


# OUR AUTUMN UPDATE

—  
THE MORTGAGE SHOP



Thanks for reading our newsletter if you want to discuss  
any of the articles in more detail please get in touch



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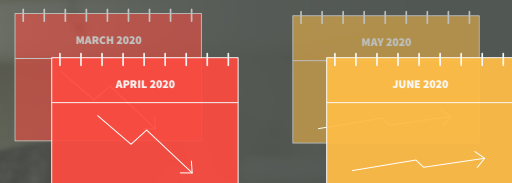
# Mortgage affordability in a post-COVID world

Back in March, the Bank of England slashed interest rates to an all-time low of 0.1%, in a bid to alleviate the severe economic pressure caused by coronavirus. As the base rate cut fed through to mortgage rates and with the continuing pressure of a closed mortgage market, lenders responded by withdrawing mortgage offers, increasing rates and pulling products from the market.

## Between March and May:

- 2,656 mortgage products were withdrawn, many of which were high loan-to-value (LTV) deals (i.e. those requiring a smaller deposit).
- 396 two-year fixed and 374 five-year fixed deals at 90% and 95% LTVs were pulled from the market

## 2020: A steep downturn, followed by a cautious return?



## Lenders make a cautious return

As certain social distancing restrictions began to be lifted in May and the property market reopened for business, lenders began relaunching higher LTV deals and products aimed specifically at first-time buyers, such as Help to Buy loans.

With the property market still in the early stages of recovery, it's worth being pro-active and following some of these tips to maximise your chances of mortgage approval:

- **Save as much as you can** – while many people are experiencing financial difficulties during the pandemic, many of us are also spending a great deal less than usual. Getting your deposit as high as possible will increase your chances of mortgage success.
- **Clear your debt** – when considering your application, lenders will look at any outstanding debt. Clearing as much debt as possible, as well as closing any unused accounts, will increase lenders' confidence in your ability to repay your mortgage.
- **Understand your credit score** – the better your credit rating, the higher the likelihood you'll be accepted for the best mortgage deals. Understanding your credit rating and how to improve it is key to moving forward with a successful mortgage application.
- **Keep excellent records of self-employed earnings** – providers can be more nervous about lending to self-employed people, so having excellent records of your earnings over the past two or three years (depending on the lender) can really improve your chances.

## Consult the experts

We're on hand to make sure you get a great deal for your circumstances, and one that gives you the highest chance of success. Whether you're a first-time buyer or a second stepper, we're here to guide you through this difficult period.

# The world is changing – so should your insurance

The world is changing rapidly in a way that nobody could ever have expected, meaning your personal and financial circumstances are likely to have changed. It is important to regularly review all aspects of your finances and that includes reviewing your protection insurance, to make sure your policy provides adequate cover for your changing needs.

## Underinsured

If you don't regularly review and update your policy, any pay-out you do receive from your claim may not be enough to cover you and your family's needs if you were to die or if you are unable to work due to illness.

Say you took out a life insurance policy covering you for a certain amount. After several years, you may have children, resulting in a move to a larger house. If you take a larger mortgage; your monthly outgoings would increase, and you would have bigger bills to pay. Therefore, the lump sum paid out to your family upon your death would no longer be sufficient to sustain their lifestyle and might leave them facing financial hardship.

## New policies offer better protection

Like any industry, the insurance industry has evolved over time. Modern policies can offer you better protection and more extensive cover.

When comparing a critical illness policy sold in 2007 with one sold in 2017, the more modern policy may have better claims wording, provision for part-payment and other advantages.

If you have simply been paying your premiums on the same policy for years, it is likely that, as well as facing the risk of being underinsured, you also won't be benefiting from the kind of comprehensive cover offered by today's policies.

## Let us protect you

With so many different types of protection insurance on the market, it's not surprising that many people just stick with the cover they have. It may not be the best cover for them. We can assist you in finding the very best policies for your circumstances, so you have the peace of mind that you, and your family, will be protected should the worst happen.

Please note: Older policies may cover illnesses which modern policies do not. Premiums may be cheaper due to the age of the policy. Certain cover may be excluded on a new policy due to pre-existing conditions.

Always get professional advice when reviewing your insurance policies.

*As with all insurance policies, conditions and exclusions will apply*





## Don't underestimate the value of financial advice

Throughout our lives, it is highly likely we will need to take financial decisions that can have a major impact on our wealth, such as taking out the right pension plan, or investing wisely for the future. Over the years, research has produced some interesting findings that highlight the benefit of advice when taking major financial decisions. Those who take advice are likely to accumulate more financial and pension wealth, supported by increased saving and investing in equity assets, while those in retirement are likely to benefit from more income.

### Advice is key to achieving your financial resolutions

A new study has found the likelihood of success in this area is heavily linked to receiving professional advice and the establishment of clear financial objectives. The research provides a measure of the value attributed to advice when it comes to helping investors achieve their goals.

The research, based on data relating to more than 100,000 advised investors, found that 8 out of 10 people with a defined retirement goal, had at least an 80% greater probability of achieving their financial objectives.

### Create a financial plan to secure your financial wellbeing

The study clearly demonstrates how taking expert advice and constructing a tailored plan can significantly boost an investor's financial wellbeing. Not a surprise, as the benefits associated with financial planning are renowned and abundant.

The value of financial advice comes in different guises and can include better return on investment, peace of mind, accomplishing goals and understanding opportunities. This combines to create future security, ultimately making sure you have enough money.

Discussing your financial objectives with us enables you to consider exactly what you want to achieve and establish clear goals that are both realistic and achievable. Regular financial reviews provide opportunities to monitor progress and adapt plans where necessary. Good financial planning can mean investments are tax-efficient by minimising both current and future tax liabilities.

### It's good to talk, we can help

This study once again reiterates the significant value that can be gained from seeking professional financial advice.

We can help manage the inherent volatility of markets, so your savings have the best chance of growing for the future – without giving you sleepless nights in the process and help make sure you aren't taking too much, or too little, risk with your money.

*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.*

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

# 2020

# The story so far

Little did we know, as we entered a new decade, what was in store for the global economy in 2020. Around the globe, the Covid-19 pandemic has inflicted a huge human cost. The response, and the measures to reduce the spread of the virus have inevitably had a significant impact on global economic activity.

A recent Organisation for Economic Co-operation and Development (OECD) outlook, cautioned, *'as restrictions begin to be eased, the path to economic recovery remains highly uncertain and vulnerable to a second wave of infections. With or without a second outbreak, the consequences will be severe and long-lasting.'* With business activity frozen in many sectors, confidence has understandably been undermined.

With lockdowns now easing in some regions and economies beginning to reopen, many major indices have rebounded from the lows reached in March as the pandemic took hold.

## On home shores

In the UK, recent ONS data highlighted the UK economy contracted in April by 20.4%, the largest monthly contraction on record. The OECD data showed the UK is likely to be one of the hardest hit major economies due to its service-based nature. The Bank of England's Monetary Policy Committee (MPC) recently increased the size of its bond-buying programme to help fight the coronavirus-induced downturn. The MPC expressed in their minutes, that the fall in global GDP in Q2 will be less severe than expected and there are signs that services output and consumer spending are picking up.

## Other regions

As concerns about a second spike of infection surfaced in the US in June, Steven Mnuchin, US Treasury Secretary, ruled out shutting down the US economy again. International Monetary Fund data for the 19-country Eurozone, revealed growth across the bloc contracted by 3.8% in Q1. As lockdown measures eased, European markets have rallied, but should there be a 'second wave' of Covid-19 infections it will dampen optimism. Output in China contracted during Q1, the first recorded contraction since at least 1992. Chinese authorities will not be establishing growth targets this year. The country faces significant challenges, with a struggling economy and rising international hostility.

## Uncertain times, keep talking

Uncertainty surrounds the future spread of the virus and the success of efforts to develop a vaccine and therapies to counter it, making it challenging to predict the path for the global economy.

A well-defined investment plan, that considers your personal circumstances, can help you weather market storm. Volatility is a timely reminder to keep your investments under regular review. We want to reassure you that we understand the challenges you may face and are here to support 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.*







## Working from home – are you covered?

Due to the lockdown, many firms have closed workplaces, meaning that millions of people across the UK have been temporarily required to work from home.

### Should I inform my insurer that I am working from home?

The Association of British Insurers (ABI) has issued reassurance that, if you are an office-based worker and you are working from home because of government advice or because you are self-isolating, your home insurance cover will not be affected.

The ABI has stated: 'You do not need to contact your insurer to update your documents or extend your cover'

### Will my work laptop be covered by my home insurance?

If you're using company property such as a laptop or mobile, you should check with your employer whether they have the correct insurance policy in place to cover these items outside of the usual place of work should any damage, loss or theft occur.

Such equipment is not usually covered by a standard household insurance policy, but it is worth checking your insurance policy document to check.

### I need to see business clients at my home – will this affect my insurance?

If you are receiving visitors to your home on business matters, you should check this with your insurer as having additional people coming to your house could be an insurance risk and affect your insurance premium. There may also be restrictions in the cover provided, such as theft and loss of money being excluded, unless there is evidence of forcible and violent entry to the property.

### What if I have an accident whilst working from home?

Your home environment is under your own control so there is a significant duty upon you to look after your own safety. If you were to suffer an accident whilst working at home, your employer would generally only be responsible if it was due to their negligence, meaning that they had failed to take reasonable care for your safety and the accident was due to that negligence.

If you have a protection policy such as Accident and Sickness or Income Protection, and you have an accident or suffer an illness that prevents you from working, you may be able to make a claim.

### I need to make a claim on my insurance – will this be difficult at the moment?

ABI home insurers have implemented business continuity plans and are continuing to handle claims and support customers, as well as prioritising those in vulnerable circumstances.

### Do you have the right cover in place?

If you are unsure whether you have the right insurance cover in place, contact us for advice on your own individual circumstances.

**As with all insurance policies, conditions and exclusions will apply**