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Financial Viewpoint

Joshua Gerstler
0208 953 8687
info@opfs.co.uk

Your latest newsletter from The Orchard Practice

Fixed rate mortgages: What you need to know

Despite the Bank of England Base Rate remaining unchanged for the past six years, fresh predictions from commentators and economists about when it might rise have continued unabated.

With rates at their lowest level in history, it seems that when they do eventually change, it's likely to be in an upward direction.

But when it comes to arranging your mortgage, you shouldn't let predictions about the future of interest rates dominate your decision-making. Fixed rate mortgages can offer protection from rate rises for an agreed period – but there are several considerations you'll need to think about before making your decision.

Predictable repayments – but you won't benefit from rate cuts

When choosing a mortgage, one of the main decisions to make is whether to go for a 'tracker' or a 'fixed rate' mortgage.

With a **tracker** mortgage, your monthly payment fluctuates in line with a rate that's equal to, higher, or lower than a chosen Base Rate (usually the Bank of England Base Rate). The rate charged on the mortgage 'tracks' that rate, usually for a set period of two to three years.

Tracker rates might be more appealing if you have a fixed budget and can tolerate a higher mortgage payment when rates rise, as you'll benefit from a reduced monthly mortgage payment if rates go down.

With a **fixed rate** mortgage, the rate (and therefore your repayments) will stay the same for an agreed period. A fixed rate mortgage makes budgeting much easier because your payments will not change - even if interest rates go up. However, it also means you won't benefit if rates go down.

Longer fixed terms will be more expensive

If you choose a fixed rate mortgage, you'll need to decide how long you want your fixed rate to last. Two-year fixed rate mortgages typically offer the lowest initial interest rate. If you want to fix your interest rate for longer, you will probably pay more for that longer-term security. The term you choose will depend on your current circumstances and future expectations.

A change in circumstances could cost you

Do you have any *known* changes on the horizon that will have an impact on your mortgage?

With a fixed rate mortgage, there is usually an early repayment charge if you repay all - or a certain percentage - of the mortgage during the fixed-rate period. If for example, you know that in 18 months time your employment contract is up for renewal and you may be asked to relocate, you'd probably want to avoid being tied into a longer deal.

If you have no known changes and want to benefit from a longer period of security, then a longer-term fixed rate of five years may appeal. It might cost more initially, but you'll benefit from knowing that your repayments will stay the same for that length of time.

Don't be drawn into trying to second guess what will happen with interest rates over the coming years. We can help you come to the right decision for your next mortgage.

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

For this service a fee of £395 is payable upon agreement to use our services.

COPEN1047 Exp. 17/06/16

Pension freedoms to be extended to annuities

The Chancellor has announced that the government will extend its pension freedoms to around 5 million people who have already bought an annuity.

From April 2016, the government will remove the restrictions on buying and selling existing annuities to allow pensioners to sell the income they receive from their annuity without unwinding the original annuity contract.

Pensioners will then have the freedom to use that capital as they wish – just as those who reach retirement with a pension pot can do under the pension freedoms announced in the 2014 Budget. This means they can either take it as a lump sum, or place it into drawdown to use the proceeds more gradually.

Pension reform: The next chapter

The new flexibilities build on the radical pension reforms that came into effect on 6 April, which allow people to make their own, informed choice about what they do with their savings in retirement.

Currently people wanting to sell their annuity income to a willing buyer face a 55% tax charge, or up to 70% in some cases. The government will remove this charge, so people are taxed only at their marginal rate.

Consultation underway

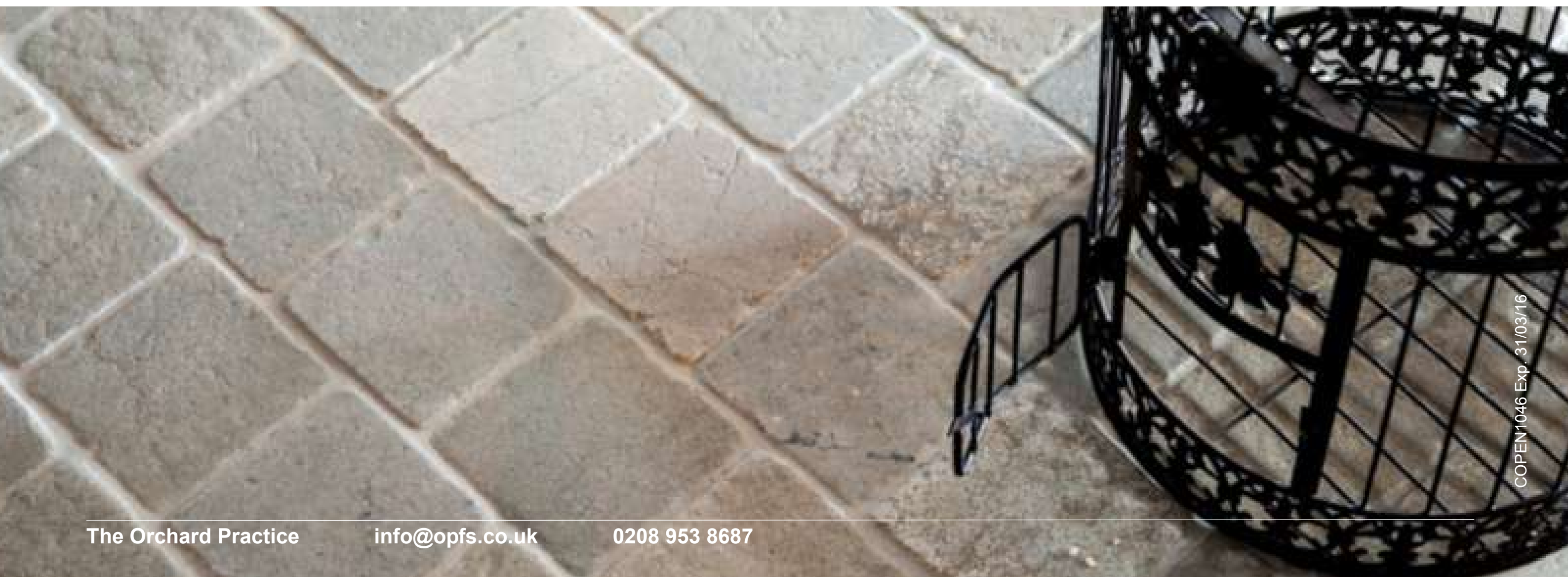
The government has launched a consultation on the measures that are needed to establish a market to sell and buy annuities. It is expected that for the great majority of customers, selling an annuity will not be the right decision. However a minority of individuals may want to sell an annuity to:

- provide a lump sum for relatives or dependants
- pay off debts
- respond to a change in circumstances (eg. getting divorced or remarried)
- purchase a more flexible pension income product instead

To ensure people are in a position to make an informed decision, the government will be working with the Financial Conduct Authority (FCA) to introduce appropriate guidance and other consumer protection measures. This may include extending Pension Wise, the free service that helps consumers understand how to use their pension pot at the point of retirement.

If you're saving for retirement, or considering taking your retirement benefits in the near future, please get in touch to discuss your options.

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



COPEN1046 Exp. 31/03/16

How to avoid a pension scam

The government's Pension Wise service has warned that pension scams, where criminals cheat people out of their pension pots, are on the increase.

There are different types of scam, but they often begin by someone contacting you unexpectedly by phone, email or letter. They may invite you to learn more about:

- an investment or other business opportunity that you've not previously spoken to them about
- taking your pension savings before you're 55
- the ways that you can invest your pension money

Most of these offers are misleading (you can only take your pension money before age 55 in very rare cases, for example) or completely fake – but they can appear very convincing.

The scammers' aim is to get you to cash in your pension pot and transfer the money. Once you've transferred your money into a scam, it's too late. You could lose all of your pension money, or face tax of up to 55% or huge additional fees.

How to tell if it's a scam

Watch out if an individual or company:

- 'cold calls' you about your pension money by phone, text, visiting you in person, or in other ways
- says you can access your pension money before 55 and that they can help you with this
- encourages you to take out a large lump sum, or your whole pension pot as cash, so that they can invest it for you
- asks you to transfer your money quickly, even sending documents to you by courier (you should never make a rushed decision about your pension money)
- uses words like 'pension liberation', 'loan', 'loophole', 'free pension review' or 'one-off investment'
- offers you an investment described as 'unique', 'overseas', 'environmentally friendly', 'ethical' or in a 'new' industry

How to protect yourself

Check if the person or company contacting you is on the Financial Services Register by visiting fca.org.uk/register or calling the Financial Conduct Authority (FCA) on 0800 111 6768. If you call the person or company back, use the phone number for them that's on the Register.

If anyone cold calls you claiming to be from the government, a pension provider or other organisation, and asks for your personal or financial details, don't reveal them. Hang up if you need to.

If you think you've been the victim of a pension scam, call Action Fraud on 0300 123 2040 or use the Action Fraud online reporting tool: *actionfraud.police.uk/report-a-fraud-including-online-crime*

COPEN1045 Exp 17/06/16

Why your pet may be better insured than you

If you have a pet, you'll know how expensive vet bills can be.

And, like 6.6 million other pet owners in the UK, you may have bought an insurance policy to prevent Fido's latest mishap, or Mr Tibbs' unexpected op, causing you serious financial hardship in the future.

But surprisingly, it seems many of us don't apply the same care and consideration to ourselves.

It's estimated that around 7 million people lack insurance that would help their loved ones avoid financial hardship in the event of their own unexpected death.

How life insurance can make a difference

Managing unexpected vet's bills without appropriate insurance can be a real struggle, but it's nothing compared to the risks that under-insured homeowners – and their families – might face. The following real-life examples illustrate how dying without life insurance can have a catastrophic effect on those left behind.

Example:
Mrs Brown

Mr Smith and Mrs Brown were business partners who jointly owned a Buy to Let property. They had purchased it with a £70,000 Buy to Let mortgage.

Mr Smith was diagnosed with cancer and died shortly afterwards. **He had no life cover**. Solicitors arranged the estate, transferring the property to Mrs Brown and arranging for Mr Smith's widow to receive half of the rent from the property.

The solicitors informed the mortgage lender of the transfer of property. The mortgage lenders said the death of Mr Smith represented a 'Material Change' to the mortgage contract and as a result demanded the full loan amount be paid immediately.

Mrs Brown had to remortgage the property to pay off the £70,000 mortgage. She also had to cover additional administrative and legal costs.

Example:
Mr and Mrs Jones

Mr and Mrs Jones were married, and living together, with a residential mortgage. The property was solely in Mr Jones' name.

Mr Jones was killed in an accident. Although **he had no life cover**, he had **left a detailed Will**. His two children from a previous marriage disputed the Will, meaning the estate was left unsettled for several years. The mortgage lender became aware there was no life cover in place and therefore no immediate way to pay off the mortgage. They then started proceedings to repossess the property.

Mrs Jones was forced to remortgage in order to pay the lender. She also had to cover additional administrative and legal costs and stamp duty.

Have you insured what matters most?

If the unexpected happens, the right insurance can make all the difference. Appropriate protection, such as life or critical illness cover (written in trust) can help you, your business partners or your loved ones avoid financial difficulty at an already traumatic time.

If you are among the 7 million UK homeowners that don't have any life insurance in place, or simply want to review your existing cover, please talk to us.

COPEN1043 Exp. 17/06/16

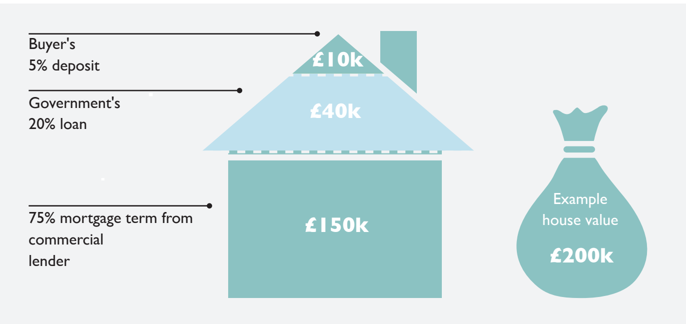
Help to Buy
Providing support to homebuyers

The government-backed Help to Buy scheme comprises three elements:

- **an 'equity loan' – for brand new homes in England & Wales**
- **a 'mortgage guarantee' – for new-build or existing homes anywhere in the UK**
- **NEW: a 'Help to Buy ISA' – to help first-time buyers save for a deposit**

Help to Buy equity loans

With a Help to Buy equity loan you only need a 5% deposit and a 75% mortgage – the government will lend you up to 20% to fill the gap. Help to Buy equity loans are open to both **first-time buyers** and **homemovers**. They can be used towards **new-build** homes worth **up to £600,000**.



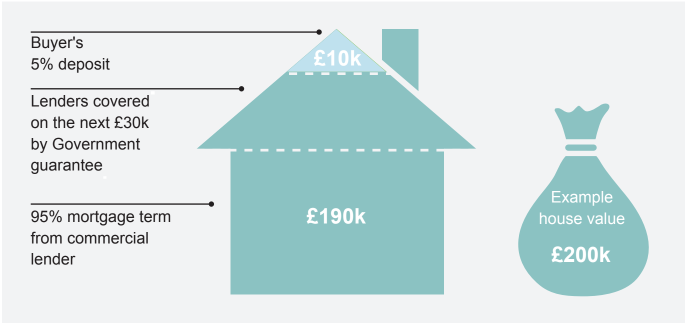
The scheme is not available for those wishing to purchase a second home or a Buy to Let property. The equity loan must be repaid after 25 years – or earlier if you sell your home.

You must repay the same percentage of the proceeds of the sale as the initial equity loan (ie. if you received an equity loan for 20% of the purchase price of your home, you must repay 20% of the proceeds of the sale). The equity loan is interest free for the first five years. After that, you will pay a fee of 1.75%, rising annually by the increase (if any) in the Retail Price Index (RPI) plus 1%.

If you're looking for help stepping onto or moving up the property ladder, please get in touch.

Help to Buy mortgage guarantee

The Help to Buy mortgage guarantee scheme works by offering lenders the option to purchase a guarantee on mortgages where a borrower has a deposit of between 5% and 20%. Help to Buy mortgage guarantees are open to both **first-time buyers** and **homemovers**. They can be used towards **new-build homes** or **existing properties** worth up to **£600,000**.



The guarantee protects the lender rather than the borrower against losses. Borrowers remain fully responsible for their mortgage payments and any shortfall in the normal way.

Help to Buy ISA

The new tax-free Help to Buy ISA will be available to first-time buyers from 1 December 2015. Under the new scheme you can save up to £200 every month and the government will then add a 25% top-up.

If you save the maximum every month, the government will add in £50 up to a maximum of £3,000. You will also be able to save an additional £1,000 when you first open the ISA. This means you can save £1,200 in the first month and it will be topped up by £300.

Accounts are limited to one per person, but if you are saving as a couple you could qualify for a £6,000 bonus. This could make all the difference if you are looking to buy your first home together.

Tax concessions are not guaranteed and may change in the future.

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COPEN1115 Exp. 15/03/16

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Stroke impacting more working-age people

New data from the Stroke Association has shown an alarming increase in the number of working-age people affected by stroke.

As well as the obvious health implications, stroke can severely impact a survivor's ability to earn or maintain an income, which can have a knock-on effect on things such as lifestyle and rehabilitation.

Sharp rise among 40-54 age group

The number of strokes occurring in men aged between 40 and 54 has increased by almost 50% in less than 15 years. In 2000, there were over 4,260 hospital admissions for stroke among men in this age group in England. This figure soared to 6,221 in 2014 – an increase of 46%.

The number of women aged between 40 and 54 admitted to hospital after a stroke in the last 15 years has also dramatically increased by almost 30% - from 3,529 in 2000, to 4,604 in 2014.

Managing your stroke risk

You can reduce your risk of stroke by making a few simple lifestyle changes. The Stroke Association has highlighted six key areas to focus on:

- Manage underlying health conditions, such as high blood pressure or cholesterol
- Eat a healthy diet
- Exercise regularly
- Stop smoking
- Cut down on alcohol
- Maintain a healthy weight

For more detail, please visit www.stroke.org.uk

Preparing for the unexpected

Stroke survivors who are unable to return to work often struggle to cope with a fall in income and a benefits system which does not recognise the full impact of stroke.

You can take control of this uncertainty by putting financial measures in place that would protect you, should the unexpected happen.

For instance, a critical illness insurance policy pays out a tax-free lump sum on the diagnoses of certain life-threatening or debilitating conditions - including stroke. This can be used to pay off your mortgage, pay for treatment, rehabilitation or home alterations, or anything else you choose.

If you'd like to find out how critical illness insurance could protect you and your family, please get in touch.

COPEN1040 Exp. 31/12/15

The Orchard Practice **info@opfs.co.uk** **0208 953 8687**

What's your personal financial wellness plan?

The outgoings we face today just to keep on top of the mortgage or rent, utilities, food and other regular commitments such as loans and childcare costs, can be significant. So it's important to plan for the unexpected and avoid making a potentially costly mistake.

We might worry about how we would pay the bills and look after our families if we were to have an accident, but the truth is many of us don't have cover in place to protect against it. With 30% of households admitting they wouldn't be able to pay their mortgage if they were to unexpectedly lose their income[1], it's clear there's a real risk of serious financial hardship if income stops - even for a short time.

The importance of appropriate protection

Most of us buy travel insurance when we go on holiday. We insure our pets against illness and the sometimes eye-watering vets bills this can incur. We insure our mobile phones, washing machines, gadgets and cars.

But all of these expenses need to be funded from somewhere, and if a sudden event affects our personal cash flow, it would be hard to see how we could keep these other insurances going – let alone all the other outgoings.

Swiss Re[2] estimates that the average person is underinsured by as much as £100,000, with single parents, couples with children and the under-35s the most likely to not have the right cover. That is just an estimate – it could be higher and the pressures on average incomes mean it probably is.

Is it time to review your circumstances?

There is real value in taking time to regularly think about your personal circumstances. As you go through life, your lifestyle will change and so too will your need for protection.

There are a number of affordable protection products available that give you peace of mind in knowing your finances would stay intact. These include life and critical illness cover, income protection, insurance aimed specifically at hospital stays and treatments, as well as accident protection.

Make a commitment to your own financial wellness and talk to us about life and protection insurance tailored to your circumstances.

[1]HSBC Survey 2015
[2]http://www.swissre.com/media/news_releases/nr_20120611_Term_Health_Watch.htm

COPEN959 Exp. 01/04/16

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Do you live in a happy town?

Rightmove's annual Happy at Home Index has named Harrogate the happiest place to live in Great Britain for the third year running.

This year's report once again asked residents from 130 places across England, Wales and Scotland to rank a number of factors relating to their home, and their local community. The twelve factors range from neighbourliness and how much there is to do in the area, to how happy people are with their home's décor, value, and costs to run it.

Who's happiest?

For overall happiness, Shrewsbury, Ipswich, York and Chester joined Harrogate to complete the top five places.

National capitals Cardiff and Glasgow ranked mid-table – although the Welsh capital outperformed its Scottish counterpart by appearing near the top of the charts for Community, while Glasgow ranked higher for Amenities.

London's regional results varied drastically: Richmond upon Thames (19th place) topped the regional list while nine other London places ranked in the nation's bottom 10.

Looking for a new place to call home? Talk to us for advice on finding the right mortgage deal for you.

Happiest place to live in each UK region

Region	Happiest Place
Yorkshire	Harrogate
West Midlands	Shrewsbury
East Anglia	Ipswich
North West	Chester
Scotland	Inverness
Wales	Llandrindod Wells
South East	Hemel Hempstead
South West	Truro
London	Richmond upon Thames
North East	Hull
East Midlands	Lincoln

What matters most?

The results also show that different places scored highly for different factors. For instance, Torquay (ranked 17th overall), was ranked in first place for Recreation but 107th for Safety. Meanwhile, Aberdeen (ranked 106th overall) ranked 7th for Cost, but 107th for Neighbourliness.

If you'd like to see how your region or town performed, or you think it could help you decide your next property move, you can find full details of the Happy Home index at *rightmove.co.uk/viz/happy-at-home*

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The Orchard Practice
2 Penta Court
Station Road
Borehamwood
Hertfordshire
WD6 1SL

0208 953 8687
info@opfs.co.uk
www.opfs.co.uk

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