RELEASE
FREEDOM

# VIEWPOINT

RELEASE FREEDOM LTD

Thanks for reading our newsletter. If you want to discuss any of the articles in more detail, please get in touch.

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# Get the best out of your BTL mortgage

Many fixed mortgage deals will be approaching the end of their term this October, so it's a good idea to review your buy-to-let mortgage.

With interest rates still at low levels and demand for rental properties increasing around the country, investing in a buy-to-let (BTL) is a popular choice for many.

## Buy to let basics

A BTL mortgage is a specific type of product for those who want to buy a property with the intention of renting it. Because of this, there are different terms and rules around a BTL mortgage (compared to a regular mortgage for a property the buyer intends to live in.)

- With a BTL mortgage, the anticipated rental income is taken into account when the lender calculates how much you can borrow.
- A BTL mortgage could suit investors with enough equity to put down a deposit of at least 20% of the value of the property (but some lenders could require up to 40%.)
- Your credit record is closely scrutinised with a BTL mortgage, as with a regular mortgage application.

  Interest rates for BTL mortgages are usually higher than a regular mortgage.

## Things to remember

If you have a BTL mortgage already and its fixed interest rate term is coming to an end, you may be thinking about switching products or providers to gain a better deal. Here are some other things to look out for:

- Examine all of your options into the type of product to suit your investment going forward. A financial adviser is best placed to help you with this.
- Don't forget to research any fees and charges around changing your product too, as these could be higher than you expect.
- When changing products, you may be asked about your property's rental income history in order to assure any new lenders that you are able to keep up with mortgage payments.
- Show that you have sufficient savings to cover any gaps in rental periods when your property could be unoccupied.
- For your own peace of mind, having a cushion of savings available to cover any essential repairs is important.

***If you are looking to remortgage your BTL property or are thinking about transferring your mortgage to a different provider, our advisers can help you find a product that best suits you.***

***Some buy to let mortgages are/is not regulated by the Financial Conduct Authority.***

**YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE**

OW3540 Exp. 25/08/22

# Are you insured to work from home?

We all know that remote working has soared since the onset of the pandemic, with 30% of the population still working exclusively from home during the week ending 29 November 2020. But with millions of workers taking to their home offices, their kitchen tables and – let's face it – their sofas, are they adequately insured?

Although the Association of British Insurers issued a statement in the early months of the pandemic stating that office-based workers would not need to contact their insurer if working remotely during lockdown, things may now have changed. A recent survey revealed that more than two in five homeworkers have not reported to their home insurance company they are now working remotely – potentially invalidating their policy.

## What if I continue to work from home?

You may need to contact your insurer if you continue to work from home, or are allowed to return to the office but choose to work from home several days per week, to tell them that your working patterns have changed.

In addition, if you are now receiving business clients in your property instead of the office, you'll likely need to check with your insurer for this, too. You may not be covered for certain aspects of your policy, such as loss of money or theft.

## Will my work laptop be covered?

Your own home insurance policy is unlikely to cover business equipment such as laptops, tablets and other devices. You should check with your employer to see whether their business insurance covers equipment away from the office.

## What about health and safety?

All employers are legally required to have employers' liability insurance, which covers their legal liability if employees suffer an injury during the course of their work. While some policies extend automatically to remote working, others don't – so have a word with your employer to ensure they're covered in case you have an accident while working from home.

## If in doubt – check!

If you're in any doubt, check with your insurer – you don't want to risk invalidating your policy! Meanwhile, if you'd like to review your home insurance needs, just have a chat with us – we can review a wide range of policies and recommend the one most suited to your circumstances.

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# How to make ISAs work for you

Make the most of your tax allowances by using the different types of ISAs that are available.

Individual Savings Accounts (ISAs) were first introduced in 1999 and are a tax-free way to save into a cash savings or investment account. There lots of different types of ISA available, but the right one for you will depend on your financial goals. We explain how they work so you can choose the one that is best for you.

## Cash ISA

A cash ISA works in the same way as traditional savings account but you won't have to pay tax on any of the interest you earn.

For the 2021-22 tax year each person has an ISA allowance of £20,000. To take out a cash ISA you have to be a UK resident and over the age of 16. If you don't use the allowance before the end of the tax year you will lose it and you'll have to start anew on 6 April.

Some cash ISAs are instant access while others have a fixed rate. You can only open one cash ISA per year but you are allowed to transfer to another cash ISA or a stocks and shares ISA with another provider if you want to.

**2021-22 ISA ALLOWANCE**

**£20k**

## Stocks and shares ISAs

With a stocks and shares ISA you can hold a variety of investments such as shares, bonds and funds. Just like the cash ISA you can save up to £20,000 a year tax free, but you get to choose what investments you put inside it, so it's worth getting financial advice. You also have to be 18 or over to be eligible.

Stocks and shares ISAs provide an option for people looking to avoid the erosive impact of inflation on returns. Over time there is the potential for better returns with an investment ISA over cash, although the risks are also greater.

If you want to invest in a stocks and shares ISA you need to be comfortable with the possibility of making losses and prepared to invest for the longer term.

## Lifetime ISA

The lifetime ISA (LISA) can be used by first-time buyers to fund a deposit for a property or taken tax-free at the age of 60. As well as paying interest, LISAs benefit from a 25% bonus from the government to encourage saving towards a home or retirement.

The maximum you can put in each year is £4,000, which comes out of your £20,000 ISA allowance. The LISA can only be opened by anyone aged 18–39, but you can keep saving in one until you are 50.

With the LISA, you can get a bonus of up to £1,000 a year up until you are 50. If you open one at the age of 18, this means you could end up with a maximum bonus of £32,000.

However, there are some restrictions with a LISA. You have to keep your money in a LISA for a minimum of one year before you can withdraw it and if you take your money out before you are 60 and you don't use it to buy a home, you will have to pay a 25% penalty.

## Junior ISAs

If you're looking to put some cash aside for your kids, Junior ISAs (JISAs) are a great way of doing so. These accounts are available to anyone under 18 and tend to offer much higher rates than adult accounts, but there are some restrictions.

Like the adult accounts, you won't pay any tax on your interest. In the 2019–20 tax year you can save or invest up to £9,000 in a JISA. You can save for your child either in a cash JISA, a stocks and shares JISA, or a combination of the two. JISAs can be opened by parents with children aged under 16 and then by children themselves when they are aged 16 and 17.

## Innovative Finance ISA

If you invest with an innovative finance ISA (IFISA) the company offering the ISA will use the money to lend to borrowers or businesses – known as peer-to-peer lending. You'll be offered a rate of interest from the borrower when paying back the money you've invested.

You can invest up to £20,000 a year in an IFISA and any interest earned will not be taxed. While you can earn higher rates of interests than with a traditional savings account, they are a much riskier option than a cash ISA as the borrower could potentially default on their loan.

***Our financial advisers can help you and your family find the right product to suit your needs and financial situation.***

***An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.***

OW3511 Exp. 05/02/22

# Be wary of the crypto-craze

You might be thinking about whether to invest in crypto currencies. We explain why it may not be the right choice, and how to better approach your portfolio.

This year has been eventful for bitcoin, with the cryptocurrency reaching a record high and then almost halving in value all in the space of six weeks. The walk-back in May from Tesla's Elon Musk in his support of bitcoin underlined concerns around the idea of cryptocurrencies as a stable investment. Musk – previously an outspoken supporter – announced his company would not be accepting bitcoin as payment for its vehicles. What followed was a series of plunges in its value – not helped by the additional news of Chinese regulators signalling a crackdown on the use of digital currencies.

## Bitcoin in brief

Bitcoin is a type of digital, decentralised currency, allowing the transfer of goods and services without the need for a trusted third party. The network is based on people around the world called 'miners' using computers to solve complex mathematical problems in order to verify a transaction and add it to the 'blockchain' – a massive and transparent ledger of each and every bitcoin transaction maintained by the miners. The first to verify is rewarded with bitcoin. There is a finite amount of bitcoin that can be produced and, as more are created, the mathematical computations required to create more become increasingly difficult.

## Cryptocurrencies can be volatile

Bitcoin's high volatility (risk) makes it a poor substitute for money in a broad sense. The unsteady air around cryptocurrencies in May showed the speculative nature of this asset class. Bitcoin and cryptocurrencies in general have more in common with commodities and currencies – they are much harder to value than cashflow-producing equities and bonds.

**Reasons to be crypto cautious**

- Cryptocurrencies are a volatile choice and susceptible to stock market bubbles, which can affect investments negatively during a downturn.
- They're not a tangible form of investment, and are not regulated, which can be a red flag when it comes to your investments.
- Volatility means investors are likely to act on doubts and sell if they fear a fall in return.

## Where to invest?

A sensible approach is to invest in high-quality companies that are well-established businesses. These are usually businesses with strong management teams, serviceable levels of debt and predictable cash flows. To avoid being hit by market volatility make sure your portfolio is invested in a wide range of assets, and less vulnerable to market shocks.

Staying invested when there is a downturn can help you get through any turbulent times and put you in a good position to benefit from any ensuing recovery.

***Our financial advisers can help advise you on your investment choices.***

***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.***

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