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

Ashford Road, Chartham, Kent, CT4 7HN

simon@releasefreedom.co.uk | 012270730800 | www.releasefreedom.co.uk

Are you at the end of your deal?

When your current mortgage deal comes to an end you might be tempted to do nothing and simply move on to your lender's Standard Variable Rate (SVR). However, by doing so you could risk your mortgage rate more than doubling.

SVR tend to be higher than the rates offered by other types of mortgage like tracker. In January 2019, the average SVR was 4.9%, compared to 2.52% for a two-year fixed-rate mortgage. Over the life of the mortgage this can mean paying thousands more interest than you need to.

Remortgaging to a better deal

Finding a new mortgage deal is a lot easier than getting your first mortgage. You don't have the stress of finding a home, working with estate agents, negotiating contracts or worrying about onward chains.

When it comes to remortgaging you could choose to stay with your current lender, and they might offer you something tempting to stay with them, but you don't have to. Switching to a new lender may seem like hassle you don't need, but it's worth the effort as it could mean you get a better rate.

Whether you're staying with your current lender or moving to a new one, just as with your initial deal it can pay to get advice to help find the most suitable mortgage for your needs. That's where we come in.

The value of our advice

We'll look at your current deal and work out if there are any exit fees or early repayment charges.
We'll discuss your needs and future plans; whether you want to pay off your mortgage early or you're looking for lower monthly repayments.

We'll check any changes in circumstances and how they impact your financial plans; have you started a new job or reduced your hours to care for a new baby?

What's more, We'll complete your mortgage application and take care of the legwork for you. As part of Openwork Ltd, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders.

You may be able to save money if you switch to a new deal. Don't leave it too late and end up paying more than you have to. Contact us today to discuss your remortgage.

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.

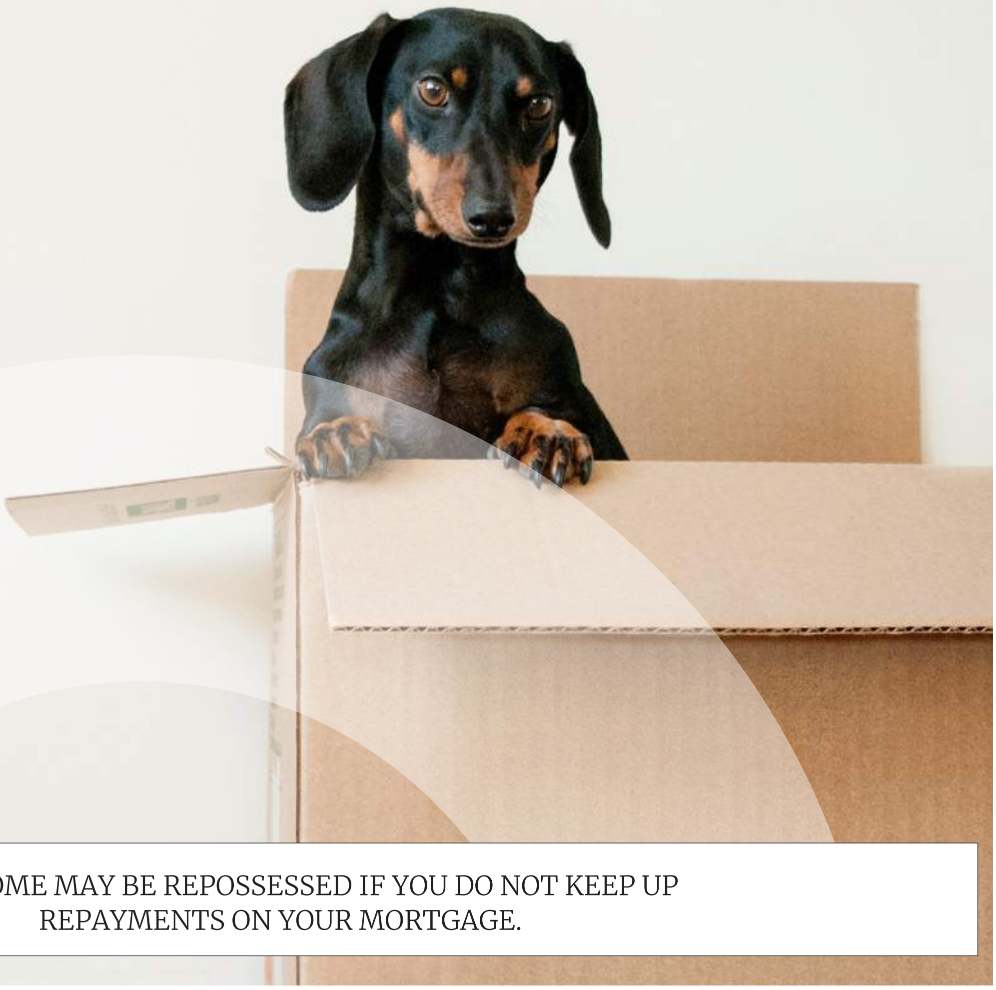
A challenging process?

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.



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

Income Protection claims

You might believe you'd be more likely to call on your income protection policy later in your working life, but data from protection insurer, The Exeter, show their ***average claimant was 40, and on certain products, just 33.***

Income protection is designed to pay an income if you're unable to work as a result of an accident, illness, or, with some policies, unemployment. The benefit usually kicks in after what's called a deferred period and can last until you're able to return to work or you retire.

Cover for physical, and non-physical conditions

Every year, one million workers will have to stop work due to prolonged sickness or injury, but the number having to take a break because of mental health issues is sadly growing. As well as revealing the surprisingly young age of some of their claimants, The Exeter said that mental health-related issues were accounting for a growing number of its claims; reaching 10% in 2018.

The Association of British Insurers (ABI) had previously reported that mental health was the most common cause of claim on income protection policies in 2017; perhaps unsurprising given that one in four of us in the UK will be affected by a mental health problem in any given year.

Whether your reason for claiming on your income protection policy is physical or mental, having cover in the first place is crucial – especially if you have a mortgage or people who rely on your income.

Income protection tips

Check if your employer provides cover as part of your employee benefits. If so, how much do they provide and for how long?

If you need to take out separate cover, don't leave it too long; the younger you are, the cheaper the policy.

Make sure the cover you take out complements your existing cover. For instance, if your work policy ends after six months, choose a six-month deferred period.

If you're self-employed, you might consider a shorter deferred period since you'll have no employer's cover. You might have savings that could see you through the first few weeks or months of being unable to work.

If you'd like to find out more about the features and benefits of income protection, please get in touch.

OW2014 Exp. 18/06/2021

Is joint life cover best for couples?

If you want to help make sure your loved ones will have financial security if you pass away, life insurance cover is the answer. But, if you're part of a couple and you both need cover, should you take out single policies, or a joint policy that covers both of you?

With a single life policy, the insurer would pay out on the death of the policyholder and the policy would then lapse. With joint life insurance, however, the cover will apply to both policyholders and would pay-out either on the first or second death, depending on how the policy is set up.

Before you decide whether to take out single or joint life insurance policies, you'll need to decide what type of cover you need, and this will depend on your circumstances:

- **Term Assurance:** pays out a lump sum if you die within the agreed 'term' (ie. the amount of time you've chosen to be covered for). Term Assurance is typically taken out to protect a mortgage and, as such, can come with a level, or decreasing, sum assured - the latter reducing as you pay off your mortgage.
- **Whole of Life Insurance:** pays out a lump sum when you die, whenever that is - as long as you're still paying the premiums.
- **Family Income Benefit Insurance**: pays out a regular income, instead of a lump sum, to provide ongoing financial support for those who depend on you.

You could also add critical illness cover to your life insurance policy, which means you'll get a pay-out if you're diagnosed with a serious illness and your claim is accepted. The type of conditions covered can include cancer, heart attack and stroke and will depend on the insurance provider.

Weighing up the benefits

Once you've agreed on the right type of cover, there are a number of other factors to consider to determine whether single, or joint life cover is best for you and your other half, including:

- **Cost:** a joint life policy may be less expensive than two single life policies. Level of cover - if your partner earns more than you you might want them to have a higher level of cover, since the financial impact of their death would be greater than yours. In this respect two policies may be better as they will have different sums assured.
- **Existing cover:** either, or both of you may have existing life cover through your employer, or an existing plan. It's important to check what's already in place so that you have a true picture of your protection shortfall. You don't want to pay for something that's already covered.
- **Your relationship:** It's not necessarily something you want to think about but some insurers include a separation benefit. This means if your relationship breaks down during the policy term, you could cancel it and start two individual policies without having to provide additional medical information.

If you're not sure whether single or joint life cover is best for you, or you'd like to review your existing cover, please get in touch.

The sandwich generation

You may be **supporting financially dependent children** while simultaneously **taking care of an older family member** – sound familiar? If so, **you are a member of the sandwich generation** – a category of adults 'sandwiched' between the twin challenges of caring for older and younger relatives.

According to recent research, a shift towards parenthood later in life and an ageing population are combining to create an almost four million strong group of people, caught between caring for ageing relatives and dependent children. Added to the fact that more and more children are now financially dependent on their parents well into adulthood, it's unsurprising that the 'sandwiched' are struggling to keep on top of it all.

Double whammy

The cost of bringing up children is steadily increasing. According to the Child Poverty Action Group's *Cost of a Child 2019* report, the average cost of raising a child to age 18 has soared to £185,000 for lone parents (up 19% since 2012) and £151,000 for couples (up 5.5% since 2012). And, of course, grown-up children stay at home, the higher the bill climbs. Indeed, figures show that 27% of 20 to 34-year-olds were living at home in 2019 (up from 20% in 1999).

Meanwhile, further research has found that 29% of adults cared for an elderly relative in 2019, at an average cost of £5,544.50 in lost earnings and money spent on care costs.

Financial strain

Combined, these two sets of costs are proving to be a big financial strain for the sandwich generation. The significant outgoings associated with their caring duties can have a direct impact on their ability to save for their own future.

Not just cash poor...

Caring duties are not only leaving the sandwiched cash-poor. With precious little time to themselves, they're also time-poor. In fact, almost half (47%) of survey respondents (equating to nearly two million people) said they have less than 35 minutes of free time each day, while 7% said they have no time to themselves whatsoever.

Protect, plan, review

With family members young and old depending on your support, it's vital to have in place the right sort of protection policies so if an unexpected event were to occur, there would be a payout from a policy to help ease the financial burden.

Even if it seems like years away, you need to have a retirement plan in place, so prioritise your pension. It's important to know how much it's likely to be worth, so that you can make plans to save more if you need to.

This is also the time to focus on your savings and investments. The significant outgoings associated with twin caring duties can have a direct impact on their ability to save for your own future. By ensuring you review your portfolio regularly your investment strategy remains in line with your goals and takes account of your attitude to risk, which may change over the years.

How we can help

More of us than ever are facing growing demands on our time and energy, which could be leading to implications for our finances too. There's plenty to think about, taking financial advice at this stage of your life can make the difference between just about managing in your later years or enjoying the retirement you deserve.

We will continually review your finances as you confront new challenges such as this stage of your life. We aim to develop and adapt your financial strategies to cope with changes in life circumstances and keep your financial goals on track.

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Home insurance add-ons explained

The cover provided by a home insurance policy can vary depending on the insurer. You can usually ‘add-on’ extra cover for an additional cost. These optional extras allow you to tailor your policy to your own individual circumstances, so you only pay for the cover you need.

Personal possessions used away from home

Many people mistakenly assume home insurance will cover their belongings both in and outside the home. You will usually need to add personal possessions cover (sometimes known as an all-risks extension) to your policy to ensure portable items, such as mobile phones, musical instruments and laptops, are protected away from the home. Items may also be covered when abroad with this add on – usually for up to 60 days a year.

Accidental damage

Accidental damage provides cover for accidents around the home. Adding this cover to your contents insurance will protect you for life’s little mishaps like spilling red wine on your cream carpet, or a toddler wreaking havoc with a paintbrush.

If you add accidental damage cover to buildings insurance, you will be covered for accidents such as drilling through a water pipe or cracking a bathroom washbasin. Note that general wear and tear isn’t usually included.

Legal expenses

Another optional extra for the majority of home insurance policies is legal expenses cover. This pays for the cost of legal proceedings should you need to go to court if a claim is disputed by any of the parties involved.

Home emergency cover

This add-on will pay for emergency callouts and repairs if, for example, your boiler breaks down or a pipe bursts. Cover can vary between insurers, so you should check carefully, but it will often cover boilers and central heating, drains, plumbing, electrical faults, replacement locks and pest infestations. The amount you can claim for boiler repairs may be lower than with standalone boiler cover.

What to consider

Before adding any of these extras to your policy, check the small print carefully to see whether you’re happy with any exclusions or cover limits. In some cases, you may prefer to buy a standalone policy that offers more comprehensive cover.

If you’re unsure which add-ons are right for you, get in touch and we can help you find the right policy.

High-value items

Not all standard contents policies will automatically cover high-value items and there may be restrictions on the amount of cover provided.

Musical instruments, jewellery or other possessions worth more than a specified cover limit may need to be listed separately on the policy.

For expensive gadgets such as high-end laptops and tablets, you may need to buy separate gadget insurance.

OW2935 Exp. 16/09/2021

How does the mortgage market work?

There are times in our lives when we can all use some help and guidance. Buying a home is one of those major steps that is much easier to take if you are well-informed and get some good advice. Whether you are a first-time buyer or someone who has moved before, things change, so it's useful to understand the mortgage market.

Each year, thousands of consumers finance the purchase of their homes with a mortgage or re-finance existing mortgages. With mortgage debt accounting for over 80% of total UK household liabilities, finding a suitable mortgage is an important financial decision. Most mortgages in the UK are provided by building societies, banks and specialised mortgage corporations. There are currently around 200 different financial institutions offering mortgages in Britain. The mortgage market is very competitive, with a wide range of products and rates available, making it challenging to understand what is on offer.

Change in the market

The mortgage market is continually evolving to meet the needs of a changing customer base, with new developments in intergenerational lending, lending into and in retirement, buy-to-let mortgages and support for first-time buyers. Over the last 15 years the UK mortgage market has journeyed through some key changes and seen many new regulatory requirements, as a result of the Mortgage Market Review and the implementation of the Mortgage Credit Directive.

Who does what?

The professional conduct of mortgage providers is regulated by the Financial Conduct Authority (FCA). There are strict rules and guidelines, to protect the consumer. Regulations set out in the FCA Mortgage Market Review (2014) aim to crack down on poor lending services by building societies and banks, with requirements outlined for stricter affordability checks, amongst other revisions.

The Bank of England sets the interest rate, which impacts mortgage repayments and it is also responsible for ensuring banks are able to meet potential losses on their mortgage lending, meaning you can save and borrow money safely. The Prudential Regulation Authority determines the amount of money that lenders need to hold and that they have sufficient risk controls.

New challenges

In light of the COVID-19 pandemic, in March the FCA published ***'Mortgages and coronavirus: our guidance for firms'***. Advisers are working hard to stay informed about what is available from the government, so they can provide this guidance to their clients. In such a fast-changing environment, many lenders have responded by withdrawing deals from the market, mostly those in the higher loan-to-value range.

We're here to help

We are responsible for advising you on a suitable mortgage for your circumstances, whether you're moving up the ladder, looking to downsize, purchasing another property or remortgaging, please get in touch. We are specialists with in-depth knowledge of the market and are able to look at a whole range of mortgage products. Getting a mortgage is one of the biggest financial decisions you will make, so it's important to get it right.

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

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