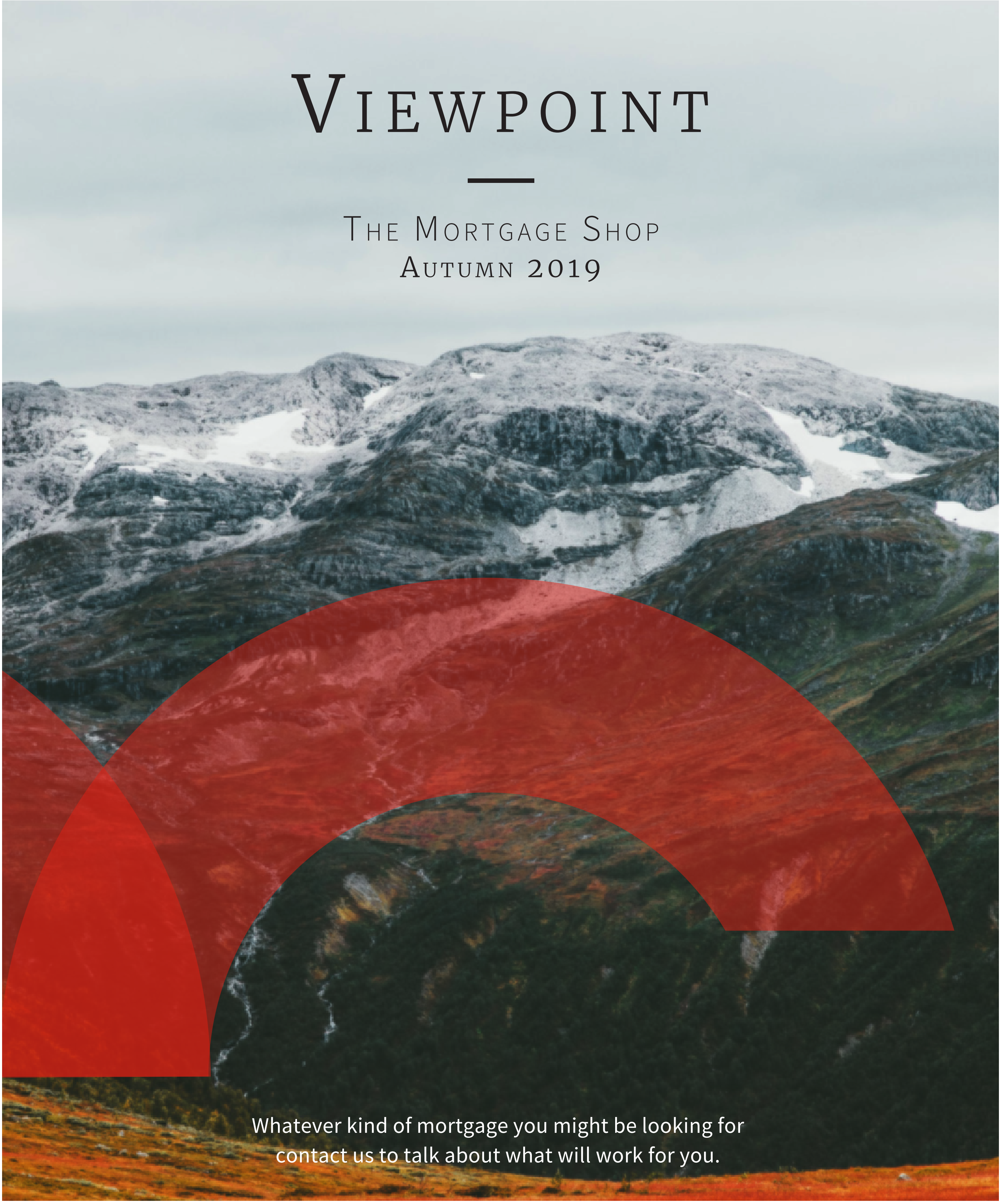
Viewpoint

The Mortgage Shop
Autumn 2019



Whatever kind of mortgage you might be looking for contact us to talk about what will work for you.

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Don't slip up this winter

Hospital admissions increased by

220,000*

during February and March 2018 last year, when the 'Beast from the East' and Storm Emma converged over the UK.

*Compared to the same period the previous year (January – March 2017).

Winter is coming, and with winter comes unexpected weather patterns and more time spent in the home. Both can lead to an increase in accidents, and accidents for you or children can lead to time off work or loss of income.

Outside risks

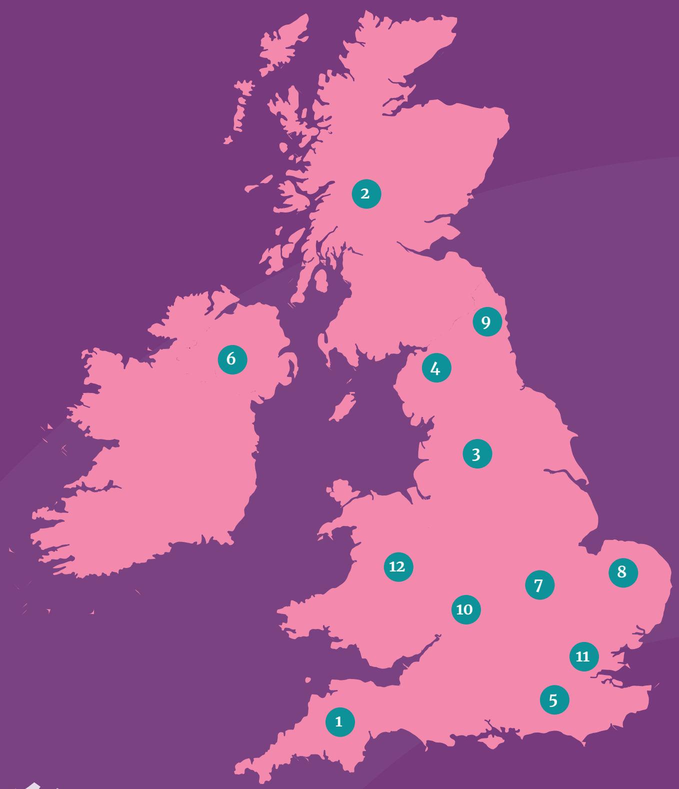
It's not only the obvious factors of slips, trips and falls and the onset of flu season that are common challenges during the winter months. Asthma sufferers are at risk of attacks due to the cold damp air. Cold weather also causes an increased risk of heart attack and stroke, and arthritis can become more painful during cold spells.

Accidents at home

Unfortunately, accidents are most likely to happen at home. It is therefore important to be aware of potential risks to avoid unnecessary incidents. Falling is the most common cause of injury. Removing any potential trip hazards, especially on the stairs, and supervising your youngsters if they're climbing on furniture or playing in the house can help lessen the risk.

Covering your bills

Injuring yourself at home or while out and about could lead to you being off work and not earning an income. This is where an Accident Protection policy will help as it provides a lump sum which could be used to help take care of the bills while you're off work, taking care of yourself or your loved ones. If you'd like the peace of mind that you will be covered in the event of an accident this winter, or indeed at any time of the year, it's wise to give some thought as to how best to protect yourself.



Where is the happiest place to live?

Regions in order of happiness

1 South West
2 Scotland
3 Yorkshire
4 North West
5 South East
6 Northern Ireland
7 East Midlands
8 East of England
9 North East
10 West Midlands
11 London
12 Wales

A new survey has revealed the South West is the happiest place to live in the UK, with Wales coming in as the least happiest.

The survey by Lloyds Bank and YouGov looked at factors such as: home ownership, salary, household size, knowing your neighbours, loneliness, crime rates, local services and unemployment to create a ‘happiness barometer’.

The survey threw up some other interesting facts:

— **Overall women are happier than men, but happiness for both dips to its lowest level for those aged between 25 and 34.**

— **People who own their own homes are happier than those who still have a mortgage to pay.**

— **Unsurprisingly, homeowners are happier than renters. Those who rent local authority homes are the least happy of all renters.**

— **Higher earnings can make you happier, but this peaks for those earning between £50,000 and £59,999. These earners were the happiest overall, and 12% happier than those earning over £100,000.**

Overall, access to transport links and amenities, living close to family and friends, having a safe and clean neighbourhood and a sense of community makes people happier. Converseley, high levels of crime and anti-social behaviour, poor local services, transport and amenities and a feeling of loneliness make people less happy.

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.

When it comes to building your investment portfolio, you might have been warned about avoiding putting all your eggs in one basket. It's wise to spread your money across a range of different investments. That way, if the value of one of them falls, it should have a limited effect on the overall performance of your portfolio.

Does diversification matter?

How to diversify your portfolio

In practical terms, diversity involves investing in different asset classes across various countries and regions.

The two main asset classes in most portfolios are shares and bonds, and these behave differently. When you invest in shares, you buy into a company's ongoing operations. The value of shares fluctuates according to the fortunes of the company, so they are riskier than bonds. Of course, the returns can be greater too.

A bond is effectively a loan to the issuer in return for a fixed interest payment. A government bond, such as a gilt, is considered among the least risky investments, as the UK government is unlikely to default, although returns can be lower.

Most portfolios will also diversify holdings across developed countries, like the UK, the US and within Europe, and regions such as emerging markets (EMs). Developed countries typically have relatively stable economies and stock markets comprising large, well-established companies. EMs on the other hand, are growing faster so they offer greater potential rewards, however, they tend to be more unpredictable so they are regarded as higher risk.

How diversification works

During times of uncertainty, bonds usually rally as investors move their money out of shares and into safe-haven assets. When the outlook improves, shares rebound as investors switch back to taking greater risk in return for what they hope will be a higher reward.

As for geographical diversification, any number of economic or political factors can weigh on the financial markets in one country or region without necessarily spreading into others.

Assets and regions are not always uncorrelated in the short term. Most asset classes fell towards the end of 2018 due to concerns about global trade, slowing economic growth and the prospect of rising interest rates. They then rose in tandem at the start of 2019. As long as your portfolio is well diversified, it should weather market fluctuations.

The value of your investments and any income from them can fall as well as rise and you may not get back the original amount invested.

You're not average

What does average look like?

Information released by the Office for National Statistics shows the average British man, Mr Average, is 38, will live to 85 and earns £31,103. The average British woman, Ms Average, is 40, will live to 88 and earns £25,308.

The LV= risk reality calculator gives you a rough idea of your risk of being unable to work for two months or more, suffering a serious illness, and death.

Running the details of Mr and Ms Average through the calculator uncovers some startling statistics of what life might look like for them before retirement at age 68.

What might be in store for you before the age of 68? (Based on a non-smoker, according to population and industry statistics)

These statistics highlight the importance of all of us taking responsible steps to mitigate the financial impact these risks may have on you or your family. While we can't wrap ourselves up in cotton wool we could consider Income Protection, Critical Illness Cover and Life Insurance policies as part of a protection portfolio.

Income Protection

Income Protection pays out a regular monthly income to you should you be unable to work due to an injury or illness.

Critical Illness Cover

Critical Illness Cover pays a one-off lump sum on diagnosis of any of the serious illnesses specified in the policy terms.

Life Insurance

Life Insurance can pay a one-off payment or a regular income to your partner or dependents when you die.

If this has given you some food for thought, and you'd like to learn more about your risk, visit https://riskreality.co.uk/openwork.

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.

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

Your pension savings, your future options

Thanks to pension freedoms introduced in 2015, savers over 55 have a wide range of options when it comes to drawing from your savings, and this brings opportunities although it's also easier to make a mistake.

There are now essentially four main ways for you to access your pension savings:

1. **Buy an annuity** which guarantees an income, typically for the rest of your life but in some cases for a fixed period
2. **Flexi-Access Drawdown** allows you to withdraw from your savings when you need to, while the balance remains invested
3. **Take it all out as cash** with the first 25% tax free and you pay income tax at your marginal rate on the rest, although you may face a hefty tax bill the following year
4. **Take part of it out as cash** with the first 25% tax free with the rest taxed at your marginal income tax rate. You can do this as many times as you like until you no longer have any pension savings.

Why you should consider modernising your pension

As well as giving you greater freedom over how you access your savings, there are several other benefits when modernising your pension:

- Take full control of your pension savings
- Choose when and how to draw an income to suit your retirement planning
- Keep your options open for drawing an income in the future
- Optimise your tax efficiency - both on any money you might leave invested, and Inheritance Tax.

If your pension plan does not offer all four of these options, then you should think about switching it.

What else do you need to think about?

There are other factors to take into account when switching to a modern pension.

Firstly, the chances are the costs will increase. You may end up paying as much as an extra 1% of the value of your savings annually. So, if you have saved £200,000, your provider could charge up to £2,000 more per year. And if you seek financial advice, your adviser may also levy a fee, either upfront or as an ongoing service charge. These additional fees eat into your pot, but you could equally benefit from the flexible access as well as greater visibility and control.

Another consideration is tax. Regardless of whether you stick with your current pension or switch to a modern one, your income- other than the first 25% of a partial or whole lump sum- is subject to your highest rate of tax. Seeking professional advice can help you access your savings in a tax-efficient manner.

There is certainly plenty to consider and it is wise to regularly explore your current and potential retirement routes.

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.

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

Information contained in this article concerning taxation and related matters are based on Openwork's understanding of the present law and current legislation.