Financial Viewpoint

Threshold Financial Services Ltd

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Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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Don't slip up this winter

Hospital admissions increased by

220,000*

during February and March 2018 last year, when the ‘Beast from the East’ and Storm Emma converged over the UK.

*Compared to the same period the previous year (January – March 2017).

Winter is coming, and with winter comes unexpected weather patterns and more time spent in the home. Both can lead to an increase in accidents, and accidents for you or children can lead to time off work or loss of income.

Outside risks

It's not only the obvious factors of slips, trips and falls and the onset of flu season that are common challenges during the winter months. Asthma sufferers are at risk of attacks due to the cold damp air. Cold weather also causes an increased risk of heart attack and stroke, and arthritis can become more painful during cold spells.

Accidents at home

Unfortunately, accidents are most likely to happen at home. It is therefore important to be aware of potential risks to avoid unnecessary incidents. Falling is the most common cause of injury. Removing any potential trip hazards, especially on the stairs, and supervising your youngsters if they’re climbing on furniture or playing in the house can help lessen the risk.

Covering your bills

Injuring yourself at home or while out and about could lead to you being off work and not earning an income. This is where an Accident Protection policy will help as it provides a lump sum which could be used to help take care of the bills while you're off work, taking care of yourself or your loved ones. If you’d like the peace of mind that you will be covered in the event of an accident this winter, or indeed at any time of the year, it’s wise to give some thought as to how best to protect yourself.

Considerations for first-time buyers

Being a first-time buyer can be daunting. Not only are you about to make one of the biggest financial decisions in your life, but you'll probably also have family members and friends offering their ideas on the right house, mortgage, lender conveyancer and even removal company for you.

We've put together some ideas to try and take away some of the stress and confusion and give you confidence to move through the home buying process as smoothly as possible.

Get the right advice
Of course we're going to say that - it's what we do! We'll review your circumstances and look at your income, debt, day-to-day outgoings, employment and the size of your deposit, to assess what you can afford to borrow now and in the future. We'll talk you through the types of mortgage we think are right for you and the lenders who offer them.

Save as much as possible
Buying a house is going to be expensive so it's important to save, save, save and save some more to get yourself in the best position possible.

Many lenders will accept a minimum deposit of 5% of the cost of the house you're buying, but aim higher. The bigger your deposit the smaller the mortgage (and monthly mortgage payments) making you more attractive to a lender.

Talk to us and we can help with practical financial advice on your first and future home purchases.

Know your budget
Your hard-saved deposit and monthly mortgage repayments aren't the only expenses you need to be mindful of when buying your first home:

Some lenders will charge for a **valuation fee** to help them establish how much they are prepared to lend you.

You'll also need to factor in the cost of a **survey** (depending on the type of property you're buying and the lender you choose to go with you might need a basic mortgage valuation, a homebuyer's report or a full structural survey).

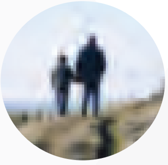
In Scotland you also need to budget for **Land and Buildings Transaction Tax** and in Wales you'll need to budget for **Land Transaction Tax**. If you live in England or Northern Ireland, you won't pay any **Stamp Duty Land Tax** on properties worth up to £300,000.

You'll also need to pay your **solicitor** or **conveyancer** for any legal work and local searches they do on your behalf.

Your home may be repossessed if you do not keep up repayments on your mortgage

‘Mortgage prisoners’ may be able to remortgage

You may have heard the term ‘mortgage prisoners’ but not know exactly what it is. Mortgage prisoners are those who are trapped in their current mortgage deal and are unable to remortgage or move.



How did Karen and Richard become mortgage prisoners?

"Unfortunately my work circumstances changed last year, meaning Karen and I can't pass the affordability check. If we were able to switch we could save a lot of money by having a lower interest rate."

The Financial Conduct Authority (FCA) has estimated around 150,000 borrowers are stuck as ‘mortgage prisoners’. Some of the main reasons are —

- **A change in circumstances, such as credit issues or a lower income since they bought their home.**
- **Not meeting the affordability rules which changed in the 2014 Mortgage Market Review**
- **Negative equity – which could be due to the 2007/08 financial crisis**

Being stuck on your current mortgage deal can be a costly frustration. Those that come to the end of their existing deal may be moved onto a lender’s Standard Variable Rate which can be expensive, with average rates higher than many available deals. In some cases, this could be more than double the rate of interest.

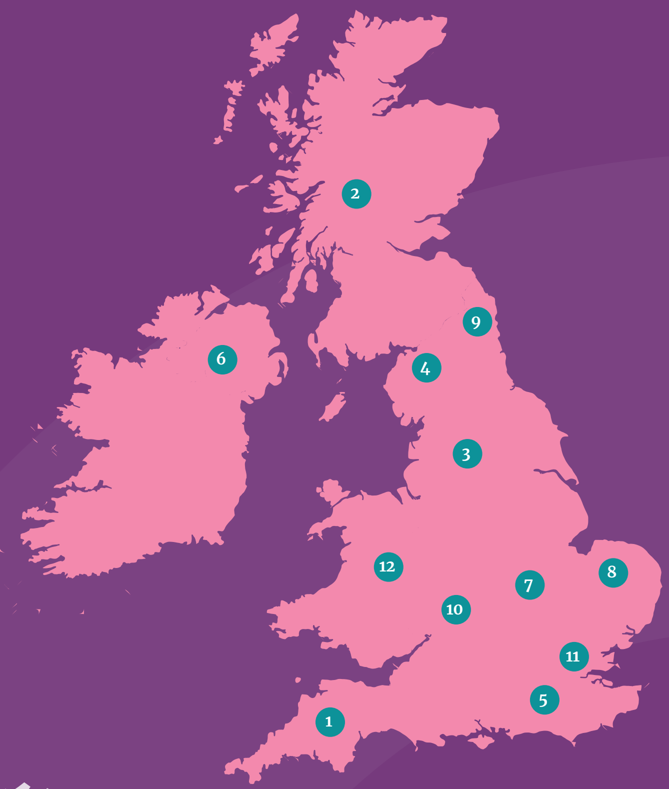
There may be hope on the horizon...

After a campaign by a group of ‘mortgage prisoners’, who originally mobilised via social media, the FCA has proposed plans to help people move to a cheaper deal.

Customers who are both up-to-date with payments and looking to remortgage without additional borrowing will be given a more appropriate affordability assessment to assert whether they can afford the new loan. This will make it easier to find the right mortgage for their needs. The FCA is also asking lenders to work with more innovative tools to help customers better identify what mortgages they may qualify for.

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

Where is the happiest place to live?



Regions in order of happiness

1 South West
2 Scotland
3 Yorkshire
4 North West
5 South East
6 Northern Ireland
7 East Midlands
8 East of England
9 North East
10 West Midlands
11 London
12 Wales

A new survey has revealed the South West is the happiest place to live in the UK, with Wales coming in as the least happiest.

The survey by Lloyds Bank and YouGov looked at factors such as: home ownership, salary, household size, knowing your neighbours, loneliness, crime rates, local services and unemployment to create a 'happiness barometer'.

The survey threw up some other interesting facts:

— **Overall women are happier than men, but happiness for both dips to its lowest level for those aged between 25 and 34.**

— **People who own their own homes are happier than those who still have a mortgage to pay.**

— **Unsurprisingly, homeowners are happier than renters. Those who rent local authority homes are the least happy of all renters.**

— **Higher earnings can make you happier, but this peaks for those earning between £50,000 and £59,999. These earners were the happiest overall, and 12% happier than those earning over £100,000.**

Overall, access to transport links and amenities, living close to family and friends, having a safe and clean neighbourhood and a sense of community makes people happier. Converseley, high levels of crime and anti-social behaviour, poor local services, transport and amenities and a feeling of loneliness make people less happy.

What music do you want played at your funeral?

It is a tongue-in-cheek discussion most of us have had with family and friends. What songs would you have played at your funeral? After all, a funeral service and the music played should celebrate your life in the way you want.

Most popular funeral songs by genre

♫ **Hymns**
Abide With Me
All Things Bright And Beautiful
The Lord Is My Shepherd

♫ **Rock**
Stairway To Heaven Led Zeppelin

Bat Out Of Hell Meatloaf
Don't Want To Miss A Thing Aerosmith

♫ **Sport**
Match Of The Day
Cricket Theme
You'll Never Walk Alone

♫ **Indie**
Chasing Cars Snow Patrol
Wonderwall Oasis
Don't Look Back In Anger Oasis

♫ **TV**
Only Fools And Horses
Last Of The Summer Wine
Coronation Street

♫ **RnB**
I'll Be Missing You Puff Daddy
I Miss You Beyoncé
One Sweet Day Boyz II men

A quick look at the current top 10 funeral songs turns up some predictable results. 'My Way' by Frank Sinatra is favourite, followed by 'Time to Say Goodbye' in second place. Another more ironic choice is 'Always Look on the Bright Side of Life' from Monty Python's 'Life of Brian'.

Have you planned your song choice?

Do any of the above reflect your wishes? Or would you take a different approach? Would you want the attendees to truly celebrate your life and your sense of humour or would you rather make a poignant, emotional choice?

Whatever works for you, whether hymn or humour, you want your song choice to be one less thing for your loved ones to worry about.

It can be costly too

There's no soft way to approach this topic but it's best to tackle these difficult issues head on, like how we would cover the costs of our funeral. The average cost of a funeral is at an all-time high of £9,214. This is a 29% increase in just 10 years.

— £4,281 – the average cost of a basic funeral including the doctor, funeral director fees, the cremation or burial and the minister or celebrant
— £2,061 – the average amount spent on additional extras such as the memorial, death and funeral notices, flowers, order of service sheets, limousines, venue and the wake
— £2,872 – the average amount spent on hiring legal professionals to administer the estate

A Whole of Life Plan can help take away some of the financial worry for your loved ones. These plans are designed to pay out a specified sum when you pass away, or are diagnosed with a terminal illness. The amount paid depends on the sum assured and type of cover you choose when setting up your plan.

Your pension savings, your future options

Thanks to pension freedoms introduced in 2015, savers over 55 have a wide range of options when it comes to drawing from your savings, and this brings opportunities although it's also easier to make a mistake.

There are now essentially four main ways for you to access your pension savings:

1. **Buy an annuity** which guarantees an income, typically for the rest of your life but in some cases for a fixed period
2. **Flexi-Access Drawdown** allows you to withdraw from your savings when you need to, while the balance remains invested
3. **Take it all out as cash** with the first 25% tax free and you pay income tax at your marginal rate on the rest, although you may face a hefty tax bill the following year
4. **Take part of it out as cash** with the first 25% tax free with the rest taxed at your marginal income tax rate. You can do this as many times as you like until you no longer have any pension savings.

Why you should consider modernising your pension

As well as giving you greater freedom over how you access your savings, there are several other benefits when modernising your pension:

- Take full control of your pension savings
- Choose when and how to draw an income to suit your retirement planning
- Keep your options open for drawing an income in the future
- Optimise your tax efficiency - both on any money you might leave invested, and Inheritance Tax.

If your pension plan does not offer all four of these options, then you should think about switching it.

What else do you need to think about?

There are other factors to take into account when switching to a modern pension.

Firstly, the chances are the costs will increase. You may end up paying as much as an extra 1% of the value of your savings annually. So, if you have saved £200,000, your provider could charge up to £2,000 more per year. And if you seek financial advice, your adviser may also levy a fee, either upfront or as an ongoing service charge. These additional fees eat into your pot, but you could equally benefit from the flexible access as well as greater visibility and control.

Another consideration is tax. Regardless of whether you stick with your current pension or switch to a modern one, your income- other than the first 25% of a partial or whole lump sum- is subject to your highest rate of tax. Seeking professional advice can help you access your savings in a tax-efficient manner.

There is certainly plenty to consider and it is wise to regularly explore your current and potential retirement routes.

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.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Information contained in this article concerning taxation and related matters are based on Openwork's understanding of the present law and current legislation.

You're not average

What does average look like?

Information released by the Office for National Statistics shows the average British man, Mr Average, is 38, will live to 85 and earns £31,103. The average British woman, Ms Average, is 40, will live to 88 and earns £25,308.

The LV= risk reality calculator gives you a rough idea of your risk of being unable to work for two months or more, suffering a serious illness, and death.

Running the details of Mr and Ms Average through the calculator uncovers some startling statistics of what life might look like for them before retirement at age 68.

What might be in store for you before the age of 68? (Based on a non-smoker, according to population and industry statistics)

These statistics highlight the importance of all of us taking responsible steps to mitigate the financial impact these risks may have on you or your family. While we can't wrap ourselves up in cotton wool we could consider Income Protection, Critical Illness Cover and Life Insurance policies as part of a protection portfolio.

Income Protection

Income Protection pays out a regular monthly income to you should you be unable to work due to an injury or illness.

Critical Illness Cover

Critical Illness Cover pays a one-off lump sum on diagnosis of any of the serious illnesses specified in the policy terms.

Life Insurance

Life Insurance can pay a one-off payment or a regular income to your partner or dependents when you die.

If this has given you some food for thought, and you'd like to learn more about your risk, visit https://riskreality.co.uk/openwork.