

the mortgage & protection news

The bulletin from Apricot for Money



With lots of external influences, quite apart from what may occur on the domestic front, it's not easy to see how 2012 will pan out...

» There are various views on how the Eurozone crisis will impact upon the UK and how it will affect the environment for mortgage lending.

What is known, is that some of the lowest average Fixed and Variable Tracker rate mortgage deals since records began, are now on offer. Which could be great news for those that want to remortgage. Alternatively, with the Bank of England Base Rate sitting at 0.5%, it could be equally good for those who remain on a Variable Tracker product that's linked to it.

(Sources: Moneyfacts & Bank of England, January 2012)

Interest rate rises without a Base Rate rise?

A good number of existing deals will come to an end in 2012, with borrowers then reverting to their Lender's Standard Variable Rate (SVR). Overall, it's possible that at least 3.5m borrowers may now be sitting on an SVR!

And some may have already fallen victim to Lenders raising their SVRs, despite the Base Rate remaining stable, with a number of SVRs now well north of 4%.

(Source: Moneyfacts, January 2012)

Planning ahead

That's why it makes sense to consider this scenario. If your interest rate rose markedly



Looking Ahead

within the next two or five years, would your monthly finances be able to cope or would you struggle massively?

It may be fine now, but much can happen over, say, the next five years. Think back to how different it was in 2007.

At the outset of the year Gordon Brown was still hoping one day to become Prime Minister and no-one had an iPhone. Facebook had only just been offered to the wider public, whilst the long-established Woolworths was on every High Street. Finally, landing a job at Lehman Brothers would have been a cause for celebration!

No one knows if the next five years will follow a similar path of massive change,

but you need to be mindful of what you and your family's needs may be over this period of time.

Your next move

You may be tempted by the current crop of deals on offer. Although there's no guarantee that they'll be around into the longer-term.

Particularly as there has been some upward movement in the money markets which may result in more expensive deals, as the LIBOR and SWAP rates are a better determinant on future mortgage rates. SWAP relates to the cost of obtaining fixed term funding on the money markets and impacts upon Fixed rate

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Welcome....

to this newsletter, which covers what we believe are some of the key issues of the moment that affect mortgage, protection and insurance products - and sets out how we **may help you.**

■ **Apricot for Money is an appointed representative of Personal Touch Financial Services Ltd, which is authorised and regulated by the Financial Services Authority.**

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

We'll fight your corner

You're unlikely to attempt to build an extension, rewire your home or sell your house using solely your own efforts. You'd get in a professional, who will hopefully deliver peace of mind and get the job done...

» As we set out on page 1 - there is so much uncertainty out there, it may be beneficial to have the guidance of a helping hand, irrespective of how financially aware you may be.

Take your **protection needs**, for example, there are a whole multitude of product types (and on-going innovations) to meet a host of differing needs. And that's before considering what may already be on offer from your existing employer or the State - as there's no sense in being over-insured.

Take basic Life Cover Term Assurance - did you know that the costs have largely dropped across the board in recent years? Elsewhere, there are upcoming issues such as the removal of differing 'gender' rates from December 2012, which will affect pricing across most products.

Why not have a chat with us to establish if you still have in place suitable protection for you and your family.

Mortgage issues

Again, like protection, it might make sense to reassess your mortgage needs too. Even if the upshot is to do nothing for now.

According to research by Barclays, a surprising 58% of homeowners say they have never remortgaged outside of moving home, yet the majority of those surveyed (74%) said that if they could save £50 a month on their mortgage payments, they'd do so! (Source: Barclays, November 2011)

And, with Lenders being particularly picky about whom they lend to these days, we can consider the wider marketplace to secure the most suitable outcome for you.

Like other professionals, we're here to

make your life easier. We can take away a lot of the legwork, hold your hand through the process, liaise with the various parties involved and be readily available.

Hopefully, we can also add further value to the process, such as considering placing any life cover policies in trust. This may assist a speedier payout to beneficiaries and might also help minimise any future tax liabilities.

Do get in touch to discuss your needs. As with all insurance policies, terms, conditions and exclusions will apply. You may have to pay an early repayment charge to your existing lender if you remortgage. The Financial Services Authority does not regulate Taxation or Trust advice.

Boost for Buyers and Housebuilders

Two big issues for the mortgage market are the shortfall in the number of new homes being built and the scarcity of low deposit mortgage products to assist the First-Time Buyer.

Recent Government initiatives, such as the **Get Britain Building Fund** and the **New Build Indemnity Scheme** - aim to tackle both.

With regard to housebuilding, the number of new homes built is at its lowest level since 1949, with just around 135,000 being built across the UK in the year to March 2011. That's less than half of what Ministers say is required to meet demand. (Source: Department for Communities and Local Government (CLG), Website 2011)

Yet there are plenty of stalled projects, possibly 130,000, which need a boost to get going again - and the Government hopes the £420m fund it's setting aside for this, will get at least 16,000 of them up and running from July this year. (Source: BBC/CLG Website, Nov 2011)

For the **New Build Indemnity Scheme**, the Government will work with the majority of Lenders to help provide mortgages up to 95% of the value of a newly built home - markedly

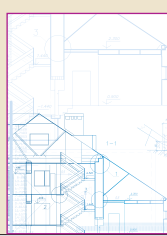
reducing the deposit that people have to save. This scheme - where the Government will underwrite part of the risk - may assist around 100,000 buyers. And it's not solely for First-Time Buyers, although Buy-to-Let investors and second home owners are not eligible. It's currently only operating in England and should be up and running by March 2012.



However, there are other schemes offering varying degrees of support across the rest of the UK, including schemes provided through the Low-cost Initiative for First-Time Buyers (LIFT) in Scotland, the Co-ownership scheme running in Northern Ireland, or Homes within Reach in Wales.

Talk to us in order to discuss your mortgage needs.

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



If you're looking for a way to get better returns from your savings, combined with a flexible mortgage loan, then an **Offset Mortgage** may be the option for you.

» This product allows you to pool both your savings and mortgage with your lender, where the savings are then 'offset' against the mortgage capital.

If, for example, your mortgage loan is £150,000, but you have £30,000 in a savings account with the same lender, you will only need to pay interest on £120,000.

At which point you can choose how to benefit in two main ways:

- Either you have lower monthly payments, where your mortgage term remains the same, but you pay back less each month.
- Or a shorter mortgage term. Where you keep your payments the same, without allowing for the reduction due to using the savings.

Working for you

Either way, by opting to not earn interest on your savings, they are effectively working for you at the same rate of interest as your mortgage. The less attractive alternative is to earn a lower level of savings interest, which is then normally subject to tax too.

And the beauty is that you can have access to your savings, if wanted, as it's not used to actually repay any of your mortgage, it just sits alongside it. All that happens is that the amount of mortgage interest paid

increases if you withdraw any savings.

There are other benefits too. For example, with some products, there may even be the opportunity for parents (or grandparents) to use their own savings to help offset their children's mortgage.

Flexibility

Another advantage of Offset Mortgages is that it may give you the flexibility to underpay or take payment holidays, providing you have made sufficient overpayments previously to cover this.

This may appeal to people with fluctuating earnings, commissions, bonuses, or who work freelance and have to set aside a large lump sum to pay the taxman, as they might want to put this money to good use via an Offset.

But Offset Mortgages will not be for everyone. And the interest rates may be less

competitive than those offered for a conventional mortgage. So we'd need to do the maths for you.

If you'd like to see how you could give your mortgage payments a helping hand, then talk to us, to see if Offset suits your needs.

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



» You will know that it's important to have Life Cover in place. You may additionally be aware that it's in your best interests to write a Will. And also know that by placing your Life Policy in Trust, it should help to speed up the payout of a claim, and might protect it too from being added as part of your Estate.

However, were you aware of what would happen if there was a child or children and their parents both died, with no Will or Guardianship arrangement in place?

Irrespective of any family support, in the eyes of the law the child (children) may be placed immediately in Care, whilst guardianship is being sorted out!!

**Talk to us, to find out more...
The Financial Services Authority does not regulate Trust Advice or Will Writing.**

You've probably heard a lot about Buy-to-Let in recent months, but have you ever considered Let-to-Buy?

Imagine you've found the property you want, at an excellent price, but can't sell your existing home. Let-to-Buy may offer a solution, where you rent out your current home (with your rental income probably needing to be about 125% of your mortgage payments to cover maintenance, voids, etc), and then secure a new mortgage against the new property.

Of course, you'd need to get your existing Lender to agree to this (and they may want to charge slightly more if they convert the loan to a Buy-to-Let mortgage). Additionally, you need to be aware that you would be taking on a second mortgage.

Let-to-Buy

So you would have to weigh up the risks before proceeding - should you feel that this approach may be the 'chain-breaker' for you.

The Financial Services Authority does not regulate most Buy-to-Let mortgages.

There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage.

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

Protect your income

It's not something we like to dwell on, but would you be able to manage financially if you were off work for a period of time, due to illness or accidental injury (or even redundancy)?



» One way of protecting yourself is to take out an **Income Protection** policy.

If you don't think that this could affect you, then consider this. According to the latest available figures, a massive 2.6 million people are currently off work and claiming either Employment and Support Allowance or Incapacity Benefit.

(Source: Department for Work and Pensions, May 2011 figures, released November 2011)

Additionally, fears of redundancy have fuelled the surge in sales of Income Protection, as some policies may also include unemployment cover as a bolt-on.

Do your sums to lessen your premiums

Income Protection is designed to pay out a tax-free monthly sum in the event that you are unable to work due to illness or accidental injury, or (if you have the additional cover) become unemployed. It usually pays out until you return to work, or retire (or in the case of the unemployment bolt-on, it's generally up to 24 months).

You decide how much cover you require in order to continue paying your bills. Of course, there is a maximum amount you can take out. Broadly, it's slightly less than your salary after tax, although the exact amount does vary from insurer to insurer.

And Income Protection generally covers - unlike some other policies - two of the main reasons for taking time off work; stress and back pain.

With Income Protection you are also individually assessed (rather than one size fits all), so people at low risk (ie in good health, relatively young and working in an office) won't be subsidising the rest.

Do factor into any planning what you may initially receive from your employer, along with any limited support from the State. As this may dictate when you'd like the cover to kick-in (the deferment period), which will have an impact on the premium charged.

It's not suitable for all

Be warned, if you know or suspect that you are going to be made redundant (and take out this cover as a bolt-on), then this would invalidate any claims you subsequently make. The same may also apply to any pre-existing medical conditions or illnesses.

And you may also face problems in taking out this policy if you are self-employed, a temporary or contract worker, have been with your current employer less than six months, or are over 65.

Take advice

Income Protection is a complex product so it is essential that you take advice.

And, an additional issue can now be added to the mix. From December 2012 the EU will remove different gender pricing which can vary widely for Income Protection, so it may be beneficial to get your plan in place before then.

As with all insurance policies, terms, conditions and exclusions will apply.

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deals, with LIBOR (the cost of floating rate funding) affecting Variable Trackers.

Even the Bank of England has intimated that Lenders may now pass onto household and corporate borrowers their higher cost of funding.

(Source: Bank of England, Financial Stability Report, Dec 2011)

Attitude to risk

The bigger margin currently applied by Lenders for Fixed rates means that borrowers willing to take a gamble on rates rising slowly may be tempted by Variable Tracker rate mortgages, that will look better value at the outset. And there may be the option with some products to switch to a 'Fix' at a later date (subject to rates at that time).

■ We cover mortgages, insurance and protection products along with a number of other financial areas, so do contact us if you'd like to discuss your financial needs:
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Bristol area email: roger@apricotformoney.co.uk
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Alternatively, the possibility of obtaining a 'decent' Fixed rate may deliver the security needed to help see you through the next few years, especially if you feel rates may start to rise by a sizeable amount.

Of course, there are a whole host of issues that would also need to be considered before you opted for any new mortgage deal, so **do get in touch** and we can then identify the best route forward. This may well be to continue to remain with your current deal. But it is important to reassess, just to see if a new strategy may now work better for you.

You may have to pay an early repayment charge to your existing lender if you remortgage.

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

The Financial Services Authority does not regulate Personal Loans.

We normally charge a fee for mortgage advice, however this will depend on your circumstances. The fee is £895.00 payable only on the production of a mortgage offer from a lender.

■ The contents of this newsletter are believed to be correct at the date of publication (January 2012).

■ Every care is taken that the information in *The Mortgage & Protection News* publication is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

■ The information in this newsletter is of a general nature. You should seek professional advice tailored to your needs and circumstances before making any decisions.