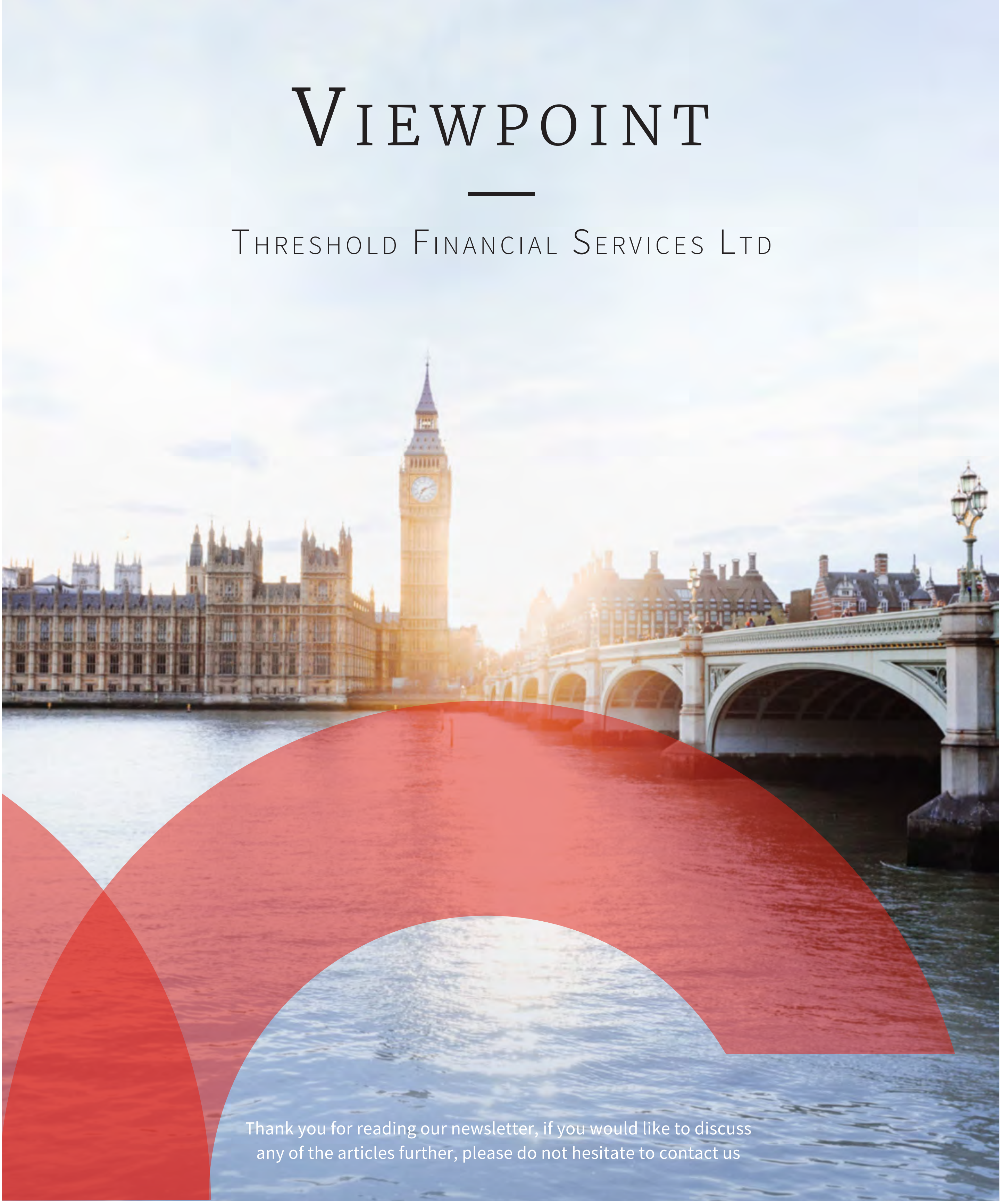
Viewpoint

Threshold Financial Services Ltd



threshold
financial services

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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’.

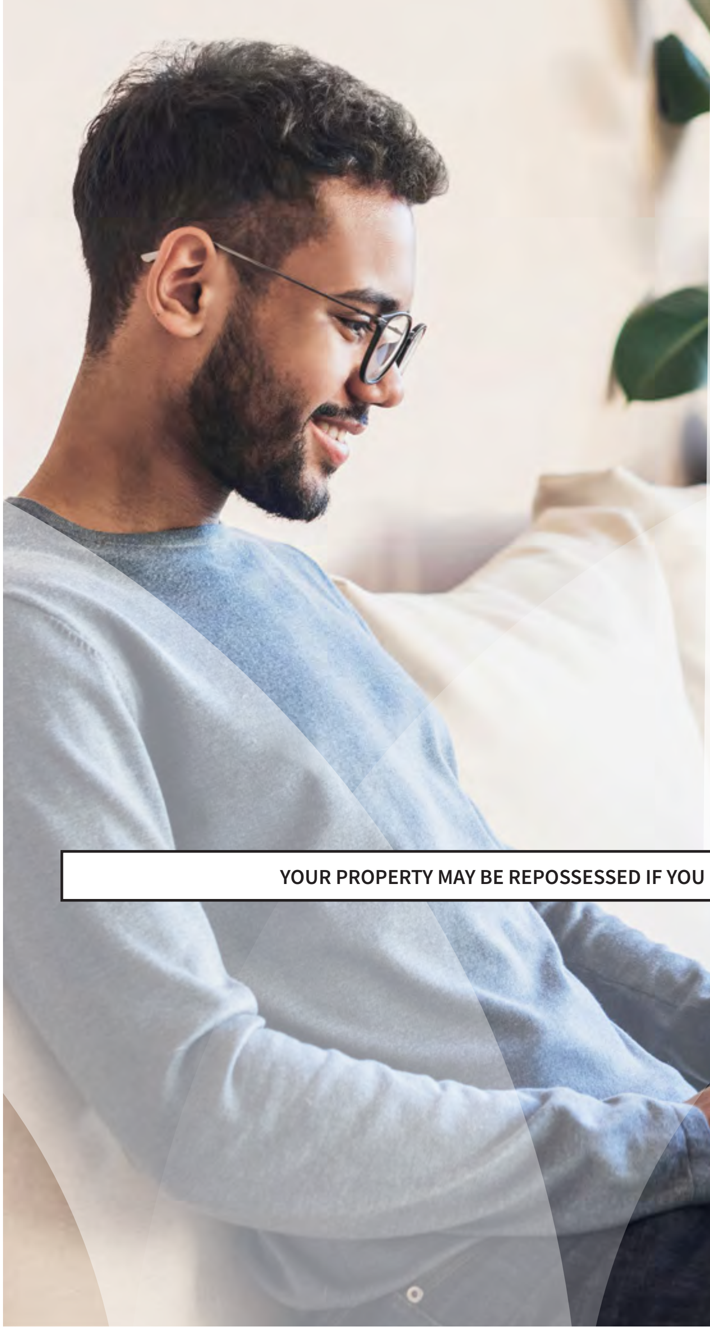
This could benefit tens of thousands of extra buyers who are purchasing a new-build property, who under the scheme can get an extra 20% (40% in London) government loan, which is interest free for five years. If they also secure a mortgage from a bank or building society for 75% (55% in London), this 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.

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

Protect yourself and your family in 2020

While most of us don't go through life expecting something bad to happen, the truth is that we never know what's around the corner. Why not make 2020 the year you put plans in place to safeguard yourself, your family and your home, so that you know you're protected against life's unexpected events?

When to take out protection cover

Most people look into buying a Life Insurance, Critical Illness or Income Protection policy following a significant life event: buying a home, getting married or having children.

Before taking out a policy, however, be sure to check if any protection cover is included in your workplace benefits, as your employer may already be providing cover.

Review your policies regularly

If you don't review and update your policies on a regular basis, you could find yourself underinsured. If you upsize and your mortgage increases, for example, your current policy might not pay out enough to cover your new monthly repayment. In fact, a huge 73% of people aren't sure they have the right level of protection cover. By ensuring you regularly review your cover, you can make sure you're not in this situation.

Reduce stress, both now and in the future

Do you worry about your income and how you and your family would cope if anything happened to you? Are you ever concerned that you might struggle to keep a roof over your head? One way to rid yourself of these niggling worries is to take out protection cover. With only 44% of 18 to 35-year-olds saying they could cope for more than three months on their savings if they lost their income due to illness or injury, it's more essential than ever to plan for these eventualities.

It's not just about life insurance

Protection cover isn't just there to pay out to your family when you die. You can also take out serious or critical illness cover, as well as policies that pay out if you get injured or made redundant. With rent or a mortgage, household bills and other expenses, imagine how much stress could be alleviated if you have a steady income from an insurance policy while you're unable to work.

It won't happen to me...

This is an assumption many of us are guilty of making; however, latest government figures for 2018 show that one in twenty-five employed people had a spell of long-term sickness absence. It might not happen to you – but if it does, having cover could make the world of difference.

Protecting your business in difficult times

During the past few months, millions of businesses have been forced to shut temporarily, with employees furloughed or working from home under very difficult circumstances.

With various business sectors reopening in July, many have suffered significant financial damage due to lockdown. For some businesses, productivity has been lost due to illness and self-isolation, while others have lost key personnel or shareholders, leaving a question mark hanging over their future.

Don't leave your business vulnerable

It is likely that your business would at least experience some financial difficulties if key stakeholders were to fall ill or die.

When thinking about whether you should take out business protection insurance, ask yourself:

> **"Would your business survive if something were to happen to you, your co-owners or senior employees?"**

If the answer is no, then you would probably greatly benefit from taking out this specialist insurance. Below, we've outlined two of the most common types of business protection.

Share protection insurance

Even if a business has multiple owners, the death of just one of them could throw the business into turmoil. If no share protection policy is in place, then the deceased owner's share in the business may pass to a family member, meaning that the remaining owners could lose control of part (or even all) of the business.

Share protection is essentially a life insurance policy that covers you for the value of your share in the business, with the payout providing your co-owners with the necessary funds to buy your shares back.

Key person insurance

A 'key person' can be defined as an employee with specialist knowledge, experience and skills who contributes to the financial success of a business.

If you were to lose a highly-trained employee, who carries out unique functions within your business, it could have a detrimental impact on your income and profits. Meanwhile, you are likely to use up time and resources you can't afford in training up or recruiting a replacement. A payout from key person insurance could enable your business to avoid financial hardship and give you breathing space to find a replacement at your own pace.

Seek advice

There are many other types of protection insurance available, such as business loan protection and relevant life plans, so it's advisable to seek guidance from a professional to ensure you choose the policy that works best for you and your business. If you would like to know more, please get in touch.

OW2936 Exp. 17/03/2021

Estate Planning

Estate planning encompasses not only preparing your finances to ensure your assets are protected for your loved ones once you are gone, but it's also about ensuring you have enough money to live on.

It starts with obtaining a comprehensive view of your assets. Assessing the value of your estate and ensuring the right documentation is in place is a first port of call (such as Wills, Lasting Powers of Attorney (LPA), and the formation of any relevant Trusts).

Valuing your estate

In order to establish the value of your estate, first calculate the total worth of all your assets, including your home, any other property, money and savings, shares and investments, business equity, cars, jewellery and other personal possessions. Determine the value of non-monetary assets, by applying a realistic market value. Any gifts which incur Inheritance Tax (IHT) should be added to the value of assets. Then deduct debts and liabilities from this amount to establish the total value of the estate. Deductions include any outstanding bills, mortgage debt, loans, credit cards, overdrafts, and funeral expenses.

Wills*, Trusts and LPA

Putting together a clear plan, that details your wishes regarding how you'd like your estate to be managed upon your death, will ensure when the person looking after your estate applies for probate they will know what your wishes were. A vital part of successful estate planning is ensuring you have a valid Will in place. Trusts are also a useful way of managing money or other assets on behalf of beneficiaries. There are various types of Trusts which provide an alternative to direct inheritance or transfer of certain parts of an estate, giving you control over who receives what and when. There are 2 types of LPA, 'health and welfare' and 'property and financial affairs' which are worth establishing at an early stage.

IHT

Estate planning can also help you reduce the amount of IHT payable. With expert planning, you can legitimately reduce the amount of IHT payable and pass on assets to your family as intended. For individuals, the current IHT nil-rate threshold is **£325,000**, and **£650,000** for a married couple or civil partners. Any unused portion of the nil-rate band can be passed to a surviving spouse or civil partner on death. Beyond these thresholds, IHT is usually payable at a rate of 40%.

Since April 2017, there has also been a main residence nil-rate band, which applies if you want to pass your main residence to a direct descendant (e.g. child or grandchild). For the 2020-21 tax year, this allowance is **£175,000**. Added to the existing threshold of £325,000 this could potentially give rise to an overall IHT allowance of **£500,000** for individuals, or £1m for those who are married or in civil partnerships. It is important to note larger estates will find residence relief is tapered, reducing by £1 for every £2 by which the net estate's value exceeds £2m.

There is another simple way of passing money to the next generation which allows for gifts to be made from surplus income. Conditions apply, and advice would be needed to ensure the gifts are made in the right way. We can talk you through the options and help you to find the most appropriate choice.

We can help

We can give you advice to ensure your money ends up with the people you want, for the reasons you choose. We can show you how much money you will need, help you to pass on assets in the most effective way, and work with you to reduce or manage an Inheritance Tax bill.

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

OW2758 Exp.11/06/21

Spreading the risk

Stock markets do not react well in times of uncertainty and the effects of the pandemic continue to pile pressure on financial markets worldwide. During periods of increased volatility, such as we have seen over the last few months, the importance of spreading risk and considering the longer term, remain constant investment principles.

Why diversify?

Adopting portfolio diversification means you do not put all your eggs in one basket. A balanced portfolio contains a combination of different asset classes, such as equities (shares), bonds, property and cash. Equities have the potential to deliver higher returns than bonds, but bonds can provide an element of capital preservation for times when a more risk-averse approach is required. You can also diversify your portfolio further through choosing different geographical regions and industry sectors.

Don’t overdo it

While building diversity into an investment portfolio is undoubtedly important, try to guard against over-diversification. This could make your portfolio unmanageable and could mean you spread your investments too thinly, resulting in a detrimental impact on potential returns.

Holding your nerve

The pandemic has unsettled global markets and it has been an unnerving time for many investors. I’s important to remember that stock market volatility is inevitable, and markets can often rebound quickly once immediate issues are resolved. Experienced long-term investors know that the worst investment strategy you can adopt is to jump in and out of the stock market and sell up when investments have hit rock bottom.

Diversification is key

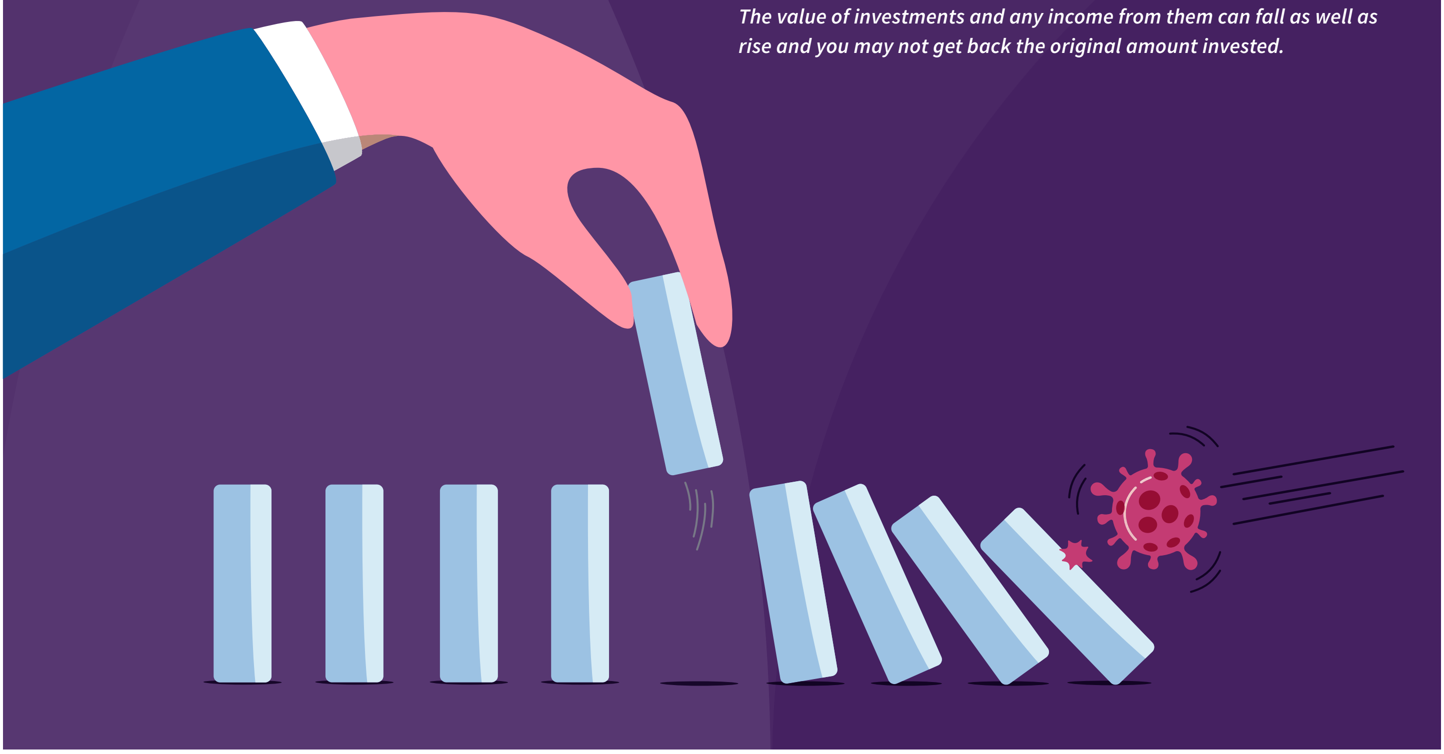
We can help you to identify how much risk you are prepared to take and advise you how to achieve your long-term investment goals, through an appropriate balance of risk and reward. A sensible way to build a portfolio is through collective investment schemes with a risk profile to match your objectives and needs. We can advise on the investment strategies and products most appropriate for your own individual circumstances.

Keep in touch

Financial advice and regular reviews are essential to keep your portfolio in line with your attitude to risk and your objectives. This allows you to develop and continue to follow a well-defined plan.

Your circumstances or objectives may well have changed recently, so please don’t hesitate to contact us with any questions or concerns you may have.

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.



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Are you approaching retirement?

If you are nearing retirement, you may have been particularly worried about the impact of recent market volatility on your pension assets and perhaps you are reassessing your retirement plans. There are several things to consider if you are planning to retire, which will depend very much on your own circumstances.

Since pensions freedoms were introduced in 2015, there are many more options available to retirees. Sudden retirements used to be the norm. People would stop work completely one day and be fully retired the next, perhaps receiving a regular income from an annuity. It is now possible to take a more gradual journey into retirement - making use of this flexibility in how you draw funds could be sensible in times of uncertainty.

Consider your timescales

If your planned retirement is 5 to 10 years away, there is a reasonable time for your savings to recover from the recent market volatility, but you should still take action:

— Review your retirement age.

— Consider increasing your pension contributions.

— Talk to us about your attitude to risk and appropriate fund switches.

If you have less than five years to retirement, your pension pot may not have been exposed to market volatility as much as you think. You may have benefited from a lifestyle option on your pension which is designed to ‘lock in’ investment growth as you approach retirement, by switching funds to less risky assets. This option is not suitable for everyone, particularly if you intend to keep your pension pot invested and use income drawdown to give you an income in retirement.

If you are retiring this year and your pension pot has taken a hit, you could consider delaying retirement until markets recover, but this may not be an option for everyone.

Advice is key

One of the biggest risks in uncertain times is to act in haste and make rash decisions.

Getting financial advice is crucial in making the right decision. We can help you consider all your options, including reviewing whether any other assets could be used to provide an income, so that your pension stays untouched.

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.