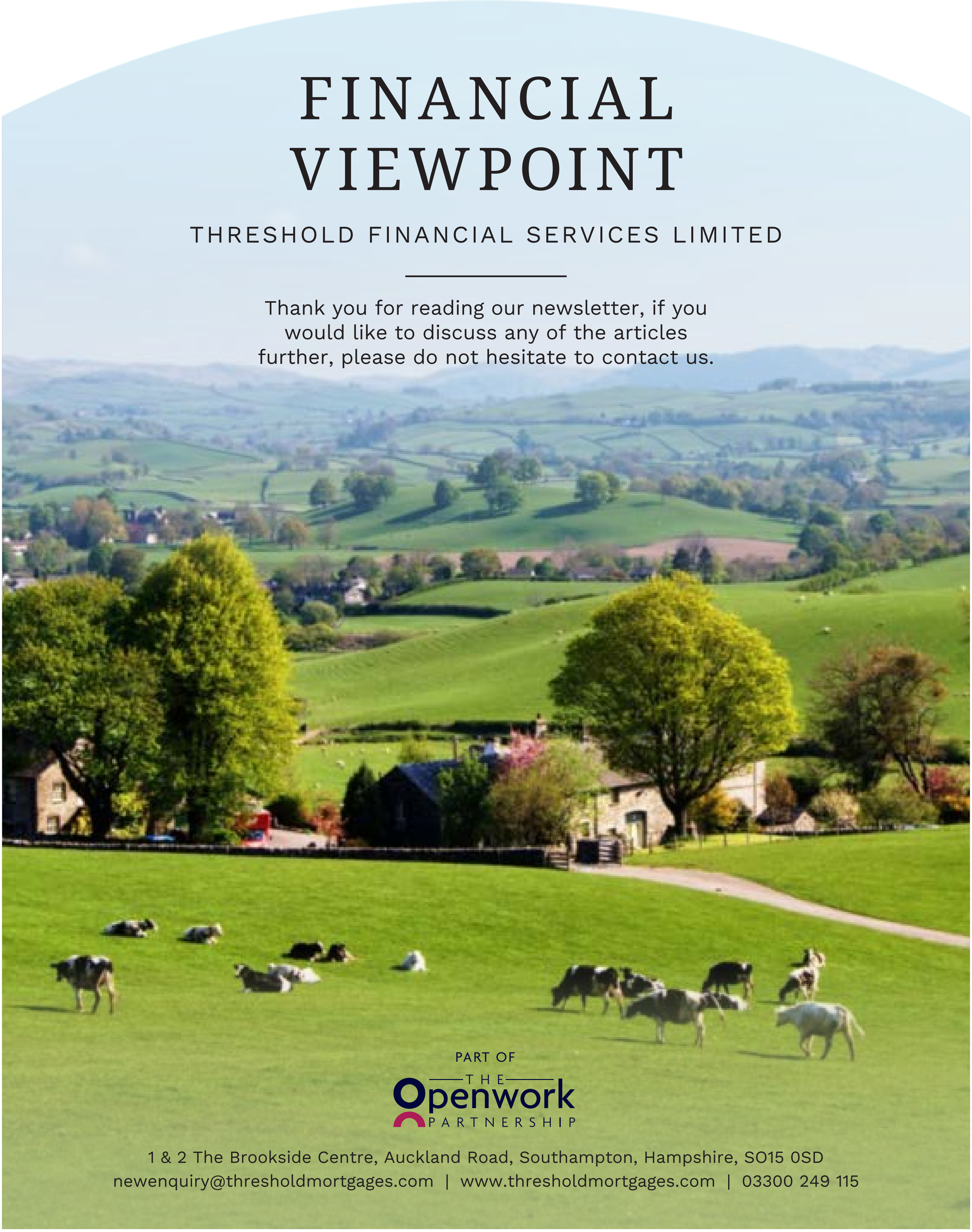
threshold
financial services



FINANCIAL VIEWPOINT

THRESHOLD FINANCIAL SERVICES LIMITED

Thank you for 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, Hampshire, SO15 0SD
newenquiry@thresholdmortgages.com | www.thresholdmortgages.com | 03300 249 115

My journey as a first-time buyer

Being a First Time Buyer was daunting to start with, but once I got in touch with an Openwork Adviser, they settled all my nerves and made the process of buying a place to call home incredibly easy.

The big decision

Before I could look at houses and house prices, I needed to know what I could afford and how big or small my mortgage and the monthly payments would be. Due to my low income and the fact I am single, it was a struggle to find a suitable property within my budget, so I was recommended to look at the Help to Buy Shared Ownership scheme.

Shared Ownership allowed me to look at good quality pre-owned properties at a good price; I would own 40 per cent and a housing organisation would own the remaining 60 per cent. There were quite a few properties I liked and once I'd viewed them and found the one best suited for me, I sat back down with my adviser and we discussed putting through the mortgage application.

After some waiting, we had the good news that the application was approved. We started to liaise with the solicitors about purchasing the property. This part of the process was long and full of paperwork – a lot of which I didn't understand – but with the help of my adviser, I was able to complete it and get the purchase submitted.

The final step in the process was to receive the best news yet - confirmation of purchase. I was now the owner of a place I could call my own, all that was left to do was to collect the keys and move in.

Protecting my new home

When it came to protection, even though I have no dependants I wanted to make sure my income would be protected if for some reason I couldn't work. The last thing I would want to risk was the roof over my head that I had worked so hard to find! Discussing the different protection options available with my adviser was very helpful to understand which option would suit my needs and my budget. The policy I went for had the relevant benefits I need as well as being affordable each month.

Overall, I believe by using a financial adviser, I was able to relax knowing that someone was taking care of everything for me, if there were any issues they'd let me know straightaway. I think if I had gone through this alone I would have really struggled.

Are you at the end of your deal?

When your current mortgage deal comes to an end you might be tempted to do nothing and simply move on to your lender's Standard Variable Rate (SVR). However, by doing so you could risk your mortgage rate more than doubling.

SVR tend to be higher than the rates offered by other types of mortgage like tracker. In January 2019, the average SVR was 4.9%, compared to 2.52% for a two-year fixed-rate mortgage. Over the life of the mortgage this can mean paying thousands more interest than you need to.

Remortgaging to a better deal
Finding a new mortgage deal is a lot easier than getting your first mortgage. You don't have the stress of finding a home, working with estate agents, negotiating contracts or worrying about onward chains.

When it comes to remortgaging you could choose to stay with your current lender, and they might offer you something tempting to stay with them, but you don't have to. Switching to a new lender may seem like hassle you don't need, but it's worth the effort as it could mean you get a better rate.

Whether you're staying with your current lender or moving to a new one, just as with your initial deal it can pay to get advice to help find the most suitable mortgage for your needs. That's where we come in.

The value of our advice
We'll look at your current deal and work out if there are any exit fees or early repayment charges.
We'll discuss your needs and future plans; whether you want to pay off your mortgage early or you're looking for lower monthly repayments.

We'll check any changes in circumstances and how they impact your financial plans; have you started a new job or reduced your hours to care for a new baby?

What's more, We'll complete your mortgage application and take care of the legwork for you. As part of Openwork Ltd, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders.

You may be able to save money if you switch to a new deal. Don't leave it too late and end up paying more than you have to. Contact us today to discuss your remortgage.

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

When lightning strikes

In July 2015, Mark received a all from someone telling him his house in County Durham was in flames and that a team of firefighters were currently at the scene.

He hung up – first, not quite believing what he'd heard was true – it must be a work colleague playing a prank! But when the police called back, Mark soon realised this wasn't a joke; it was a real problem that required his urgent attention.

Mark had moved out of the house and in with his partner a few months earlier, and was currently renting it out, hoping it might be a good investment. From the moment he took the call though, he started to worry he might have made a big mistake.

The cause of the fire was a lightning bolt, which had gone straight through the roof and into one of the bedrooms. The house was now uninhabitable and, as well as having a significant re-build project on his hands, Mark also had his tenants to consider, not to mention a potential loss of rental income that was currently covering his mortgage payments.

Fortunately, Mark had taken out appropriate insurance with a financial adviser at his local estate agent. They had recommended specialist Landlord's cover with Paymentshield, knowing that it was competitively-priced and that he would be covered should the property become uninhabitable.

Obviously the repairs to the house weren't going to happen overnight, which meant that Mark's tenants would need to be re-housed. Fortunately, his insurance covered the referencing fees to help them find a new property and, to Mark's amazement, it also covered his loss of rent while the work was being carried out.

Mark still had a mortgage on the property and relied on the rent to meet his monthly payments, so knowing he would continue to receive this income was a huge relief. He didn't even have to get too involved with restoring the property; the Paymentshield insurance team managed all the details and kept him fully updated on progress. Other than a small excess, Mark's claim pay-out covered the majority of the work.

It's not every day you get a phone call at work to say that your house is on fire after being struck by lightning.

But that's the whole point of insurance; it's there to protect you when the unexpected happens.

Luckily for Mark, he was covered by this random act of nature, but without the right advice and the right policy, he might not have been so lucky.

For trusted advice on home and contents insurance, please talk to us.

[Look beyond the price of your protection policy]

Most of us celebrate the start of life and pay tribute to the end of life, but are we placing enough importance on everything in between?

If we're lucky we'll enjoy certain life events like finding a lifelong partner, marriage / civil partnership, having children, enjoying a career and, ultimately, retiring. But how many of us take out financial protection in the event our plans go awry?

Clearly life isn't always plain sailing and we will face obstacles and challenges to overcome. When these challenges are more serious, for instance if accident, illness or death strike, protection insurance can help provide a safety net.

And when it comes to protection, we hold two firm beliefs:

1. It should form the foundation of most people's financial plan.
2. Cover should be reviewed regularly to make sure it continues to meet your needs.

The second principle is particularly important when you're at a particular 'life' stage. Whether that's buying a house, getting married, starting a family, setting up in business, or all the above, protection insurance will help to protect your loved ones and your financial responsibilities.

But it's important to look beyond the headlines when taking out protection as many providers will offer added-value benefits beyond an initial pay out, that can really help you adapt and cope to potentially life-changing circumstances.

These additional benefits could be anything from access to expert medical opinion, rehabilitation to get you back to work as quickly as possible, bereavement counselling, or even global treatment.

When using comparison sites and direct insurers, care should be taken to make sure their 'off-the-peg' solutions meet your specific needs. Using our expert product knowledge, we can help find the right solution with the right value-added benefits for you.

For more information or to discuss a protection shortfall, please get in touch.

Does diversification matter?

When it comes to building your investment portfolio, you might have been warned about avoiding putting all your eggs in one basket. It's wise to spread your money across a range of different investments. That way, if the value of one of them falls, it should have a limited effect on the overall performance of your portfolio.

How to diversify your portfolio

In practical terms, diversity involves investing in different asset classes across various countries and regions.

The two main asset classes in most portfolios are shares and bonds, and these behave differently. When you invest in shares, you buy into a company's ongoing operations. The value of shares fluctuates according to the fortunes of the company, so they are riskier than bonds. Of course, the returns can be greater too.

A bond is effectively a loan to the issuer in return for a fixed interest payment. A government bond, such as a gilt, is considered among the least risky investments, as the UK government is unlikely to default, although returns can be lower.

Most portfolios will also diversify holdings across developed countries, like the UK, the US and within Europe, and regions such as emerging markets (EMs). Developed countries typically have relatively stable economies and stock markets comprising large, well-established companies. EMs on the other hand, are growing faster so they offer greater potential rewards, however, they tend to be more unpredictable so they are regarded as higher risk.

How diversification works

During times of uncertainty, bonds usually rally as investors move their money out of shares and into safe-haven assets. When the outlook improves, shares rebound as investors switch back to taking greater risk in return for what they hope will be a higher reward.

As for geographical diversification, any number of economic or political factors can weigh on the financial markets in one country or region without necessarily spreading into others.

Assets and regions are not always uncorrelated in the short term. Most asset classes fell towards the end of 2018 due to concerns about global trade, slowing economic growth and the prospect of rising interest rates. They then rose in tandem at the start of 2019. As long as your portfolio is well diversified, it should weather market fluctuations.

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.

OW2275 Exp. 09/10/20

Take control of your investments

Your platform access may depend on the ongoing servicing level you have agreed with us. Please get in touch to find out more.

Getting a clear, concise view of your investment portfolio can be difficult and tim -consuming. That's why we use a secure, online system known as a platform.

A platform gives you secure, online access to your investment funds with a transparent, easy -to-understand charging structure. So rather than holding your ISAs, pensions and other investments in different places, you can view everything at a single glance.

Think of it as an online bank account for your investments which we can administer on your behalf.

A clear picture
As well as cutting down on paperwork, using a platform can speed up transactions and give you the flexibility to take advantage of annual tax allowances. And because your assets are held on one online source, you (and we) can access consolidated reports at the touch of a button.

Whether you need a stocks and shares ISA for tax efficient savings, a simple way of investing your money, or a pension to help fund your retirement, we can offer it all in one place with a single solution, giving you secure online access to keep an eye on your investments 24/7.

With us by your side, we'll help make your money work harder for you, giving you peace of mind, a sense of direction and control over your future.

The benefits of a platform

Choice
A platform provides easy access to a wide range of investment funds, allowing us to tailor your portfolio to better reflect your current circumstances, financial position and attitude to risk.

Flexibility
As well as allowing you to view your investments in one place, the flexibility of the platform means you can record other assets such as the value of your property or any antiques you may have.

Ease of use
The platform is uncomplicated and user friendly. It takes the effort out of managing your finances (and completing your tax return) because you can access consolidated reports at the touch of a button.

Transparent charging
The platform helps you clearly see the costs involved with any investment decision you make.

Control
The platform gives greater control when it comes to making key investment decisions.

Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise and you may not get back the amount you originally invested.

OW2109 Exp. 26/06/20

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.

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.

Your pension savings, your future options

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.