VIEWPOINT

Issue 11 Spring newsletter 2015

INFINITY
financial advice

Low rates, why wait?

UK interest rates have been at the record low of 0.5% since March 2009.

Although recent growth in the economy has led many to suggest that rates will rise again, the continuing low inflation level, gives little reason to raise the cost of borrowing.

Indeed, the Bank of England hinted interest rates won't rise until Spring 2016.

A great time for borrowers

The low interest rates have helped banks and building societies keep prices down on mortgages.

Data from the Bank of England shows the average two-year fixed rate for a borrower with a 25% deposit is now 2.01%*. This is down from 3.11% in January 2013.

The average five-year fixed rate mortgage for someone with a 25% deposit stands at 3.09%*. The average rate on a 10% deposit mortgage stands at 3.79%, while the average rate on 5% deposit is 4.79%*.

Get the right advice

While banks and building societies are competing for your business, you need to be aware of the fees which may make the overall price more expensive.

While it may be cheaper than ever to get a mortgage, borrowing has become harder since new affordability rules were brought in during April 2014. The new rules require lenders to look more closely at outgoings too.

As well as pay slips and bank statements, details of regular payments such as haircuts, holidays and childcare could be required on your application.

Rethink your savings plans

The rock-bottom interest rates mean savers are not getting such a great deal. You need to make sure you put your money in the right type of account with the best rate.

One option is to use your yearly ISA Allowance. A cash ISA is simply a savings account where you don't pay tax on the interest. As of 6 April, savers can put up to £15,240 into their ISA and if you opt for an easy-access ISA you can take the money out whenever you like.

Whether you are looking for your first home, a bigger house or just to remortgage, or you want to know more about your saving options including ISAs, talk to us and you'll get the advice you need to get a great deal.

*Correct at 10 February 2015

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

For arranging a mortgage a fee of £145 in relation to a property purchase and/or £95 in relation to property re-mortgages is payable on application

COPEN961 Exp. 01/10/2015

Landlords and lending
What you need to know

The National Landlords Association (NLA) claims that so-called 'part-time' landlords now make up more than 70% of the private rented sector.[1]

If you're planning to buy a rental property as a long-term investment, or to generate a regular income, here are a few points you may want to consider before you get started.

Buy to Let mortgages
You're likely to need a Buy to Let mortgage to finance your property purchase. Buy to Let Mortgages are not regulated by the Financial Conduct Authority, but the lender will still be
looking for you to meet a number of requirements.

Typically, the lender will expect you to:

- Provide accurate information about your financial circumstances
- Understand the legal implications and commercial risks of being a landlord
- Read and understand its Buy to Let offer pack, and the terms and conditions
- Understand that you, not your tenant, are responsible for meeting mortgage payments
- Understand that non-payment of the mortgage may put the wellbeing of your tenants at risk and could lead to the property being repossessed

They will also expect you to let them know if your circumstances change and you decide to occupy a property.

Mortgage costs
Mortgage interest payments are likely to be your largest ongoing cost, and most lenders will want to ensure that the rental you earn from letting your property easily covers your mortgage commitment.

You'll also need to consider the lender's arrangement fee. This can often be added to your mortgage, which means you will pay interest on it, but this can normally be offset against your tax liability.

Purchase costs
If you're funding your purchase with a mortgage, you will still need to find a deposit from elsewhere. Depending on the condition of the property, you may have to undertake structural or decorative work.

You'll also have to budget for furniture and appliances if you intend to let your property furnished. Other costs will include legal fees, Stamp Duty Land Tax (if appropriate) and a survey fee.

[1] National Landlords Association, 10 July 2014
[2] www.which.co.uk, November 2014

ONGOING RUNNING COSTS

Like your own home, a Buy to Let property will require maintenance and you'll need to maintain the safety of gas and electrical appliances.

You might think of using a letting agent to market your property, select tenants and manage the property. A letting agent will typically charge around 10–15% of the monthly rental for this service.[2]

Your tenant will normally be responsible for most property related costs such as Council Tax, a TV Licence and utilities. The tenancy agreement should clearly set out who is responsible for each of these payments.

Don't forget to budget for insurance. Specialist buildings and contents insurance for landlords is essential, but you should also arrange cover to protect you against loss of rental income.

If you'd like more information on how to fund and protect your Buy to Let investment, please get in touch.

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COPEN924 Exp. 17/12/2015

What's your deadline to the breadline?

Research from Legal & General has revealed how quickly your money might run out if your household's main breadwinner died, or became unable to work due to long-term sickness or a critical illness.

The insurer found that, **on average**, working age families in the UK have just **two weeks** before becoming totally **reliant on state benefits**, friends or family[1].

Research results for the UK suggest that those in Wales are most at risk, being an average of just seven days from the breadline. Those in Scotland (17 days) and Northern Ireland (19 days) are also among the most vulnerable.

The best-prepared region of the UK is Greater London where households are, on average, 83 days away from the deadline.

Your savings

The average UK household has just £1,205 in savings and 35% of households admit to having no savings at all. Unforeseen events, ranging from illness to redundancy, often lead to a sudden loss of income, which means that over a third of UK households would not have enough cash to maintain their standard of living.

[1] Legal & General's Deadline to the Breadline Report 2014

Making cutbacks

The research also showed that three quarters of households worry about a rise in the cost of living. A rise of just 1% in mortgage interest rates would mean that households would no longer be able to save each month and would have to change their spending habits or rely on existing savings to make ends meet. A rise of 2% would move them one day closer to the breadline.

Shockingly, more than a quarter of those surveyed admitted they did not know where they'd be able to make cutbacks to find extra money.

How can you protect yourself?

If you were left without an income, you may be surprised how quickly your savings could be swallowed up by things like rent or mortgage payments, bills and other financial commitments. A protection policy can help ensure your financial commitments are taken care of if you, or your household's main breadwinner, suffered a sudden loss of income.

If you'd like advice on how to protect your finances, or you'd like to review your protection needs, please get in touch.

Protect your belongings when you're away from home

Our personal belongings mean a lot to us, so it's important we take steps to protect them – especially when we're out and about.

Things like jewellery, designer handbags, mobile phones and tablets can be expensive. Losing them, or having them stolen, costs money and causes inconvenience and upset.

According to a recent survey by Paymentshield:[1]

- 83% of people are likely to carry a purse/wallet
- 64% a smartphone
- 42% sunglasses/glasses

With so many of us carrying something of value when we're out and about, it's important to take steps to protect personal belongings.

[1] Paymentshield's YouGov Survey. Undertaken between 7 and 8 January 2014, with a sample size of 1114 UK adults over the age of 18.

Here are some simple steps you can take to look after your valuables whilst on the move.

- Be discreet – don't flash expensive items around
- Don't leave bags or other valuables unattended
- Don't leave valuables on show in your car
- Only take with you what you really need

Are you covered?

The experience of having something stolen is bad enough, without the added burden of having to pay for a replacement. This is where Personal Possessions Cover can help. It can provide cover for items such as bicycles, laptops, or mobile phones if they get lost, damaged or stolen.

To find out more about Personal Possessions Cover get in touch.

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COPEN966 Exp. 01/04/2016