

# Essentially Mortgages



In uncertain times –  
we're here for you

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Could now be the right  
time to remortgage?

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Keep calm and organise  
your finances

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Q2 2020

- ▶ Protecting your income – need to know
- ▶ Should I write my life insurance in trust?
- ▶ What does the interest rate slash mean for you?

**Quilter**  
Financial  
Planning



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## In uncertain times – we’re here for you

*The housing market enjoyed the ‘Boris Bounce’ following his election victory in late 2019. This bounce provided some long overdue momentum in the housing market, a real shot in the arm, following a fairly lack-lustre run. Data highlighted that buyer interest in some regions jumped and activity was reignited, a post-election surge in buyer demand certainty boosted confidence.*

Unfortunately, this rejuvenation was fairly short-lived as the COVID-19 outbreak took hold in the UK and across the globe. At this stage it’s difficult to quantify the full impact on both the commercial and residential property sectors, but what is certain is that while there are many factors involved in determining the mood and movement of the property market, few things have a bigger impact than uncertainty.

Rest assured, what is certain is that we are here to help. If you have any questions about the property sector, mortgages or your protection requirements – please get in touch, we have our finger on the pulse in this fast-changing environment and can assist you to navigate the challenges ahead.

# Spotlight on protection

*The coronavirus outbreak has hit businesses across the UK, leaving many individuals and families in a precarious financial position. The crisis has shown that financial hardship can strike when we least expect it, demonstrating the importance of protection cover.*

Although billions have been pledged to support employees and businesses, some have slipped through the cracks of eligibility criteria. For others, the help is inadequate.

## A financial lifeline

Never have we been so starkly reminded of the need for the safety net of protection cover. A recent YouGov<sup>1</sup> survey about the pandemic, revealed that nearly a third (32%) of Brits currently fear for their future. Cover such as life insurance, critical illness cover and income protection can help lessen the blow of unexpected events. Note that some policies have qualifying periods that may rule out claims made within a certain period of taking out the policy or of becoming too ill to work.

## Don't make assumptions

According to Royal London's<sup>2</sup> State of the Protection Nation report, just 11% of people believe they're likely to go on sick leave for more than three months. However, it also revealed that the actual probability of this is much higher, at 26% for men and 37% for women. Conversely, a fifth of respondents believe they're likely to die during their working lives, even though the probability of this is actually much lower (4% and 3% for men and women, respectively).

It's therefore unwise to make assumptions about your need for protection cover. Critical illness and income protection cover could be just as valuable as a life insurance policy.

## A weight off your mind

If you're unable to work due to illness or injury, financial worries could hinder your recovery. Get in touch to chat about the best protection options for your individual circumstances.

<sup>1</sup>YouGov, 2020

<sup>2</sup>Royal London, 2019



*financial hardship can strike when we least expect it*



## Keep calm and organise your finances

**At the present time, it's hardly surprising that many of us are feeling stressed about our financial wellbeing. A good way of reducing stress is to take stock of your finances, so why not embark on a spring clean?**

A survey<sup>3</sup> found that 45% of people cite money as their main cause of stress (rising to 66% of those with no savings or investments). Improving your financial outlook could therefore help to lessen your anxiety.

## Remortgaging could pay

The Bank of England (BoE) has slashed its base rate to an all-time low of 0.1%. Although those on tracker rate or variable rate mortgages will see their payments reduce, those on fixed rate deals won't see any benefit.

Since the base rate cut, lenders have withdrawn over 2,000 mortgage products from the market, due to the risk of lending in the current climate. However, there are still deals to be found and with rates this low, remortgaging could save you money.

## Do you have adequate protection cover?

It's also a good time to consider how you and your family would cope if you were to suffer illness, loss of income or unemployment. First, you should check whether your existing cover remains adequate for your needs.

You could also ask yourself whether there is any other protection cover you might need, for example life insurance, critical illness cover, income protection or professionally advised payment protection insurance (PPI).

## Talk to experts

It's particularly important to take financial advice at the moment because things are constantly changing. Talk to us for up-to-date guidance on the best options for you.

<sup>3</sup>BlackRock, 2020

# The Budget – housing news

*In March, Chancellor Rishi Sunak's debut Budget tackled the COVID-19 outbreak by announcing a fiscal stimulus and support for the NHS and businesses. Housing was not a primary focus of the Budget, but there was an announcement of a new tax for those buying property from overseas; whilst a synchronised Bank of England base rate cut of 0.5% held significance for some mortgage rates.*

From 1 April 2021 non-resident buyers of homes in England and Northern Ireland will have to pay a 2% Stamp Duty Land Tax surcharge; this was reduced from the 3% surcharge previously outlined in the Conservative election manifesto. The Chancellor intends to use the money raised from this tax to fund 6,000 new homes for homeless people. The measure is

expected to affect 70,000 of the UK's total 1.2 million annual property transactions.

Other housing measures include a 1% cut for local authorities in interest rates for social housing, an extension of the affordable homes programme (£12.2bn funding), a £1.1bn allocation from the Housing Infrastructure Fund to build 70,000 new homes in high-demand areas and funding to remove unsafe cladding.

The Chancellor also announced that Robert Jenrick, the Secretary of State for Housing, Communities and Local Government, would set out comprehensive reforms to overhaul Britain's planning system. The reforms were announced the following day with the aim of simplifying the planning system and improving the capacity, capability and performance of Local Planning Authorities (LPAs) to accelerate the development process.

The Budget received some criticism from housing industry experts who have expressed disappointment in the lack of new initiatives to help first-time buyers, replace Help to Buy, or reform Stamp Duty.

Days after the Budget, the Chancellor said main lenders had agreed to offer three-month mortgage repayment holidays for borrowers impacted by COVID-19 and the BoE announced a further base rate cut to a lowest-ever 0.1%.

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## Should I write my life insurance in trust?

**When taking out life insurance, you'll want to set it up so that your heirs receive as much as they can, as quickly as possible when it pays out. Writing your policy in trust is a great way to do this.**

A trust is a straightforward legal arrangement which allows you to leave assets to the people you want to benefit – the beneficiaries. A trust is managed by a trustee, or trustees, until the time comes for the benefit to be paid out.

### Benefits of a trust

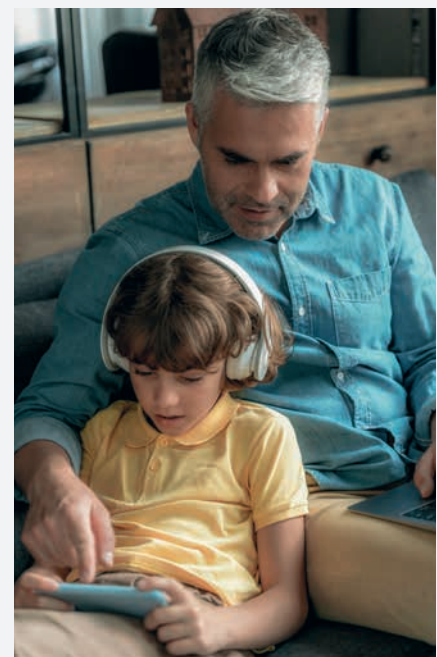
A trust gives you greater control over where your assets end up and is especially important if you're not married or in a civil partnership.

Writing your life insurance policy in trust also ensures that under current HMRC rules and in most circumstances, the policy proceeds on death will not form part of your estate for Inheritance Tax purposes.

Another benefit is that the policy proceeds can be paid directly to your beneficiaries, without having to go through probate. As probate can be a lengthy process, with any Inheritance Tax having to be paid before probate can be granted, having a trust allows your beneficiaries faster access to the policy proceeds.

### Talk to us

If you would like advice about putting your life insurance in trust, talk to us. We can guide you through the process.



# Equip yourself – be scam smart

*New figures from Action Fraud have shown that fraudsters are taking advantage of people's fears at this vulnerable time to get hold of their hard-earned money.*

The national fraud reporting centre said that reports of scams had increased by 400% in March<sup>4</sup>, mostly due to a sharp increase in online shopping scams centring around the sale of personal protective equipment (PPE) or hand sanitiser, which subsequently failed to arrive.

Other types of scam reported included phishing, investment fraud and lender loan fraud.

## **Keep your cash where you can see it**

The government has released advice<sup>5</sup> to help you keep yourself and your money, safe from fraud. This includes checking the company's credentials via a reliable source such as the FCA's Financial Services Register, not clicking on links from unknown senders, being wary of deals that sound too good to be true, not giving out personal details and seeking professional financial advice before making any decisions.

## **Guidance in uncertain times**

Anxiety and stress can make you more vulnerable to fraud, so make sure you come to us before making any big financial decisions. We're here to keep you and your finances safe during this period of uncertainty.

<sup>4</sup>Action Fraud, 2020

<sup>5</sup>GOV.UK, 2020

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# What does the interest rate slash mean for you?

*The BoE's aim was to shore up the economy. Lower interest rates help this goal by encouraging consumers to spend and invest, but make saving less attractive. But what does the change mean for you?*

## **The financial winners**

People on certain types of mortgages, primarily tracker rate and variable rate mortgages, will benefit from lower interest rates. This is because each monthly payment varies in line with the BoE base rate. Those looking to remortgage will also feel the financial benefits. It is likely that new fixed-rate mortgage products will see their rates

decrease, meaning that it could be a good time to remortgage.

## **The financial losers**

While it may be beneficial for some to remortgage, other groups may struggle to find a deal. This is because, since the interest rate cuts were announced, lenders have pulled over 2,000 products off the market<sup>6</sup> due to their perceived level of risk in the current climate – many of them catering to first-time buyers or those with small deposits.

Savers, who have struggled against low rates for many years now, face even grimmer prospects. Those saving for deposits or looking to build up their nest eggs face a much slower journey towards their goal.

<sup>6</sup>Moneyfacts, 2020



# Vital financial protection overlooked by new parents

*According to recent research<sup>7</sup> the average expenditure by couples becoming parents for the first time has increased by more than 18% since the same survey was first conducted in 2012 and now stands at £1,645. This is the equivalent of more than £469m a year across the UK.*

## Protecting your new arrival and family

Essential items on your list will obviously be things like prams, cots and car seats. However, preparations for the new arrival do not always extend to important long-term financial planning. Although around six

in ten parents-to-be have started a savings account for their baby, little more than a quarter (27%) have taken out life insurance.

## Add financial protection to your list of essentials

It's important to consider what could happen if you weren't able to provide for your family; so that your little one would stay safe, be well cared for and have a roof over their head if you were no longer here.

## Get protected

Taking out life insurance doesn't have to be complicated. Come to us for sound advice on finding the most suitable life insurance policy for your circumstances, giving you ultimate peace of mind.

<sup>7</sup>Aviva, 2020

## Government pledges to support tenants and homeowners

As the coronavirus pandemic has tightened its grip on the country, the reality of its effect on people's livelihoods has become clearer. However, help is at hand, with the government announcing a support package to help people stay in their homes.

Homeowners who have taken a hit to their income due to the outbreak will be able to apply to their lender for a three-month mortgage payment holiday, giving them the reprieve they need to get through the worst of the crisis without the risk of defaulting on their loan or having their home repossessed. The payment holiday applies to both owner-occupied and buy-to-let mortgages.

Meanwhile, the notice period a landlord must give a tenant before commencing eviction proceedings has been extended until 30 September 2020. This means that even if you are in rent arrears due to coronavirus-related financial difficulties, you will not be evicted from your home.





## Could now be the right time to remortgage?

*Following the Bank of England's massive base rate slash to a record low of 0.1%, mortgage rates have also fallen. For those whose mortgage deal is nearing its end, or borrowers currently on their lender's standard variable rate (SVR), it could be an excellent time to find a cheaper deal.*

With some competitive products out there, you could be in line to save a lot of money – if you move quickly.

### **Things could change rapidly**

In such a fast-changing environment, those who are considering remortgaging in the next few months

or so should assess their options. Some lenders, particularly more specialist mortgage providers, have increased rates to protect their position.

### **Lenders already pulling products**

Lenders have also responded by withdrawing deals from the market, mostly those in the higher loan-to-value range. Over 1,500 mortgage products have been withdrawn from the market since the base rate cut.

### **Move now**

If you're on a tracker rate mortgage, sit tight and enjoy the effect of lower interest rates on your monthly repayments.

If you're on a fixed rate deal or your lender's SVR, however, consider moving now while competitive deals are still on the market.

### **Mortgage packages become increasingly competitive**

Things may seem challenging right now, but there is good news to be found. Mortgage packages have become increasingly competitive as we've moved through the early months of 2020.

According to money comparison experts Moneyfacts<sup>8</sup>, true rates (reflecting initial rate and product fee) on two and five-year fixed rate mortgages on offer from the UK's top ten lenders fell by up to 0.14% between January and March.

It's important not to be swayed by low rates alone, fees need to be considered and the small print reviewed – we can find the most suitable mortgage for you.

<sup>8</sup>Moneyfacts, 2020

# Protecting your income – need to knows



*Many people miss paying their rent or mortgage because illness or injury prevents them from working. If the only money you have coming in is sick pay and possibly state benefits, it's easy to see how it might become difficult to pay what is likely to be your largest monthly outgoing.*

Income protection insurance has a vital role to play as it can provide funds if you are forced off work due to illness or accident.

Arrange a plan to suit your own needs

- **Monthly cover** – the higher the cover, the more expensive your premiums will be. There is a maximum cover level of around 60% of earnings after tax
- **Payment duration** – accident and sickness policies typically pay out for

12 or 24 months, whereas income protection plans provide cover up to retirement age

- **Waiting period** – the length of time you'd be off work before the policy starts paying out. The shorter this period, the higher the premiums
- **Parent cover** – cover for if you need to take time off to look after a dependent child
- **Death benefit** – included in some policies.

## What else do I need to know?

Premiums will depend on factors such as your age, health and the type of work you do.

One insurer recently stated, 'We don't exclude coronavirus from any of the policies,' but 'We've added some new questions about coronavirus that you'll need to answer if applying for a new policy.' Ask for the latest information about coronavirus and income protection.



## Storm damage repair to run into hundreds of millions

In February, a series of storms ripped through the country, leaving a trail of damage in their wake. The Association of British Insurers (ABI)<sup>9</sup> estimated that insurance payouts to repair damage to homes and businesses will exceed £360m.

Some 82,000 people put in claims for flood or wind damage in the wake of the destruction wrought by Storms Dennis and Ciara. The average claim per household affected by flooding was estimated to be around £32,000.

## Bad weather events on the rise

According to Aon, the total economic damage worldwide caused by floods topped \$82bn in 2019 – but just \$13bn of that was insured<sup>10</sup>. Events such as these are becoming increasingly frequent, with the uninsured facing devastating financial losses.

It's not just flooding that's on the rise. The 'Beast from the East' that blasted across the UK in early 2018 resulted in a £194m payout for burst pipe damage alone.

## Don't leave it to chance

Nowadays, it is becoming more and more unlikely that 'it'll never happen to me'. Natural disasters can cause serious damage, with repair work likely to run into thousands of pounds if you are uninsured. Contact us and we can help you find the best policy to protect your home, possessions and finances.

<sup>9</sup>ABI, 2020

<sup>10</sup>Aon, 2020