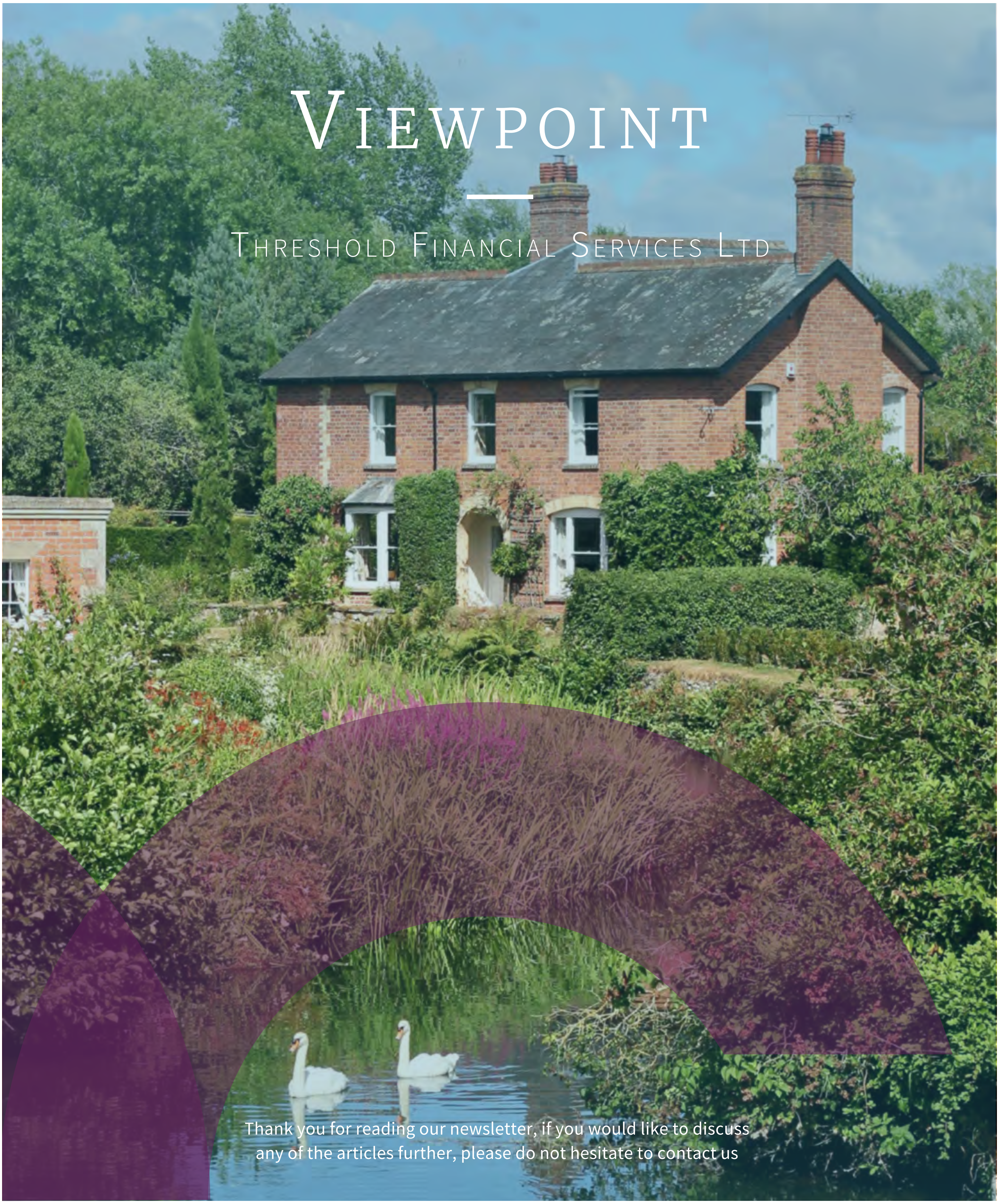
Viewpoint

Threshold Financial Services Ltd



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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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

OW2112 Exp. 26/06/20

Mortgage rates are now at record low levels, following two Bank of England rate cuts in March to bring the base rate down to 0.1%.

Borrowers on a tracker, discounted or variable rate mortgage may have already benefited from this rate drop, but those borrowers whose mortgage deal is nearing its end, or those currently on an uncompetitive standard variable rate (SVR), should review their situation as there are some very competitive products on the market, with potential savings to be had.

Remortgaging explained

A remortgage is where you take out a new mortgage on a property you already own - either to replace your existing mortgage, or to borrow more money against your property. You should consider remortgaging if:

- Your current deal is about to end
- You are looking for a better rate
- You want to overpay, but can't do this on your current mortgage
- You want to borrow more
- Your home has increased in value and your loan-to-value ratio means you can get a better deal.

Lenders have adapted

Due to uncertainty, many lenders initially reacted to the coronavirus crisis by restricting the products available, (particularly to those borrowers with a high loan-to value ratio) and remortgage applications faced operational constraints such as an inability to do physical valuations. However, optimism has started to return, with lenders reintroducing a wider range of products and adjusting their processes to overcome problems, for example by using automated 'drive-by' valuations.

Don't delay

In such a fast-changing environment, those who are considering remortgaging over the next few months would be well advised to assess their options now. Remortgaging can take around eight weeks, so it's best to set the wheels in motion sooner rather than later.

Advice is essential

There are pros and cons to remortgaging and it won't be right for everyone. The market is more complex right now and getting good advice is vital. We have expert insight and knowledge of the market. As well giving you advice on whether a remortgage is suitable, we will explain the costs, outline potential implications and guide you through the mechanics of remortgaging.

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

Why you should get mortgage advice

Taking out a mortgage could be one of the biggest financial decisions you'll need to make in life, so it's important to get it right.

You could 'go direct' to find the right mortgage for your circumstances – as long as you're prepared to spend time and effort scouring a very competitive market for the lender and deal you feel most comfortable with.

You'll also need to consider things like lender administration and booking fees, the length and type of mortgage you need, valuation costs and repayment methods, all of which can affect the total cost of your loan. And you'll need to take out insurance; for buildings and contents and to protect your mortgage payments if you have to stop work.

Advice from your lender

Lenders will, of course, be able to give you guidance on any mortgages they offer, but you won't necessarily know how their deals compare to other deals on the market.

Advice from us

Unlike lenders, we don't have a vested interest. In fact, as part of Openwork, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders, many of which aren't available on the high street.

What's more, we will take the time to get to know you, your circumstances, and your overall financial position. We'll also want to understand what type of mortgage you believe is right for you and talk you through the pros and cons of each option.

Using our expert knowledge and database of several thousand mortgages, we will find the ones most suitable for your needs.

We'll work with you to complete the relevant paperwork and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the features and benefits of financial protection for your new property and we'll stay in touch throughout the process – and into the future.

If you'd like more information, or you need help planning your first, or next, property purchase, please get in touch.

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

OW1938 Exp. 16/04/21

Stay protected

The coronavirus outbreak has impacted everyone across the globe, leaving many individuals and families in a precarious financial position. The crisis has shown that financial hardship can strike when we least expect it, demonstrating the importance of protection cover.

As people's anxiety about their financial future intensifies, it's likely that many people will be considering how they can reduce their outgoings. Income protection or critical insurance may be top of the list to cancel if they can be perceived to be unnecessary expenses.

In reality, critical illness and income protection policies can protect your income or support your family, if you lose your jobs or become ill for an extended period of time, so should certainly not be on the list of expenditure to cut.

A financial lifeline

Never have we been so starkly reminded of the need for the safety net of protection cover. A recent YouGov survey about the pandemic revealed that nearly a third (32%) of Brits currently fear for their future. Cover such as life insurance, critical illness cover and income protection can help lessen the blow of unexpected events.

Don't act in haste

Covid-19 is resulting in financial difficulty for many and may lead to people to consider cancelling their protection insurance direct debits. Please don't act in haste, talk to us, we can offer support and guidance if for any reason, you are, or you think you will be, in financial difficulty.

It's good to talk it through

Rest assured, what is certain is that we are here to help. If you have any questions about your protection policies or requirements, whether this be existing policies, or you are considering new ones – please get in touch, we have our finger on the pulse in this fast-changing environment and can assist you to navigate the challenges ahead.

As with all insurance policies, conditions and exclusions will apply

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.

OW2281 Exp. 08/10/2020

Spotlight on Enterprise Investment Schemes and Venture Capital Trusts

Complex tax-efficient investments such as Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCT) are a consideration for those who may be able to tolerate a high level of investment risk.

EIS and VCT are investment vehicles which encourage investment in small, unquoted trading companies in their early stages, who are typically trying to raise capital. These initiatives benefit the economy by promoting innovation amongst the small higher-risk business community, which in turn drives productivity, creates jobs and boosts economic growth.

Since their launch in the 1990s, they have become popular features on the investment landscape. Both schemes still provide an attractive proposition for experienced investors today, looking for the chance to invest in new businesses with the added benefit of portfolio diversification.

High volume of inflows to the small business sector

The schemes have proved successful in terms of generating cash for the small business sector. Data shows since their launch in 1994, over £20bn of funds have been raised through the EIS scheme, with 29,770 individual companies benefiting from investment. VCT have had a similarly positive impact, raising £8.4bn of funds since their creation in 1995.

How do they work and how much can I invest?

In the case of the EIS, investors typically purchase shares directly in firms. VCT are listed companies that allow investors to spread the investment risk over a number of companies by subscribing for shares in the VCT itself, a similar approach to investment trusts.

Currently both offer 30% tax relief and tax-free capital growth, provided an EIS investment is held for at least three years and a VCT for five years. The maximum amount anyone can invest in an EIS is £1m per tax year, or £2m, as long as at least £1m of this is invested in 'knowledge-intensive' companies. Individuals can invest up to £200,000 each fiscal year in new shares issued by a VCT.

A further attractive benefit of EIS is their eligibility for Business Relief. This means if the investment is held for two years, and until death, the value of the assets will not be liable for Inheritance Tax.

Potential risks

While there are plenty of benefits associated with these schemes, they are only suitable for investors who are comfortable holding high-risk investments. This enhanced risk element stems from the fact that EIS and VCT invest in small, fledgling enterprises.

Although some of these companies will flourish and deliver strong returns, some will fail. As a result, these schemes have a high-risk profile, which is something any prospective investor needs to carefully consider. EIS and VCT investments are only suitable for a relatively small proportion of an investor's overall portfolio. As these schemes invest in small companies with shares that are illiquid, they can be hard to sell.

As long as the risks are fully understood, these schemes are worth considering for investors seeking a long-term investment that maximises tax-efficiency and provides portfolio diversification.

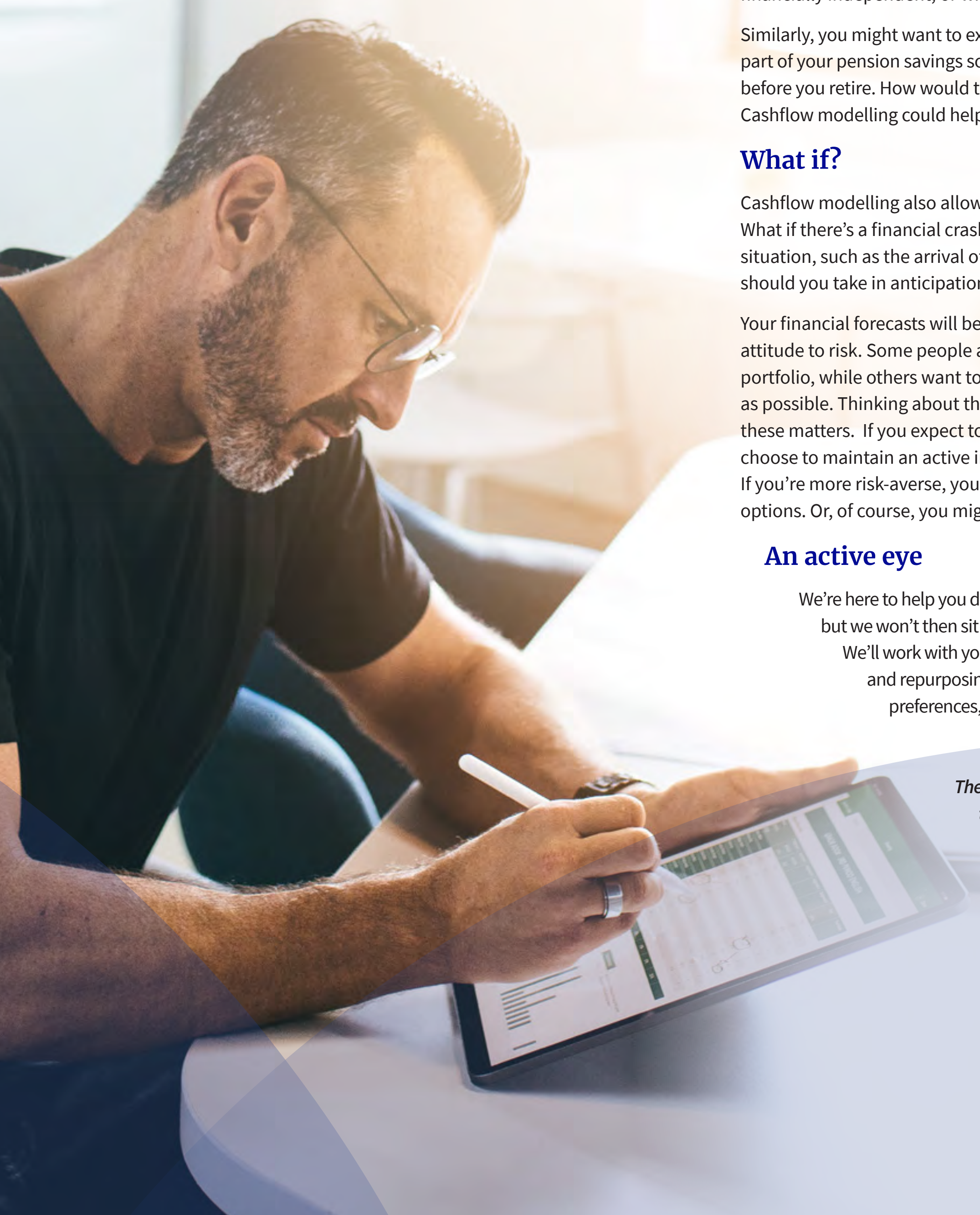
HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes, which cannot be foreseen.

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.

What is cashflow modelling?

“In this world nothing can be said to be certain, except death and taxes.”

Financial planning is all about preparing for those things that may not be so certain (and taxes). Plans should be reviewed regularly so they adapt to changes in your circumstances and reflect developments in the wider economy and financial markets.



Cashflow modelling, sometimes known as cashflow forecasting takes a view of investments, debts, income and expenditure. It takes in to account things like inflation, changes in income and interest rates. It can then be used to model a range of different scenarios to help you make informed choices about your finances.

The heart of any sensible long-term financial thinking

In essence cashflow modelling provides a rolling balance sheet that has your income, savings, investments and other assets on one side and your spending requirements and commitments on the other.

With this information to hand, it is possible to assess your current situation. By adding in assumptions about the possible direction of variables such as inflation and investment returns, predictions can be made about how your situation might change over time.

In turn, this can help inform decisions such as when might be the optimum time to retire and how best your retirement income might be funded. It can also embrace estate planning, allowing you to put plans in place that can mitigate any potential Inheritance Tax liability.

Flexible forecasting and planning

Cashflow modelling is endlessly flexible and takes account of your personal preferences. You might want to determine the impact of moving to a smaller property at some point – perhaps when your children are financially independent, or when you retire.

Similarly, you might want to explore the merits or otherwise of accessing part of your pension savings sooner rather than later – in other words, before you retire. How would that affect your income after retirement? Cashflow modelling could help provide the answers.

What if?

Cashflow modelling also allows for examination of “What if?” scenarios. What if there’s a financial crash? What if there’s a change in your family situation, such as the arrival of grandchildren or a divorce? What action should you take in anticipation, either now or in the future?

Your financial forecasts will be shaped to a significant degree by your attitude to risk. Some people are bullish about potential gains from their portfolio, while others want to achieve as much security and certainty as possible. Thinking about the future will help confirm how you feel on these matters. If you expect to generate investment growth, you might choose to maintain an active interest in equities even beyond retirement. If you’re more risk-averse, you might prefer more safe haven assets or options. Or, of course, you might opt for something in between.

An active eye

We’re here to help you decide on a strategy that suits your preferences, but we won’t then sit back and simply watch how events unfold. We’ll work with you to maintain your cashflow model, refining and repurposing it so that it continues to match your preferences, however they develop.

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.

It is important to take professional advice before making any decision relating to your personal finances.