



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.

Timbertop, The Street, Bossingham, Canterbury, Kent, CT4 6DX
simon@releasefreedom.co.uk | www.releasefreedom.co.uk | 01227 730800

Should we be concerned about rising inflation?

Most economists expect inflation to pick up over the next few months as lockdown restrictions ease and shops and restaurants reopen. But is this a cause for concern?

As lockdown measures begin to lift, financial markets are making their adjustments in anticipation of a rise in inflation, with bond yields picking up (meaning prices have fallen) and stock markets rotating from defensive sectors into cyclical.

What is inflation?

Put simply, inflation measures the change in the prices of goods and services. If it rises then it takes more of our cash to buy things. We all experience inflation in our daily lives, from filling up our cars with fuel, buying groceries or using public transport.

In the UK, the official measure of inflation is the Consumer Prices Index. It's published by the Office for National Statistics (ONS), which monitors what people are spending their money on, using a basket of everyday goods and services.

The ONS adjusts the basket from time to time to reflect our changing spending habits. During lockdown, there was a shift with products like hand sanitiser and hand wipes being added, and items like white chocolate and ground coffee dropping off the list.

Inflation is all an illusion... or is it?

It's easy to ignore the impact of inflation on your finances. Most people's spending habits this month compared with the same time a year ago would probably stick to the same patterns – regardless of inflation at the time – because the differences seem small and therefore wouldn't affect the way they spend.

If you're trying to save money though, it's worth remembering that with interest rates currently lower than the rate of inflation, the real value of any cash savings is falling. In other words, the cost of living is increasing at a faster rate than your savings are growing, which means the spending power of your money is actually falling.

How will inflation affect investments?

Many people in the UK are preparing to spend the cash they've saved over the past year when the lockdown ends and shops, restaurants and entertainment venues reopen. Activity is likely to return to pre-pandemic levels and the expectation is that inflation is likely to pick up. Some economists are worried about inflationary pressures. In addition to this is the effect of government stimulus packages on the economy, which would provide another tailwind.

However, experts believe it's likely to be a short-lived phase and should not pose a longer-term challenge to fixed income or equity markets. The Bank of England does foresee inflation rising towards the 2% mark, but believes it will be a temporary phenomenon. Continuing deflationary forces like ageing demographics, technological innovation and global supply chains cast doubt over predictions of a new era of inflation.

Ultimately if you want to beat inflation in terms of finding some good returns on your savings, investing is the best option at the moment – due to cash savings rates being at such low levels.

One of the best ways to ensure your investments are given the strongest opportunity to navigate the effects of inflation on financial markets is through a global, multi-asset portfolio that's actively managed by a professional team of investors. Speak to a financial adviser to find out more.

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.

Crowdfunding the cost of healthcare



Crowdfunding is becoming increasingly common among people who need healthcare that's not freely available through the NHS. The increase is said to be due to access to overseas clinics and high-profile social media campaigns such as the 2014 campaign for Mike Brandon.

Websites such as justgiving.com, crowdfunder.co.uk and gofundme.com are full of campaigns from families trying to raise funds for treatments or seeking help to avoid the financial hardships that a serious illness such as cancer or stroke can cause.

Even though the vast majority of proven effective treatments for cancer are funded by the NHS, more than £20m was raised for cancer treatment not available on the NHS on crowdfunding sites during 2018, a staggering amount when you consider just £530,000 was raised this way in 2015.

Don't rely on crowdfunding

Crowdfunding can put you under pressure and scrutiny at a time when families should be concentrating on treatment and recovery, living life to the max or maybe completing a bucket list.

Taking out a critical illness plan could help with the financial impact that the diagnosis of a serious illness could have on you and, in turn, your family's life.

Supporting young people too

Many Critical Illness policies also include cover for children (natural, step and legally adopted) as an automatic benefit. This can pay out a lump sum if a child is diagnosed with a critical illness or is hospitalised.

Although cancer in young people is rare, it is still the most common cause of death for children aged up to 15. Sadly, around 1,600 children under 15 and 2,200 teenagers and young adults (15-24 years old) are diagnosed with a form of cancer every year.

It's a tough subject to think and talk about but taking action now could save you and those nearest and dearest to you considerable stress and worry at a very difficult time.



Get on the property ladder with the Help to Buy scheme

All you need to know about upcoming changes to the government's Help to Buy equity loan scheme.

If you're looking to buy your first home, you probably already know about the government's Help to Buy equity loan scheme. It's proved popular since launch in 2013, with almost 300,000 properties bought as part of the initiative so far. But some aspects of the scheme are changing later this year, and it's important you understand whether you'll still be eligible for help.

Are you eligible?

The new Help to Buy equity loan rules apply from April 2021 to March 2023. To qualify, you must:

- be a first-time buyer in England;
- have a deposit worth at least 5% of the property you're looking to buy;
- borrow a minimum of 5% and up to a maximum of 20% (40% in London) of the full purchase price of a new-build home from the government; and
- buy the property from a homebuilder registered with the scheme.

What are the price caps?

The price of your home can't exceed the maximum figure outlined by the government. These limits vary depending on where you're looking to buy.

Region	Maximum property price
North East	£186,100
North West	£224,400
Yorkshire and the Humber	£228,100
East Midlands	£261,900
West Midlands	£255,600
East of England	£407,400
London	£600,000
South East	£437,600
South West	£349,000

What if the value of my home changes?

The amount you have to pay back is based on the market value of the property when you choose to repay. If the market value of your home rises, so does the amount you owe on your equity loan – if it falls, the amount you owe also falls.

Rest assured we are here to help if you have any questions about Help to Buy mortgages

How does it work?

The total cost of buying your home will be covered by the government equity loan as well as your deposit and mortgage. The percentage you borrow from the government is based on the market value of your home when you buy it.

For example, if the property is worth £200,000, you might ask the government for a 20% equity loan (£40,000) to add to your 5% deposit (£10,000) and 75% mortgage (£150,000).

The loan is interest free for the first five years, and from the sixth year you'll be charged interest at 1.75% each month. This rate increases every year after that in line with the consumer price index, plus 2%. You'll continue to pay interest until you've fully repaid the loan.

You can repay all or part of the equity loan at any time, but a part payment must be at least 10% of what your home is worth at the time.

You'll need to pay the equity loan back in full if you:

- reach the end of the equity loan term
- pay off your mortgage
- sell your home
- do not follow the terms set out in the equity loan contract



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

Turning 'generation rent' into 'generation buy'

New 95% mortgage scheme to help first-time buyers

Lenders are now offering a government-backed 95% mortgage scheme to help more first-time buyers onto the property ladder.

The government is hoping to turn 'generation rent' into 'generation buy' with the help of a 5% mortgage deposit scheme launched on 19 April.

Following the outbreak of the coronavirus pandemic, many lenders withdrew low-deposit mortgages. In just under a year, the number of 95% mortgages available to first-time buyers fell from 391 to just three. It's hoped the scheme will give lenders the confidence to offer low-deposit mortgages again by taking on some of the risks involved.

What is the 5% deposit scheme?

First announced in this year's Budget, the programme offers first-time buyers or current homeowners the chance to secure a 95% loan-to-value mortgage on homes worth up to £600,000. It's available on both new-build and existing properties.

The government hopes the scheme will provide an affordable route to home ownership by helping people who may be renting but are unable to save for a deposit.

Buyers will still only be able to borrow in proportion to their income, typically a multiple of 4.5. As a result, the scheme will particularly benefit buyers in lower-value housing markets such as northern England and Scotland.

What does loan to value mean?

Loan to value is the percentage of the property value you're loaned as a mortgage – in other words, the proportion you're borrowing. For example, if you have a 95% mortgage on a house worth £200,000, you would put down £10,000 (5%) of your own money as a deposit and borrow the rest (£190,000).

What's the catch?

There are a few conditions that you'll have to meet under the scheme. You'll need to:

- Buy a property to live in – second homes and buy-to-let properties aren't eligible.
- Apply for a repayment (not interest-only) mortgage
- Pass standard affordability checks, including a loan-to-income test and credit score assessment.

It's worth considering the fact that the higher proportion of the property price you borrow, the higher the amount of interest you'll repay on your mortgage. So it might be good to take a step back and figure out if you can save for a little longer and borrow less.

Speak to your financial adviser about how the 5% mortgage deposit scheme could help you get on the property ladder.



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