

VIEWPOINT

THRESHOLD FINANCIAL SERVICES LTD

If any of these articles have piqued your interests and
you want to discuss more, please get in touch



1 & 2 The Brookside Centre, Auckland Road, Southampton, SO15 0SD

Newenquiry@thresholdmortgages.com | 03300249115 |

Our expert advice can help reduce your mortgage stress

Moving home is known to be one of life's most stressful events. In fact, a survey earlier this year, found the process can cause us more stress than other major life events such as having a baby, getting married, starting a new job or getting divorced.

Sorting out your finances

The biggest cause of worry for many is arranging finance for the move. First-time buyers need to save up funds for a deposit, as well as finding the right mortgage and an affordable property. Low- deposit mortgages and saving schemes, like the Help to Buy ISA (which closed to new accounts on 30 November 2019), appear to have helped with the challenge of saving a deposit to some extent. It pays to save a large deposit as in most cases, the bigger the deposit you can put down, the lower your interest rate is likely to be.

As well as saving for a deposit and budgeting for costs like legal fees and surveys, you should review your income and outgoings; any lender considering your mortgage application will expect you to be on top of your bills and to be able to afford your monthly mortgage payments.

A challenging process?

Research from Aldermore's First Time Buyer Index reveals prospective first-time buyers view buying a home as challenging, with over a quarter (29%) saying getting on the property ladder is 'very difficult'. This research also showed nearly two thirds (61%) of recent first-time buyers found the house buying process 'confusing' and two in five (39%) say the stress of it actually made them feel ill.

Understanding the mortgage process

With such a vast number of mortgage deals available, it can be difficult to know which one is right for you.

Whether you are a first-time buyer, moving home, remortgaging or looking to release equity from your property we can help. Our qualified mortgage advisers have access to a wide range of mortgage deals and can help you understand all aspects of the home buying process.



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

Coming to the end of your interest-free equity loan period

The government launched its Help to Buy equity loan in April 2013 and since then 210,964 properties have been bought under the scheme.

First-time buyers and people moving to a new-build home worth up to £600,000 have benefited from the scheme, which provides an equity loan of up to 20% of the cost of the property interest free for the first five years. But what happens when you come to the end of the interest-free period?

Continue paying

If you haven't paid your equity loan off by the end of the five-years, you'll be charged 1.75% interest on the outstanding loan amount and this will increase by the Retail Prices Index (RPI) plus 1% each year.

Sell the property

If you choose to sell your home, you'll need to repay the equity loan in full. If the value of your property has stayed the same and your loan was 20% then your repayment will be 20% of the value of your home.

If the value of your home has increased or decreased the amount you pay will change by the same percentage. So, if your home is now worth 5% more than when you originally bought it you'll owe an extra 5% of original loan value.

Remortgage and keep the loan

If you want to remortgage and keep your equity loan, the new mortgage must not exceed the current mortgage and cannot be longer than the entire term of the existing mortgage. For example, if you remortgage five years after taking a 25 year Help to Buy equity loan, your current mortgage must not be longer than 20 years. You will of course have to start paying interest on your equity loan.

Remortgage and pay the loan

If you choose to increase your borrowing to remortgage to pay the equity loan off in full you'll need to be aware of any changes in the size of your equity loan just as if you were selling.

If your original equity loan value was £20,000 – below is indicative values of the amount owing when you come to sell

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

House value decreased 5%
£19,000

House value the same
£20,000

House value increased 10%
£22,000

There are a number of options when it comes to the end of your five-year equity loan period. Contact us and we can discuss the right option for you.



Price cap for properties eligible for
Help to Buy Equity Loan Scheme
from April 2021 to March 2023:



More hope for first time buyers with the Help to Buy Extension

Since it was launched in 2013, the popular Help to Buy scheme has enabled almost 170,000 households to buy homes; who may not otherwise have been able to.

An extension to the successful scheme was announced in the Autumn 2018 budget, now making it available until 2023 for first time buyers only 'to ensure future support is targeted at those who need most help'.

This could benefit tens of thousands of extra buyers who are purchasing a new-build property, who under the scheme can get an extra 20% (40% in London) government loan, which is interest free for five years. If they also secure a mortgage from a bank or building society for 75% (55% in London), this means buyers themselves need to only find a 5% deposit.

As part of the changes, the government has also introduced new caps on house prices for qualifying properties in different regions, to reflect the huge variations in prices across the country. London will continue with a £600,000 cap, whereas the caps in other regions have been changed to 1.5 times the average forecast first time buyer price in an area.

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

Is joint life cover best for couples?

If you want to help make sure your loved ones will have financial security if you pass away, life insurance cover is the answer. But, if you're part of a couple and you both need cover, should you take out single policies, or a joint policy that covers both of you?

With a single life policy, the insurer would pay out on the death of the policyholder and the policy would then lapse. With joint life insurance, however, the cover will apply to both policyholders and would pay-out either on the first or second death, depending on how the policy is set up.

Before you decide whether to take out single or joint life insurance policies, you'll need to decide what type of cover you need, and this will depend on your circumstances:

- **Term Assurance:** pays out a lump sum if you die within the agreed 'term' (ie. the amount of time you've chosen to be covered for). Term Assurance is typically taken out to protect a mortgage and, as such, can come with a level, or decreasing, sum assured - the latter reducing as you pay off your mortgage.
- **Whole of Life Insurance:** pays out a lump sum when you die, whenever that is - as long as you're still paying the premiums.

- **Family Income Benefit Insurance:** pays out a regular income, instead of a lump sum, to provide ongoing financial support for those who depend on you.

You could also add critical illness cover to your life insurance policy, which means you'll get a pay-out if you're diagnosed with a serious illness and your claim is accepted. The type of conditions covered can include cancer, heart attack and stroke and will depend on the insurance provider.

Weighing up the benefits

Once you've agreed on the right type of cover, there are a number of other factors to consider to determine whether single, or joint life cover is best for you and your other half, including:

- **Cost:** a joint life policy may be less expensive than two single life policies. Level of cover - if your partner earns more than you you might want them to have a higher level of cover, since the financial impact of their death would be greater than yours. In this respect two policies may be better as they will have different sums assured.
- **Existing cover:** either, or both of you may have existing life cover through your employer, or an existing plan. It's important to check what's already in place so that you have a true picture of your protection shortfall. You don't want to pay for something that's already covered.
- **Your relationship:** It's not necessarily something you want to think about but some insurers include a separation benefit. This means if your relationship breaks down during the policy term, you could cancel it and start two individual policies without having to provide additional medical information.



If you're not sure whether single or joint life cover is best for you, or you'd like to review your existing cover, please get in touch.

Income Protection claims

You might believe you'd be more likely to call on your income protection policy later in your working life, but data from protection insurer, The Exeter, show their *average claimant was 40, and on certain products, just 33.*

Income protection is designed to pay an income if you're unable to work as a result of an accident, illness, or, with some policies, unemployment. The benefit usually kicks in after what's called a deferred period and can last until you're able to return to work or you retire.

Cover for physical, and non-physical conditions

Every year, one million workers will have to stop work due to prolonged sickness or injury, but the number having to take a break because of mental health issues is sadly growing. As well as revealing the surprisingly young age of some of their claimants, The Exeter said that mental health-related issues were accounting for a growing number of its claims; reaching 10% in 2018.

The Association of British Insurers (ABI) had previously reported that mental health was the most common cause of claim on income protection policies in 2017; perhaps unsurprising given that one in four of us in the UK will be affected by a mental health problem in any given year.

Whether your reason for claiming on your income protection policy is physical or mental, having cover in the first place is crucial – especially if you have a mortgage or people who rely on your income.

Income protection tips

Check if your employer provides cover as part of your employee benefits. If so, how much do they provide and for how long?

If you need to take out separate cover, don't leave it too long; the younger you are, the cheaper the policy.

Make sure the cover you take out complements your existing cover. For instance, if your work policy ends after six months, choose a six-month deferred period.

If you're self-employed, you might consider a shorter deferred period since you'll have no employer's cover. You might have savings that could see you through the first few weeks or months of being unable to work.

If you'd like to find out more about the features and benefits of income protection, please get in touch.



How will changing working patterns affect your pension?

The sooner you start saving, the healthier your pension pot is likely to be when you need to draw on it.

But what happens to your pension planning if your working hours reduce, or stop?

First things first

If you join a company you may be enrolled into their workplace pension scheme which, in most cases, your employer will also pay into. The self-employed, on the other hand, should set up a personal pension, which come in the form of a basic personal pension, stakeholder pension, or Self Invested Personal Pension (SIPP).

Workplace pension schemes will have minimum contribution levels, but you should save more if you can. In fact, some commentators suggest that if you take the age you start your pension and halve it, that's the percentage of salary you should save each year.

What's more, as your earnings increase it makes sense to save more into your pension if you can afford to. There's no limit on how much you save, but there are limits on the amount of tax relief you'll receive.

What if your working patterns change?

If you reduce your hours your contributions may also reduce, so you'll need to consider how that impacts your retirement planning.

Working part time won't affect your state pension entitlement providing you earn at least £166 per week. Entitlement depends on your National Insurance contribution history and if your part-time earnings are lower than the threshold you might be able to pay voluntary class 3 NI contributions to plug the gap.

If you need to take time off work, you and your employer will carry on making pension contributions if you're taking paid leave. The same applies for maternity and other paid parental leave.

If you're taking maternity leave and not getting paid, your employer still has to make pension contributions in the first 26 weeks of your leave (Ordinary Maternity Leave). Whether they continue making contributions after that will depend on their maternity policy, so it pays to check.

To find out how much your retirement might cost, it's helpful to ask yourself:

- When do you want to retire?
- What do you want from your retirement?
- How will your spending habits change?
- Would you move, or stay in your current home?
- Will you continue doing some form of paid work after retirement?
- Will you be entitled to the full State Pension?

Whether you're employed, self-employed, part time or full time, please get in touch with us to explore your pension planning options.

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





Don't underestimate the value of financial advice

Throughout our lives, it is highly likely we will need to take financial decisions that can have a major impact on our wealth, such as taking out the right pension plan, or investing wisely for the future. Over the years, research has produced some interesting findings that highlight the benefit of advice when taking major financial decisions. Those who take advice are likely to accumulate more financial and pension wealth, supported by increased saving and investing in equity assets, while those in retirement are likely to benefit from more income.

Advice is key to achieving your financial resolutions

A new study has found the likelihood of success in this area is heavily linked to receiving professional advice and the establishment of clear financial objectives. The research provides a measure of the value attributed to advice when it comes to helping investors achieve their goals.

The research, based on data relating to more than 100,000 advised investors, found that 8 out of 10 people with a defined retirement goal, had at least an 80% greater probability of achieving their financial objectives.

Create a financial plan to secure your financial wellbeing

The study clearly demonstrates how taking expert advice and constructing a tailored plan can significantly boost an investor's financial wellbeing. Not a surprise, as the benefits associated with financial planning are renowned and abundant.

The value of financial advice comes in different guises and can include better return on investment, peace of mind, accomplishing goals and understanding opportunities. This combines to create future security, ultimately making sure you have enough money.

Discussing your financial objectives with us enables you to consider exactly what you want to achieve and establish clear goals that are both realistic and achievable. Regular financial reviews provide opportunities to monitor progress and adapt plans where necessary. Good financial planning can mean investments are tax-efficient by minimising both current and future tax liabilities.

It's good to talk, we can help

This study once again reiterates the significant value that can be gained from seeking professional financial advice.

We can help manage the inherent volatility of markets, so your savings have the best chance of growing for the future – without giving you sleepless nights in the process and help make sure you aren't taking too much, or too little, risk with your money.

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

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