



RELEASE
FREEDOM

VIEWPOINT

RELEASE FREEDOM LTD

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Climate change and your family finances

Climate change is having a profound impact on many aspects of our lives, including our financial affairs. It's worth thinking about what's happening to ensure we're able to respond when change arrives.

Take mortgages – the largest financial commitment that most of us ever make. If you still have a mortgage, or if you have children or grandchildren who are borrowing to buy their home, the terms of any loan may be affected by how susceptible the property is to the effects of climate change.

Extreme weather

One of the consequences of a changing climate, according to many scientists, is an increase in the frequency and severity of extreme weather events. These might take the form of unusually violent storms, heavy and sustained rainfall, or periods of prolonged drought.

Already in 2020, we have seen widespread, disruptive and damaging flooding across swathes of the UK. Recent years – 2018 in particular – saw severe drought during baking hot summer months and drought brings with it the threat of subsidence and structural damage.

When looking for a mortgage on a property in an affected area, you might be asked for a larger deposit or charged a high rate of interest. If you live near a flood plain or a coastal area, the duration of your mortgage might be less than for properties elsewhere because the lender is keen to limit its exposure to longer-term effects of climate change, such as a rise in sea levels or cliff erosion.

In extreme cases, if the market value of your house falls below the amount of your outstanding mortgage because of climate change impacts, you could be asked to restructure your debt.

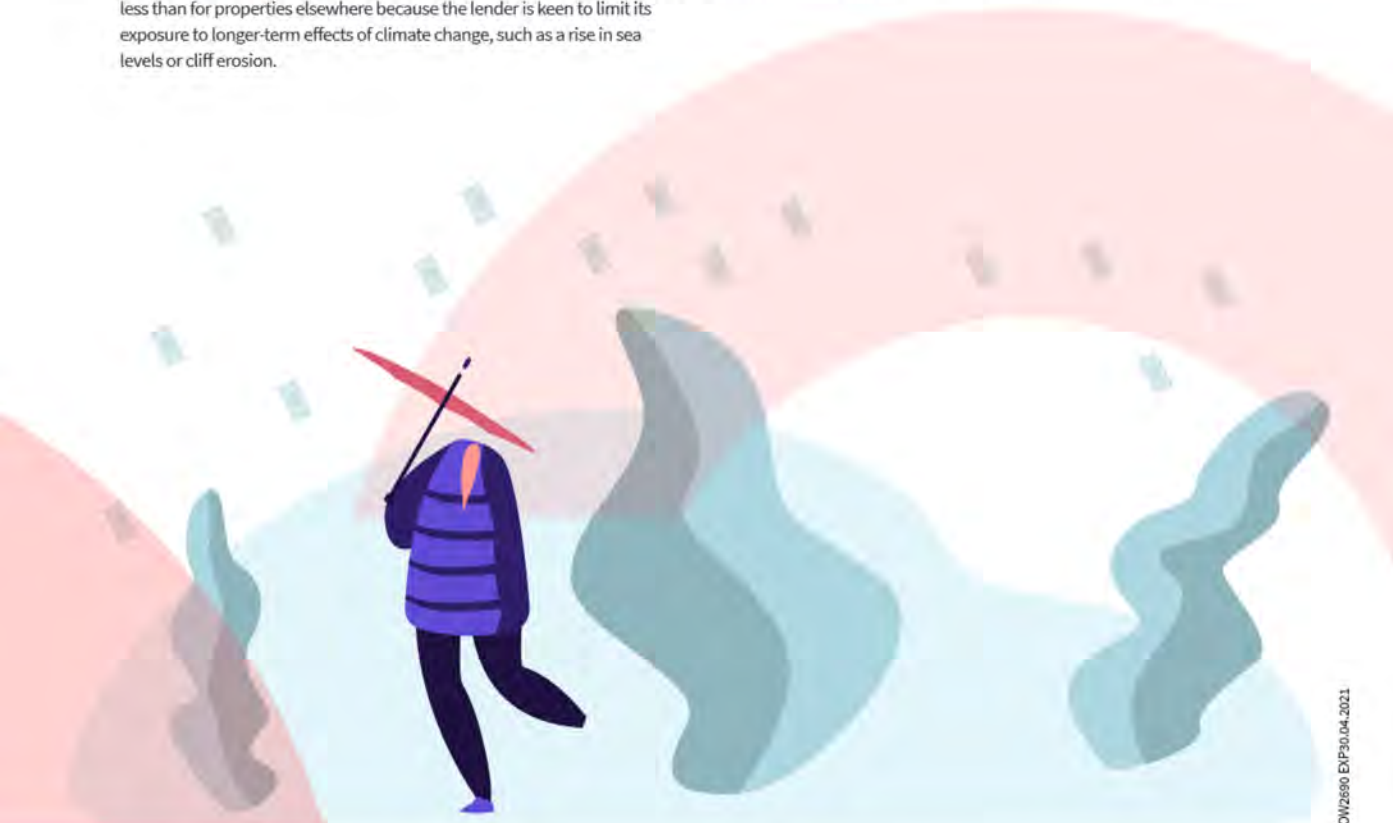
Thanks to climate change, you might find that switching mortgage, or taking out a new loan, will require more shopping around and expert advice to find an attractive deal. That's because lenders are more cautious about lending on properties deemed to be at risk of damage or a reduction in their valuation.

Pressure on premiums

There are similar concerns about home insurance. Flood-stricken areas have notoriously high premiums for buildings and contents cover, with some householders struggling to find affordable cover, despite the presence of Flood Re, a government-backed scheme designed to reduce the cost of insuring flood-prone properties.

Some drought-affected areas – primarily those with clay-based soils – have seen increased subsidence, with ground movements weakening foundations and causing cracks in the fabric of buildings. Those living in regions blighted by subsidence face hefty premiums coupled with policy excesses of £1,000 or more.

Again, experienced and expert advice will be essential in finding the right protection for your home at an affordable price.



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

Our expert advice can help reduce your mortgage stress

Moving home is known to be one of life's most stressful events. In fact, a survey earlier this year, found the process can cause us more stress than other major life events such as having a baby, getting married, starting a new job or getting divorced.

Sorting out your finances

The biggest cause of worry for many is arranging finance for the move. First-time buyers need to save up funds for a deposit, as well as finding the right mortgage and an affordable property. Low- deposit mortgages and saving schemes, like the Help to Buy ISA (which closed to new accounts on 30 November 2019), appear to have helped with the challenge of saving a deposit to some extent. It pays to save a large deposit as in most cases, the bigger the deposit you can put down, the lower your interest rate is likely to be.

As well as saving for a deposit and budgeting for costs like legal fees and surveys, you should review your income and outgoings; any lender considering your mortgage application will expect you to be on top of your bills and to be able to afford your monthly mortgage payments.

A challenging process?

Research from Aldermore's First Time Buyer Index reveals prospective first-time buyers view buying a home as challenging, with over a quarter (29%) saying getting on the property ladder is 'very difficult'. This research also showed nearly two thirds (61%) of recent first-time buyers found the house buying process 'confusing' and two in five (39%) say the stress of it actually made them feel ill.

Understanding the mortgage process

With such a vast number of mortgage deals available, it can be difficult to know which one is right for you.

Whether you are a first-time buyer, moving home, remortgaging or looking to release equity from your property we can help. Our qualified mortgage advisers have access to a wide range of mortgage deals and can help you understand all aspects of the home buying process.



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How could negative interest rates affect you?

The Bank of England (BoE) maintained the UK's base interest rate at its record low of 0.1% in December, but in light of January's national lockdown, could rates go negative?

What could negative interest rates mean for you?

Your pension

For people approaching retirement, it usually makes sense to have adopted a lower risk strategy by moving into lower risk investments such as bonds. If interest rates go negative, the value of these bonds would decrease and for those closer to retirement, there would be less time to recover any losses incurred.

Your savings

Savings rates are already low and if they turn negative, it may mean having to pay banks to keep our money safe for us. This could take the form of paying a fee for a bank account or being charged for banking services. In reality, this is unlikely for the average saver, it may only apply to those with high deposits.

Your mortgage

We've kept the good news till last – we all need whatever boost we can get at the moment! While negative rates are unlikely to be passed along to mortgage holders (tracker and variable rate mortgages often contain mechanisms to prevent negative interest rates, for example) mortgages still look set to remain highly competitive for the foreseeable future – great news for buyers or remortgagers!

Your advisers

Whatever your financial situation, we're here to advise you. If you are concerned about the potential impact of negative interest rates, get in touch, we can help you assess all the options available to you.

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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