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YOUR HOME FINANCE WINTER 2016/17

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IS YOUR MORTGAGE IN NEED OF A MAKEOVER?

With monthly mortgage repayments representing a major outgoing for many families, it's a good idea to review your mortgage from time to time.

If your current mortgage deal is coming to an end, or if you've been with your existing lender for a while, this could be a very good time to think about switching to get a better, more cost-effective mortgage deal. With interest rates remaining low, today's mortgage market is very competitive.

WHEN YOUR DEAL ENDS

When your current mortgage deal ends, your lender may automatically move your mortgage to their Standard Variable Rate, which normally rises and falls in line with the Bank of England base rate. Whilst this might be suitable for your circumstances, there could be better deals available.

Remortgaging can also be worthwhile if your property has increased in value and you want to free up some cash from the equity in your home, if you would like to make higher repayments, or switch from an interest only mortgage to a repayment loan, or get a fixed rate that helps you budget more easily Ø. **You may have to pay an early repayment charge to your existing lender if you remortgage.**

Think carefully before securing other debts against your home.

PROTECTION – MAKE 2017 THE YEAR YOU GET THE COVER YOU NEED

If you have children, a partner or other relatives who depend on you and your income to cover household bills and other living expenses, you should really consider the benefits of having life assurance and other protection policies in place.

FAMILIES ARE MISSING OUT ON PEACE OF MIND

Sadly, results from a survey[1] show that the life insurance message is failing to get through to those who really need to hear it the most. The findings show that 60% of all adults in the UK have no life cover; as many as 17% of UK adults who have financial dependants don't have life insurance in place, with those aged 35–44 least likely to have life cover, despite this age-group typically having young families and big financial commitments like mortgages and loans.

When asked why they don't have plans in place, people often say that policies don't pay out in the event of a claim, but in reality 97.7% of life insurance claims are accepted as valid. UK insurers pay out a staggering £9.4m every day on protection policies including income protection, critical illness and life insurance.

Another common misconception is that cover is expensive; for many families, the cost of getting the right insurance policies in place can be no more per month than a family would spend on coffee and cakes in a café. It is really a small price to pay when you consider that having no insurance protection in place could mean real financial hardship.

What's more, the younger and healthier you are, the lower your premiums are likely to be. As you get older you'll be seen as a higher risk by insurers, which means you have another good reason to take out a policy sooner rather than later.

GET THE COVER YOU NEED

The great thing about life insurance and protection policies is that they can be tailored to meet your needs throughout your lifetime. It's likely that your insurance needs will change as your life changes, so when you buy a property or have a family, take on more debt or change jobs, the level and type of cover you have can match your personal circumstances.

Why not make your New Year's resolution to put in place the protection you need for you and your family?

[1]Association of British Insurers, Key Facts, 2015

ENGLISH OVER 55s OWN PROPERTY WORTH MORE THAN THE GDP OF ITALY

With house prices remaining high, many older people find themselves wondering how much their own property is worth. Those who bought a large home some years ago to raise their families may now be thinking about their housing options, especially as they reach their retirement years. Many are earmarking their equity to help bolster their income in retirement or to pass on to younger generations who may be considering plans for their own homes.

As further proof of the increasingly large amounts of money tied up in property, The Telegraph recently reported that the total value of the housing wealth owned by the over 55s in England is more than the GDP of Italy. The estimated total value of these properties comes to a staggering figure of approximately £1.5 trillion.

HOME, SWEET HOME

Equity release is becoming an increasingly popular way of staying put in one's own home but at the same time benefiting from the value tied up in it. Many people find the thought of moving in later life a step too far, and don't want to leave familiar surroundings, a neighbourhood they are familiar with, and the services they rely on like doctors and local amenities.

Equity release may require a lifetime mortgage or home reversion plan. To understand the features and risks, ask for a personalised illustration.

Downsizing is also a common way of releasing cash. Research from retirement home builders, McCarthy & Stone[1], shows that many people over 65 would like to move to a smaller home. They estimate that there could be up to 4.3m who would downsize if they could find suitable alternative accommodation.

The reasons commonly given are that downsizing releases cash to bolster pension savings, purpose-built retirement properties are designed with needs of older buyers in mind, and new properties tend to have lower running costs. Currently, retirement accommodation is in relatively short supply across the country.

The Royal Institution of Chartered Surveyors has highlighted the need for more retirement property to be built, freeing up larger family homes to help solve the housing crisis.

[1]McCarthy & Stone, Generation Stuck, 2016

WILLS AND POWERS OF ATTORNEY – DON'T LEAVE IT TOO LATE

By 2025, the Alzheimer's Society[1] predicts that more than 1 million elderly people in the UK will suffer from some form of dementia. One in five people over 85 already suffer from it. The advice from charities caring for the elderly is that everyone should plan ahead for a time when they might not be in a position to handle their own financial affairs, or deal with decisions about their care.

PROTECTING YOUR WISHES

Lasting Powers of Attorney (LPAs) are becoming much more widely used. They can be written to cover both financial matters and health care provision and give you the satisfaction of knowing that plans are in place if you no longer have the capacity to deal with matters on your own behalf.

It's also important to have a valid Will in place, to ensure that after your death, your assets are distributed as you would wish. If you don't have a Will in place, then your estate will be distributed according to the laws of intestacy, and this could in some cases mean that those close to you, but not related, receive nothing while distant relatives you hardly know benefit in their place.

YOUR CHOICES

LPAs enable you to choose the person or people who would be in charge of making important decisions which affect you if you are not able to do this for yourself. Many people don't think about putting an LPA in place because they wrongly assume their loved ones could step in and would automatically be able to deal with banks and building societies or health authorities on their behalf.

However, if you lose mental capacity or become seriously ill and haven't made an LPA, a family member would have to apply to the Court of Protection to be appointed as your Deputy in order to deal with matters like these on your behalf. Obtaining Deputyship can often be a lengthy and expensive process.

You should seek independent legal advice.

[1]Alzheimer's Society, Dementia Report Statistics, 2014

MAKE SURE YOU USE YOUR ANNUAL TAX ALLOWANCES

The clock is ticking for savers and investors who want to make the most of their "use it or lose it" tax allowances for the current tax year.

ISA ALLOWANCES

With the government keen to encourage us all to save as much as we can throughout our lives, the ISA allowance for this tax year is £15,240 so it makes sense to save as much as you can to maximise the tax benefit. You might also want to top up a child's Junior ISA – here the allowance is £4,080.

PENSION PLANS

For the tax year 2016–17 you can get tax relief on pension contributions of up to 100% of your earnings or a £40,000 annual allowance, whichever is lower. (However, if in this tax year you start to take money from your defined contribution pension, then the annual allowance may reduce to £10,000 and to £4,000 from 2017–18.)

CRYSTALLISE GAINS

You can crystallise gains of £11,100 a year without having to pay Capital Gains Tax – which, not including property, is 10% for basic-rate tax payers, and 20% for higher rate tax payers. If you've made gains on stocks or funds during the year, it might be worth taking some profits before they become taxable. Spouses can transfer assets between them without triggering a capital gain, allowing them to effectively make gains of £22,200 before tax is due.

THINK ABOUT INHERITANCE TAX

The 2016–17 Inheritance Tax (IHT) threshold is £325,000 per person, doubling to £650,000 for a married couple and those in a civil partnership. Above this nil rate band, tax is payable at 40%, though the main residence nil-rate band will be phased in from April 2017.

Each financial year you can make gifts of up £3,000 (in total, not per recipient) and gifts of £250 per other recipient. Each parent of a bride or groom can give up to £5,000; grandparents or other relatives can give up to £2,500 and any well-wisher can give £1,000. Additional gifts can also be made from your surplus income, although conditions apply.

As tax can be complex, you should seek advice.

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NEW TAXATION RULES ON BUY-TO-LET SET TO BITE

Data from the Nationwide Building Society[1] shows that the buy-to-let boom may be tailing off. Their figures show that they lent £2.8bn in the six months to September 2016, down from £2.9bn in the same period a year earlier.

From April 2017, landlords could find themselves paying tax at higher rates as a result of the new tax changes.

THE NEW TAXATION RULES

Currently, those with buy-to-let mortgages can deduct all finance costs (such as mortgage interest, interest on loans taken out to furnish the property, and fees) in arriving at their net rental income. From April this will no longer apply. Instead they will receive a basic rate reduction from their income tax liability for their finance costs.

However, the new rules won't be fully implemented until 2020 as the relief will be gradually tapered down. For example, in tax year 2017–18 the deduction from property income will be restricted to 75% of finance costs, with the remaining being available as a basic-rate reduction.

In addition, the 10% wear-and-tear allowance will go from April, and landlords will only be able to deduct costs they have actually incurred. More negative newsflow for landlords came in the Autumn Statement, by way of a ban on letting agent fees charged to tenants, passing the entire fee burden on to landlords, to be imposed following consultation.

AFFORDABILITY TESTS

The government is keen to level the playing field for first-time buyers, many of whom find they are competing with buy-to-let landlords for entry-level properties. The introduction of higher rates of stamp duty for second properties was the first step designed to stem the flow of landlords entering the market.

In line with the government's policy on the buy-to-let market, many lenders are now introducing new affordability tests for those looking to take out a buy-to-let mortgage. The introduction of these new rules together with the changes to tax relief may make it less likely that landlords will snap up properties.

In the light of these moves, some landlords will consider putting their rent up at the earliest opportunity, while others may leave the market altogether.

A mortgage is a loan secured against your property. Your property may be repossessed if you do not keep up the repayments on your mortgage or any other debt secured on it.

[1]Nationwide, Nov 2016

HOW TO DEAL WITH WINTER EMERGENCIES

With winter tightening its icy grip, it's worthwhile having a few plans in place that could help you cope in an emergency.

A HOME EMERGENCY KIT

If severe weather strikes, it makes sense to have an emergency kit at home that you can access quickly and easily, especially if you suddenly find yourself in the dark due to a power cut. This can include things like:

- A list of emergency contact numbers, including your insurer, the local council and emergency services
- Warm clothes and blankets
- A battery-operated torch and spare batteries
- A battery-operated or wind-up radio
- Essential medication and a first aid kit
- Supplies of bottled water and food that won't spoil
- Spare house and car keys
- Spare glasses or contact lenses
- Baby and pet supplies if needed.

WHAT TO DO IN AN EMERGENCY

Sometimes, winter emergencies such as long periods of snow or flooding can lead to the need to leave your property. If that's the case, then here are some tips that can help you cope.

- Listen carefully to any information given out by the emergency services
- Keep your mobile phone and charger with you at all times
- Lock all doors and windows
- Take important documents such as birth certificates and passports with you in a watertight bag
- Put valuables and electrical items in a safe place out of sight and away from potential water damage
- Tell someone close to you where you are and where you are going
- Do what you can to protect pets.

DEALING WITH FROZEN PIPES

If, despite your best efforts, pipes in your property do fall prey to freezing temperatures and become frozen or burst then the best advice is not to panic. Turn off the stopcock to stop the flow of water. It's important to let frozen pipes defrost slowly. Don't use a naked flame, or a hair dryer. Assess the pipe for damage before turning the water back on. If problems persist, call a plumber.

If the pipe bursts you may need to contact your home insurer. Depending on the type of cover you have, and how bad the water damage is, your insurer may cover the costs of sending out a plumber, replacing your possessions, and in extreme cases providing alternative accommodation. Keeping your damaged possessions is worthwhile too as your insurer may ask to see these (or photos) in order to be able to process your insurance claim.

CHECKING THE DETAILS AHEAD OF TIME

If you're not sure what sort of cover your policy provides, you should check your policy document now. If you want to increase the type of cover you have for home emergencies, then we can help you find the right policy for your needs.

Home emergency policies typically cover problems that arise with plumbing and drainage, main supply pipes for water and gas, central heating, glazing and windows, home electrics and home security.

PROTECTING SANTA'S GIFTS

If Santa brought you all the gifts you asked for, and more besides, then you may need to check your home contents cover to make sure you're properly insured. Last year, the average spend on Christmas presents in the UK was estimated to be £489.04[1].

It's worth checking your contents policy to see what the limit of your cover is. Remember that the cover will have an overall limit. There will also be a limit for how much you can claim per item – which may be less than the value of the gift.

If your gifts are things like phones or tablets or other portable items, then you should check that their value is included in the section of your policy covering use away from home.

It's important all year round to ensure your contents cover is adequate for your needs; if not, you run the risk of being underinsured. This can cause serious problems if you need to make a claim, as your insurance company may not pay out the full cost to replace lost, stolen or damaged items.

[1]RadiumOne, 2015