Viewpoint

threshold

www.thresholdmortgages.com 03300 249 115

Need help to buy?
Low interest rates and rising inflation make saving for a deposit that much harder.

Is now the right time to fix?
If you're considering changing your mortgage, a fixed-term deal might be right up your street.

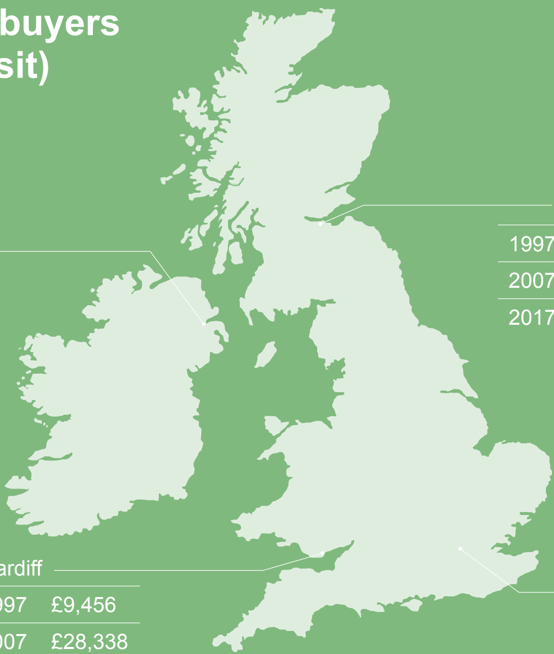
With protection comes choice
The pay out from an insurance policy can do more than just cover your basic outgoings.

Need help to buy?

2018 began with a surprising pick-up in house price growth, up 0.6% month-on-month with January seeing a ten-month high increase of 3.2 per cent. Even with the wider economy and Brexit developments, the housing market activity is only expected to slow a modest amount.

If you'd like advice on buying your first home, we'd love to help.

Deposits for first time buyers (based on a 20% deposit)



Belfast

1997	£8,047
2007	£32,908
2017	£25,810

Edinburgh

1997	£10,302
2007	£28,824
2017	£37,661

Cardiff

1997	£9,456
2007	£28,338
2017	£34,400

London

1997	£12,892
2007	£52,543
2017	£84,840

*House prices are around 40% lower in Northern Ireland than in 2007

This is great news for those already enjoying the benefits of home-ownership, but if you're looking to buy your first home the rising house prices mean you're going to need a bigger deposit.

In fact, deposits have increased 220% in the past two decades in Belfast and a staggering 558% in London, to an average of over £80,000. This means a typical buyer would take around eight years to save for a deposit rising to around ten years in London, based on saving 15% of take home pay.

Help for those struggling to save

Low interest rates, the squeeze on wages and rising inflation have all made it more challenging than ever to save for that all-important deposit. At the same time stricter affordability requirements can mean those in the market for their first home may have to save a larger deposit to begin with.

Even with predictions of modest growth in the housing marketing in 2018/19 this still means that house prices and therefore deposits will increase.

Help is at hand

The good news is there are options out there for those who struggle to save such a large amount.

Help to Buy: Shared Ownership is available to first-time buyers, those who used to own a home but can't afford to buy one now, or existing shared owners looking to move. The scheme gives you the chance to buy a share of between 25% and 75% of the home's value, and you then pay rent on the remaining share.

Help to Buy: Equity Loans are available to first time buyers as well as homeowners looking to move. The home you want to buy must be a new build costing £600,000 or less. The Government will lend you up to 20% of the cost of the home, so you'll only need a 5% cash deposit and a 75% mortgage to make up the rest.

A home for £1?

Perhaps we might also start to see more initiatives like the one that began in Liverpool back in 2013, where empty, boarded-up houses are offered to sale to first-time buyers who live or work in Liverpool for just £1. If you have the money and resources to do the work required to make the property habitable (and within a certain timeframe) this is certainly an innovative way of bringing rundown areas back to life.

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

Is now the right time to fix?

November 2017 saw the Bank of England raise interest rates for the first time in a decade, from 0.25 per cent to 0.5 per cent, causing a number of lenders to increase their mortgage rates.

The Bank of England has indicated there could be further rate rises, so if you're on a Standard Variable Rate (SVR) or Tracker mortgage you might start to question whether now is the right time to fix your mortgage rate.

When will interest rates go up?

With the UK experiencing high inflation but weak economic growth, opinions are split on how the Bank of England will react, making it very difficult to predict when interest rates might rise.

Should I consider moving to a fixed rate mortgage?

The attraction with a fixed rate mortgage is the certainty it gives to your monthly mortgage repayments over a set period. This is useful if you're on a budget because it gives you peace of mind that if the interest rate goes up, your repayments will stay the same for the period of the fixed rate.

Whatever type of deal you're on, it's a good idea to take any increase in the base rate as an opportunity to review your current mortgage, particularly as lenders will be launching deals to entice new, and retain existing, customers. As the base rate and mortgage rate are often closely linked, many experts believe now is an ideal time to get a new deal, especially if you're currently on a high SVR.

If you are considering changing your mortgage deal, make sure you're clear on any fees and charges that may be due when remortgaging, as these can reduce any potential savings made. Some lenders have exit fees and early repayment charges as high as 5 per cent, so if you're coming to the end of your term, check that you're not switching out during the penalty period.

When looking for a new mortgage deal, it's sensible to start reviewing your options between three and six months before your mortgage deal is due to end.

If you're not sure whether moving to a fixed rate is right for you, please get in touch.

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

OW1290 Exp. 10/05/18

With protection comes choice

How many times have you heard the phrase “It won’t happen to me” when it comes to the chances of suffering a serious illness? Unfortunately, given that 1 in 2 people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime we should perhaps adopt the lottery approach and assume “it could be you”.

If you’d like to talk to us about critical illness cover and income protection as part of a protection portfolio, please get in touch.

Did you know?

The **average age** of a critical illness policy claimant is **47**, and **54** for a terminal illness claimant. - *Legal & General Claims Department 2017, based on critical illness and terminal illness claims paid in 2016*

If you have a mortgage, or people who rely on your income, you should have some sort of protection cover in place in the event that you have to stop work. We can advise you on a range of policies designed to either pay out a lump sum, or provide a temporary regular income.

Critical Illness cover

Following a successful claim, receiving a lump sum on diagnosis of a specified critical illness can give you precious breathing space; space that allows you and your family to overcome the initial shock and begin a potentially gruelling treatment regimen without the added strain of mounting debt.

But it’s not just your finances that a critical illness pay out could help with. What if you wanted to pay for treatment that’s not available on the NHS, or you needed to make structural changes to your home as a result of your illness? And after the treatment, wouldn’t it be lovely to take the family away so that you could all relax and spend some quality time together?

Income protection

According to research from Macmillan Cancer Support, four out of five cancer patients face a monthly expense of £570 a month as a result of their illness, due to the impact of reduced earnings and additional expense including hospital visits and higher utility bills. When you consider that the average weekly household spend in the UK in 2017 was £554.20, it’s clear that even a relatively short time off work could have an immediate impact.

Income Protection can replace part of your income if you’re unable to work for a long time due to illness or disability. This can help you keep up your regular outgoings such as rent or mortgage payments and the usual household bills and expenses. Some plans have the facility to add unemployment cover and some offer additional benefits like counselling services which can ease the burden during a potentially difficult and stressful time.

Will your policy pay out?

If you're put off buying protection because you don't think it will pay out when you need it, think again. According to the Association of British Insurers **£4.7bn** was paid out on protection claims in 2016, the equivalent of **97%** of all protection claims received during the year.

Threshold Financial Services Ltd
1 & 2 The Brookside Centre
Auckland Road
Southampton
SO15 0SD

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

threshold MORTGAGE ADVICE