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YOUR HOME FINANCE WINTER 2020

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WHAT DOES 2020 HOLD FOR THE MORTGAGE MARKET AND YOU?

There is no doubt that the property market has been affected by ongoing economic and political uncertainty. However, despite hesitation from buyers and vendors, resulting in reduced activity in certain areas, recent research indicates that the property market over the next 12 months shows signs of resilience[1].

Sales volumes are expected to stabilise, whilst prices nationally are expected to rise in 2020. Wide regional variations are still forecast.

FIRST-TIME BUYERS DOMINATE THE MARKET

Last year, first-time buyers (FTB) outnumbered all types of property buyers for the first time since 1995 and FTB mortgage completions peaked in the summer, with the highest monthly total in August for 12 years[2]. Benefits for FTBs include government initiatives such as Help-to-Buy and Stamp Duty relief (not applicable to Land Transaction Tax in Wales) as well as low mortgage rates, higher loan-to-value mortgages on offer and reduced competition from buyers, such as buy-to-let landlords.

THINKING FOR THE LONG-TERM

Traditionally, mortgage terms have been for 25 years, but demand for longer-term deals has seen substantial growth and this trend looks set to continue. Longer-term mortgages result in lower monthly repayments and can allow borrowers to have access to larger loans, even with stricter borrowing rules limiting how much you can afford to borrow. Data indicates six in 10 mortgage deals now come with a standard term of 40 years. Lenders have been extending their maximum age limits, meaning that many current borrowers won't pay off their mortgage until they are in their eighties.

WE CAN HELP

Are you planning to move, remortgage, downsize, release equity or just review your mortgage deal? As experts in the mortgage market we can advise you on all aspects of your mortgage and protection requirements.

No matter what 2020 has in store, we remain on hand to provide you with the support you're looking for.

[1]Royal Institution of Chartered Surveyors, 2019
[2]UK Finance, 2019

DON'T UNDERESTIMATE YOURSELF

According to a recent survey[3], the average UK home has a contents value of £35,000, but when asked to estimate their own contents, there is a disparity between perceived contents value and actual value, with people estimating their contents at around £18,000.

The survey also outlined that just under a quarter of respondents (23%) didn't think it was necessary to increase insurance levels regularly and found that people in rented or shared accommodation are less likely to have contents insurance.

Finding yourself underinsured can be devastating (as any claim paid may be scaled down accordingly) and while you may remember to include tech items in your schedule, items such as clothes or bedding are often overlooked in householder calculations.

Following the festive season, it's likely you have accumulated some other expensive items. It's a good idea to take the time to make a comprehensive list of your home's contents, get professional values if necessary and notify your insurer of the value you wish to insure for. Making this an annual event will help ensure you can cover your losses in the event of a claim.

[3]Admiral, 2019

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

IN THE NEWS...

THE HEFTY COST OF MOVING

Buying or selling a property is an expensive business. New research on costs highlights that the average moving cost now stands at a record high of £10,414, escalating to £25,585 in London[4].

If you are looking to move, make sure you have some spare funds to hand because higher conveyancing fees and Stamp Duty are believed to be the primary reasons for this escalation in costs.

EMPTY NESTERS SIT ON £56,574 OF UNUSED SPACE

It is not unusual for older parents to be left with unused rooms in the family home once grown-up children have flown the nest. On average, over-50s in Britain have just over £55,000 worth of unused space standing empty in their properties[5]. Many are understandably settled and reluctant to downsize.

RISE IN HOUSE PRICES LOWEST SINCE 2008

According to a recent house price index for October 2019[6], the number of properties coming to the market was down by 13.5% on the same time last year and property prices saw the lowest monthly rise for this time of year (0.6%) since October 2008. This is against an average 'Autumn Bounce' of 1.6% over the past decade. It seems that sluggish prices and political uncertainty are causing many would-be sellers to put their plans on hold.

[4]ReallyMoving, 2019
[5]Equity Release Supermarket, 2019
[6]Rightmove, 2019

CALL FOR MORE NEW-BUILD BUNGALOWS

A study from retirement home developer McCarthy & Stone reveals that only around two million bungalows have been built in the UK[7] – ever. Clearly not enough to house some 60% of over-65s, that is over seven million people, who would consider moving to a bungalow.

It gives further weight to the suggestion by the Royal Institute of British Architects that it become compulsory for developers to build more homes for mature people who are looking for well-designed, single level homes. The inclusion of age-restricted bungalows as part of the housing mix in larger scale developments with access to social and healthcare facilities are exactly what older owners need to feel part of a community and remain independent for longer.

[7]McCarthy & Stone, 2019

GENEROUS GRANDPARENTS HELPING OUT

Not surprisingly, first-time buyers are increasingly being helped by their grandparents in their first house purchase. So, in addition to the Bank of Mum and Dad we will now hear how the 'Bank of Granny and Grandad' is assisting new and existing homeowners.

Financial support from grandparents has helped nearly a third of 18 to 34-year-olds buy their first home in recent years and 12% of all existing homeowners acknowledge that they have benefitted in this way[8].

The average amount received is £7,400 which, based on the latest government house price data, equates to around 30% of a typical 10% deposit worth £23,485.

[8]Trussle, 2019

LIFE PROTECTION MATTERS

A recent survey has shown that as few as 27% of people are confident that they have the right levels of protection cover in place[9]. The types of insurance required as you journey through the various stages of your life change and this can make it difficult to understand.

It seems that our perception of the chance of certain events actually happening is often wrong. The survey found that people tend to think they are more likely to die during their working life than to have an accident that prevents them from working. Similarly, the chances of an early death were seen to be higher than a serious health condition.

Many of us would struggle if we had to stop working through ill health or injury, with 56% of 18 to 35-year olds only having savings and investments that would last them less than three months.

We can help you understand the risks that present themselves at the different stages of your life and arrange the right products and level of cover, all within your budget. Get in touch to see how we can help.

[9]Royal London, 2019

HOME FIRES BURN ON

In a city terrace, a spark from an open fire has caused an inferno and the flames have spread next door. As the residents escape, the fire brigade has been called and are soon on the scene, hosing water onto just one of the burning houses – but why just one house?

The reason is, it's 1770 not 2020 and the fire chief has noticed an insurance company's metal fire-mark plate on the front of the house getting the soaking. The chief works for that insurer and only fights fires on properties it has covered (evidenced by a fire-mark). That exemplifies how things worked in 1770.

LESSONS FROM HISTORY

In 1666, when the Great Fire of London destroyed thousands of homes and disputes between landlords and tenants over rebuilding costs were rife, attention turned to how the financial impact of fire damage should be handled. A Museum of London historian explains: *"In 1680 the first fire insurance company was set up by Nicholas Barbon. Other insurance companies followed and by 1690 one in 10 houses in London was insured. By 1700 companies began to employ their own fire brigades [to cut claim costs]."*

As time moved on, fire brigades came under the control of local authorities and insurers' direct fire-fighting role ceased, but they continued in the capacity of providing cover to meet the expense of fire damage.

Much more has changed. Buildings insurance cover can include subsidence (an excess may apply), flood, storm and fire damage. Cover for contents may also include accidental damage, theft and use away from home. Like having a fire-mark on your wall in 1770, having the right buildings and contents cover is essential.

Income protection (with no investment link) has no cash in value at any time and will cease at the end of the term. If you stop paying premiums your cover may end.

SECURING A MORTGAGE IF YOU'RE SELF-EMPLOYED

The number of self-employed people in the UK now accounts for 14% of the UK workforce[10], two thirds of whom are finding it difficult to get a mortgage. While it can be challenging, it's certainly not impossible and with the correct preparation, your application will have a much better chance of success.

INCREASE YOUR CHANCES

If you haven't been in business long and your income is sporadic you may already feel on the back foot, but don't despair, there are a number of ways to plan for success. These include making sure your business accounts are up to date and prepared by a qualified accountant and saving hard for a decent deposit.

Typically, lenders will ask for three years' worth of accounts as proof of income before making an offer, although there are a few that might lend on less. Lenders need to understand how profitable your business is and will want to know its net profit and feel confident that you will be able to make the repayments. Be ready to have your personal and business bank statements scrutinised, plus your monthly bills, how much you spend on socialising, credit card bills and loan repayments, as these will all be carefully considered.

GET IN TOUCH

We understand the difficulties of getting a mortgage when you're self-employed – but it's not impossible. We can help you to find more flexible providers who are open to lending to self-employed people. Get in touch.

[10]IPSE, 2019

ELDERLY HOME-LOAN BODY DOWNSIZED

Since Victorian times, building societies have played a key part in the provision of housing for the people of Britain. Societies have enabled millions to buy a home that could have taken a lifetime to save for, also paying interest to those who entrust their savings to them. At the heart of the building society movement, since 1869, has been the Building Societies Association (BSA).

Although the first building society had been started in 1775, it was many decades later that a group of building society chiefs came together and created their trade association. Until the 1830s, only local societies with limited membership existed, to pool resources and provide homes for the members, before being terminated. Then a major development changed that.

A law enacted in 1836 gave official recognition to building societies and paved the way for their expansion. The next decade brought forth 'permanent' building societies able to accept savings from, and in suitable cases lend money to, a large roll of members and continue accepting new members rather than terminating. More societies sprang up across the country.

2,750 BUILDING SOCIETIES

By 1860 there were some 2,750 building societies, overseen by a government-appointed Chief Registrar. Leading figures got together and in 1869 a trade body initially called the Building Societies Protection Association was formed to safeguard the movement's interests. Societies became bigger but fewer; by 1910 there were 1,723 societies with 626,000 members.

Though impacted by two World Wars, societies expanded during the 1960s/70s and several giants emerged. It was all-change when demutualisations turned members into shareholders. First, Abbey National became a plc in 1989; Halifax, the ill-fated Northern Rock and many others followed. Today, with Nationwide the largest of 43 societies left, the 150-year-old BSA serves a downsized movement.

Banks and alternative mortgage lenders now stand alongside building societies in the marketplace we know so well.

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.

It is important to take professional advice before making any decision relating to your personal finances.

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain.

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Information is based on our understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation are subject to change.

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

Tax treatment is based on individual circumstances and may be subject to change in the future.