Financial Viewpoint

Do you know your credit rating?

If you're looking to take your first steps onto the housing ladder you may have sacrificed your takeaways and holidays to save the deposit and scoured hundreds of houses online. But have your checked your credit history?

Even if you're remortgaging or moving up the housing ladder your credit history will be important.

If you're a first time buyer looking for a mortgage or a homeover looking to remortgage, please get in touch to see how we can help find the right mortgage for your circumstances.

What is a credit score?

A credit report includes details of your credit history including any credit you've applied for (like loans, credit cards, and overdrafts), credit you've been given and how you've managed the repayments. Also included are your address details (current and previous), public records such as county court judgments and financial associates (someone who is financially linked to you eg. a joint mortgage or bank account).

All the details in your credit report are analysed to calculate your credit score. This score is used by lenders as an indication of how you'll manage and repay the money you borrow.

Scores on the doors

The general rule is the higher the score the better, and the more likely you'll be accepted for a mortgage or other credit.

If you're looking to take out a mortgage or remortgage, check your credit score regularly. You can usually get a simple overview for free and it pays to check with several different sources. Noddle, Equifax, ClearScore and Experian all offer a service to help you understand your rating.

According to research from Experian, when the home buyers who were surveyed checked their credit 18% found their score was lower than expected. The good news is that there are ways to improve a low score:

- Pay more than your minimum payments on credit cards
- Bring your overdraft down
- Close unused credit accounts
- Register for the electoral roll

Happily, 54% of those surveyed found their score was higher than expected and 25% were surprised by their score. Given that 43% of people haven't checked their credit score it may be that many are unaware of the impact it may have until they come to apply for a mortgage.

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

OW1005 Exp. 31/03/18

High inflation hits workers and savers

Employment is at a record high, but UK workers are starting to feel the squeeze as wages fall below inflation for the first time since 2014.

If you'd like to discuss how you can make your money work harder, please get in touch.

Inflation has gone up, in part, due to the Brexit-related fall in the value of sterling, but the fall in wage growth is unusual as it occurs at a time when employment is at a high. When prices rise faster than wages, it reduces spending power and puts pressure on household finances.

Keeping up with inflation

If you earned £539 per week (the 2016 median gross weekly earnings for full-time employees) your pay next year would need to increase by another £10 each week to keep up with an inflation rate of 2.6% (which it was in August 2017). Unfortunately, the current average pay growth of just 1.8% means your earnings will actually be worth £4 less each week.

As well as your wage-packet, rising inflation could also erode the value of any savings you have on deposit, leading some to consider a riskier investment where there is potential for your money to work harder. If you find yourself in this situation, we can help.

Designing your investment strategy

After establishing and agreeing your attitude to risk, we will work with you to create an appropriate investment strategy - one that aims to maximise returns while maintaining the right level of risk for you.

As well as recommending the most appropriate product or tax 'wrapper' (a specific type of tax efficient investment) from the range available to us, we will also recommend the most appropriate fund or portfolio of funds.

Our recommendation will also take into account a number of other factors, including:

- Your objectives for the investment
- Your personal circumstances
- The timeframe over which you intend to hold the investment or pension
- The amount of money you have available to invest
- Other investments that you already have

With so many investment options available and the effects of inflation erosion posing an immediate risk to your savings, the hardest part can be deciding which route to take.

We'll follow a clear and thorough process to clarify exactly what you need from your investments and how much risk you're prepared to take. Our approach will help you get a solution that matches your needs – today and in the future.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up. You may not get back the amounts originally invested.

OW1003 Exp. 07/01/18

Investment advice – what a relief!

Every client we meet has a unique and varied range of financial planning needs, so it's important to establish priorities as the first step towards creating a meaningful and relevant financial plan.

When it comes to investment planning, one such priority is making sure you're in a position to maximise the tax reliefs and allowances that are available. Here's a useful summary:

Earn up to **£1,000** interest on your personal savings tax free, higher rate taxpayers will be able to earn up to £500

Pay no tax on the first **£5,000** of dividend income from your investments (This allowance reduces to £2,000 in the 2018/19 tax year)

Invest up to £3,600 or 100% of UK relevant earnings, whichever is the greater,up to a maximum of **£40,000** in your pension every tax year and receive tax relief on those contributions

Review your potential Inheritance Tax liability with the introduction of the Residence Nil Rate Band

Make the most of your ISA allowance every year and invest up to **£20,000** (in 2017/18)

Consider whether you could take advantage of the tax efficiencies available from investing in an Enterprise Investment Scheme or Venture Capital Trust. Please note these are specialist investment options that carry higher risk and not suitable for all investors

Make the most of your **£11,300** Capital Gains Tax CGT allowance when selling an asset or investment that has increased in value. Transfer between spouses is currently exempt from CGT. By gifting assets to your spouse or Civil Partner you effectively double your allowance

To find out more about how we can plan a tax efficient investment strategy please get in touch.

This information is based on our current understanding of the rules for the 2017-18 tax year.

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

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.

OW1004 Exp. 31/03/18

Average house prices

today
£209,971

2000
£81,628

1980
£22,677

Whatever age you are, whether you're looking to buy for the first time, remortgage or move up the housing ladder, please get in touch to see how we can find the right mortgage for you.

Mortgage-savvy millennials

When it comes to their mortgage, are younger people making better financial decisions than their older counterparts?

The term 'millennial generation' applies to people born somewhere between 1980 and 2000, a 20-year span which also saw a huge rise in property prices. At the start of 1980, the average house price was £22,677, but by the end of 2000 this had risen to £81,628. Today the figure stands at £209,971.

A recent study shows the dramatic rise in property prices means just one in five 25-year-olds can afford to buy a property, and the average age of a first-time buyer in the UK has been pushed up to 30. Despite the financial challenges, almost three quarters of UK millennials intend to buy their first home in the next five years.

Repayment vs interest-only

The millennials who've bucked the trend and already made the first rung of the housing ladder obviously prefer the concept of reducing their loan month by month, with the vast majority (92%) of 18-34 year olds choosing a repayment mortgage, compared with 68% of those aged 55 and over.

Fixed rate

Younger borrowers also seem to prefer to know what their mortgage repayments are going to be, with nearly 70% opting for a fixed-rate deal compared with 35% of their older counterparts. They also seem happy to shop around, with a quarter remortgaging to potentially reduce their monthly payments, whereas 82% of those aged 55 and over have stuck with the same mortgage.

Offset mortgages also appear to be more attractive to younger generations with one third of 18-34 year olds taking out an offset mortgage (where they will use their savings to either reduce the term or repayments on their mortgage) compared to just 11% of over 55s.

If there is a conclusion to be made from these statistics it could be that millennials are more savvy when it comes to their mortgage, but remember, interest rates have remained at record lows for nearly ten years; something that's very much in their favour.

Figures correct as at September 2017

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

Pension death benefits

There's a range of options when it comes to deciding how to fund retirement, but few of us stop to think about what might happen to pension savings in the event of death.

Please contact me if you'd like to discuss the rules and explore whether and how you and your loved ones could benefit from them.

Alongside the more familiar changes to retirement choices that happened back in 2015, 'Pension Freedoms' heralded significant changes in how pension death benefits are taxed; bringing with them new inheritance-planning opportunities.

Passing on wealth

Since April 2015 it has been possible for the plan holder to pass their pension on to any nominee(s) through something called Nominee Flexi-Access Drawdown. Further, when the nominee dies, a successor - or successors - can also inherit a drawdown pension through a Successor Flexi-Access Drawdown.

In turn, each nominee or successor can pass the assets on to other nominees or successors, retaining the tax efficiency of the plan through multiple generations.

The key benefit lies in retaining the assets within a pension wrapper: in this way they fall outside of the plan holder's estate for Inheritance Tax (IHT) purposes. As long as they remain within the wrapper they stay tax efficient in most cases until they're needed by the nominee or successor.

If the plan holder - or a nominee or a successor - dies before the age of 75, not only are the assets passed on free of IHT, but the drawdowns are paid out free of income tax. If they die after the age of 75, the assets are still excluded from the estate for IHT purposes, but any lump sums or income drawdowns are treated as income and are subject to the beneficiaries' own marginal rate of tax (ie. taking into account other sources of income).

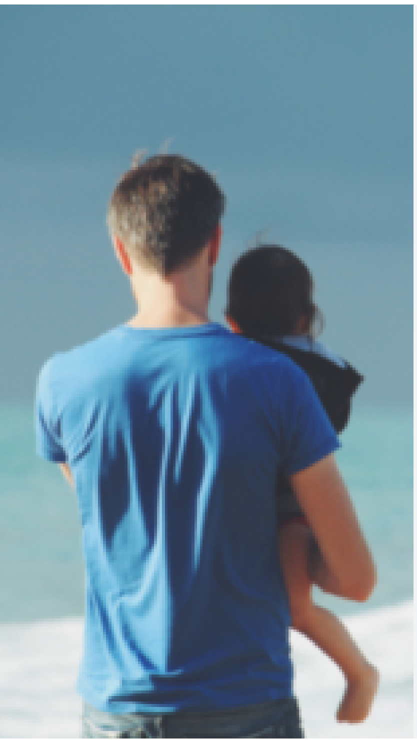
How might your dependents benefit?

The example given below is a simplified illustration and only a guide to what might be achieved with careful financial planning.

However, it's important to note that most of the existing pension plans were set up before the new regulations came into force and may not have the flexibility to establish Nominee or Successor Flexi-Access Drawdown accounts.

Instead, the pension provider will pay out the full value of the fund in cash on the death of the plan holder. In that situation, the assets count towards the total estate for IHT purposes.

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



The pension family tree

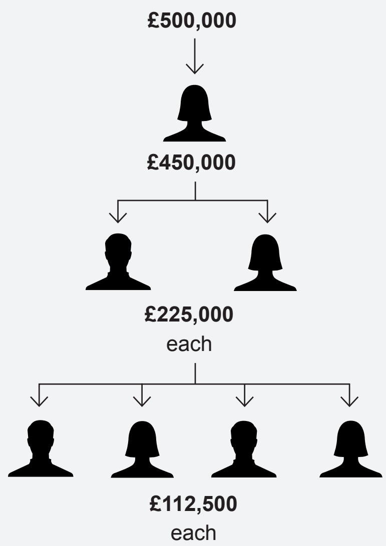
A family comprises a husband and wife, their two children who in turn have two children each (four grandchildren in total).

The husband dies aged 76 with £500,000 remaining in his pension fund.

The wife inherits a Nominee Flexi-Access Drawdown plan. As her husband died after reaching the age of 75, any withdrawals are taxable as income. The wife dies aged 74 and with £450,000 remaining in the plan.

The two children each inherit half of this (£225,000) through Successor Flexi-Access Drawdown. Withdrawals are tax free as the mother died before age 75. However, both children die in their 60s without accessing their plans. As they also died before reaching 75, each residual pension fund passes tax free to the grandchildren.

Each grandchild inherits a Successor Flexi-Access Drawdown pot of £112,500 and enjoys tax-free withdrawals.



Protecting your mortgage repayments

We think protection advice is imperative when you have a home or family you want to protect. So, talk to us about a mortgage and we'll talk to you about life cover.

Choosing to protect yourself

When you take out a mortgage through us, we'll ask if you want to take out protection as well. What's more, we will analyse your lifestyle and any protection shortfall and recommend a protection plan that will help protect you and your family from the financial consequences of serious illness or death.

Buying a house could be one of the biggest financial commitments you'll make: getting a deposit together can wipe out your savings and paying your mortgage will take a chunk out of your income. So how would your family continue to meet this commitment if you stopped earning?

When taking out a mortgage, it's essential to consider how you would continue to cover your mortgage payments if you fell ill or died unexpectedly.
There are a number of ways you can do this:

Life Insurance

If you died suddenly, a Life Insurance policy would pay out a cash sum to your dependents. They could use this to pay off their mortgage and keep the roof over their heads.

Mortgage Payment Protection Insurance (MPPI)

Also known as Accident Sickness and Unemployment (ASU) cover, MPPI covers your mortgage related repayments if you can't work because of redundancy, accident or ill-health. Benefits are usually paid for 12 months although some providers offer 24 months' cover.

Critical Illness Insurance

Critical Illness Insurance pays out a lump sum if you're diagnosed with a specified critical illness such as cancer, stroke or heart attack. You can use the cash payout to clear your mortgage, pay for medical treatment, take time to recuperate or anything else you choose.

Income Protection

Income Protection can replace part of your income if you're unable to work for a long time due to illness or disability. It will pay out until you return to work or the policy ends – whichever happens first. Income Protection plans usually have a waiting period before the benefit becomes payable.

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General

The value of our advice

Good financial advice and planning helps people to protect and build their assets, make the most of their investments and help to achieve the goals and lifestyle they desire.

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For more information about any of our services, please get in touch.

Establishing priorities

Every client we meet has a unique and varied range of financial planning needs, so it's important to establish priorities right from the start if we are to create a meaningful and relevant plan.

As time passes, your financial plan will need to evolve, and regulatory changes can impact the effectiveness of any structures already in place. That's why we recommend a regular review to ensure that your plans remain on track and relevant.

The importance of ongoing advice and service

If you choose to receive ongoing advice and service from us, we'll invite you to regular meetings where we will monitor the progress of your plans and discuss any adjustments required in the light of changing circumstances.

We believe that ongoing service can help you continue to make well-informed choices and give you the best chance of achieving your goals through key life stages.

Five promises we make to our clients

1. We will help you arrange your finances so that they work as effectively as possible towards funding your life goals.
2. We will help you take steps to ensure your income, assets and family are protected from the impact of long-term illness, disablement or death.
3. We will advise you on how your investments can benefit from relevant tax reliefs and allowances. We will also advise you on the most effective way of withdrawing income or capital from your arrangements when the need arises, or how best to pass wealth to your intended beneficiaries.
4. We will help you keep your plans in focus by regularly meeting with you to review and refresh arrangements. This might be a result of changing personal circumstances, legislation, new opportunities and any other factors relevant to your situation.
5. We will be accessible and responsive whenever you wish to contact us with queries or requests.

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