

Viewpoint



www.Thresholdmortgages.com 02380 839 203



Freehold or leasehold: the ins and outs

We explain the difference between the two and their impact on you.

The value of protection

Why protection insurance is a must if you have a mortgage.

Securing your company's future

What would happen to your business if you lost a key member of staff?



Freehold or leasehold: the ins and outs

When buying a property, you can do so either on a leasehold or freehold basis and there are important differences to be aware of before you sign on the dotted line.

With a leasehold property you own the property and its land for a fixed period, depending on the agreement you have with the landlord. This effectively makes you a tenant and means you could be liable for things like ground rent or property maintenance bills.

Freehold means you own the property and the land it sits on.

Generally, leasehold is the ownership structure that's in place when you buy a flat, apartment or maisonette in England, Wales and Northern Ireland. Most houses are sold on a freehold basis.

A bad press for leasehold ownership

You may have seen some negative headlines about leaseholds in the press last year, featuring a number of homeowners who face seemingly unfair terms and unexpected costs once they've moved in. In recent years developers have increasingly been building and then selling houses on a leasehold basis; exposing homeowners to additional costs they wouldn't normally need to worry about with a freehold house purchase.

What's more, these leasehold agreements can include terms which may have been overlooked by the buyer during the purchase, such as the doubling of ground

rent every 10 years. In these cases, developers have often sold the freehold of these properties without the homeowner's knowledge, and the new landlords have increased the charges.

If a landlord wants to sell the freehold of a block of flats, they are legally required to give the leaseholders the opportunity to buy it. However, this law doesn't apply to leasehold houses.

Will the law change?

With 1.4 million leasehold houses across England and the number of leasehold sales growing rapidly, the government is taking action to make the leasehold market fairer. In Dec 2017, Communities Secretary, Sajid Javid, announced new measures to cut out these unfair practices within the leasehold system, including a ban on leaseholds for almost all new build houses.

What to do if you're concerned

If you're purchasing a property or have purchased a new build property recently, and you're not sure if it's a freehold or leasehold ownership, speak to your solicitor. They will be able to find out and give you more guidance.

If you're looking to buy your first home, or move up the property ladder, please contact us and we'll advise you on a range of mortgage deals, including exclusive rates that might not be available on the high street.

Your home may be repossessed if you do not keep up repayments on your mortgage.

The value of protection

Buying a new home is possibly one of life's biggest and most exciting events. It's also a major financial commitment – one that could be with you for 25 years or more.

Making sure you have the right protection in place is important. We can review your circumstances and the cover options available to you.

Your ability to maintain your mortgage payments relies on a constant income, so how would you continue to make your mortgage repayments if your income was reduced – or stopped? Here we look at two similar scenarios with very different outcomes.



David

David arranged a new mortgage with his financial adviser. They discussed protection insurance and David agreed to take out cover so that he could maintain the mortgage repayments if he had to stop work because of serious illness. As a father of two, David also wanted cover so that he could help maintain his family's lifestyle. The mortgage went through and the protection insurance was put in place.

Feeling unwell just a few weeks later, David went to his GP for a check-up. After numerous tests he received the shocking diagnosis of thyroid cancer. David stopped work and started treatment. His adviser supported him through the claims process and the insurer paid the claim promptly and in full. Rather than having to worry about his financial situation, David was free to cope with a tough treatment regime and concentrate on getting better.

Thanks to his protection insurance, David maintained his mortgage payments and monthly bills. He even treated his family to a holiday as part of his recuperation. David made a full recovery, returned to work and life continued as normal.



Jane

Jane arranged a new mortgage with her financial adviser. She was advised to take out protection insurance that would cover the mortgage payments and help maintain her family's lifestyle in the event she had to stop work due to serious illness. After thinking about the cost of the cover and the likelihood of having to claim, Jane declined.

Feeling overly tired a short while after the mortgage was put in place, Jane went to see her GP. After numerous tests she received the shocking diagnosis of thyroid cancer.

Jane had to stop work and apply for Statutory Sick Pay at the same time as coping with a tough treatment regime and looking after her kids. She started to struggle to cover her outgoings and had to use all her savings.

Unfortunately, Jane was forced to sell her house and move into a smaller property, turning her and her kids' lives upside down. Even though she wasn't quite ready to, Jane had to return to work.

The importance of protection

You might be like Jane and think that it won't happen to you, but one in two people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime and four in five people with cancer are affected financially. And if you think that protection policies don't pay out, they do. In 2016 15,464 critical illness claims were made and 92.2% paid out an average £68,000.

There are a range of products available that can provide a lump sum or a regular income on death or diagnosis of a specified critical illness and they could cost less than you think.



Securing your company's future

If your business would be financially impacted by an unexpected event, or you'd like to review your current level of business protection, please get in touch.

Business Protection is a crucial element in a company's financial future, but how many have cover in place?

According to a study from Legal & General, 53% of the UK's small businesses think they would cease trading in less than a year, should a key employee die or be diagnosed with critical illness and unable to work.

These figures ought to concern most business owners – especially given that the Federation for Small Businesses also reported around 50,000 SMEs go under each year because of late loan repayments – and it's a trend that could continue given the uncertain economic climate. Worryingly, approximately 60% had dipped into their personal savings to fund their business.

Protecting the most important assets

You may have covered the tangible assets of your business, but have you protected your most important assets: the people who directly contribute to your profits?

If the answer's no, ask yourself:

- how would your business cope if a key employee suddenly died?
- would the business have to find the money to pay back any loans?
- what if you became critically ill?
- can the business afford to fund a suitable replacement until you're fit to return?

If the unexpected happened, it could pose a serious risk to your business.



Taking out Business Protection can help to cushion the financial impact of these unplanned events, including:

- repaying, or part repaying, an outstanding business debt
- funding the recruitment of specialist staff
- purchasing the shares from a deceased business partner or director's estate

Every business will have different protection needs depending on their size and nature, so it's important to get advice on the cover available and how it might suit your circumstances.

Smaller business; greater risk?

The loss of a key employee is likely to have a much greater impact on the running of a small business compared to a larger organisation, because there will be less resource to pick up the pieces and keep everything running smoothly. But despite the risk, smaller companies are least likely to have business protection in place, yet these are the very businesses who may need this protection the most.

Threshold Financial Services Ltd
1 & 2 The Brookside Centre
Auckland Road
Southampton
SO15 0SD

02380 839 203
newenquiry@thresholdmortgages.com
www.Thresholdmortgages.com

threshold
MORTGAGE ADVICE