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ESSENTIALLY MORTGAGES

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HOUSE PRICE HISTORY – HOW THE MARKET HAS CHANGED

This summer saw the England football team make it to the semi-finals of the World Cup, inviting comparisons with the historic win back in 1966. Nostalgia swept across the country and led to a wave of then-and-now comparisons. One was the cost of housing.

The 60s

The post-war period began with a major house building programme. Private and local authority house building ran at a rate of around 400,000 homes a year. By contrast, the current government is targeting the building of around 300,000 new homes a year, hoping to have built more than one million new homes by 2020. This was a time when houses were thought of as places to live, rather than the investments they have become today.

Having a home, whether rented or owned, was a readily attainable goal for young couples. However, in the 1970s, house price inflation began to emerge in a form we'd recognise today, reaching 36% at one point.

The big council house sell-off of the 80s

Tenants who took advantage of their Right to Buy option in the 1980s saw the value of their property rise by as much as 16% in 1987 and a further 25% in 1988.

The housing market tends to go through cycles and the boom times were followed by a period in which the economy dramatically slowed down. Borrowers saw their monthly repayments soar as the Bank of England base rate reached 15%. Residential property prices fell, repossessions reached record numbers, and many found themselves in negative equity.

It took until the late 1990s for the market to recover.

The noughties

The start of the new millennium heralded a period of steady economic progress, but this was brought to an abrupt end by the 2007 crash which saw housebuilding go into sharp decline.

Average house prices more than doubled from just over £80,000 in 2000 to just over £170,000 in 2007.

Then and now

Today's average house price of around £214,000 is roughly eight times the national average wage of £26,500. In 1966, the average property was £3,586, around four and a half times the average wage of £798. However, August saw the biggest monthly fall in house prices recorded in six years, according to Nationwide, due in part, no doubt, to the uncertainties surrounding Brexit.

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WILL YOU BE PAYING YOUR MORTGAGE AT 70?

A new survey from a major insurer shows that 14% of people think they will still be paying their mortgage at age 70[1].

Not so long ago, mortgages were likely to be for 25 years, and homebuyers would often be aged in their 20s when they took them out. However, times have changed. Many people are getting on the housing ladder later and house prices are higher. This has led to lenders regularly granting mortgages for much longer terms. This means that one in seven people could expect to be repaying their mortgage into what would normally be considered their retirement years.

If this trend continues, many people will need to factor mortgage repayments into their retirement planning and may even have to consider working past their normal retirement date to cover the cost. Whilst some may wish to stay active in the workplace for longer, not everyone will want to face this prospect.

If you'd like to consider your mortgage options as part of your retirement planning, do get in touch.

[1]Aegon, 2018

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

HEALTH CONSCIOUSNESS ENCOURAGES TAKE-UP OF PROTECTION POLICIES

Life doesn't always turn out as we'd hoped or planned. Almost 100 children suffer the loss of a parent every day in Britain. There are nearly 160,000 deaths from heart disease each year in the UK – an average of 435 people each day. In 2016, there were more than 163,000 deaths from cancer.

Tailored policies

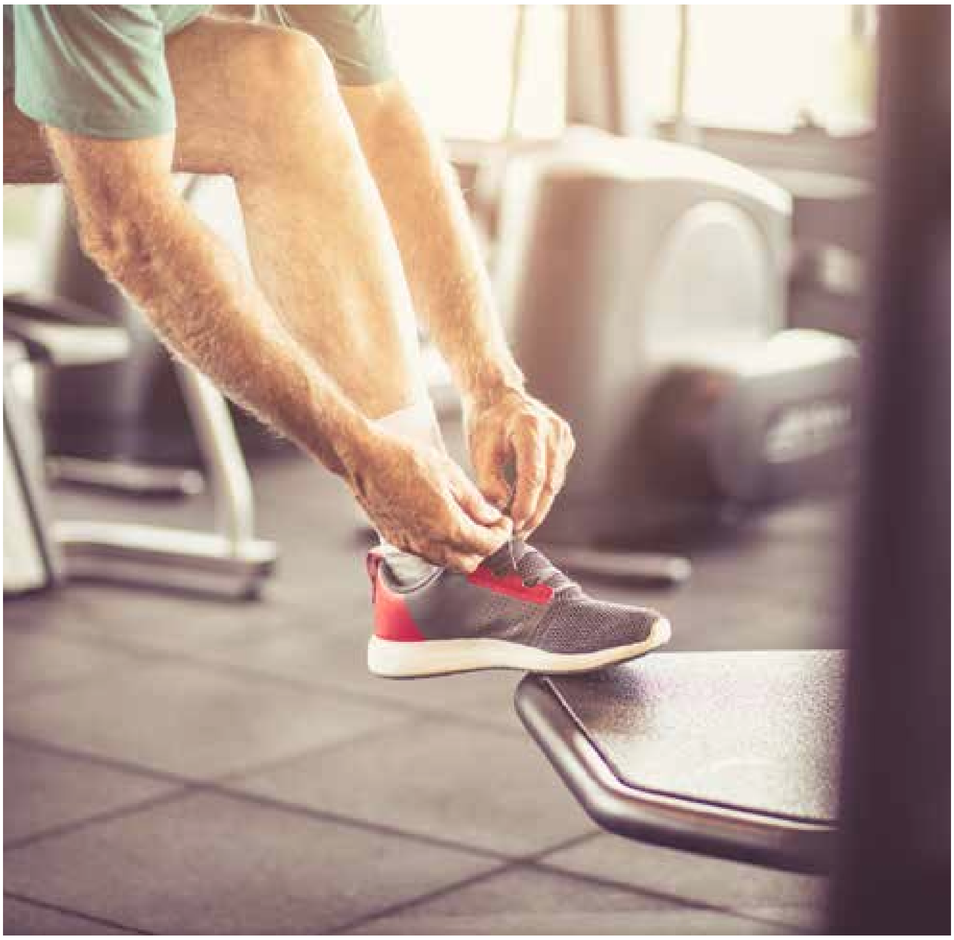
Policies can pay out lump sums or provide an income to ease the financial burden at a difficult time. Cover can be arranged to suit your age and lifestyle, for a term that meets your family's needs. Cover can be combined to include, for example, critical illness insurance and death benefits within the same policy.

More concern over health issues

It seems that the message that it's important to have the right type of protection policy in place is increasingly being listened to. In the first six months of this year, financial software company IRESS, recognised a positive trend in the sale of protection products. There was an overall increase of 35.1% in the take-up of term life insurance and income protection policies, through their software[1], compared with the first half of 2017.

Insurers believe that this rise is due in part to greater health consciousness, and a better understanding of the part that protection policies can play in keeping a roof over a family's head, ensuring that household bills can still be paid if death or illness were to strike. If you'd like advice on choosing the right insurance cover for your needs, do get in touch.

[1]IRESS, 2018



IF YOU DON'T CHECK YOUR HOME CONTENTS SUM INSURED ON A REGULAR BASIS, THEN YOU COULD FIND THAT IF YOU NEED TO MAKE A CLAIM YOU ARE UNDERINSURED

GEN UP ON YOUR MATHS TO SAVE YOUR CASH

When you take out contents insurance or renew your policy, don't underestimate the value of your possessions. Getting it wrong could be a costly mistake with serious consequences.

If you don't check your home contents sum insured on a regular basis, then you could find that if you need to make a claim you are underinsured. If you've had the same level of cover in place for a few years, and acquired new things in that time, then the sum insured may no longer reflect the up-to-date value of all your possessions.

If you don't have the right level of cover in place and you need to make a claim, you could find that your insurance company reduces the value of your claim substantially, even if it's for less than the total amount of your cover. If, for example, you have possessions worth £50,000 but only insure them for £25,000, and you make a claim for £10,000, your insurer may reduce the amount they pay out to £5,000 because you are underinsured.

Other types of policy

With 'bedroom rated' policies, the insurer works out the sum insured based on the number of bedrooms you have. These policies typically provide up to £50,000 of cover as standard. This is usually enough for most houses, but you'll need to make sure it's enough to cover your possessions.

There are also 'unlimited sum insured' policies, which as the name suggests, cover all your contents without imposing a limit, meaning you don't have to worry about being underinsured.

We can help you find the right and most cost-effective policy for your needs.

UK INTEREST RATES AND THE SHADOW OF BREXIT

As the UK's departure from the EU grows ever nearer, experts are predicting that the Bank of England is unlikely to raise interest rates again this year.

Policymakers may adopt a 'wait-and-see' attitude. Once the terms of the deal become apparent, and a picture emerges of what a post-Brexit economy might look like, they will no doubt take stock and consider how best to steer the economy through the transition phase.

Some market-watchers believe that May next year looks like the first available opportunity to raise rates to 1%, and even then, this will depend on key economic data such as inflation and unemployment figures. Contrary news flow predicts a February rise, based on stronger than expected economic growth. Data from the International Monetary Fund shows the UK economy is currently performing at above its long-term average growth potential.

Although the continuing low level of interest rates is not good news for savers, mortgage holders and those hoping to get on the housing ladder look set to benefit for the remainder of the year.

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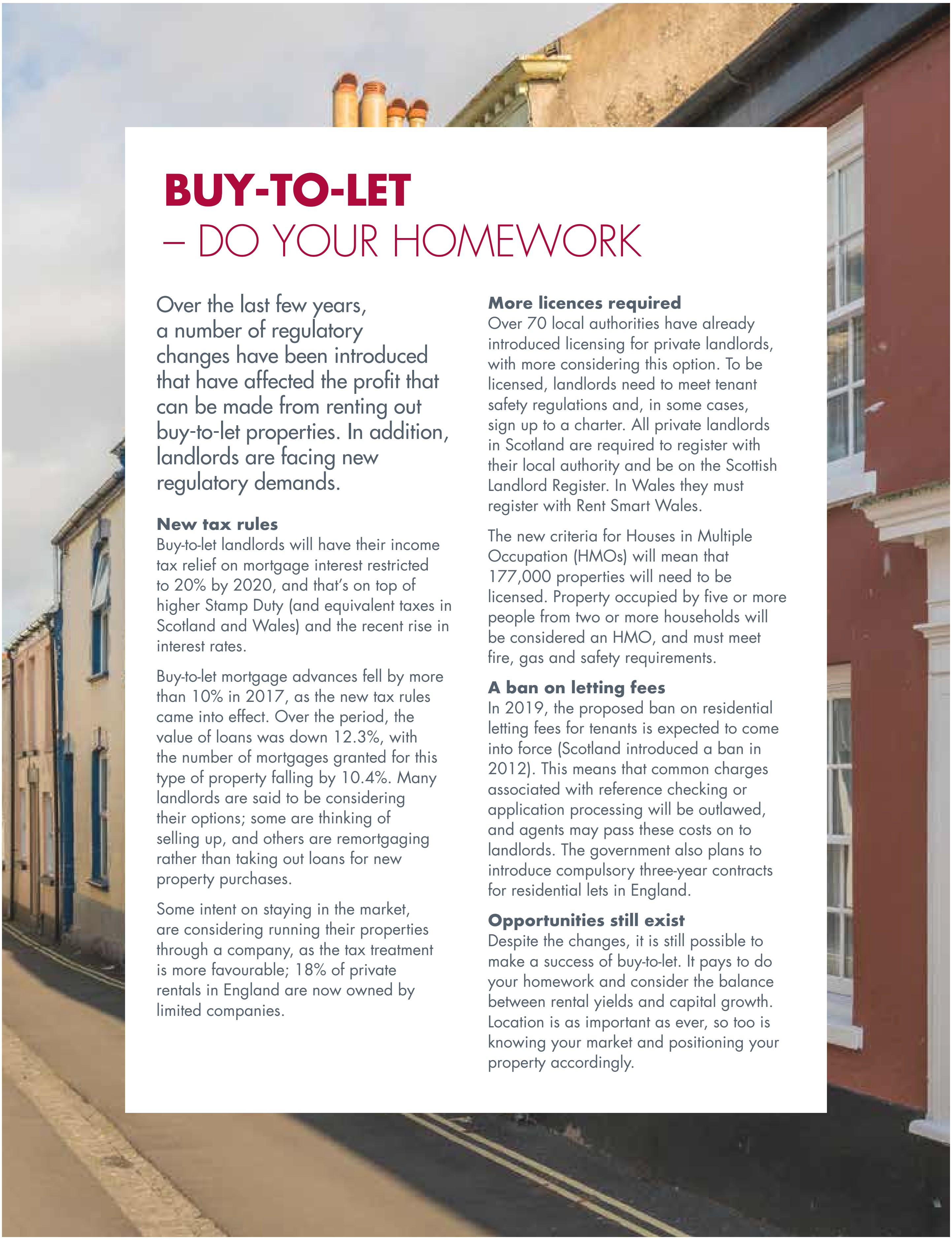

BUY-TO-LET – DO YOUR HOMEWORK

Over the last few years, a number of regulatory changes have been introduced that have affected the profit that can be made from renting out buy-to-let properties. In addition, landlords are facing new regulatory demands.

New tax rules

Buy-to-let landlords will have their income tax relief on mortgage interest restricted to 20% by 2020, and that's on top of higher Stamp Duty (and equivalent taxes in Scotland and Wales) and the recent rise in interest rates.

Buy-to-let mortgage advances fell by more than 10% in 2017, as the new tax rules came into effect. Over the period, the value of loans was down 12.3%, with the number of mortgages granted for this type of property falling by 10.4%. Many landlords are said to be considering their options; some are thinking of selling up, and others are remortgaging rather than taking out loans for new property purchases.

Some intent on staying in the market, are considering running their properties through a company, as the tax treatment is more favourable; 18% of private rentals in England are now owned by limited companies.

More licences required

Over 70 local authorities have already introduced licensing for private landlords, with more considering this option. To be licensed, landlords need to meet tenant safety regulations and, in some cases, sign up to a charter. All private landlords in Scotland are required to register with their local authority and be on the Scottish Landlord Register. In Wales they must register with Rent Smart Wales.

The new criteria for Houses in Multiple Occupation (HMOs) will mean that 177,000 properties will need to be licensed. Property occupied by five or more people from two or more households will be considered an HMO, and must meet fire, gas and safety requirements.

A ban on letting fees

In 2019, the proposed ban on residential letting fees for tenants is expected to come into force (Scotland introduced a ban in 2012). This means that common charges associated with reference checking or application processing will be outlawed, and agents may pass these costs on to landlords. The government also plans to introduce compulsory three-year contracts for residential lets in England.

Opportunities still exist

Despite the changes, it is still possible to make a success of buy-to-let. It pays to do your homework and consider the balance between rental yields and capital growth. Location is as important as ever, so too is knowing your market and positioning your property accordingly.

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TOP TIPS FOR CHOOSING A MORTGAGE

Taking out the mortgage that's right for your circumstances can seem a bit overwhelming. There are many different types to choose from, all meeting the needs of different types of borrowers.

Fees
You'll need to check out the fees associated with any mortgage deal. Some low-rate deals may look inviting, but they can come with hefty fees attached. There can also be fees payable if you choose to redeem your mortgage early or exit fees if you choose to move to a new lender.

Flexibility
If you think you might want to overpay your mortgage, or conversely take a payment holiday, then you'll need to check the small print to see what your lender will allow.

Package deals
Some mortgages come with incentives such as a free valuation, free legal fees or even cash back. You'll need to calculate how these will affect the overall cost of the deal, as they may mean it's not cost-effective.

Taking advice pays
There's a lot at stake and getting the right deal can save you hundreds, if not thousands, of pounds over the life of your mortgage. That's why it pays to take advice from an independent mortgage adviser. Your adviser will be able to help you by explaining what's on offer from the various lenders in the market. They'll be able to recommend the right type of mortgage and explain what the key features are, helping you make the right decision based on your individual circumstances.

If you're remortgaging, we will help you work out the maths on any proposed new deal, taking into account the fees and charges involved.

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THE DANGERS OF BUYING WITH YOUR HEART, NOT YOUR HEAD

It's all too easy to fall in love with a property the moment you view it. Estate agents joke that people can take longer to choose their curtains than they do their home.

However much a property has impressed you, it really pays to take a step back and think clearly before committing yourself to making a purchase, not least because of the amount of money involved if you subsequently decide you've made the wrong choice.

It's a good idea to make yourself a checklist of the essential points you're looking for before you start arranging viewings. As well the number of reception rooms and bedrooms, this can include the availability of transport links, schools and local amenities, as well as accessibility and parking.

Make several visits

Knowing which way the property faces may sound trivial, but you could find yourself spending large parts of the year in gloom if the main living areas are north-facing. Visiting the property at different times of the day will help you assess this, as well as getting a feel for the neighbourhood.

Surveys are a must. Missing out on this important stage might mean that you're taking on a property that has underlying problems like dry rot that could be costly to put right. Getting the heating and plumbing checked out makes sense too, as the last thing you want to do is move in and find the property is cold and there's no hot water. If your surveyor identifies problems, but you still want to proceed, then you could use the survey findings to renegotiate the price.

Don't feel pressurised into making a hasty decision, no-one wants to suffer buyer remorse.

FIRST-TIME BUYER?
YOU'LL NEED UP TO 13 TIMES YOUR SALARY TO BUY A HOME

Research from the Office for National Statistics, which looked at affordability in last year's property market, revealed a wide variation in the amount of salary needed to purchase a property in different parts of the UK.

London, the report showed, was the least affordable region for prospective first-time buyers in 14 of the last 19 years, with purchasers needing 13 times their salary (based on full-time median gross salary) to buy a home in 2017.

The typical Londoner between the ages of 22 and 29 earns £25,780 and the average lowest quartile house price is £336,000. This represents a significant rise from 1999, when house prices were four times the salary of prospective buyers in the capital. Even five years ago, the gap was 9.8 times salary.

However, those buying their first property in the North East were expected to spend five-and-a-half times their earnings on their home.

Overall, housing became less affordable for first-time buyers in 78% of local authorities in England and Wales last year.

COMMON HOUSE-BUYING HITCHES

Buying a home can be an exciting time, but it can also be a nerve-racking experience. Here, we look at some of the problems that can occur.

Getting the right mortgage can be a bit of a minefield. Nowadays, you need to have your finances in good shape before you apply and have a substantial deposit to get the best mortgage deal. This is where taking advice can really help. We know the marketplace and the lenders well, so we can save you the time and trouble involved in researching what's on offer and will help you find the most appropriate deal for your financial circumstances.

GETTING THE RIGHT MORTGAGE CAN BE A BIT OF A MINEFIELD. NOWADAYS, YOU NEED TO HAVE YOUR FINANCES IN GOOD SHAPE BEFORE YOU APPLY AND HAVE A SUBSTANTIAL DEPOSIT TO GET THE BEST MORTGAGE DEAL

Links in the chain

A property chain occurs when a seller is also buying a property themselves. Problems can occur if you find yourself in a long chain and someone decides to pull out. Surveys can sometimes reveal problems with a property that would be costly to put right, meaning that the would-be buyers decide not to proceed.

'Gazumping' is where a seller accepts an offer, but then backs out and accepts a higher offer from a different buyer. 'Gazundering' occurs when a buyer decides to reduce their offer after they've made it, leaving the seller with the choice of accepting a lower offer or putting their property back onto the market. In many areas of Scotland, the majority of properties are sold by solicitor estate agents, bound by the Law Society of Scotland's guidelines. These are intended to stop gazumping from happening.

Paperwork problems

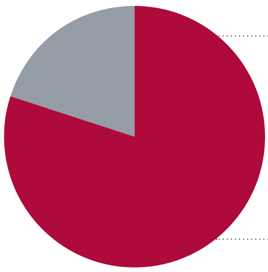
Property transactions can come to a standstill if paperwork isn't dealt with swiftly, or if vital documents go missing. It makes good sense to ensure that if you're selling a property you get all the important documents, such as guarantees and planning permissions, together before you list your property.

OVER 80% OF MORTGAGE HOLDERS DON'T HAVE INCOME PROTECTION

Research has shown that mortgage holders often overlook the importance of having the right protection policies in place when taking out their loan. A mortgage is a big responsibility that usually lasts for many years, and as we all know, life doesn't always go according to plan.

The best financial advice when taking out a mortgage is always to consider what would happen if illness, accident or death were to intervene, and have a plan in place to safeguard your repayments. Policies provide an income or pay out a lump sum that can be vital in keeping a roof over a family's head at a difficult time.

A recent survey amongst mortgage holders showed that 42% don't have a life insurance policy in place, 71% have no critical illness cover, and 81% don't have any income protection in place[1].



Many were aware of the need for cover; 20% of full-time working people questioned for the survey recognised that they would benefit from having insurance protection in place, but hadn't got around to arranging it.

[1]Royal London, 2018

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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.