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ESSENTIALLY MORTGAGES

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When a loved one dies, the loss and turmoil experienced is traumatic enough but when the practicalities kick in, this loss can be compounded by the potential loss in income. Main breadwinner or stay at home parent, the financial implications can be huge.

Statistics show that sadly one in 29 children will lose a parent, therefore a top financial planning priority should be making sure your dependants are provided for should something happen to you; life cover can provide an affordable solution.

Finding the right policy for you and your family

A main consideration should be the level of cover you require.

When deciding this make sure that all of your main debts, regular outgoings and potential future costs are covered, including your mortgage, outstanding loans, credit card debts or education fees for example.

Life cover protection is generally recommended to provide 10 times the main breadwinner's income. This is paid tax-free, but is added to the deceased's estate. If there are IHT implications the policy may be written in trust. The term should reflect the needs of your dependants; children will probably require financial protection until they leave full-time education and a partner may need the cover to last until pensionable age.

Other tips include

- Arrange a policy as soon as possible by taking out a policy when you're younger the premiums are likely to be lower
- Make sure you do not conceal or falsify any facts as this could lead to disputes at the time of a claim, e.g. be honest about your health and lifestyle
- Take advice to discover the relevance of joint or single cover to your circumstances
- Remember to review your policy regularly to see it is still relevant, it may require updating if your circumstances alter.

Keep it simple

With a variety of life cover products available, a straightforward level term life insurance policy – where a pre-decided lump sum is paid out on death (or under many policies on diagnosis of a terminal disease) within a stated period of time – is among the simplest and most affordable to arrange.

Your adviser can help find an affordable policy for most circumstances.

ACTION POINTS

- Give careful consideration to the level of cover you require
- Think about your circumstances when deciding the term
- Don't delay – arrange a policy today! The earlier you do it, the cheaper the premiums are likely to be

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HOME INSURANCE – CHECK NOW OR PAY LATER

When your home insurance policy comes up for renewal, it's often tempting just to stay with your current provider, not least because it's often quicker and easier to do that than spend hours checking comparison sites or ringing round insurance companies for a policy quotation.

However, many people have found that by staying put, their premiums have risen steadily over the years, and their policy no longer represents good value for money.

Why good advice pays

So, when it comes to your next renewal, don't automatically renew your policy with your current insurer. If you're keen to find a better deal, or need help deciding what level of cover is right for you, then your best course of action is to ask your adviser to find the most suitable deal for your needs and circumstances.

Advisers give impartial advice and know in detail what the policies offered by a whole range of insurers in the market place provide by way of cover. Enlisting their help will save you time, money and stress, and give you the peace of mind that you're paying the right premium for the correct level of insurance. Advisers are expert in interpreting jargon and will be able to explain any technical terms or policy conditions you are unsure about. As they are normally paid a commission from the insurance provider, you won't pay them a fee for finding the right policy.

Cover in special circumstances

Your adviser's help can be invaluable if your insurance needs are a little out of the ordinary. For instance, if you want cover for a home that isn't of standard construction, a thatched cottage or a houseboat, they will know which company to go to. They can also help you find the right insurer for home contents such as valuable antiques or jewellery.

WHAT RATE DO YOU PAY ON YOUR MORTGAGE?

If that question had you stumped, you are not alone. One in three borrowers was unable to give the correct answer in a recent survey[1].

When it comes to knowing their numbers, mortgage holders in Wales were the most aware at 79%, compared with 65% in London and 63% in the South East.

Those who knew the exact rate they were paying were also more knowledgeable about how their family finances would be impacted if rates were to rise.

With mortgage payments making up a large chunk of household budgets, it can pay to consult a mortgage broker to ensure that you have the best deal at an affordable price.

If you're concerned about the impact that a rate rise might have on your finances, then it's a good idea to set up a mortgage review with your adviser.

[1] YouGov, 2016

LUXURY RENTAL MARKET BOOM

An increasing number of London's super-rich are keeping the capital's rental market healthy. By choosing to rent property rather than purchase their own top end pad, London's rental market is buoyant, with rents of up to £5,000 per week on luxury accommodation.

Every year since 2011 lettings on homes worth £10m plus have doubled, rising by almost one third in Q1 2016 alone.

This shift to top end rental can be attributed to a number of factors, one of the main ones being the increase in stamp duty on luxury homes. On a purchase of £15m, the stamp duty payable would be £1.7m, equal to around three years rent for a similarly priced house.

Another factor to consider has been the fall in property prices in some of London's wealthiest neighbourhoods and more recently the uncertainty in the run up to the EU Referendum.

The rental surge may also be a result of the Panama Papers leak, an attempt to deflect attention from how the super-rich use offshore companies to purchase property while concealing their ownership.

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BUY-TO-LET – REST IN PEACE?

Is buy-to-let dead and buried? Could the introduction of the extra 3% Stamp Duty Land Tax (SDLT) on purchases of additional residential properties above £40,000 be the final nail in the coffin for 'buy-to-letters'? This measure, compounded by the changes to tax legislation impacting landlords, dealt another blow for the already challenged sector.

Let's take a look at the evidence. According to the Council of Mortgage Lenders[1], in the first few months of the year, there was a distinct boost in housing market activity. Attributed in part to a flurry of transactions prior to the changes to SDLT, the value of buy-to-let loans reached £7.1bn in March – up by 142% on the figure for March the previous year.

The changes to SDLT (also affecting Land and Buildings Transaction Tax in Scotland) meant that a landlord buying a property for £200,000 prior to 1 April 2016 would have paid £1,500. After the change, the charge has risen to £7,500 for the same property purchase, hence the Q1 boom.

With the sector coming under increasing pressure, the Bank of England's regulatory arm, the Prudential Regulation Authority, also released a consultation paper in April on the buy-to-let mortgage market. The main recommendation being for stronger affordability tests and income verification for borrowers.

Another blow

Landlords who were previously able to claim mortgage interest relief at the 40% or 45% rate, will now find this relief restricted to 20% after April 2017. Landlords with buy-to-let mortgages will also no longer be able to deduct costs such as mortgage interest or loans taken out to improve the property, or fees. Instead, after April 2017, they will only receive a basic rate

THE STAMP DUTY HIKE ALSO PRESENTS AN OPPORTUNITY FOR HIGH NET WORTH INVESTORS WHO ARE LIKELY TO PURCHASE MORE STOCK AS SMALLER INVESTORS STEP BACK

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reduction from their income tax liability for their finance costs. The 10% allowance for wear and tear is also being removed, with landlords only able to deduct the actual costs incurred.

Still opportunity

Once the new tax changes take effect it is generally expected that many landlords will take stock and look more closely at their income position. If this is deterring some would-be landlords, this can be regarded as positive news for first-time buyers, with less competition for 'entry-level' properties. The next few months could prove a favourable time for them to enter the market.

The stamp duty hike also presents an opportunity for high net worth investors who are likely to purchase more stock as smaller investors step back.

House prices have risen strongly over the past few years, as have rents. Both 'buy-to-letters' and first-time buyers may decide that property investment remains a sound choice. It is important for anyone thinking of entering the market at this point to do their sums carefully, and be aware that house prices aren't guaranteed to go on rising. Some buy-to-let investors are turning themselves into companies to mitigate the tax changes.

[1] Council of Mortgage Lenders, May 2016

INSURANCE FOR UNOCCUPIED HOMES

It's estimated that there are about 700,000 empty properties in the UK and they can be unoccupied for a number of reasons. Some are awaiting sale or probate, others are being renovated, or in some cases the owner is in hospital or has moved into residential care.

While most home insurance policies will provide cover for periods of absence from the property, this is often limited to 30 consecutive days. So, if your property will be unoccupied for a longer period of time you will need a policy that specifically covers your absence and offers the right type and level of insurance protection.

Risks insured

Insurers see unoccupied properties as posing additional risks from perils such as fire and flood. This is because if the unexpected occurs, it's unlikely to be discovered as quickly, potentially increasing the severity of the resulting claim. Empty properties are also more likely to be targeted by thieves, vandals and squatters.

Unoccupied property insurance policies cover a range of risks, including storm, flood, fire and theft. Property owner's liability cover will also be included, so that if a slate blows off the roof and damages a neighbour's conservatory, the policy would pay out. Policies can provide insurance for three, six, nine or twelve months. Cover can be purchased for both the building and its contents; however, most insurers will exclude personal and valuable items such as jewellery and works of art, photographic and video equipment, expecting these to be kept with the policyholder or in a separate secure location.

The cost of cover

This will depend on a number of factors such as the value of the property, its location, state of repair and the level of security in place. Regular visits will need to be made to check on the property; these can be carried out by the policyholder or owner, a friend, relative or managing agent.

RENTERS AT RISK

Results of a recent poll[1] conclude that almost five million people in the UK who rent their accommodation have no plans in place to pay for their rent if they become too ill to earn for three months or more.

Recent cuts to housing benefits could leave them further at risk. Head of Protection for Royal London Intermediary, Debbie Kennedy warned, "It would be bad enough to be taken ill, without the added anxiety of getting behind with the rent and facing possible eviction. Income protection may be more affordable than people realise and can provide a financial safety net and enable people to focus on getting better."

Some of the statistics from the poll indicate:

- Over a third of renters in paid employment admitted they did not know how long they could survive (financially) if taken ill
- 60% said they could only survive on their savings for three months or less
- Only 7% of renters in paid employment have ever consulted a financial adviser
- The most common place people turn to for financial advice is their family and friends
- 53% would apply for state benefits initially, 47% would then take steps to reduce their household expenses

With estimates anticipating falling levels of home ownership and rising levels of private renting over the next decade, this is a growing concern. Take advice to find the most appropriate income protection option for your circumstances.

[1] Royal London commissioned YouGov poll, 2016

RESIDENTIAL PROPERTY UPDATE

The UK housing market continued to be buoyant in the first quarter of 2016. Activity was fuelled by the rush to complete buy-to-let property transactions before the stamp duty change on second properties came into effect in April. Consequently, house purchase activity experienced a sharp fall in April, which was especially evident for buy-to-let.

Director General of the Council of Mortgage Lenders (CML), Paul Smee commented on recently released April lending statistics, *"There is a sense of calm after the storm this month, as lending eased back, following the significant rises in activity in March as borrowers looked to beat the second property stamp duty deadline. We expect the market to take several months to return to its previous levels after the lending surge."*

London prices declining

In London, house prices are already declining in parts of the capital, a trend that the Royal Institution of Chartered Surveyors[1] (RICS) expects to continue over the next few months. How much of this is due to the postponing of planned purchases ahead of the outcome of the EU referendum is hard to gauge, but elections of any sort are notorious for putting a temporary hold on housing market activity.

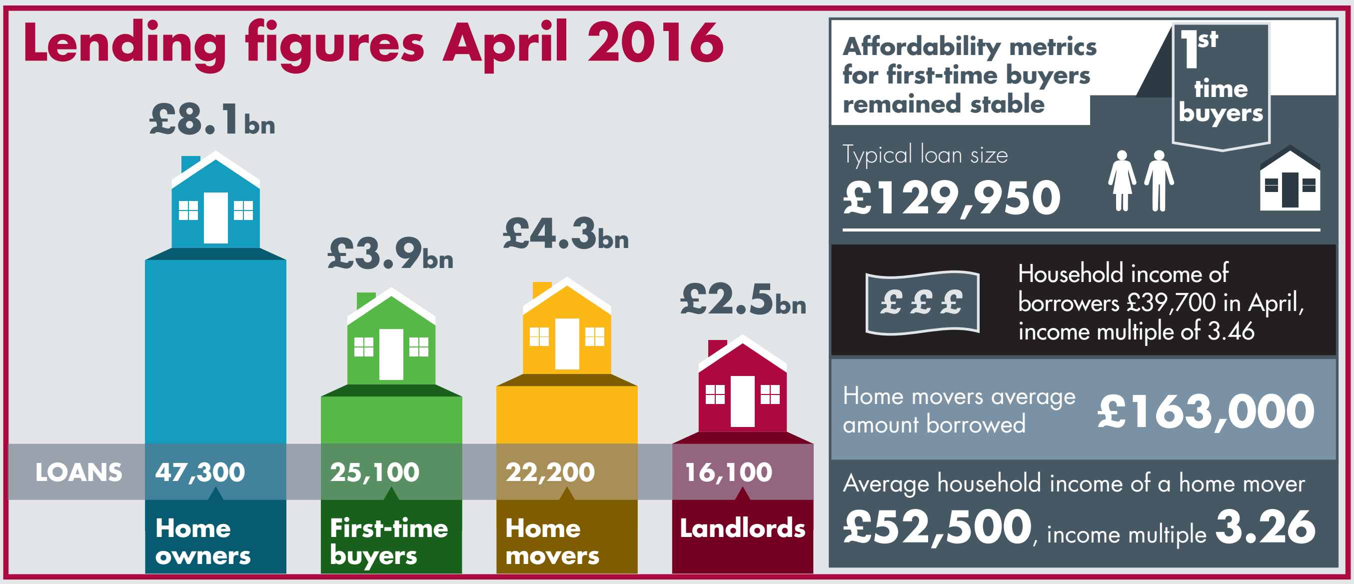
The outlook for the rest of the year

The uncertainty post the Brexit vote is likely to affect many factors impacting the property and lettings market. Prior to the vote David Cameron warned mortgages could rise by £1k per year; many now expect interest rates to be cut, possibly to zero, so costs could actually fall.

Negative investor sentiment hit immediately after the vote, as shares in estate agents and housebuilding firms collapsed. It's too early to determine the full effect of Brexit on property transactions and valuations; the ramifications will unravel over time. Lucian Cook, UK Head of Residential Research at Savills commented: *"With the results just in, it is impossible to predict what will happen to the UK housing market with any great accuracy until we know what Brexit will mean for the wider economy. What we do know from lead indicators, is that uncertainty pre-referendum impacted on new buyer enquiries. A continuation of that uncertainty is likely to pull back price growth and transactions in the short term."*

The CML concur that one of the first elements of the market likely to be affected is property transactions, which will in turn dampen house price growth; while this uncertainty will linger for some time, house prices remain underpinned by sound fundamentals. They believe there will be particular uncertainty in the prime London market, where a higher proportion of buyers are foreigners, who may delay their purchase to assess the impact of the referendum result. However, the CML believe the characteristics of the UK housing market are unlikely to change dramatically in the near term, as there will continue to be a mismatch of supply and demand, stretched affordability and a relatively low number of home movers.

[1] Royal Institution of Chartered Surveyors, UK Residential Market Survey, April 2016



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COMMERCIAL PROPERTY OUTLOOK

Commercial property has had a good run over the last three years or so, experiencing considerable capital growth, with a decent income. As widely expected going into the year, returns are more muted and yields have normalised.

Enthusiasm for commercial property as an asset class has suffered from negative sentiment, driven by concerns in the first six months of the year of the effect of a potential Brexit on the domestic economy, combined with global economic growth worries. The introduction in March of the new tiered system of stamp duty rates on commercial property purchases affecting those investing in larger commercial property can also be factored in.

Income growth drives returns

Prior to the referendum Ainslie McLennan co-manager of the Henderson UK Property PAIF, expected the three-to-five year story for commercial property to be dominated by income, with improving occupier demand leading to some considerable rental growth in some parts of the market.

Andrew Friend, Fund Director of the Henderson UK Property OEIC, concurred that the high capital returns previously experienced will not be sustained and that there is a clear transition toward income led returns. From a sector perspective he remains underweight high street retail, based on structural change in the sector, instead preferring retail warehousing as an alternative.

Retail continues to lag

Recent figures from the IPD (Investment Property Databank) showed that the UK Monthly Property Index returned 0.6% to 31 May 2016. Total returns from the three main areas of retail, office and industrial commercial property were 7.1%, 12.6% and 13.7% respectively over a 12 month rolling period to the end of May; retail continues to lag, no doubt inhibited by the rise in popularity of online shopping. Although there are wide regional variations with central London retail favoured.

Post-Brexit Outlook

Although it's too early to fully gauge the effect of Brexit on commercial property transactions and valuations, because the process for exiting the EU is a long one, markets are likely to remain uncertain for a protracted period of time. What we do know is that the Bank of England has warned that commercial property is a key risk to the economy following the vote; they have already conducted stress tests on banks to ensure they can withstand a 30% fall in commercial property prices.

UK commercial property had already come under pressure in the run-up to the vote. According to Investment Association statistics, the IA UK Property sector endured £500m (net) in outflows in April and May. Since the vote, the level of redemptions from UK commercial property funds has accelerated, resulting in several fund suspensions. The illiquid nature of bricks and mortar meant it was impossible for the level of redemptions to be sustained. Investors will now need to wait for a specified period of time for the suspensions to be reassessed.

The Financial Policy Committee has warned that these suspensions could cause difficulties in the wider economy as businesses struggle to access finance against their commercial property assets.

On a more positive note, Sterling's decline may well act as a stimulus and encourage foreign investors enticed by cheaper property purchases.

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HOW TO SURVIVE FINANCIALLY AFTER THE DEATH OF A LOVED ONE

The death of a spouse is considered by many to be one of life's most stressful experiences, bringing with it many immediate and longer-term consequences that can be devastating. Losing your partner when you're young creates additional practical and emotional problems, especially if you have children.

Death can be a tough subject to talk about. Anyone who has followed the Adam Golightly diaries in the Guardian will know how traumatic it can be to face life bringing up two small children following the tragic death of a wife at a young age.

He writes movingly about dealing with grief and the financial pressures of raising his family. He contemplates the cost of grocery shopping, mortgage, car and a whole new raft of childcare costs that with his wife's death will now have to come from just one wage. The cost of a nanny, he realises, will require nearly half his gross salary.

He concludes one of his diary entries with the following plea to his readers to think seriously about life insurance: *"I'm not a financial adviser but consider yourselves nagged – check and improve your cover now."*

Providing a financial safety net

Younger couples in particular need to think clearly about the financial realities they might face following the death of a loved one.

Sadly, a life insurance survey[1] shows that this message is failing to get through to those who arguably need to hear it most. The findings show that nearly 60% of all adults have no life cover, with the worst culprits being 35-44 year olds, despite this age group being most likely to have young children and financial commitments.

A review with an adviser will ensure you have the right cover in place for your financial circumstances.

[1]AA Life Insurance, 2014

MORTGAGE AGE LIMIT RISES TO 85

There's good news for older borrowers as more lenders are now prepared to offer loans with an upper age limit for final repayment of 85 years.

Former Government Minister and financial campaigner, Ros Altmann, has often drawn attention to the plight of those over 55 looking for home loans, commenting that they are *"facing age discrimination in the mortgage market, with companies refusing to lend purely on the grounds of their age, rather than their income"*.

Since the introduction in April 2014 of tighter affordability criteria, part of the government's Mortgage Market Review, many high-street banks and building societies adopted a cautious view when it came to lending to older borrowers. This was especially true where the mortgage loan would be repaid after the borrower's retirement.

Why change is overdue

Rising house prices and the time it takes to amass a sizeable deposit have meant that house purchase decisions are made later in life. Many older couples are divorcing, remarrying and buying new properties. The changes to pension rules mean that more cash can be released earlier, and tax-free lump sums have been a contributory factor in the recent rise in buy-to-let property purchases.

HOUSE PRICES UP 9% IN YEAR

The Halifax's[1] monthly house price index, released prior to the Brexit vote recorded that average property values in the three months to May were 1.4% higher than the previous quarter. The annual rate of growth remained unchanged at 9.2%. Figures from the Halifax showed that Greater London prices have risen 432% in two decades.

Prices continued to rise as interest rates were low, employment prospects remain good, and earnings were increasing in real terms. In certain areas of the country, lack of supply and continuing high demand mean that prices look set to remain high.

For those already on the housing ladder, the increase in property values is something to cheer about, but for those still waiting to break into the market it spells further bad news.

[1]Halifax, 2016