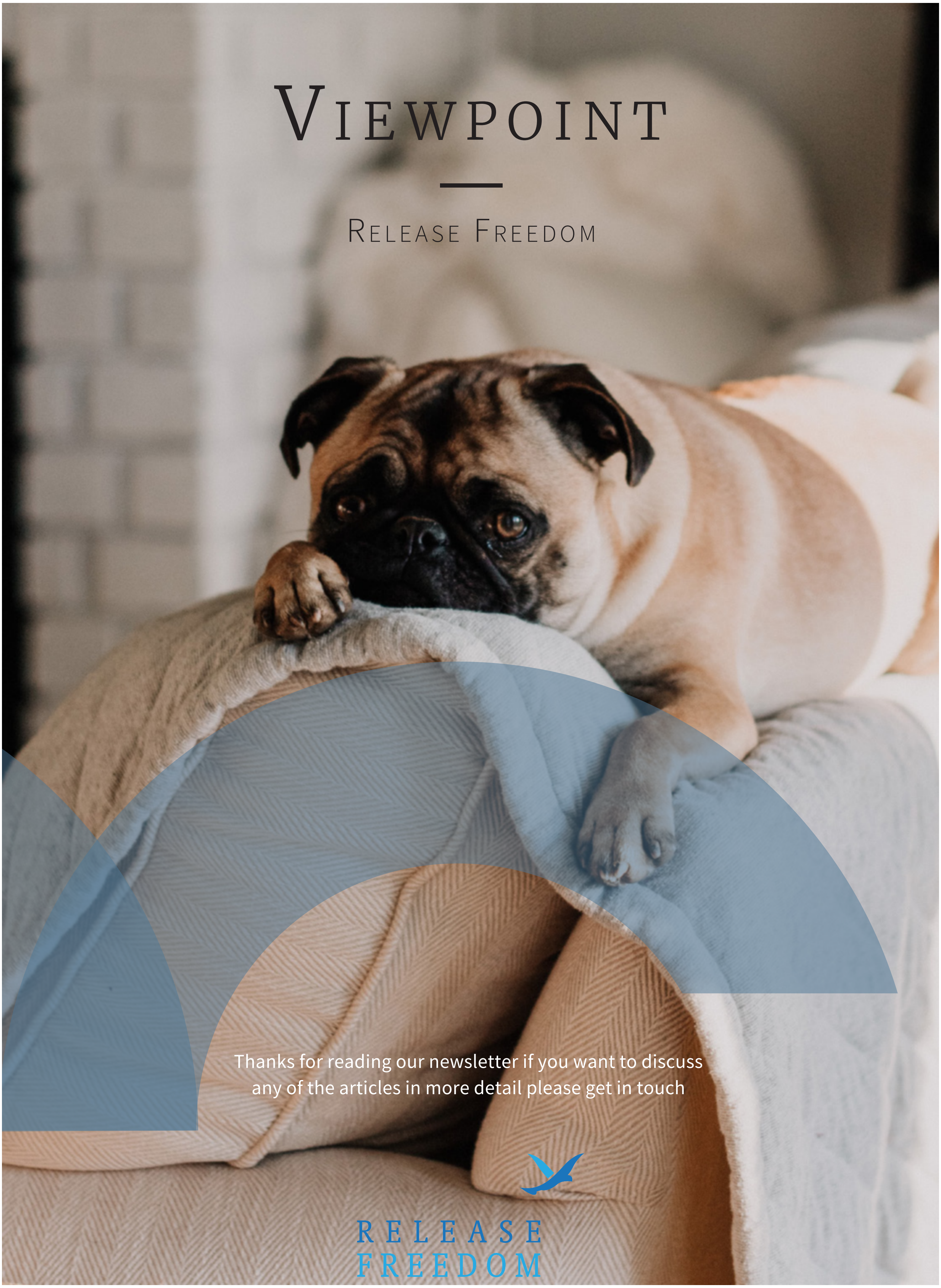
VIEWPOINT

RELEASE FREEDOM



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

RELEASE FREEDOM

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Update on mortgage payment holidays

On 17 March 2020, as the country teetered on the brink of lockdown, the Chancellor announced that homeowners struggling financially due to coronavirus would be able to take a three-month mortgage payment holiday.

On 22 May the scheme was extended and widened to support millions of homeowners:

— The deadline for applying for a mortgage holiday was to be extended until **31 October 2020,** potentially supporting borrowers until **January 2021**

— Homeowners would be permitted to **take a break of up to six months,** rather than just three

— Borrowers were now allowed to **reduce their monthly payments in exchange for a longer mortgage term**, rather than stopping payments altogether.

What does this mean for me?

The extended application deadline now coincides with the end of the furlough scheme. This means, if your workplace makes you redundant as the furlough deadline approaches, you will still be able to apply for a mortgage holiday, giving you some breathing room while you search for another job.

One issue with the original scheme was that borrowers were likely to see their monthly repayments increase immediately following the holiday period, as the mortgage term remained the same. The new flexibility introduced into the scheme means that you'll now have the chance to extend your mortgage term instead of stopping payments altogether, meaning that your outgoings will remain more level (albeit over a longer duration).

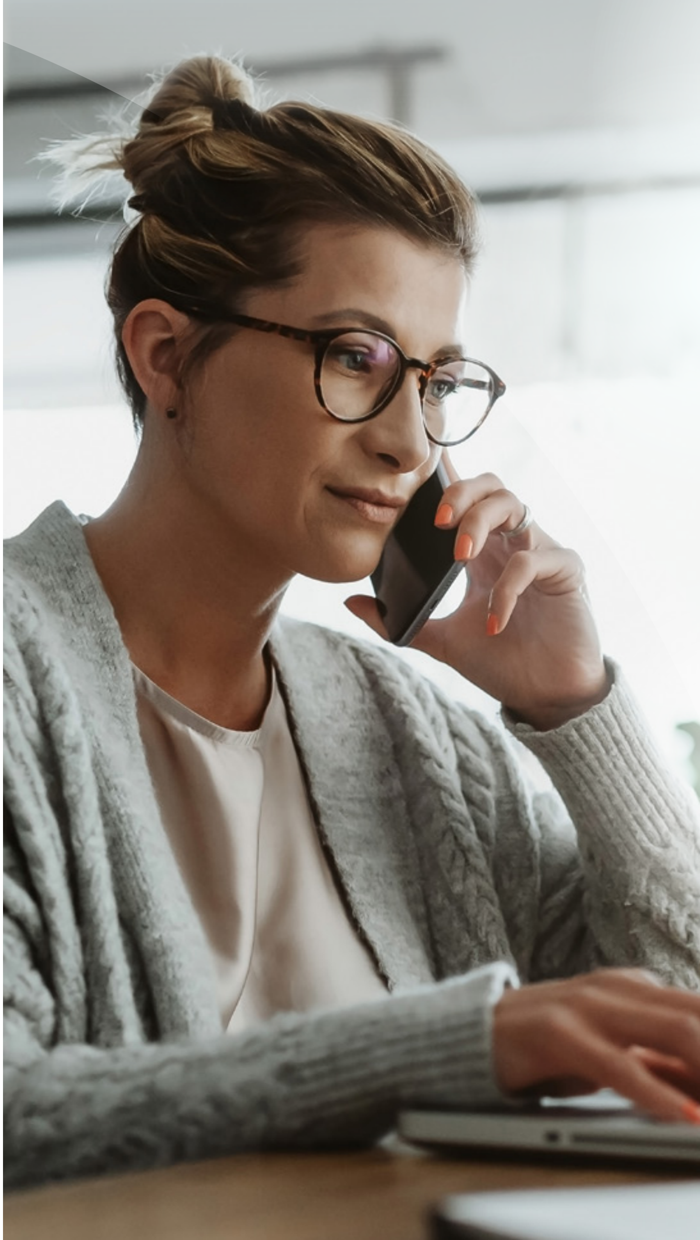
Is a mortgage payment holiday right for me?

A mortgage payment holiday does not equate to free money. The capital outstanding does not reduce, and interest will continue to accrue on your remaining debt. This will make your repayments larger once the holiday period ends or, if you've chosen to extend your mortgage term, you'll end up paying more interest than you would have across your original term.

The decision to apply for a mortgage holiday should therefore not be taken lightly. If you think you can afford to continue making repayments, then it is probably best to do so to avoid a longer-term impact on your finances.

Talk to us

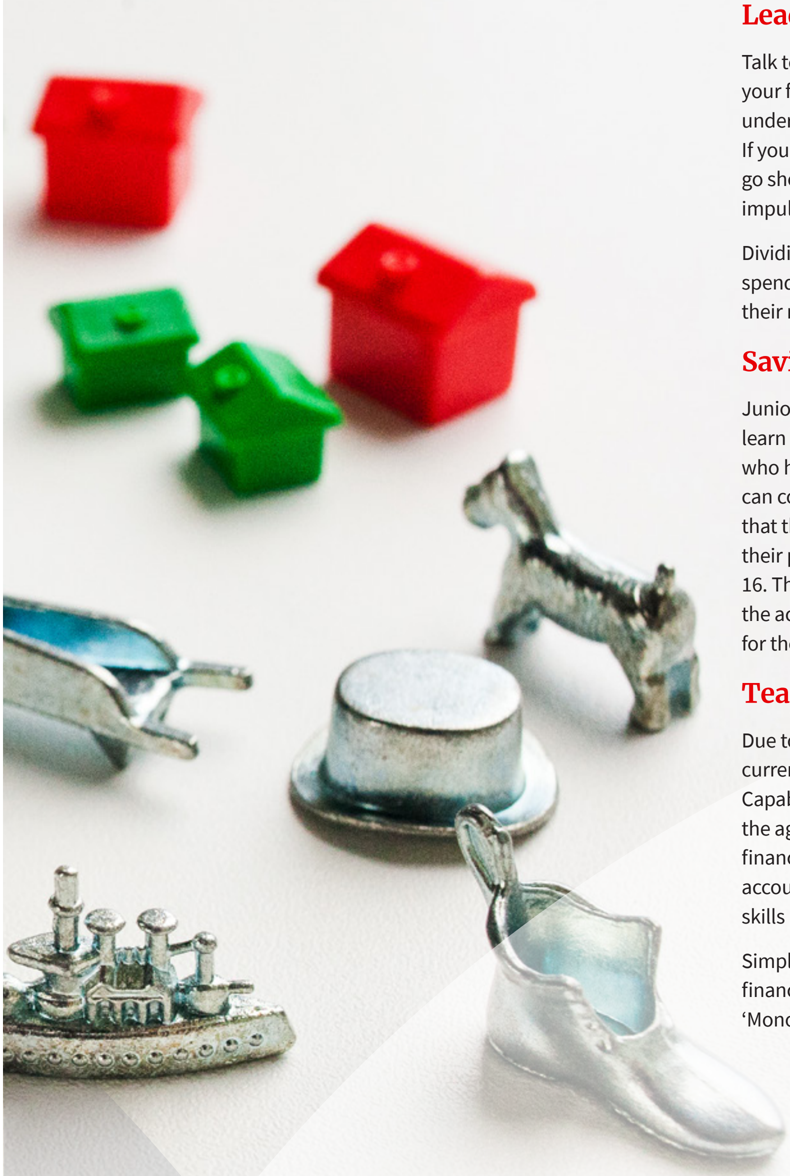
If you are experiencing financial difficulties, talk to us before making the decision to apply for a mortgage holiday. We can help you assess your finances and assist you in creating a plan for getting through this difficult period.



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

Give your children a head start with financial education

Financial literacy isn't a skill that we are born with. Learning how to manage money effectively means acquiring a few important life lessons that parents can pass on to their children from a relatively young age.



Money does not grow on trees

Encourage children to handle cash as soon as possible to help them recognise its value and to plan how to save some of their pocket money, so that they can save up to buy a new toy or book with their own money. After all, good things come to those who wait, teaching delayed gratification is a great lesson. Children need to realise that you work to earn money and that it simply does not pop out of the wall at the cashpoint.

Lead by example

Talk to your children about how much things cost and set a good example; your financial behaviour will lead the way. It's important for children to understand what budgeting means, to teach responsibility with money. If you demonstrate responsible buying by creating a budget before you go shopping, comparing prices, using money saving vouchers and curbing impulse purchases, you can lead by example.

Dividing money into different pots is a useful way to demonstrate only spending the money you have, as it helps your child to visualise where their money is going. When it's gone, it's gone.

Saving for the future

Junior Individual Savings Accounts (JISAs) are a good way for children to learn about the benefits of saving money for the future. Once the person who has parental responsibility for a child has opened the account, anyone can contribute to it, up to an annual limit (£9,000 this tax year). This means that the child can learn more about money management by saving some of their pocket money and watching it grow, before gaining control of it at age 16. The money cannot be withdrawn until the child is 18, at which point, the account is automatically rolled over into an adult ISA, a valuable facility for those who want to continue saving or investing tax-efficiently.

Teach a life skill

Due to limited curriculum time, only four in 10 children and young adults currently receive financial education lessons. According to The Financial Capability Strategy, children's attitudes to money are well-developed by the age of seven. Research confirms that children who receive a formal financial education are more likely to be money confident and have a bank account, understand debt, be capable of saving and generally have the skills needed to make the most of their money in the future.

Simple things like playing family board games together that promote financial literacy; games such as 'Cashflow 101' and the ever-popular 'Monopoly', which now has junior versions, are a good starting point.

The value of investments can go down as well as up and you may not get back the full amount you invested. This information is based on our current understanding of the rules for the 2020/21 tax year.

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

OW2768 Exp. 05/04/21

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.

The insurance policy that could prove critical

Some people might be put off buying a critical illness policy because they believe it's unlikely to pay out, despite the proportion of *claims paid by insurers standing at just over 92%.*

So why is there such a gap between perception and reality among consumers?

There have been well-publicised stories in the past where a policyholder has had a claim refused because their circumstances didn't meet the insurer's terms and conditions. But in reality, the number of critical illness claims declined are actually a tiny minority compared to the total paid out. Take a look at these numbers from 2017 from some of the UK's leading insurers:

Insurer	% of critical illness claims paid
Aviva	93%
Zurich	95%
Vitality	92%
Legal and General	92%
LV=	89%

Reasons why an insurer may not pay a claim:

- The policyholder didn't inform the provider about important medical or health information when they took out the policy
- The condition claimed for didn't meet the definition within the plan
- The policyholder tried to claim for conditions that were excluded from their plan

Separating fact from fiction

A critical illness policy pays out a tax free lump sum on diagnosis for any of the specified serious illnesses – around 100, including cancer, heart attack or stroke. There are additional benefits available with these policies which can be life-changing when called upon.

The cover might seem costly; a policy from Aviva for a 35-year-old non-smoker needing £200,000 cover over 25 years would cost £64 a month and it gets more as you get older but the value of this type of protection makes it absolutely worth considering. In fact, the Association of British Insurers reported that a total of 96% of critical illness claims made for cancer were paid out across the industry, demonstrating the positive impact these products can have during the worst of times.

The insurance market can be complex and confusing. Price comparison sites can make it easier to search and compare critical illness policies, but there's such a large choice and variety of products and you might end up paying for something that doesn't quite fit your circumstances.

Don't leave it to chance, seek professional, face-to-face advice from someone who will get to know your circumstances, your family history and your likely protection requirements and recommend critical illness cover that's right for you.

If you'd like to know more about how we can help you arrange serious or critical illness cover, or you'd like a better understanding of the options available, please get in touch.

OW2108 Exp. 18/06/2021

Borrowing options in your later years

Retirement is an exciting time; the start of a new chapter in life. Whilst we will have worked, saved and prepared for this moment for a long time, many of us will find we don't quite have enough money to fund all the things we planned to do.

Luckily, there are an increasing number of options for borrowing in your later years, enabling people to stay in their homes for longer and help fund their retirement lifestyle.

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Mortgage

One option is a traditional residential 'capital and repayment' or 'interest-only' mortgage. Many lenders have increased their upper age cap limits in recent years, enabling mortgages to now be applied for by people up to 80 years old and allowing mortgage terms that end when a customer is up to 85 years old.

You'll have a better chance of being accepted for these mortgages if you have a good credit history. Your income will need to be high enough to easily cover the mortgage payments, so lenders will be looking for proof of pension income. This is easier to do once you are retired.However, if you are yet to retire, your pension provider can give confirmation of your expected retirement date, current pension pot and expected retirement income. The mortgage provider will also be interested in other income you may have, such as from shares and property investments.

Equity Release

Another option is equity release. With an Equity Release Mortgage, you borrow an amount against a part-share of your home, either as a one-off lump sum or a monthly income.

You still own your home, and the payment can be used for a variety of purposes. These are, most commonly, to pay off an outstanding mortgage, pay for a major purchase or unexpected cost, or simply to help fund your retirement.

Lifetime Mortgage

A Lifetime Mortgage differs to a traditional Residential Mortgage as payments do not need to be made throughout the term of the mortgage. Instead, the total amount borrowed plus the interest is repaid when the house is sold, which is usually after the borrowers have moved into a care home or passed away.

Both Equity Release and Lifetime Mortgages will impact elements such as how much inheritance you have available to pass on, eligibility for state benefits and your tax position.

Each of these borrowing options suits different circumstances so you must carefully consider which would be best for you in your later years.

You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.

Considerations for first-time buyers

Being a first-time buyer can be daunting. Not only are you about to make one of the biggest financial decisions in your life, but you'll probably also have family members and friends offering their ideas on the right house, mortgage, lender conveyancer and even removal company for you.

We've put together some ideas to try and take away some of the stress and confusion and give you confidence to move through the home buying process as smoothly as possible.

Get the right advice
Of course we're going to say that - it's what we do! We'll review your circumstances and look at your income, debt, day-to-day outgoings, employment and the size of your deposit, to assess what you can afford to borrow now and in the future. We'll talk you through the types of mortgage we think are right for you and the lenders who offer them.

Save as much as possible
Buying a house is going to be expensive so it's important to save, save, save and save some more to get yourself in the best position possible.

Many lenders will accept a minimum deposit of 5% of the cost of the house you're buying, but aim higher. The bigger your deposit the smaller the mortgage (and monthly mortgage payments) making you more attractive to a lender.

Talk to us and we can help with practical financial advice on your first and future home purchases.

Know your budget
Your hard-saved deposit and monthly mortgage repayments aren't the only expenses you need to be mindful of when buying your first home:

Some lenders will charge for a **valuation fee** to help them establish how much they are prepared to lend you.

You'll also need to factor in the cost of a **survey** (depending on the type of property you're buying and the lender you choose to go with you might need a basic mortgage valuation, a homebuyer's report or a full structural survey).

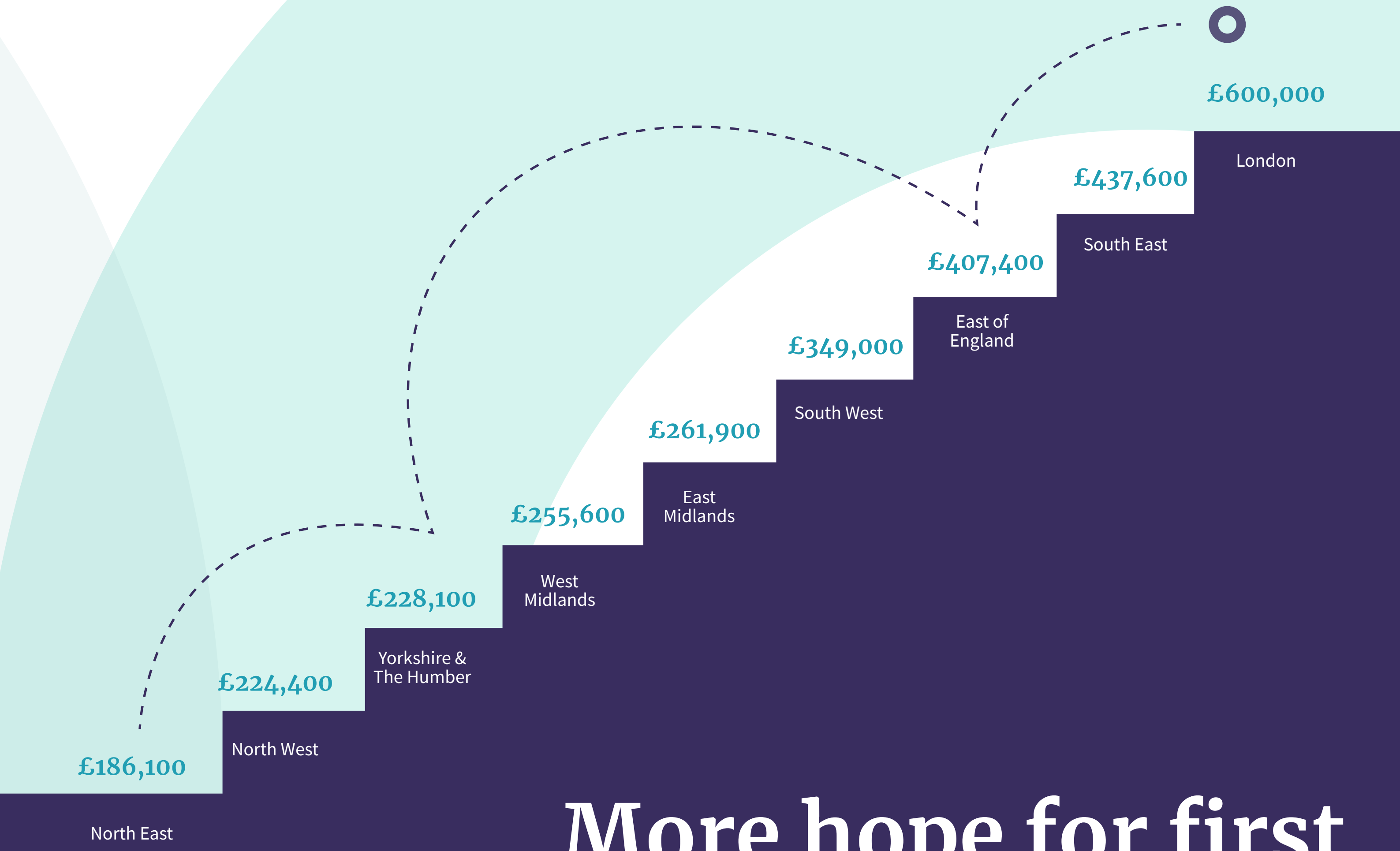
In Scotland you also need to budget for **Land and Buildings Transaction Tax** and in Wales you'll need to budget for **Land Transaction Tax**. If you live in England or Northern Ireland, you won't pay any **Stamp Duty Land Tax** on properties worth up to £300,000.

You'll also need to pay your **solicitor** or **conveyancer** for any legal work and local searches they do on your behalf.

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

OW2112 Exp. 02/04/2021

Price cap for properties eligible for Help to Buy Equity Loan Scheme from April 2021 to March 2023:



More hope for first time buyers with the Help to Buy Extension

Since it was launched in 2013, the popular Help to Buy scheme has enabled almost 170,000 households to buy homes; who may not otherwise have been able to.

An extension to the successful scheme was announced in the Autumn 2018 budget, now making it available until 2023 for first time buyers only 'to ensure future support is targeted at those who need most help'.

This could benefit tens of thousands of extra buyers who are purchasing a new-build property, who under the scheme can get an extra 20% (40% in London) government loan, which is interest free for five years. If they also secure a mortgage from a bank or building society for 75% (55% in London), this means buyers themselves need to only find a 5% deposit.

As part of the changes, the government has also introduced new caps on house prices for qualifying properties in different regions, to reflect the huge variations in prices across the country. London will continue with a £600,000 cap, whereas the caps in other regions have been changed to 1.5 times the average forecast first time buyer price in an area.

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OW2279 Exp. 09/10/2020