

Your Window on

Home Finance

SPRING 2020



In the current climate, there is uncertainty in all of our lives with both health and financial concerns. However, while we are all understandably focusing on the here and now, it might be worth using this time to take a step back and review your long-term financial wellbeing as well. This newsletter takes a look at some of the areas you might want to consider. Of course, we are on hand to support you through any challenges ahead.

Buyers have grown in confidence, sellers hold back

While buyer sentiment has become more positive, sellers continue to be wary of uncertain economic conditions, according to the latest 'State of the Property Nation' report¹ from Zoopla. The subsequent COVID-19 outbreak will no doubt have an impact

More buyers eager to make the move
Finding a property in the right location and within budget has always been challenging for buyers, but the good news is that the number of house hunters who have felt frustrated by these difficulties has fallen 5 percentage points in the past year. Meanwhile, nearly a third (32%) of active property seekers say they are more serious about moving than ever before.

Sellers remain wary
The sentiment gap is growing, however, as sellers appear less convinced by the so-called 'Boris bounce' and remain wary of ongoing economic instability. In particular, they fear not achieving their asking price, with 31% of aspiring sellers concerned that buyers won't be willing to pay what they feel their property is worth.

A reason for caution?
Are prospective sellers right to remain so hesitant? Well, perhaps not. Experts predict modest house price growth this year, with Savills² and Rightmove³ predicting 1% and 2% growth, respectively.

Looking to the future, Savills forecasts a more significant cumulative rise of 15% over the next five years – albeit with significant regional differences. While the true impact of Brexit remains uncertain during the transition period, property-buying firm Good Move has suggested that three-quarters of Britons overestimate the negative impact Brexit has had on house prices⁴.

Count on us
Property transactions can be a daunting process, whether you're buying, selling or both, so it's little wonder that many remain cautious. That's where we come in. We can assess your financial situation and aim to help you find the most suitable mortgage deal for your circumstances and offer professional advice to help ease your doubts. Just get in touch.

¹Zoopla, 2020, ²Savills, 2020, ³Rightmove, 2020, ⁴Good Move, 2019

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



JUST 27% OF NEW PARENTS TAKE OUT LIFE INSURANCE

New parents are spending more than ever preparing for their baby's arrival, research⁵ has revealed. According to the study, the average spend has increased more than 18% since 2012 and now stands at £1,645.

However, the study also discovered a concerning fact: despite this increase in spending, little more than a quarter (27%) of first-time parents have taken out life insurance.

Protecting your bundle of joy

Having a child is a life-changing responsibility and it appears that many new parents are thinking about their child's financial future early on, with nearly six in 10 parents-to-be (59%) having opened a savings account for their baby.

But it seems that fewer people are considering what would happen if they could no longer provide for their child. What if your family no longer had access to your income? With a new baby, it's essential to ensure that you are financially protected, so that your little one would have a roof over their head if you were to die unexpectedly.

Get covered

If you're not sure where to start, get in touch, we aim to help you find the most suitable life insurance policy for your circumstances, giving you ultimate peace of mind.

⁵Aviva, 2020

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KEY POINTS FROM THE SPRING BUDGET

THE ECONOMY

- Economy predicted to grow by 1.1% in 2020-21, revised down from 1.4% forecast a year ago (this figure does not take into account the impact of COVID-19)
- Growth predicted to rebound to 1.8% in 2021-22, easing back to 1.5% in 2022-23
- Inflation forecast of 1.4% this year, increasing to 1.8% in 2021-2022

CORONAVIRUS AND PUBLIC SERVICES

- £5bn emergency response fund to support the NHS and other public services in England
- All those advised to self-isolate will be entitled to Statutory Sick Pay, even if they have not presented with symptoms
- Self-employed workers who are not eligible will be able to claim contributory Employment and Support Allowance (available from day one)
- £500m hardship fund for councils in

England to help the most vulnerable in their areas

- Firms with fewer than 250 staff will be refunded for sick pay payments for two weeks
- Small firms will be able to access business interruption loans
- Business rates in England will be suspended for firms in the retail, leisure and hospitality sectors with a rateable value below £51,000
- £6bn in extra NHS funding over five years to pay for staff recruitment and start of hospital upgrades

PERSONAL TAXATION, WAGES AND PENSIONS

- The tax threshold for National Insurance Contributions will rise to £9,500 (previously announced)
- Tax paid on the pensions of high earners, including NHS consultants, to be recalculated to address staffing issues
- The two tapered Annual Allowance

thresholds for pensions will each be raised by £90,000

- The minimum level to which the Annual Allowance can taper down will reduce from £10,000 to £4,000 from April 2020
- Annual Capital Gains Tax exemption increased to £12,300 from 2020-21
- ISA allowance to remain at £20,000 for 2020-21 tax year / JISA allowance increase to £9,000 for 2020-21 tax year
- The Lifetime Allowance for pensions will increase in line with the Consumer Prices Index, to £1,073,100 for 2020-21
- From 11 March 2020 the Lifetime Allowance on gains eligible for Entrepreneurs' Relief reduced from £10m to £1m
- The new single-tier State Pension will increase to £175.20 per week in April 2020, pensioners receiving the older basic State Pension will see it increase to £134.25 per week.

Housing news from the Budget

In March, Rishi Sunak's debut Budget tackled the Covid-19 outbreak head-on, responding with a fiscal stimulus of £30bn to support the NHS and businesses.

In the first of two Budgets this year, relatively little was announced about housing. The agenda did include new taxes for overseas property buyers. From 1 April 2021 non-resident buyers of homes in England and Northern Ireland will have to pay a 2% Stamp Duty Land Tax surcharge, tempered down from the 3% surcharge outlined in the Conservative election manifesto. This measure is expected to affect 70,000 of the UK's total 1.2 million annual property transactions.

Other housing measures include an extension of the affordable homes programme (£12.2bn funding), a 1% cut for local authorities in interest rates for social housing, a £1.1bn allocation from the Housing Infrastructure Fund to build 70,000 new homes in high-demand areas and funding to remove unsafe cladding. In all,



over £600bn is to be spent on roads, rail, broadband and housing by the middle of 2025.

In addition, the Chancellor announced that Robert Jenrick, the Secretary of State for Housing, Communities and Local Government would set out comprehensive reforms to overhaul Britain's planning system. Outlined the following day, these reforms will aim to create a simpler planning system and improve the capacity, capability and performance of Local Planning Authorities (LPAs) to accelerate the development process.

The Bank of England chose Budget day to announce an emergency cut in its base rate from 0.75% to 0.25%, returning it to its lowest level in history. A further emergency cut to 0.1% was announced

on 19 March. The Bank said its role is: "to help UK businesses and households manage through an economic shock that could prove sharp and large but should be temporary." Good news for home buyers, those looking to remortgage and those on base-rate tracker mortgages. The large number of homeowners who have already taken advantage of lower lending rates to secure a fixed mortgage will not benefit. Also, many aspiring first-time buyers saving for a deposit may initially suffer downside from the base rate move, as banks and building societies may opt to cut their savings rates.

Some housing industry commentators have expressed disappointment that there were no initiatives announced to help first-time buyers, replace Help to Buy, or measures proposed to reform Stamp Duty.

House-moving day – the logistics

With house-hunting, offers, surveys, legal searches, new schools and other pre-move essentials to fit around everyday life, there's not always a lot of time to consider how moving day itself will pan out. Because rushed final arrangements can make for a fraught moving day, savvy house-movers should take the time to focus on the logistics well in advance.

Once you've found your new home, you can put provisional removal plans in place. First-time buyers will probably be able to manage with a van and help from friends, but for most people, a removal firm is best. It's vital to find a reputable one and get estimates from at least two. Costs depend on volume, distance and whether accessibility allows the use of one large removal van rather than two smaller vehicles.

Extra help is good

If your budget allows, avoid scrimping on removal fees; don't jump at the cheapest quotation and make certain any damage is covered. Consider having items such as

pictures, china, glassware, cooking utensils and books packed for you a day or two ahead of moving. It costs extra but saves time and energy, and proper packing can also prevent breakages. Estimates should itemise the extras you've selected.

When choosing a remover, word-of-mouth is valuable, as is membership of the British Association of Removers and/or the Road Haulage Association, as these are a mark of professionalism. Wait until your completion date is fixed (usually at exchange of contracts) before confirming removal details. Most removers can offer storage if you don't want everything in your new home from day one.

Occasionally, unexpected events can cause delays. An optional advance payment can cover the removers' extra costs if there's a last-minute glitch. If everything runs perfectly, the keys will be released just as the removers arrive at your new address! While it can never be guaranteed, you can take steps to improve your chances.



What to watch out for when co-buying a property

These days, homeownership is simply unaffordable for many young people. That's why more and more aspiring buyers are deciding to co-buy a property with friends.

In fact, co-buying has become so popular, some providers are offering multiple person mortgages, following research⁶ showing that the majority (60%) of millennials would take out a mortgage with friends.

Big commitment

Even if you know your friend(s) well, getting a mortgage together is a big commitment. So, here are some things to consider before taking the plunge:

Think about renting first

Pooling your finances and sharing a living space can put strain on relationships. How well do you know and trust your friend(s)? Renting together first may be wise to ensure you're happy to commit to home ownership.

Shared ownership

There are two types of ownership when co-buying a property: tenancy in common and joint tenancy.

Tenancy in common is usually advisable for friends purchasing together; it allows them to each own a quantified share of the property and permits them to leave their share to other parties in their Will.

Cohabitation agreements

These agreements outline who owns what; how mortgage and other payments will be split; how assets acquired during the tenancy will be owned; and how assets would be divided were the parties to go their separate ways.

⁶M&S Bank, 2018

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

Natural forces take their toll

The plight of uninsured householders affected by the Australian bushfires is a reminder of the importance of buildings and contents cover, even if securing it can be more difficult or costly when your home is at greater risk from natural forces such as storm, fire or flood. One victim did have their misfortune balanced out by an A\$1m (£530k) lottery win, but it is perhaps unwise to rely on such luck.

Clearly, the greatest tragedy of the bushfires has been human fatalities and the massive loss of wildlife. However, those who have escaped injury but lost their homes and possessions have often suffered trauma, as well as the prospect of rebuilding their finances, their homes and their lives. Insurance cover can be a financial lifeline when such a disaster strikes.

Underinsurance: a false economy

Uninsured and underinsured householders in Australia, as elsewhere, could end up regretting their false economy. In fire-ravaged New South Wales, a levy on insurers pays the bulk of emergency service costs and this adds about 25% to premiums, meaning more people there aren't insured. Other states fund emergency services through a property tax, making insurance more affordable.

The moral of the story? Wherever you are in the world, don't be tempted to save money by underinsuring your property. You might end up paying for it down the line.

It'll never happen here...

Well, actually it could. While wildfires are relatively unusual in the rainy UK, February's dreadful storms reminded us of risks related to that, they do occur. In April 2019, firefighters tackled moorland blazes in Greater Manchester and West Yorkshire. According to New Scientist, there were more UK wildfires last year than ever before, with fires in the Midlands, South West, Wales, Northern Ireland and the Scottish Highlands recorded by the National Fire Chiefs Council.



A HELPING HAND IN TIMES OF UNCERTAINTY

Following the election at the tail end of 2019, the 'Boris bounce' provided some long overdue momentum in the housing market, with data highlighting that buyer interest in some parts of the UK jumped over 60% year-on-year. Now the global COVID-19 outbreak has arrived, it's difficult to quantify the likely impact on both the commercial and residential sectors.

While there are many factors involved with determining the mood and movement of the property market, few things have a bigger impact than uncertainty. Rest assured we are here to help, if you have any questions about the property sector, mortgages or your protection requirements – please get in touch.

The surveying scene

When buying a property, it is generally best to have a survey carried out, even if your mortgage lender is also conducting a valuation that involves an inspection. A thorough survey conducted on your behalf may reveal defects or possible costly problems you need to be aware of.

The Royal Institution of Chartered Surveyors is the professional body that sets standards across the profession. The qualifications it awards confirm that the surveyor concerned has passed their exams following rigorous study and training.

Qualification matters

Surveyors can gain various levels of RICS qualification: Associate Member (AssocRICS), Chartered Member (MRICS) and Fellow (FRICS). They can offer a range of survey types, including HomeBuyer Reports and Building Surveys, which are governed by laws and rules that may vary in different parts of the UK.

Other qualifications exist, including the Diploma in Residential Surveying (DipRSurv). This is a route some surveyors take to their AssocRICS. Surveyors may also belong to the Residential Property Surveyors Association (RPSA) or the Independent Surveyors and Valuers Association (ISVA).

Georgian origins

It was back in 1792, during the architectural heyday of the Georgian era, that a group of leading surveyors set up The Surveyors' Club. This was relatively informal, but in the ensuing decades, membership increased and plans were made for a more structured professional association.

The 19th century saw rapid urban, industrial and transport development, and reliable standards were badly needed. In 1868, about 50 participants gathered at a Westminster hotel and resolved to form the Institution of Surveyors under the presidency of eminent railway surveyor John Clutton.

Victorian charter

Premises near the Houses of Parliament were leased by the institution (still RICS HQ today). Its work was quickly recognised as beneficial to the many ambitious projects of the day and, in 1881, The Royal Institution of Chartered Surveyors was incorporated by Royal Charter granted by Queen Victoria.

Much has changed since RICS became Chartered; its standards and qualifications have been updated over the decades to ensure they meet current needs. Always be certain about the credentials of anyone conducting a survey on your behalf. It is unwise to take any chances when buying a property.

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

It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. 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. The information contained within this newsletter is for information only purposes and does not constitute financial advice. The Financial Conduct Authority does not regulate commercial buy-to-let mortgages.

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