

# Viewpoint



## **Buying for the first time?**

Getting onto the property ladder may seem like a daunting process, but there is help available.

## **What makes a good Buy to Let investment?**

Despite changes to tax relief and potential rate rises, Buy to Let remains an attractive investment option.

## **Time for an upgrade**

Products like critical illness insurance have changed, so it's important to make sure your cover hasn't become outdated.

# Buying for the first time?

For first time buyers, getting onto the property ladder may seem like a daunting process, but there is help available.



*If you want to discuss how we can help you to get on to the property ladder, please get in touch.*

With demand outstripping supply in many areas, the average UK house price has been pushed beyond the reach of many of the UK's estimated 335,750 first time buyers. A report from The Land Registry (based on data from November 2016) shows an annual price increase of 6.7%, taking the value of the average UK property to £217,928.

When you consider that first-time buyers would typically put down around 20% against their first home, it's no wonder that finding a sufficient deposit is becoming increasingly difficult – especially for those currently renting. In fact, one of the major lenders reported the average first-time deposit has more than doubled since 2007 to more than £32,000.

If you're struggling to save a large deposit you may be able to find a mortgage rate of 90% or 95% – provided you can meet the lender's affordability criteria.

## The bank of mum and dad

Meanwhile research by the Social Mobility Commission has found an increasing proportion are turning to their parents for help buying their first home. In fact, over a third of first-time buyers in England (34%) are relying on the bank of mum and dad, compared to one in five in 2010.

The 'bank of mum and dad' has been a useful financial foot-up for many, but what about parents who want to help their kids but don't have savings?

## Government help

Although the Help to Buy: mortgage guarantee scheme ended in December 2016 the Help to Buy: Equity Loan is still available. The Government lends you up to 20% of the cost of your newly-built home, so you'll only need a 5% cash deposit and a 75% mortgage to make up the rest. Equity loans are available to first time buyers as well as homeowners looking to move. The home you want to buy must be newly built with a maximum price tag of £600,000.

Other initiatives to help first-time buyers include The Help to Buy: ISA which helps you boost your savings by 25%. For every £200 you save you receive a government bonus of £50. The maximum government bonus you can receive is £3,000.

Sound mortgage advice can take the complexities out of the home-buying process and maximise your chances of getting an affordable mortgage.

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



## At a glance:



**335,750**  
first time buyers  
in the UK



**£217,928**  
average value  
of a UK property



**x2**  
first-time buyer deposits  
doubled since 2007



**34%**  
of first time buyers  
rely on parents



# What makes a good Buy to Let investment?

With property prices continuing to rise, Buy to Let can be an attractive way to invest. But whether buying your first Buy to Let property, or adding to your portfolio, it's important to consider what's involved.



*If you'd like to find out more about Buy to Let mortgages, please get in touch.*



## Being a landlord

As well as the obvious duties of finding tenants and making sure they pay their rent on time, there are also a number of legal requirements that you need to meet as a landlord. For instance, you'll need to use a deposit protection scheme, have the right Energy Performance Certificates and arrange annual safety checks and certificates for the utility supplies. You'll also need to keep the property well maintained and respond to requests from your tenants if and when an issue arises.

## Managing your finances

Then there's the question of managing your commitment to the mortgage lender. Interest rates may be low now, but if you're on a tracker mortgage and rates go up, could your income stand the rise? What if you have a gap in tenants and the rent dries up temporarily?

Previously, landlords could deduct mortgage interest from their rental income before calculating how much tax they should pay. However, from April, tax relief on Buy to Let mortgage interest will gradually be reduced. The restrictions will be phased in over three years, resulting in tax relief only being available at the basic rate of income tax (currently 20%) from April 2020. This could impact on any profit you're expecting to make on your investment so it's important to take it into account now.

## Research before you buy

In terms of the property itself, have you thought about the location you're buying in? Take the time to look around the area you're considering. Is it up and coming or going down and out? If you're looking to rent to a young family, do the local schools have a good reputation? Does it have good commuter links for young professionals? It may sound obvious, but it's a good idea to put yourself in the shoes of your potential tenants and ask yourself what they would want. Their requirements may be quite different to yours.

## Work out all the costs

Buy to Let lenders may require the rent you charge to cover up to 145% of the mortgage repayments, with many now requiring 25% deposits, or even larger. Once you know your mortgage rate and the monthly rent you're going to charge, you should also factor in maintenance costs.

And with stamp duty 3% higher than on a residential property, make sure you cover all the costs involved in buying your investment property – especially in view of the diminishing tax relief.

## Protect your investment

It's important to protect your property, its contents, and your ability to keep up with your mortgage repayments should the

unexpected happen and there are a range of different insurance products designed to meet these requirements:

- Buildings insurance
- Contents insurance
- Landlord's insurance
- Life insurance
- Mortgage payment protection insurance (MPPI)
- Critical illness insurance
- Income protection

Which product is right for you will depend on your individual circumstances, so it's important to get professional advice as part of the process.

## Taking the plunge?

Like any investment, there are no guarantees with Buy to Let. But, despite tax changes and potential mortgage rate rises, strong demand from tenants and rising property prices mean many investors are still tempted to take the plunge.

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

*Some Buy to Let mortgages are not regulated by the Financial Conduct Authority.*

**Your property may be repossessed if you do not keep up repayments on your mortgage.**

# Time for an upgrade?

## Have you upgraded your mobile phone in the past two years?

If the answer's yes, your choice may have been driven by a change in your needs or wants. Perhaps you opted for a better deal, a different contract, or a handset with new features that weren't available with your previous model?



*We can review your needs and make sure you have the right cover in place. To arrange your review, please get in touch.*

When it comes to updating your phone TV or even your car we all want to feel like we're getting a good deal.

The question is: why don't more of us do this with items like the financial products we pay for every month?

### Are your current arrangements still right for you?

Take critical illness insurance as an example. If you have a critical illness policy:

- When did you last update it?
- Does it still provide the cover you need?
- Does it continue to provide the benefits and features you need?

### When your needs change, it makes sense to update things

Life may have changed since you last bought or reviewed your critical illness insurance cover. You may have had children, moved house, or your income may have changed.

This means that even though you have a critical illness plan in place, it might not offer you the level of cover you'd need if the unexpected happened.

However, it might also provide cover for certain conditions which may not be available on a new plan.

### Insurance innovation

It's not just mobile phone companies that compete to offer the most innovative products – insurance companies are constantly updating their products to reflect customers' changing needs too.

Given that more of us are living longer and surviving serious illnesses like cancer it is perhaps unsurprising that products like critical illness insurance have changed in recent years. For instance, many insurers have introduced greater flexibility and extended their cover to cater for a wider range of illnesses. Some have even introduced completely new products offering partial pay-outs, or for an additional cost, allow you to claim for non-critical illnesses and injuries.

### Protect your loved ones

Critical illness insurance can help you cover mortgage or rent payments, treatment, or any home alterations you may need to make as a result of an unexpected critical illness – so it's important your cover remains up-to-date.

Threshold (Southampton) Ltd  
7 The Brookside Centre  
Auckland Road  
Southampton  
SO15 0SD

03300 249 115  
newenquiry@thresholdmortgages.com  
www.thresholdmortgages.com

**threshold**  
MORTGAGE ADVICE