VIEWPOINT

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INFINITY
financial advice

Offset mortgages explained
The advantages and disadvantages of using your savings to reduce your mortgage payments.

Taking the second step
It's not just first-time buyers who struggle to fund their property purchase.

Protection in trust
How to make sure your policy pays out on time, to the people you want to benefit from it.

Offset mortgages explained

With interest rates remaining low, you might want to consider an offset mortgage. This combines your mortgage and savings into one account and, rather then pay interest on the savings, the savings balance is deducted from the loan amount and you pay interest on the remaining balance.

To discuss your mortgage needs, please get in touch.

Advantages

- As you'll owe less in interest, you'll effectively be overpaying, which means you could pay your mortgage off early and save money on mortgage interest payments
- You maintain access to your money, should you need it
- Deals can be flexible and allow you to offset savings and current accounts against your mortgage

Disadvantages

- You won't earn interest on the savings held in your linked account.
- If you don't have much saved, you won't save much on the mortgage, meaning it may be better choosing an alternative deal with a lower interest rate
- Offset mortgages are usually more expensive than standard deals
- Your choice of offset mortgage may be limited as not all lenders offer them

Why choose an Offset mortgage?

Taking out an Offset mortgage enables you to use your savings to reduce your mortgage balance and therefore the interest you pay on it. For example, if you borrowed £200,000, but had £50,000 in savings, you would only be paying interest on £150,000.

Usually linked with one bank account (but sometimes more), an Offset Mortgage allows the money in your savings account to be counted as temporary overpayments towards your mortgage. However, you can still access your savings if you need to.

When is it worthwhile?

If you have a mortgage rate that's higher than your savings rate (after tax), you may find yourself better off by offsetting – even if you don't have a high savings balance. An Offset mortgage may be more appealing if you're a higher rate tax payer. As there's no savings interest paid on the money in an Offset savings account, there is no tax liability.

Offset mortgages can offer real financial benefits if you have a mortgage and some savings. By seeking professional advice, you'll get a clearer picture as to whether it's the right choice for you.

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

OW1468 Exp. 11.7.19

Your home may be repossessed if you do not keep up repayments on your mortgage.

Our fee for this service is £149 in relation to property purchases and/or £99 in relation to property re-mortgages

Taking the second step

Research by Censuswide for Nationwide shows it's not just first-time buyers who struggle to fund their property purchase. So-called 'second steppers' are finding it hard to move up the housing ladder, having to make compromises or sacrifices in order to afford their next home.

If you're considering your next move on the property ladder, or have grand designs on a renovation project please get in touch for advice.

According to the study of more than 1,000 adults living in their first home, the average cost of the second property is **£370,539**, so perhaps it is unsurprising that many of those surveyed said they would need financial help to make the move - especially if they had outgrown their current home and need more space. Another obstacle is finding a place in the right location - 16% of respondents said they were stuck in an area they didn't like because of housing affordability.

Cutting back

When asked what sacrifices these second-time buyers would be happy to make to afford their dream move, over half said they would stop going out and one third said they would forgo holidays or weekends away to save the money. Incredibly, one in seven even suggested they would be willing to give up their spouse in return for a move up the property ladder!

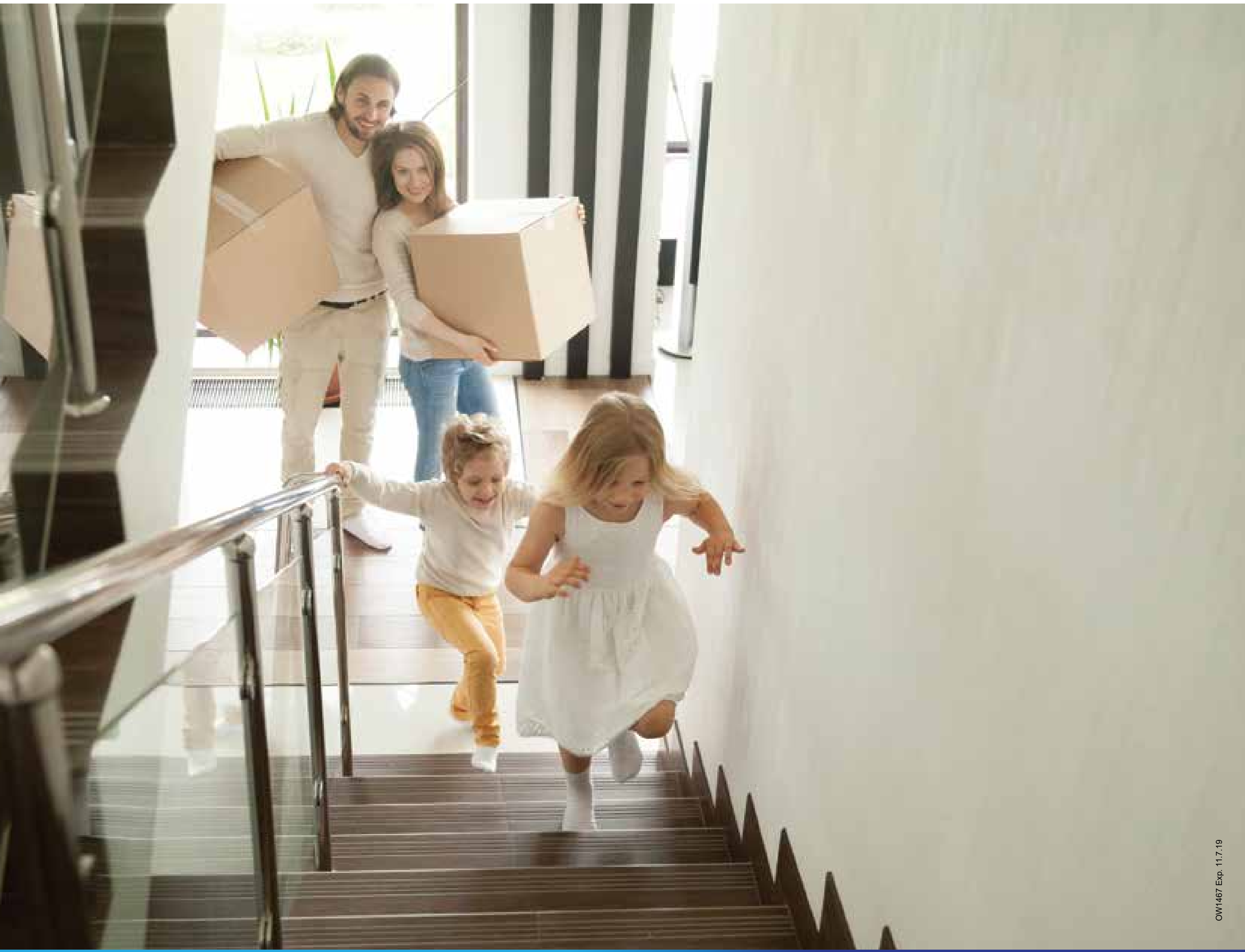
Making compromises

If cutting out trips and treats (and giving up your spouse) isn't enough to create the spare cash needed for the move, compromises might have to be made in terms of the type of property people want. Not everyone questioned was willing to compromise though; one in five said they weren't prepared to change any of the criteria they were looking for. By contrast, the conservatory, garage, driveway and ideal school were the four areas that most would compromise on if it came to it.

Staying put

It's clear that strong house price growth and the high cost of moving has led many to adopt the 'improve, not move' mantra. In fact, eight out of ten of those surveyed said they would stay in their home if they could improve it.

Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.



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Protection in trust

Taking out a Life Insurance policy gives you valuable peace of mind; you know you've helped protect 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, if you weren't around? The answer might be to write your policy in trust.

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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 circumstance - and help you put the trust in place.

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).

According to research by Legal & General, however, it seems there is a significant lack of awareness around the benefits of placing live cover in trust. In fact, their survey found that 82% of people questioned had assets they wanted to bequeath to their loved ones, but two fifths were unfamiliar with the process.

Why is a trust so important?

A trust provides 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, which 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 unmarried or in a civil partnership.

A trust means your life insurance policy won't attract 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 go to the people you intended to benefit from it.

Your beneficiaries will have the money more quickly…

Using a trust should help ensure that the money paid out from your life insurance can be paid to the people of your choice quicker, 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 easy to set up, but it's important to select the right type of trust and complete the documentation carefully. That's where we come in.

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.

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