VIEWPOINT

Issue 12 Summer newsletter 2015

INFINITY
financial advice

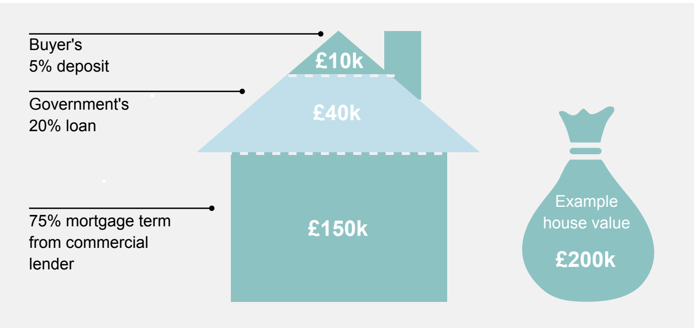
Help to Buy
Providing support to homebuyers

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 (from Autumn 2015)**

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**.

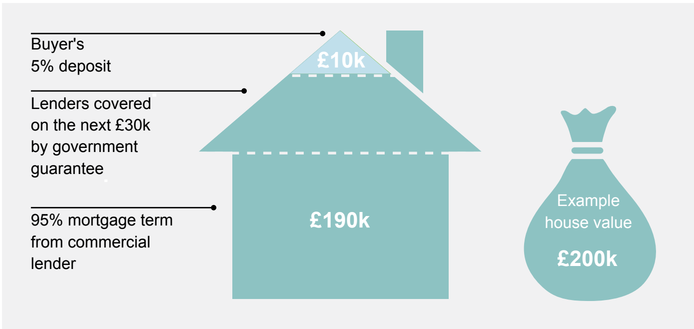


The scheme is not available for those wishing to purchase a second home or a Buy to Let property. The equity loan must be repaid after 25 years - or earlier if you sell your home.

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%.

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 Autumn 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.

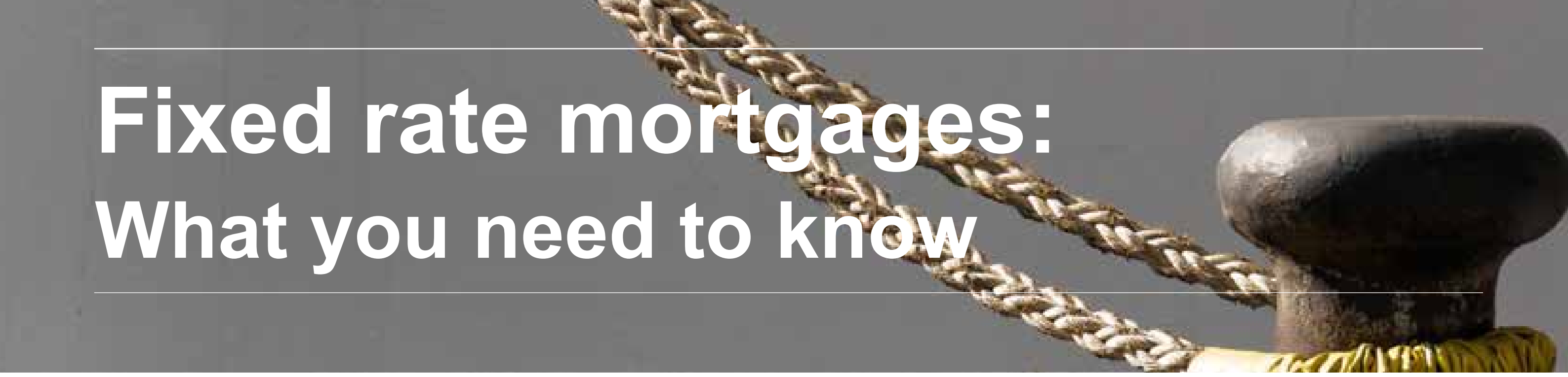
Accounts are limited to one per person, but if you are saving as a couple you could qualify for a £6,000 bonus. This could make all the difference if you are looking to buy your first home together.

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

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

COPEN1041 Exp. 17/06/2016



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 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

COPEN1047 Exp. 17/06/2016

Would you lose your home if you lost your income?

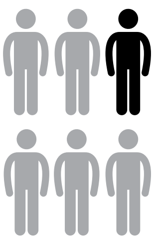
Buying a new home is probably one of life's biggest and most exciting events. It's also a big financial commitment – one that could be with you for 25 years or more.

Your ability to maintain your mortgage payments relies on a constant income, so how would you continue to make your mortgage repayments if your income was reduced – or stopped?

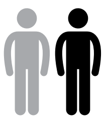
Why gamble on your future? You are far more likely to suffer a serious illness than see your numbers come up.

Winning national lottery jackpot:
1 in 14 million chance[1]

Having a stroke:
1 in 6 chance[2]



Getting diagnosed with cancer: 1 in 2 chance if born after 1960[3]



Thinking about the bad things that could happen – death, serious illness, injury – isn't pleasant, especially when we feel fit and healthy.

But by confronting the reality that it could happen to you, and putting plans in place to deal with it, you can give yourself extra peace of mind today and make sure you and your family are financially protected if the unthinkable ever happens.

A report by Macmillian Cancer Support showed that 4 in 5 people with cancer are affected financially.[4]

There are a range of products available that can provide a lump sum or a regular income on death, or diagnosis of a critical illness, and they could cost less than you think.

Choosing the right plan is important – especially if you already have some cover in place. This can be reviewed and we can determine if the cover is still appropriate. Please get in touch so that we can assess your circumstances and the cover options available to you.

[1] http://www.theguardian.com/uk-news/2014/nov/17/national-lottery-numbers-20-years-katie-price-win-jackpot
[2] http://www.worldstrokecampaign.org/learn/the-facts-behind-1-in-6.html
[3] http://www.cancerresearchuk.org/cancer-info/cancerstats/incidence/risk/statistics-on-the-risk-of-developing-cancer
[4] Macmillan Cancer Support – Cancer hidden price tag report (2012)

COPEN967 Exp. 01/04/2016

The matter of trusts

Taking out a life insurance policy gives you valuable peace of mind: you know you've protected your family against financial hardship, should the worst happen.

But how can you make sure your policy will pay out quickly, to those who'll need it most, should you die? The answer might be to write your policy in trust.

What is a 'trust'?

A trust is a legal document that allows you to specify what will happen to your money after your death. If your life insurance policy is written in trust, any payout will go to the trustees you've chosen, who will then ensure the funds are distributed to the people you'd like to benefit from the policy (the beneficiaries).

Why is a trust so important?

Putting your life insurance policy in trust gives you control over who the beneficiaries are, helps them avoid Inheritance Tax penalties and helps ensure they receive the money quickly.

Control

Every year, many people die without having put their life insurance policy in trust. As a consequence, the payouts become subject to the delays caused by the processing of a Will and, where there is no Will, the complex laws of intestacy come into play. This could mean the benefits of the policy will form part of your estate, and may not go to the people of your choosing. With your life insurance in trust, you can specify who you want the beneficiaries to be. This is especially important if you are not married or in a civil partnership.

Inheritance Tax

A life insurance policy that has been written in trust does not form part of your legal estate and is not subject to Inheritance Tax. This allows the entire policy payout to pass to the people you intended to benefit from it. Even if your partner is the named beneficiary of your policy (and therefore the claims payout would be exempt from Inheritance Tax under the current rules), it can still be worth putting your cover in trust to speed up the policy payout.

Faster payment

Using a trust should help ensure that your life insurance payout is passed to the people of your choice more quickly without waiting for lengthy legal processes, such as probate. This can be a welcome relief for those left behind during what is likely to be a very stressful time.

Setting up a trust

Trusts are usually simple to set up, but it's important to select the right type of trust and complete the documentation carefully.

If you're thinking of putting a life policy in trust, please talk to us first. We can tell you if it's the right choice for you, which type of trust is most appropriate for your circumstances - and help you put the trust in place.

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 Financial Conduct Authority does not regulate Trust Advice.

Call us on 0330 223 1113

Infinity Financial Advice Ltd
1st Floor Offices 56-57 High Street
Stourbridge West Midlands DY8 1DE

james@infinityfinancialadvice.co.uk
infinityfinancialadvice.co.uk

INFINITY
financial advice

COPEN966 Exp. 01/04/2016