

## FINANCE MATTERS

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### SMARTER WORKING

The government has committed to making the home buying and selling process quicker, cheaper and less stressful. To this end, a programme of measures was announced in April, designed to streamline property sales.

### TIGHTER CONTROLS

Under the proposals, estate agents will be required to obtain professional qualifications, and the practice of gazumping, where higher offers are accepted after a sale has been agreed, will be actively discouraged by the introduction of voluntary reservation agreements. (The existing process in Scotland already makes gazumping less likely there).

Local authority searches will be subject to a time limit, meaning that solicitors acting for buyers should be able to obtain the information they need within ten days.

Managing agents and freeholders will be required to provide lease information for a set fee within an agreed timescale.

### FINDING THE ANSWERS

To ensure that buyers and sellers are better informed about the property process, a series of guides are to be published that will cover the key facts about each stage. These will also set out pertinent questions that anyone buying or selling should ask to help ensure their property transaction proceeds smoothly.

## PREPARATION IS KEY TO STRESS-FREE HOME BUYING



A recent industry survey<sup>1</sup> showed that 41% of people feel stressed by the mortgage process, taking the fun out of looking for a new home. This needn't be the case and by following these top tips you can stay in control, save money and enjoy the experience.

### SAVE, SAVE AND SAVE

In most cases, the bigger the deposit you can put down and the less you need to borrow, the lower your interest rate is likely to be. Don't forget that your savings will also need to cover other charges like legal fees and survey costs, so budget for them to avoid any nasty surprises.

### MONTHLY OUTGOINGS

It pays to take a long hard look at your income versus your outgoings; any lender considering your mortgage application will expect you to be on top of your bills and to be able to afford your monthly mortgage payments. Check your standing orders and subscriptions and cancel any you can manage without. Also, keep a keen eye on how much you spend on luxuries like entertainment and meals out.

### CHECK YOUR CREDIT SCORE

Lenders will expect you to have a healthy credit score. A higher score usually means

you are a lower risk; the more points you score the better the chances that you'll get credit at better rates.

### GET PROFESSIONAL ADVICE

Getting advice will save you time, money and stress. We are on your side, have access to a wide range of mortgage deals, know the industry and can offer useful advice on all aspects of the home buying process. We can help you get an in-principle decision from a lender, which gives a seller the confidence that you are a serious purchaser.

### KNOW YOUR ESTATE AGENT

First-time buyers with mortgage offers in place are attractive to sellers as they can proceed more quickly than another buyer who has yet to sell. Make sure that the estate agent is aware of your position, so they can pass this information on to sellers. Keep in regular contact and build a rapport with the agent.

### DON'T FORGET THE SURVEY

Once you've found somewhere you want to buy, make sure you get a professional survey. A surveyor will identify structural problems that could be expensive to remedy.

<sup>1</sup>Trussle, 2018

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## WHAT NEXT FOR THE GLOBAL ECONOMY?



It was a disappointing beginning to 2018 for many major advanced economies. The UK endured a woeful start, with estimates suggesting gross domestic product (GDP) rose by just 0.1% in the first quarter, the weakest rate of growth since the final quarter of 2012.

A similar picture of weakening growth emerged across the other major advanced economies. Growth in the Eurozone slowed to 0.4% in the first quarter, compared with 0.7% in the previous quarter. In Japan, the economy contracted by 0.2%, ending two years of positive growth. The US economy lost some steam; data released by the Bureau of Economic Analysis, revealed US GDP rose at an annualised rate of 2.3% in Q1 2018, a significant slowdown from the annualised 2.9% expansion witnessed across Q4 2017.

### HEALTHY PROSPECTS FOR THE YEAR AHEAD

Despite this loss of momentum, prospects across the global economy for the year ahead are relatively healthy. The first quarter slowdown is widely expected to represent a temporary blip rather than a sign of more deep-rooted economic problems. The fundamentals of the global economy appear to be relatively robust and there are signs that the major advanced economies are likely to see a rebound in growth over the coming months.

### FORECASTS UPGRADED

The IMF feel the global economic upswing that began around mid-2016 has become broader and stronger, and that advanced economies will continue to expand above their potential growth rate this year and next. They predict global economic growth of 3.9% in 2018 and 2019, with the economy supported by favourable market sentiment, accommodative financial conditions, and the domestic and international repercussions of the expansionary US fiscal policy.

### TROUBLE AHEAD?

An area of concern the IMF have highlighted, is protectionism and the prospect of a trade war, with a warning that economic performance could be impacted by increased trade barriers. Fears of a stronger and longer period of monetary tightening have also abated in recent months, with the first quarter slowdown halting the need for imminent increases in interest rates in the UK. The Federal Reserve are expected to be more aggressive with markets predicting four rate increases across 2018, as Fed officials become mindful of a build-up in inflationary pressures.

### TIME FOR GOOD CHEER?

While there are economic dangers lurking ahead with a resurgence of inflationary pressures, Brexit uncertainties, political turmoil and setbacks in trade talks all possible, at the moment, there does appear to be some room for optimism when it comes to global economic prospects.

## WHAT IS ESG INVESTING?

Environmental, Social and Governance, ESG in short, refers to a subset of non-financial performance indicators, which encompass sustainable, ethical and governance issues. ESG factors can be used to evaluate corporate behaviour and to determine the long-term financial performance prospects of a company.

Increasingly, socially conscious investors are using ESG factors to screen potential investments. Environmental criteria look at how a company performs as a guardian for the environment, for example their impact on climate change or carbon emissions, water use or conservation efforts. Social criteria focus on a company's ability to manage relationships with its employees, clients, suppliers and the local communities in which it operates. Governance examines a company's leadership, shareholder rights, audits and internal controls, anti-corruption policies, board diversity, executive pay and human rights efforts, for example.

Many larger firms are beginning to track their ESG progress as ESG-minded business practices are gaining traction. In the financial services sector, firms such as Wells Fargo, JPMorgan Chase and Goldman Sachs have released annual reports reviewing their approaches to ESG.



## LOOKING FOR A MORTGAGE LATER IN LIFE

With people getting on to the property ladder at all stages in life, a growing number are looking for mortgage finance in their 50s and beyond. This has created demand for greater flexibility, and lenders are now beginning to address the needs of this age group.

### THE OLDER BORROWER

Following the Mortgage Market Review in 2014, banks and building societies were required to adopt stricter lending criteria and affordability checks, and as a result many lenders restricted both their maximum borrowing and repayment age.

However, we know the lenders in the marketplace who are happy to cater for specific mortgage needs such as this and we can help with the process. Older borrowers still need to go through the usual checks to ensure they can afford to make their monthly mortgage repayments and they will also need to show proof of income and declare all outgoings, including any debts.

Lenders will consider issues that could affect an older borrower's income, such as their state of health, and in the case of joint borrowers, what would happen to their finances if one of them were to die. A lender will assess whether a loan is affordable in the case of a potential borrower in receipt of a pension, as opposed to one who is likely to retire half way through the mortgage term.

On the other side of the coin, older borrowers can often be free of other commitments that can burden younger borrowers – they are further into their careers and probably earn more, their children may have left home, and many may have already come into money through a family inheritance.

### TAKE ADVICE

Getting advice can really help. We know the marketplace and so are able to ensure that your application goes to a lender who caters for your specific mortgage needs.

## DON'T UNDERESTIMATE THE VALUE OF INSURANCE

Insurance policies are designed to provide financial safeguards and valuable peace of mind. If you're a homeowner then it makes sense to have plans in place that protect you, your family and your home.

### LIFE INSURANCE TAILORED TO YOUR NEEDS

There are various plans designed to protect you and your family:

- **Life policies** – these provide a tax-free sum for those you leave behind in the event of your death. If you have a mortgage, it's a big financial responsibility and no-one would want to leave their family with money worries at a sad and difficult time.
- **Critical illness cover** – this means that if you are diagnosed with a serious illness as defined in your policy, there's a cash pay-out to help alleviate financial worries and protect your family.
- **Income protection** – these policies provide a monthly pay-out that helps

pay your mortgage and other living costs in the event of an accident, sickness or involuntary unemployment.

### PROTECT YOUR POSSESSIONS AS WELL AS YOUR HOME

Buildings insurance covers you for damage to the structure of your home.

When you take out a mortgage, your lender will require that you have buildings insurance in place and that it covers the cost of rebuilding the property and its permanent fixtures and fittings. The rebuilding cost isn't the same as your property's market value, it's generally a lower figure which will be detailed in your lender's valuation report or arrived at by using an online calculator.

Mortgage lenders don't insist that you have cover for your home contents but it makes good sense to protect them against risks like burglary, fire and flood. You can also arrange insurance for valuable items like jewellery, and those belongings you use away from home, such as laptops.

If you would like some help in ensuring you have the right protection policies for your needs, do get in touch.

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## IT PAYS TO GET ADVICE

Buying a house involves making lots of decisions, some simpler than others. Finding the right house in your chosen location can be the easy part, finding the best and most suitable mortgage deal for your financial circumstances can prove to be more of a headache.

With so many mortgage deals available in the market how do you know which one represents the best value? The market is very competitive and if you're not familiar with the way it works and the terminology, it can be hard to understand what is on offer.

### FINDING THE BEST DEAL

We are seeing more people choosing to work with a mortgage adviser. They understand that it helps to work with someone who can explain all that is on offer to ensure they get the mortgage best suited to their needs. At this potentially stressful and expensive time it really does help to work with an expert and someone who shares your commitment to making the right choice.

Like properties, mortgages come in many shapes and sizes such as fixed, variable and tracker. You'll also find that lenders offer mortgages with different interest rates that can be fixed for various time periods. However, looking just at the interest rate that's being charged can be misleading. Although a low rate may look enticing, you also need to check out the fees and charges. These could be high, resulting in you paying more than if you had chosen a mortgage with a slightly higher rate of interest.

There are also special deals available that include extras such as survey fees, legal costs or



cashback arrangements. We can help you work out which ones are worth going for.

### SAVE MONEY AND TIME

Working with us will save you time, money and stress. We will be able to compare the deals available from various lenders, taking into consideration things like fees and charges that will affect the overall cost of your mortgage. We will ensure that your mortgage application goes to the most appropriate lender. What's more, we are on hand from start to finish and can provide help with many other aspects of the house-buying process, like getting your offer accepted, finding solicitors and organising property surveys. We'll also give you good advice about putting protection policies in place. These are designed to provide financial safeguards that mean your mortgage is paid if you experience one of life's unexpected events.

So, if you're a first-time buyer, second-stepper, re-mortgager or would-be buy-to-let landlord, looking for professional mortgage advice, why not put us to the test?

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## STAMP DUTY – WHO PAYS?

Recent figures<sup>1</sup> show that second home buyers and landlords head the list of those who paid the most in Stamp Duty Land Tax in 2017. Since the changes introduced in 2016, anyone buying a second home or rental property for more than £40,000 has had to pay an additional 3%.

The government raised £9.5bn from stamp duty payments last year, the highest level ever seen in the UK, and second home buyers and landlords paid almost half of that figure. A purchase of a second property worth £500,000 would now be subject to £30,000 in stamp duty; if the same property was bought as a main residence, the bill would be £15,000.

First-time buyers by contrast now pay no stamp duty on properties worth less than £300,000 and reduced tax duty on properties worth less than £500,000.

Despite the capital experiencing a cooling in its property market, London buyers accounted for 39% by value of all stamp duty payments in 2017. Figures differ for Land and Buildings Transaction Tax in Scotland and Land Transaction Tax in Wales; under both, a 3% surcharge applies on additional properties.

<sup>1</sup>London Central Portfolio, 2018

**IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.**

**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. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.**

**The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. If you withdraw from an investment in the early years, you may not get back the full amount you invested. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency.**

**Information is based on our understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation, are subject to change.**

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**The value of investments and income from them may go down. You may not get back the original amount invested.**

**Tax treatment is based on individual circumstances and may be subject to change in the future.**