87 HIGH STREET, HEMEL HEMPSTEAD, HERTS, HP1 3AH
T - 01442 232272
LONDON OFFICE - 020 8441 2605
E: INFOHEMEL@OSFG.CO.UK
WWW.OSFG.CO.UK

FINANCE MATTERS SPRING 2022

INSIDE THIS ISSUE

HAVE YOU BEEN 'CATFISHED' BY A PROPERTY?

Not all prospective homebuyers will be familiar with 'catfishing' – a term from the online dating world to describe a person who presents themselves differently online to how they are in person. But a lot of them have suffered the catfishing experience at property viewings.

New word, familiar trend

A recent survey[1] of homebuyers suggested that more than seven in ten were 'catfished' by a property during their search. The most common issue was a property being much smaller than it appeared in photos.

Other let-downs included properties looking more outdated than expected, tiny rooms being advertised as extra bedrooms and poor build quality, which frequently led buyers to believe a property wasn't worth the asking price.

Extra tools

The best way to avoid disappointment is by doing some extra research rather than relying on the estate agent's photos. A floor plan can give you an idea of the actual size of each room, while a street view tool could give you a more realistic view of the state of the property.

[1]MoveStreets, 2021

What trends will dominate the housing market in 2022?

Last year house prices rose to new heights and the sales market was at its most active since 2007. Last year's property boom was fuelled by a desire for more space, a mismatch in supply and demand, and the temporary Stamp Duty holiday. Looking ahead, what trends will dominate the housing market in 2022?

Strong finale

More than 1.5 million homes were set to change hands in 2021, while the average UK house price hit a record high of over £270,000 in November[2]. According to the latest figures, the annual growth rate is at 8.1%. Will this growth be sustained into 2022?

Uncertain outlook

One prominent estate agent[3] has predicted that house prices will increase by 7% in 2022 in a 'best case' scenario, though it also made a 'downside' prediction of 2% growth. It remains to be seen how much impact an expected rise in the Bank of England's base rate will have on the market.

Robert Gardner, Nationwide's Chief Economist, thinks any increase will have minimal effect given that most mortgages are now on fixed rates, *"Even a 0.4% increase in rates (to 0.5%) is likely to have a modest impact on most borrowers who are on variable rates. For example, on the average mortgage, an interest rate increase of 0.4% would raise monthly payments by £28 to £625."*

Regional differences

Another pattern to watch out for is how regional discrepancies change. Variation is currently high across different regions. For example, the North West of England was the strongest performing region in 2021 with annual growth of 10.4% (to October) compared to London's rise of just 2.8%. Yet, the average property price in the North West (£205,881) remains far below the average in the capital (£514,907).

House prices also saw strong growth in Scotland, with the average property now costing £190,023 following year-on-year growth of 8.6%.

Here to advise

Finding a suitable mortgage and the right protection cover can be tough, especially in a rapidly moving property market. We can assess a wide range of mortgages and protection policies and advise on which ones are most suited to your circumstances.

[2]Halifax, 2021, [3]Strutt & Parker, 2021

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

Scam victims suffer a £9.3bn wellbeing impact

Unfortunately, scams continue to be rife. As well as having devasting financial impacts, a study[5] has found that scams affect personal wellbeing. By using a model that allows researchers to value changes in wellbeing in monetary terms, the impact of scams on victim wellbeing has been calculated at over £9bn a year – a personal cost of £2,509 for each victim, although the estimated impact for someone hit by online fraud is higher at £3,684. The research suggested scam victims faced a decline in life satisfaction, lower levels of happiness, considerably higher levels of anxiety and in some cases, ill-health.

Is a savings slump looming?

The cost of living is rising, with many savers saying they are rapidly eating into the additional savings they built up during lockdown. Nearly three-quarters (74%) of UK adults say they are worried about rising living costs, with 35% saying they feel more anxious about the future than before the pandemic[6]. This percentage increases to 42% for 45 to 54-year-olds.

A significant proportion of adults are eating into their lockdown savings fast. In fact, one-fifth say they have already spent their lockdown savings, while a further quarter predict their savings will be gone before the year is out. As normal life returns, the balancing act between spending and saving, particularly for those approaching retirement, is becoming ever more delicate. Although you're unlikely to save the same amounts now as you were in lockdown, don't despair as small amounts of savings each month can soon add up.

[5]Which?, 2021, [6]Aviva, 2021

Consumers and investors tune in to tackle climate change

More than half (57%) of consumers want their pension to be invested responsibly to help tackle climate change, but only one in seven people who have a pension have taken steps to invest it responsibly[7].

Climate change and the environment are bigger concerns for most people than COVID-19 or the economy, according to a new study[8]. In all ten countries surveyed, climate change or the environment was the number one ESG (Environmental, Social and Governance) concern, reflecting the prominence of climate change in the global debate. Other environmental issues cited include waste management (8%), pollution (6%) and clean air (5%). Furthermore, over half of consumers are willing to boycott companies with poor ESG performance.

SEC Newgate Deputy CEO EMEA Tom Parker commented, *"There is a widespread interest in and concern about the ethical and sustainability performance of governments and corporates. This is a truly worldwide phenomenon. The surprising consistency in these results illustrates that all local issues are global and that global issues are local."*

[7]Royal London, 2021, [8]SEC Newgate, 2021

Climate change and the environment are bigger concerns for most people than COVID-19 or the economy

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

How to minimise your risk of property chain collapse

Picture the scene: you've found your dream home, you're almost ready to exchange contracts, and then you get the call… your buyer has pulled out.

Domino effect

Such unexpected events in the property chain can leave your own purchase in jeopardy. Many property transactions are interlinked in this way, with the decision of one buyer having a knock-on effect on the whole chain. In the worst possible scenario, every single buyer will lose out on their new home.

Thankfully, there are actions you can take to speed up the process and reduce the risk of things going wrong.

Dodge the jeopardy

The first option is to avoid a chain altogether by finding a seller whose own transaction isn't dependent on the sale of their property. However, this does limit your options and will not be possible for everyone. So, what steps can you take if you do find yourself in a chain?

Be organised

Getting your transaction over and done with as quickly as possible limits the chances of your chain collapsing. Be proactive in instructing your solicitor and other professionals, ensure you're completing forms and sending them back as quickly as possible, and chase up any delays.

Don't be afraid to rent

Depending on your circumstances, it may be possible to sell your home and rent for a little while so that you're not dependent on a buyer. Likewise, if your seller's transaction falls through, you may be able to ask them to rent on a short-term basis so that you can still complete your purchase.

Let us help

Another way you can speed up your transaction and protect your chain is by securing an agreement in principle with a mortgage provider before beginning your search. We can help you there – so get in touch.

Getting a mortgage when retired – what you need to know

Becoming a homeowner later in life is not uncommon these days, but is it possible to get a mortgage if you're retired?

All the fives

It's true that getting a mortgage becomes a lot harder after the age of 55. First because it is more difficult to prove retirement income than it is to prove a salary, and second because mortgage providers will want to be sure you're able to pay off the loan during your lifetime.

Pensions and spending plans

Difficult doesn't mean impossible though. Some lenders are willing to provide mortgage finance to retirees so long as you can prove your income. Sources of income include a private or workplace pension (or a mixture of the two), as well as any savings you might have. These details, along with an outline of your expenditure, will help prove you will have enough to live on and to pay your mortgage for the duration of the term.

Depending on the lender, and your age, you may have to accept a shorter mortgage term or a higher interest rate. This is because most lenders have a maximum age by which they will want the mortgage to be paid off – this can be as high as 85 or as low as 70.

Find the right deal

For help and advice, get in touch and we will work with you to secure mortgage finance that suits your circumstances.

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

Preserving your retirement from the risk of mental decline

Many of us can now look forward to a longer retirement, due to increased life expectancy, however this unfortunately comes at a cost. The prevalence of age-related cognitive decline is on the rise, which could leave us vulnerable to costly financial errors.

There are nearly 885,000 people living with dementia in the UK[6], with estimates suggesting that between 5% and 20% of over-65s suffer from mild cognitive impairment (MCI). This is a condition in which someone has minor problems with cognition, such as thought process and memory.

Planning for every eventuality

An essential element of preparing for your retirement should involve planning for the possibility of cognitive decline. Despite many people still having the capacity to make decisions and live independently, MCI has been linked in studies to poorer financial capacity and a greater susceptibility to scams.

It's all about timing

In a recent survey[7], over 80% of investors felt the ideal time to transfer financial control would be *'sometime after they had begun to experience some cognitive decline but before they became completely incapable.'* Respondents thought there was a higher than one-in-three chance of a mistimed transfer, partly attributable to a reluctance to relinquish control, which highlights the need to plan sooner rather than later, so that any future transfer takes place on your terms.

Make time to talk

Preparing for the possibility of cognitive decline requires careful planning, not only having legal documents in place but also starting conversations with your family and those you trust about your finances and objectives, in advance of its possible onset. This fosters transparency and, with everything out in the open, close connections are more likely to notice if you begin making decisions about your money that don't align with your objectives.

We can assist you with planning and in starting these conversations well in advance, enabling you to better plan for the future, giving you a greater sense of control and ownership of your plans.

[6]Alzheimers Society, 2019, [7]Vanguard, 2021

If you would like any advice or information on any of the areas highlighted in this newsletter, please **get in touch**.

Gen up to protect yourself from pension scams

With pension scam losses totalling millions each year, good news came in November, when new regulations came into force to protect pension savers and stop suspicious scam transfers.

From 30 November 2021, pension trustees and scheme managers received new powers to intervene. Previously pension providers were not allowed to refuse to carry out a transfer where the saver has the right to do so, even if they were suspicious, but the new regulations will enable trustees to prevent a transfer request if they see evidence of 'red flags.'

Knowledge is power

The Financial Conduct Authority (FCA) has reaffirmed its commitment to tackling scams in order to ensure the long-term health of the pensions market. In a speech to delegates at the Pensions and Lifetime Savings Association, the FCA's Executive Director of Markets Sarah Pritchard said steps have been taken to stop scams reaching consumers, *"We want people to be better protected from the risks of scams and know how to protect themselves against them. Our ScamSmart campaign... gives knowledge and tools to help people protect themselves from scams."*

On-the-ball

We can all take simple steps to protect ourselves against potential scams, including:

- Double check who you're dealing with
- Don't give out personal information you wouldn't share with a stranger
- Don't feel pressurised into making quick decisions.

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation