Viewpoint

threshold
MORTGAGE ADVICE

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Is your Help to Buy deal ending?

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Since its launch in April 2013 more than 145,000 properties have been bought using the Help to Buy Equity Loan scheme. Five years on and the interest-free element of the loan is due to end, with homeowners potentially facing expensive fees.

The Help to Buy Equity Loan scheme was aimed at helping more first-time buyers onto the housing ladder; they just needed a 5% deposit and 75% mortgage. The remaining 20% came as a loan from the government and was interest free for the first five years.

If you bought your house with a Help to Buy Equity Loan scheme and you're coming to the end of your five-year interest free period you'll need to start paying a fee of 1.75% of the value of the loan, increasing each year by RPI plus 1%, unless you can pay the loan off.

Swap to a new mortgage deal

If your property has increased in value and you have enough equity, you could consider remortgaging to pay off the loan. Remember though, the equity loan is based on the percentage of the property's current value and not the amount you borrowed when you joined the scheme. So, if you bought a house for £200,000 with an equity loan of £40,000 and your home has increased in value by £10,000, you'll need to repay £42,000 when you sell it.

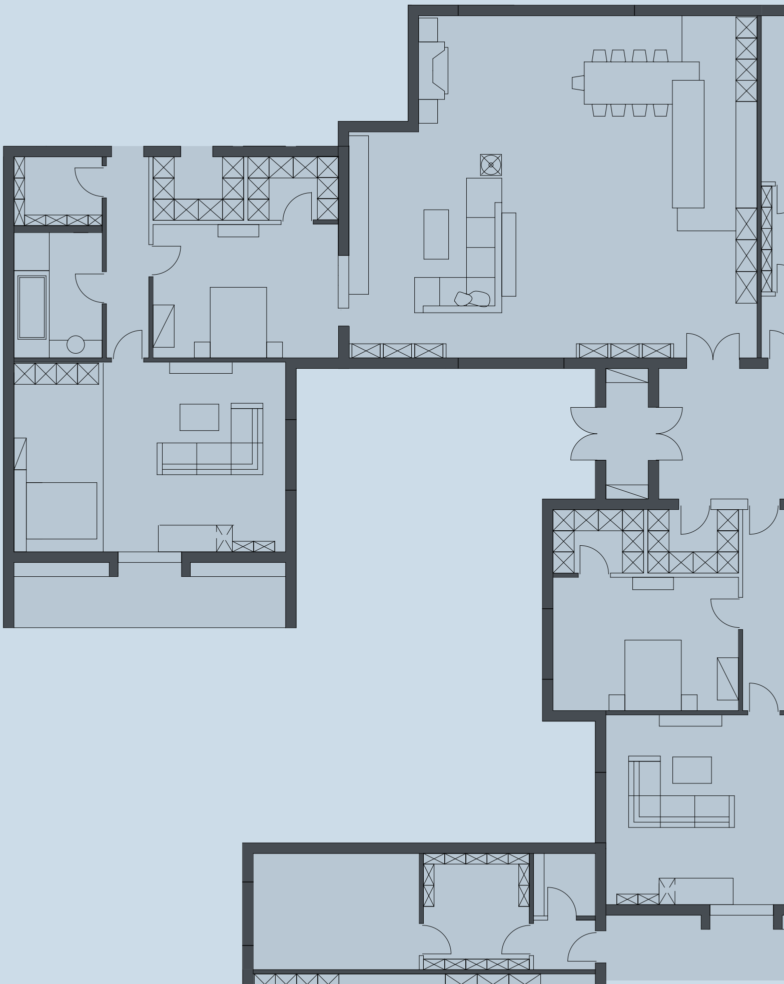
Whatever type of mortgage you have, you can talk to us to explore your options.

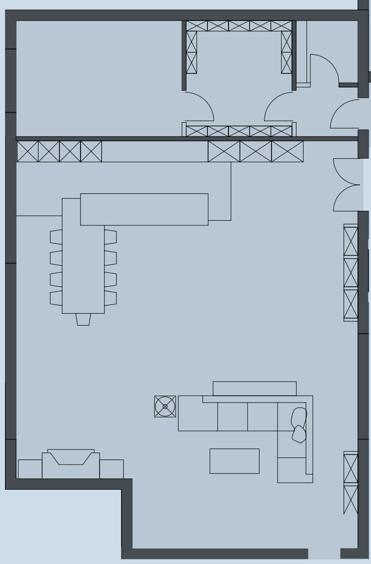
The table below shows how the fee would work on a £40,000 Help to Buy equity loan with an estimated RPI +1% of 6%:

Start of year	*Interest Fee percentage*	*Annual interest fee and management fee due*	*Estimated monthly payment (interest fee and management fee)*
6	1.75%	£712	£59
7	1.86%	£756	£63
8	1.97%	£800	£67
9	2.08%	£844	£70
10	2.21%	£896	£75

What's the point of a property survey?

You're not bound by law to have a survey done on a property you're buying, but while it may feel like an unnecessary expense given all the other costs involved in homebuying, it could actually save money and stress in the longer-term.





A survey is basically a health check on a property. If the property fails the health check, you'd want to know about it before you proceed so that you can negotiate with the seller or – if the worst is revealed – pull out of the sale. There are a number of different types of survey ranging in cost:

A condition report

This is the most basic type of survey. It provides an overview of the property's condition and highlights significant issues, but doesn't go into detail.

A HomeBuyer's report

This is more comprehensive and highlights problems like damp and subsidence as well as anything that doesn't meet current building regulations. The survey will include advice on necessary repairs but it's non-intrusive, so the surveyor will only be picking up what they can see.

A building survey

This is the most comprehensive of the three. It analyses the structure and condition of the property, lists defects and advises on repairs and maintenance. Unlike the Homebuyer's report the surveyor will carry out a hands-on investigation, eg. checking the loft or looking under carpets and floorboards.

If you're buying a very old or listed property, or one that has an unusual structure, you should go for a building survey or you could be taking a risk if you proceed with the purchase without really knowing what you're buying.

For those buying a new-build property, however, you might just consider getting a snagging survey, as new-builds typically come with a guarantee where the builder will put things right if you find a more serious fault.

Remember, the lender's valuation of the property is not a survey. It simply gives a value of the property to make sure it's worth the sale price before the mortgage can be approved.

As a member of Openwork, I can refer you to the Openwork Surveying service, which provides:

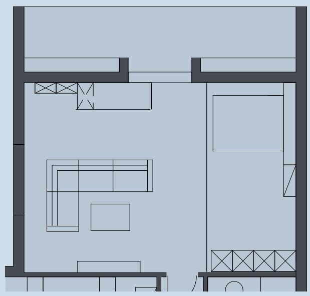
— Access to a large network of approved surveyors across England, Wales and Northern Ireland

— Access to surveyors who focus on undertaking Homebuyers and Building surveys, rather than just simply undertaking valuations

— A straightforward process where you are involved in the decision-making

— Peace of mind that you won't have any potentially costly surprises after you've moved in

To discuss buying, selling or surveying a property please get in touch.

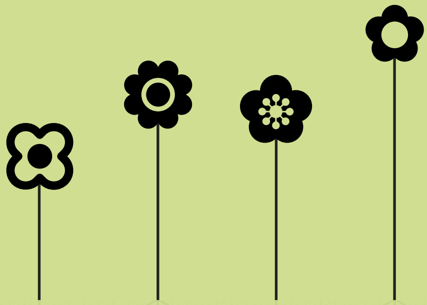


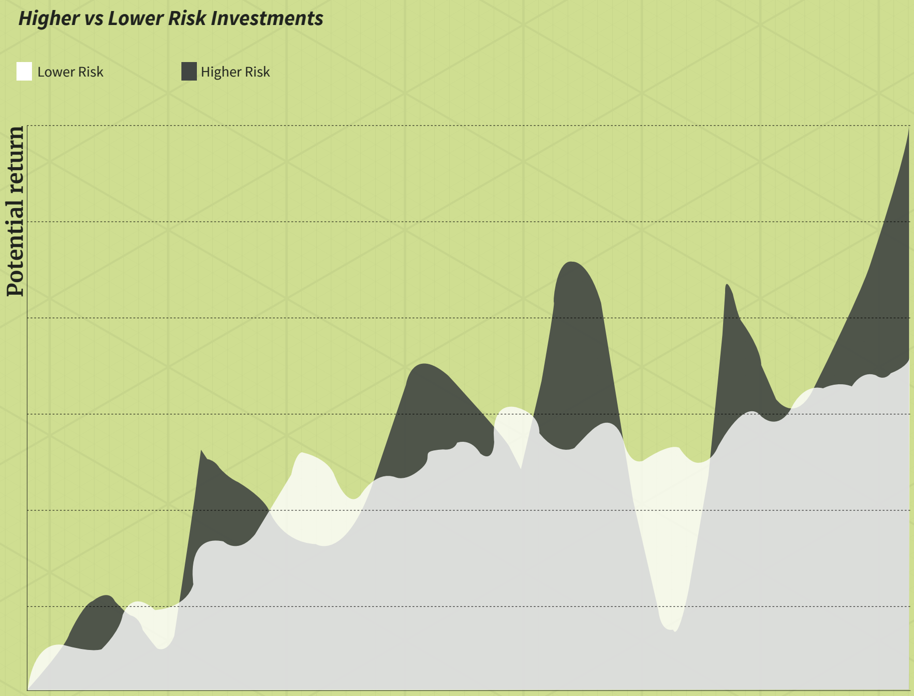
Surveying is not regulated by the Financial Conduct Authority.

Risk vs reward

Despite the recent mortgage interest rate rise, savers will still struggle to enjoy any kind of growth on money they have on deposit, leading some to consider a riskier investment.

If you're considering investing in the stock market, an important – and very personal issue – is how you feel about the prospect of putting money at risk and your ability to accommodate any loss in value.





Purely for illustration purposes

Factors in determining risk

As investment advisers, we will consider a range of factors when assessing your attitude to investment risk:

Age

How old you are may affect how you would like to invest, particularly the closer you get to retirement.

The need for emergency cash

You should always keep a certain amount readily accessible (for example, in a deposit account) in the event of an emergency or as a foundation for your longer-term savings and investment.

Can you afford to take a risk?

If your investments dropped in the short term, do you have the time to wait for them to recover?

Can you afford not to take a risk?

Leaving all your money on deposit may carry minimal risk, but you may miss out on higher potential returns and possibly see the spending power of that money fall due to inflation.

What's your appetite for risk?

It's a fact that risk and the potential for reward go hand in hand: Investments that are low in risk are low in potential reward, whereas the more risk you're willing to take with your money the greater the potential for reward.

Devising an appropriate investment strategy

Once you're clear – and comfortable – with the level of risk you need to take to reach your goals, you'll need an investment strategy that's finely calibrated to deliver the results you're looking for.

An important part of this is to avoid the 'eggs-in-basket' principle and make sure your portfolio is invested across a range of assets in order that the positive performance of some neutralises the negative performance of others.

You'll also want to know that your money is in the hands of some of the best and most consistent investment managers in the business and you'll need to give your investments time – the longer you can leave your investments in place, the more likely you are to cope with any short-term changes in market value.

Talk to us

As members of Openwork, the UK's largest financial adviser network, we follow a clear and thorough process designed to clarify exactly what you need from your investments. We also have access to a meticulously researched and managed range of investments specifically designed to meet different needs. Taken together, you will know not only that your money is in good hands, but also that given time, there is an increased level of probability that it will perform in line with your expectations.

Need advice?

Good investment advice involves building a clear picture of the results you're looking for, taking into account your current financial position, your future goals and your personal attitude to investment risk.

Talk to us for expert advice.

The value of investments and any income from them can fall as well as rise. You may not get back the amount originally invested.

The cost of retirement

How much money do you think you'll need to receive each year of your retirement?

According to the investment manager Schroders, working people in the UK aged 55 and over believe this figure would equate to 66% of their current income, but the reality according to UK retirees is actually 53%.

Despite the 13% shortfall, the majority of retired people (92%) felt their retirement income was sufficient. This may not come as a surprise if we consider they are likely to be part of the baby boomer generation and therefore enjoy significant wealth compared to future generations of retirees who quite possibly won't have the benefit of a final salary pension plan.

It might also be the reason that these pensioners can afford to invest one fifth of their retirement income, with the aim of further improving living standards later in life - putting money away for potential care costs, or perhaps boosting their estate for the benefit of their descendants.

Saving more

The fact remains, however, that expectations can often differ from reality; creating a potential shock in store when you reach retirement. In its report, for instance, Schroders found that while people of working-age might expect to spend 38% on living costs in retirement, the figure is closer to 53%.

It's clear that the more you save, the more comfortable your retirement (subject to the usual investment ups and downs of course). And when it comes to making investment decisions for retirement, advice is key.

Whether you're early on in your career and just starting to think about putting money aside for retirement, or your last day at work is looming and you're preparing for a new phase in life, the investment and savings decisions you make now can make all the difference to how comfortable you are in your retirement.

Talk to us to find out more.

53%

The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Savers in the dark about their pension

Are you among the 30.4 million working-age people who don't know if their pension pot will be big enough to afford a comfortable lifestyle in retirement?

According to a report by the Pension and Lifetime Savings Association (PLSA), some of the blame for this worrying statistic could be down to simply not knowing how much retirement income is needed. Perhaps unsurprisingly then, 70% of those questioned said they would save more if they had a target to aim for.

So how do you go about finding the income target that's right for you?

We could look to Australia, where savers have defined income goals depending on whether they want a 'modest', or 'comfortable' standard of living in retirement. Here in the UK, if the study by Which? is anything to go by, every household needs a pension pot of at least £370,000 to feel comfortable in retirement.

Take control of your spending – and saving

Of course, everyday living expenses and the cost of renting or buying a home will take priority with your finances. And if you have a dependent family those 'everyday' costs will demand a bigger slice of your available income. But at the same time, it is extremely important to start saving as early as possible.

Worryingly though, current savers could be hugely underestimating how much they would need to set aside for retirement, with the average Brit saving just 12% of their annual income, something that would create a significant shortfall in disposable income once they reduce, or stop working.

We can help you set clear investment goals and plan for a comfortable retirement. Please get in touch to find out how.

While the PLSA is lobbying the government and the pension sector to introduce targets for savers, there are steps you can take to get to grips with your own financial situation and plan for the retirement you want:

1. Take control of your spending
2. Create a long-term financial plan
3. Explore ways to boost your pension pot
4. Monitor the progress of your plan
5. When the time comes, know when, and how best, to convert your pension savings into income

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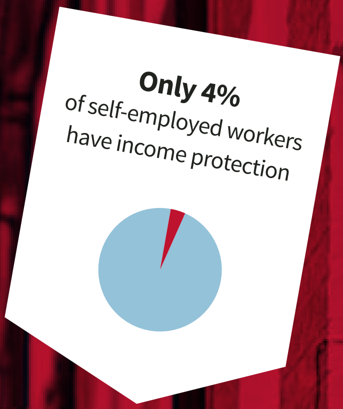
OW1629 Exp. 05/04/2019

Self-Employed lack protection

Just 4% of self-employed workers have income protection in place, leaving the majority vulnerable to financial difficulties if they are suddenly forced to stop working through illness or accident.

In its survey of more than 9,000 adults, LV= identified the self-employed as a niche group who would struggle to make ends meet if they stopped earning. This is partly down to the fact that they have no employer's safety net and little, if anything, in the way of emergency funds.



The benefits of income protection

Income Protection pays out a regular income if you're unable to work due to an accident or illness or, with certain policies, unemployment. For a monthly premium that can be adjusted to suit your budget, this valuable insurance will help to reduce stress, prevent your family suffering financial hardship and help you get back on your feet.

And budget is clearly a factor when it comes to the self-employed taking out protection, with two fifths (41%) surveyed saying they could not afford to save money on a monthly basis.

LV= also found there was a lack of understanding among the self-employed, which could account for such a large number having no income protection cover. In fact, four out of ten self-employed workers mistakenly believe they aren't eligible for this sort of cover.

How can you protect yourself?

Most of us don't think twice when it comes to protecting our vehicles or treasured possessions, and yet it's our income that enables us to enjoy these material things. Those of us who are employed may have some kind of cover provided by their employer, but if you're self-employed you could be exposed.

If you'd like advice on how to protect your finances, or you'd like to review your protection needs, please get in touch.

What's stopping you from saving?

Generally speaking, and subject to investment charges and performance, the more you save and the earlier you start saving the better shape your finances are going to be in when you need to draw on them.

So why is it then that many of us are reluctant to put money aside for a rainy day, a specific objective, or – perhaps most importantly – our retirement?

We offer a professional and personal approach to your savings and investments, not only in the initial design of your strategy, but also over the long-term.

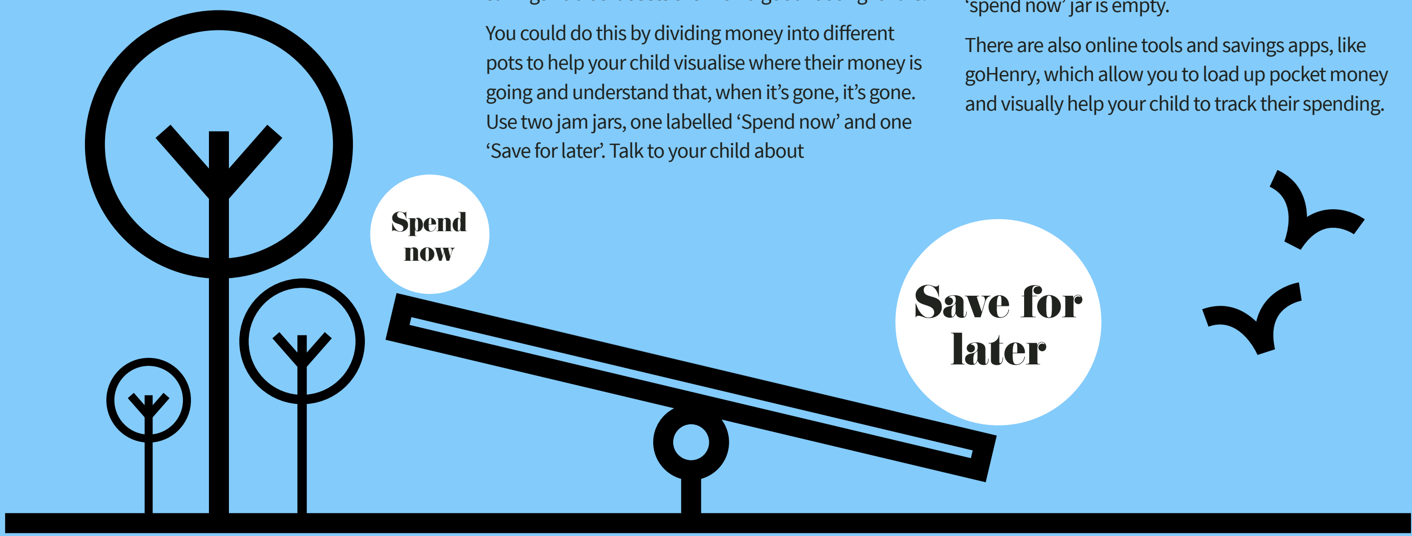
Please talk to us to find out more.

Start early!

Helping your child understand the value of money from an early age could help them develop a healthy savings habit that sets them on a good footing for life.

You could do this by dividing money into different pots to help your child visualise where their money is going and understand that, when it's gone, it's gone. Use two jam jars, one labelled 'Spend now' and one 'Save for later'. Talk to your child about how they would like to divide their pocket money or any cash gifts they receive between the two jars. If they keep their savings jar topped up, they can see they have rainy day money if they need it when their 'spend now' jar is empty.

There are also online tools and savings apps, like goHenry, which allow you to load up pocket money and visually help your child to track their spending.



Swap instant gratification for longer-term satisfaction

When you have spare cash it's lovely to spend it on a treat – after all, you don't get instant gratification from saving for the future. But with many of us enjoying long, hopefully healthy retirements thanks to advances in medical science, it's all the more important to invest now so that you have more time to build up a sufficient pension pot.

Think about what you want to do with your money and set clear achievable goals with milestones that make it feel like you're winning but will benefit you in the longer-term.

Don't bury your head in the sand

According to Which? every household needs a pension pot of at least £370,000 to feel comfortable in retirement – a target which could put people off from saving anything into their pension when they should be doing the exact opposite.

Don't ignore your future financial situation, talk to us for advice on how to achieve the retirement you want so that we can work with you to put a plan in place that will help you achieve your investment goals. We'll follow a meticulous process when it comes to helping you create the right portfolio of investments, starting with getting a deep understanding of the following:

1. What are your investment objectives?
2. What level of risk are you prepared to accept and what potential level of loss can your finances tolerate?
3. Which types of investments we think you should consider in light of your objectives and risk profile?
4. What the most tax-efficient way of holding these investments would be?
5. How your portfolio should be managed on an ongoing basis?

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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