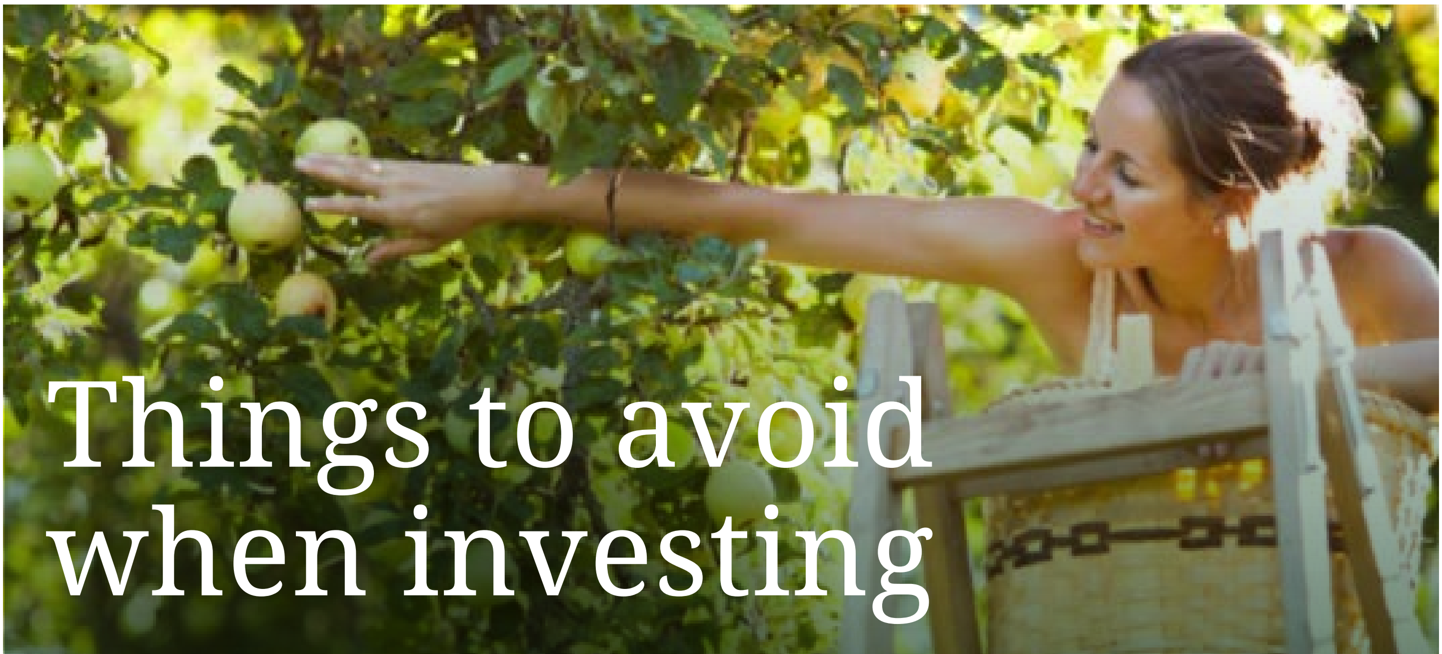
However, the Bank of England warned that the UK economy is more vulnerable to the global rise in inflation than other G7 nations, and that it could slow the recovery. Attention remained on the Bank of England's move to raise interest rates, with economists predicting a rise as soon as early 2022. City traders are betting that it will happen before the end of this year.

In this year's much anticipated Autumn Budget, Rishi Sunak set out the government's plans to help get the economy back on track following multiple lockdowns. Policies announced included an increase in the National Living Wage and a 50% business rates discount for firms in the retail, hospitality, and leisure sectors up to a maximum of £110,000. Dividend tax rates will also rise by 1.25% from April next year which means investors will pay more on their earnings.

China's third-quarter slowdown

Asia suffered an ongoing shortage of coal, with power cuts reported across countries reliant on the fuel, like China (where coal generates two thirds of the country's electricity), and with India on alert for similar outages. Coal prices in China hit a record high during the month along with a dip in manufacturing (the latter due to power shortages and ongoing outbreaks in coronavirus cases).

The crisis surrounding the Chinese property developer Evergrande saw the company sell part of its stake in a bank to a publicly owned investment group on condition that the developer uses the proceeds to repay a loan. Figures released in October also showed that the pace of economic growth in China slowed in the third quarter compared with the previous year.



Things to avoid when investing

To keep your investments from losing value or slowing the growth of your assets, avoid these common investing mistakes.

There are more risks and opportunities than ever for investors to navigate in today's rapidly evolving markets. Here are four approaches we believe every investor should follow.

1. Don't pile into cash – stay invested

The biggest advantage of cash is that it offers relative safety. Cash can help diversify a portfolio during times of volatility and is easy to access in an emergency. With cash you'll be paid interest on the money, which will be tax free where it's in an ISA.

You won't lose any money by putting your money in cash, but it tends to offer lower returns than other asset classes. It's also important to know about the impact of inflation on your savings and investments as it can make a huge difference to how much profit you make. Cash is seen as a shortterm safe haven and should not be held over a substantial period of time to avoid the impact of inflation.

While it's good to have some cash savings for a rainy day, the spending value of your money can fall over time if inflation is higher than the interest rate you receive. With interest rates on cash investments at historically low levels, and well below the inflation rate, millions have seen the value of their savings eroded in recent years. To make money on your investment you'll need to find an account or investment that gives you a greater return than the current rate of inflation.

2. Don't go chasing fads – think about the long term

Short-term gains can seem appealing for investors, but if you don't want to lose your savings, it's best to not believe the hype about the latest investment craze. Choosing the wrong investment can be a costly mistake. Many investors are turning to social media platforms such as Facebook, Twitter, YouTube, TikTok and other unregulated sources for information about investing.

While it may seem tempting to get investment recommendations this way, it puts you at significant risk from volatile stocks or even fraud. It's easy to jump on the bandwagon, but momentum is typically falling by the time most people join.

3. Don't put all your eggs in one basket – diversify

One of the biggest mistakes when investing is putting all your eggs in one basket as it can leave you exposed to fluctuations in the market. If you've invested in one stock and something unexpected happens and it plummets, you could find your nest egg suddenly disappearing.

One way to lower risk is by spreading your wealth over a wider range of investments so it's not concentrated in one place (known as diversification). By diversifying your portfolio you can reduce the risk that all of your investments will experience the same negative impact at the same time.

Ideally, you should be looking to build a diverse portfolio with a mix of different investments in line with your attitude to risk. A balanced portfolio will contain a mixture of asset classes, such as stocks, bonds, and alternatives.

4. Sit tight when it's right

When markets wobble it can be tempting for investors to sell their shares to avoid any further losses. It's easy to react to short-term losses but the best thing you can do is most often precisely nothing.

Timing the market involves buying and selling investments when you think they will rise or fall at exactly the right moment. It's a difficult strategy that rarely works and there are too many unpredictable factors.

If you sell into a falling market you will lock in your losses and it could take you years to get back to where you were. While markets can fall sharply, given time they can rebound, so instead make sure you take the long view. Stock markets have a history of recovering from downturns. If you see your investment drop, don't worry. Just keep your cool and sit tight.

It pays to seek advice

A financial adviser can help you work out how to achieve your long-term financial goals, while taking inflation into account so it doesn't eat up your returns. Your adviser will speak to you about your attitude towards risk and the level you are comfortable with, helping you make the right investment choices..

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.