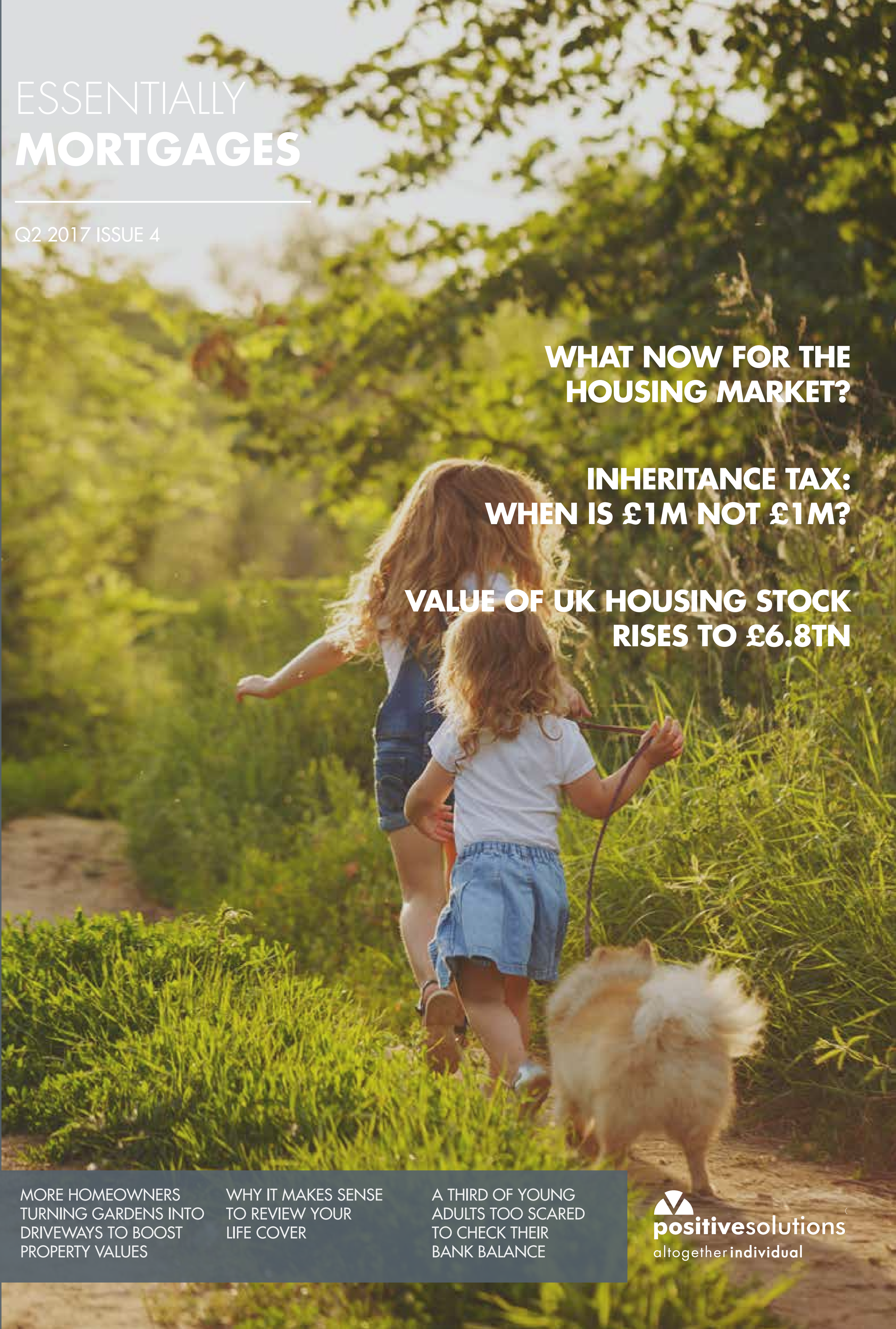

ESSENTIALLY MORTGAGES

Q2 2017 ISSUE 4

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TERM INSURANCE VERSUS WHOLE-OF-LIFE: WHICH SHOULD YOU CHOOSE?

Life insurance is a versatile product; there are many kinds of policy available, each offering different levels and types of cover for varying periods of time. When someone decides to take out life assurance they are often faced with making the choice between a term policy and a whole-of-life policy. Both types of contract have their advantages, and can be used to meet different financial objectives.

Term insurance
This is the simplest form of life insurance. It's called 'insurance' because it provides cover against an event that might take place within a certain period of time. You choose the amount you want to be insured for, and the number of years for which you want to be covered. People typically take out cover for ten, 15 or 20 years, depending on their circumstances. If you were to die within the term of the policy, it would pay out to your beneficiaries. If you don't die during the term, the policy doesn't pay out.

Term insurance can provide level cover, which means the amount of cover and the premiums paid remain the same throughout the term of the policy. Alternatively, you can choose decreasing or reducing term cover. In this case, the amount of cover provided decreases over the term of the policy. This type is often taken out in conjunction with a repayment mortgage, as the cover goes down at a predetermined rate to cover the reducing amount of mortgage outstanding.

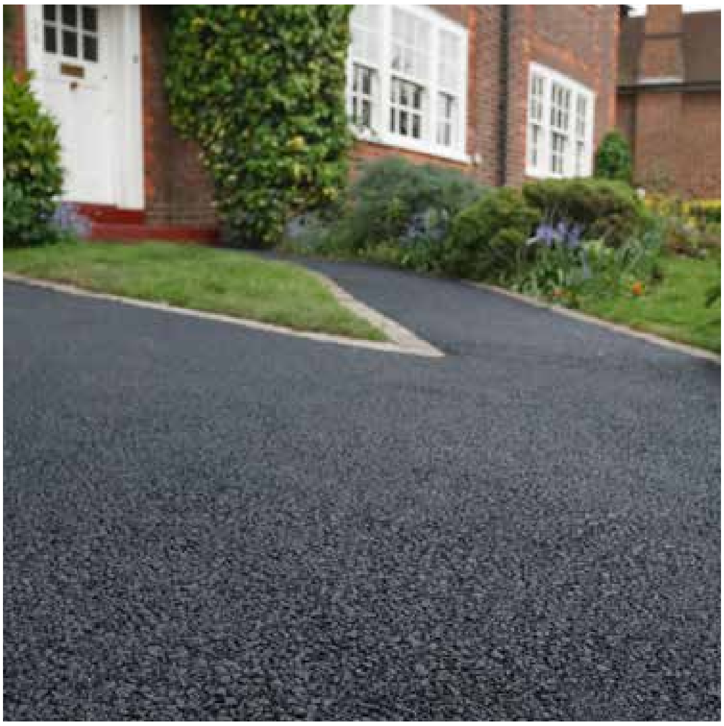
Whole-of-life assurance
This type of policy is different in that the policy will pay out a tax-free cash lump sum whenever you die, provided the premiums are up-to-date. In other words, a claim is assured, hence the name. The premiums will be higher as a claim is inevitable. Whole-of-life assurance can be used to leave money to your heirs, cover expenses such as funeral costs, or provide funds to pay an inheritance tax bill.

If you take out a whole-of-life policy and write it under trust, the policy doesn't form part of your estate on your death, and the benefits payable under the policy can be paid direct to your beneficiaries, without the need to wait for probate to be obtained.

With some plans, you keep paying premiums until you die; with others, your premiums stop once you reach a certain age but cover continues until you die.

WHEN SOMEONE DECIDES TO TAKE OUT LIFE ASSURANCE THEY ARE OFTEN FACED WITH MAKING THE CHOICE BETWEEN A TERM POLICY AND A WHOLE-OF-LIFE POLICY.

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



MORE HOMEOWNERS TURNING GARDENS INTO DRIVEWAYS TO BOOST PROPERTY VALUES

Parking in residential areas is becoming a hot topic in many neighbourhoods. With more councils looking to introduce parking management schemes, homeowners are paving over their front driveways in the face of new parking restrictions and the introduction of expensive permits.

Unsurprisingly, off-street parking has also been identified as a key factor in improving the desirability of a property, and can add to its market value.

According to The Telegraph, applications to install dropped kerbs increased by 49% between 2013 and 2015. Permission is required from your local authority to drop a kerb down to ground level, as it is their responsibility to maintain the public highway.

Generally, you will not need planning permission for a driveway if you use porous or permeable surface material which allows water to drain through, or if rainwater naturally drains through a lawn, border or soak-away. Rules for both planning permission for driveways and building regulations are under constant review by the authorities, so you should contact your local planning office or building control department.

WHAT NOW FOR THE HOUSING MARKET?

Is the housing market slowing down? The average price for a home fell 0.3% to £207,308 in March, according to the Nationwide's property index[1].

Britain's housing market is expected to come under pressure in 2017 in the face of economic uncertainty caused by ongoing Brexit negotiations. In addition, household finances are likely to face the twin pressures of rising inflation and weak wage growth. However, as the UK housing market is beset by the problem of lack of supply and a continuing insatiable demand for residential property, commentators aren't predicting a market crash.

A changing demographic picture
Nationwide has identified several trends that have emerged in the housing market over the last decade. It found that home ownership in England is at its lowest level since 1985, with the figure for 2016 being 62.9%. Ownership rates for those aged 35-44 have fallen sharply to 56%, from 74% in 2006.

There has been a marked increase in the numbers renting property; 20% of households in England are privately rented; ten years ago, the figure was just 12%.

Government intervention to increase supply
Successive governments have vowed to fix the UK's residential property shortage. The government published a housing White Paper that updated its national planning policy to include the provision of starter homes available to households with an annual income of less than £80,000, or £90,000 in London.

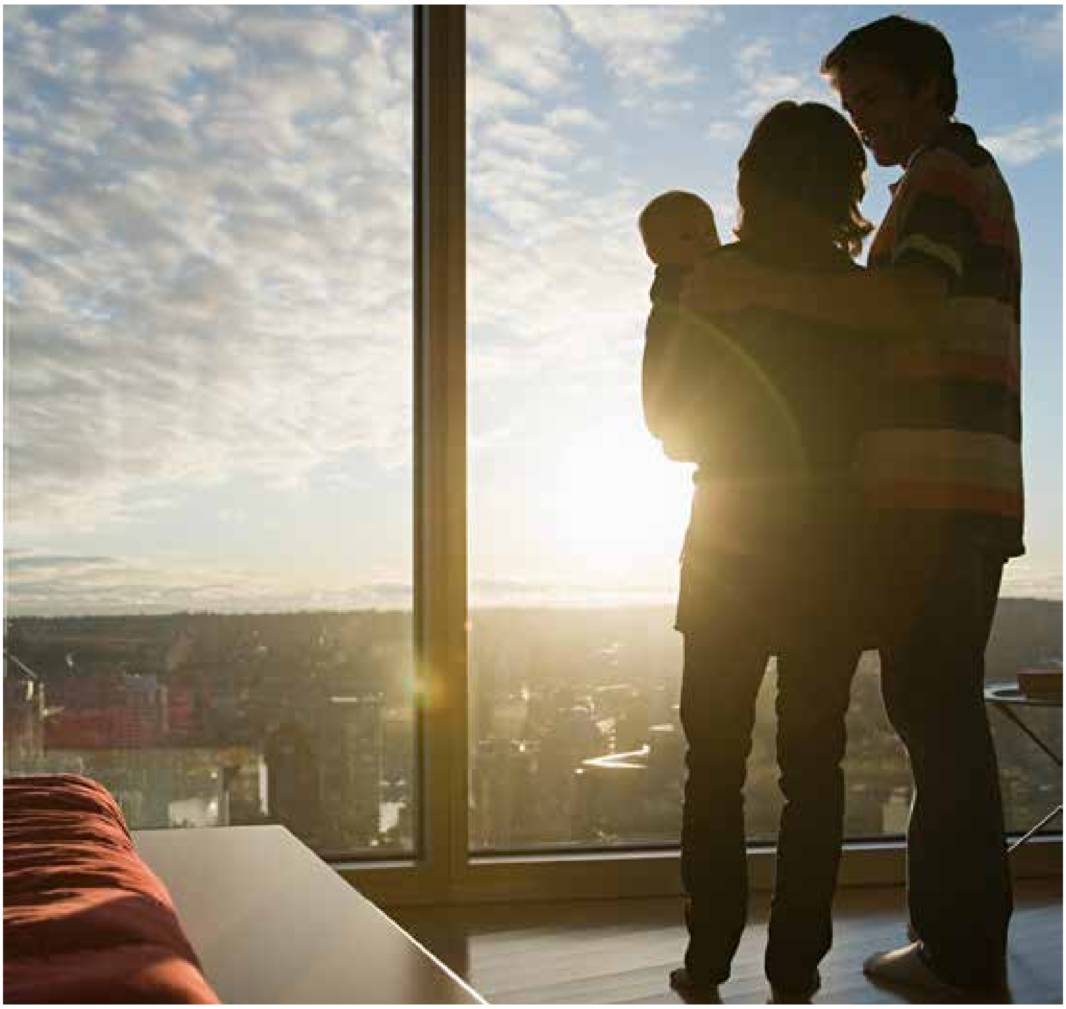
However, in a new departure, the focus now includes the provision of more property for rent. The government will allow developers to offer cheaper rental property as well as affordable homes. Local authorities are to be encouraged to speed up their planning processes and are required to update their development plans; where they don't, the government will intervene. On the plus side, local authorities will be offered higher fees and new capacity funding to develop planning departments, and more funding for infrastructure.

The construction industry is facing a fundamental issue: a shortage of skilled labour in the major trades. The industry relies heavily on foreign labour for skilled and non-skilled roles. There are doubts as to whether the UK's training programmes for bricklayers, plumbers and plasterers can produce enough home-grown talent to bridge the skills gap fast enough.

[1]Nationwide House Price Index, March 2017

WHY IT MAKES SENSE TO REVIEW YOUR LIFE COVER

Taking out a life insurance policy is a great first step in ensuring that those who depend on you would be taken care of financially if you were to die. However, over the years, your circumstances are likely to change, meaning that you may need to increase your life insurance, or take out a different type of policy to match your new needs.



Many people don't think about reviewing their policy, but forgetting to do so could mean that your family won't have enough money to pay the mortgage or meet the bills if you were to die. It could also mean that you're paying more for your premiums than perhaps you need to, as there may now be more cost-effective policy options available to you.

Over the years, your life will change. For example, your family may grow, you might move to a bigger house with a larger mortgage, or you could find yourself taking on financial responsibility for ageing parents. All these life stages, and many more, bring with them the need to review the cover you have in place.

Critical illness

You may also want to think about additional forms of insurance that protect you against specific risks. One of these is critical illness cover which pays out if you are diagnosed with a serious illness. It's a sad fact that a major illness can strike at any time. More than a thousand people are diagnosed with cancer every day, and every seven minutes someone has a heart attack.

Critical illness cover means that if you were to be diagnosed with a serious medical condition specified in your policy, you would receive a tax-free lump sum payment. No-one would want to be worrying about their financial responsibilities when they were seriously ill, so having this type of cover in place can provide valuable reassurance for you and your family. Many people buy a combined life and critical illness policy. In this case, a payment would be made on either diagnosis of a critical illness as defined in the policy, or death, whichever is the sooner.

If it's been a while since you took out your existing policies, now could be a good time to arrange a review to ensure you have the cover in place that meets your needs.

...YOU MIGHT MOVE TO A BIGGER HOUSE WITH A LARGER MORTGAGE, OR YOU COULD FIND YOURSELF TAKING ON FINANCIAL RESPONSIBILITY FOR AGEING PARENTS.

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

HOW TO GET YOUR HOME CONTENTS CLAIM PAID

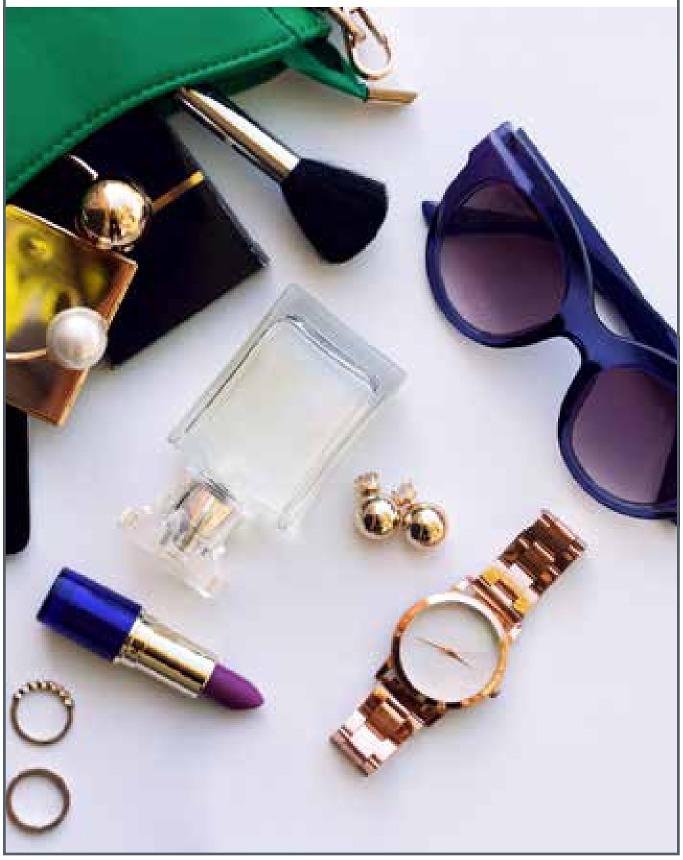
If you need to make a claim on your home contents policy, you should follow the procedure set out in your policy document. There will be a dedicated number given for reporting claims. You'll need to quote your policy number when calling.

If you've been burgled, your first call should be to the police. They will want to investigate and you will need a crime reference number for your insurer. Act quickly whilst the details are all fresh in your mind.

With household emergencies, don't do anything without first contacting your insurer. They will talk you through what you need to do and activate your claim.

Top tips
Keep receipts for major purchases, they can provide your insurer with proof of purchase. With items like jewellery, take pictures and save them somewhere secure, and get valuations done by a registered valuer.

Above all, don't be under insured and don't opt for the cheapest cover. Getting professional advice will ensure you have the right, most cost-effective policy for your needs.



KEY POINTS FROM THE 2017 SPRING BUDGET FOR SAVERS AND INVESTORS

- The Lifetime ISA available from 6 April 2017
- The tax-free dividend allowance will be reduced from £5,000 to £2,000 from 2018–19 (delayed until after the election)
- A three-year NS&I Investment Bond with a market-leading interest rate of 2.2% will be available for 12 months from April 2017

Parents
- Tax-free childcare will soon be available to working parents and will provide up to £2,000 a year in childcare support for each child under 12
- Working parents in England will also be able to apply for an additional 15 hours of free childcare for three and four-year-olds, bringing the total to 30 hours a week

Education and Research
- Investment in technical education for 16 to 19-year-olds will rise to over £500 million
- £536 million for new free schools and to maintain existing schools
- £300 million is to be made available for new academic research places and £270 million for research projects into Biotechnology and Driverless vehicles

NHS
- £425 million extra investment in the NHS in the next three years to support local services

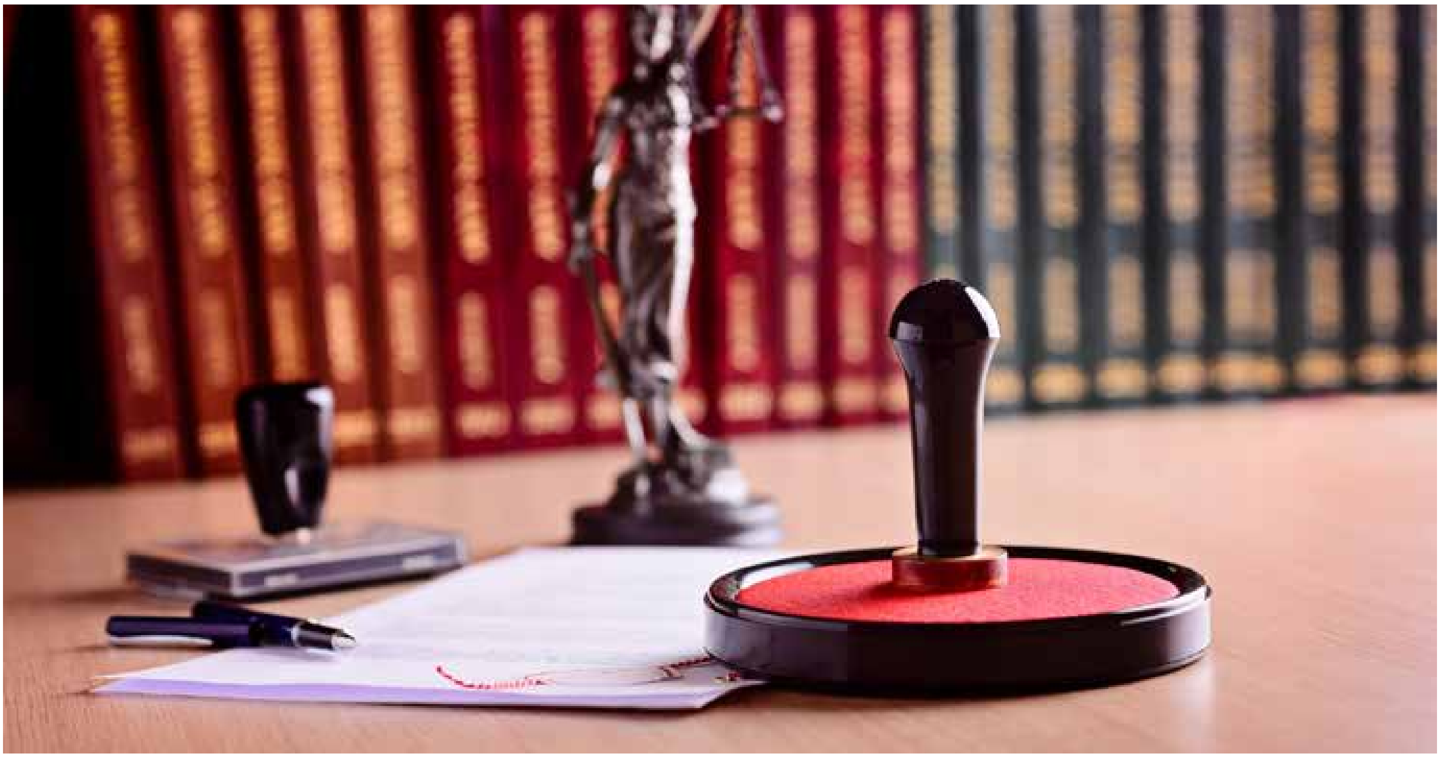
Businesses
- £435 million to support businesses affected by the business rates relief revaluation
- Small businesses and landlords under the VAT threshold will have an extra year to prepare for Making Tax Digital

Broadband
- £16 million for a new 5G mobile hub and £200 million for full-fibre broadband networks

Consumer Affairs
- Introduction of a Green Paper to protect consumers by simplifying the published Terms and Conditions used by businesses

Economic Outlook
- The Office for Budget Responsibility (OBR) forecasts the UK economy will grow by 2% in 2017
- Overall borrowing for 2017 is forecast at £51.7bn, which is £16.4bn lower than the Autumn Statement forecast
- National debt is estimated for 2017 at 86.6% of GDP and then 88.8% for 2018
- UK's national debt now stands at almost £1.7 trillion or a sobering £62,000 per household

INHERITANCE TAX: WHEN IS £1M NOT £1M?



From April 2017, a new Inheritance Tax (IHT) nil-rate band is available in addition to an individual's own nil-rate band. When it was announced in 2015, media headlines suggested that everyone could leave a tax-free legacy of £1m, but the changes will be introduced over the next few years, and don't apply in every case.

The new Residence Nil Rate Band (RNRB) will apply if you want to pass your main residence to a child (including an adopted or fostered child) or grandchild. Only direct descendants can benefit, and that doesn't include nieces and nephews. So not everyone will be able to rely on the RNRB for IHT planning purposes.

The allowance is introduced in stages over four years, with a limit of £100,000 from April 2017, rising to £175,000 per person in 2020. This is in addition to the individual allowance for IHT which remains at £325,000.

How the RNRB applies

Once fully implemented, each parent will be able to leave £500,000 in assets that include a 'family home' component of at least £175,000. It can be passed from one partner to another on death, so when the first partner dies, if their entire allowance goes to their surviving partner, then they would have an allowance of £1 million. Where a property is worth over £2 million, the family home allowance (but not the individual allowance of £325,000) reduces by £1 for every £2 of value above £2 million.

Planning for the future

It makes sense to review the terms of your Will. The RNRB may be lost if the main residence is placed into a Discretionary Will Trust for the benefit of children or grandchildren. The rules surrounding the operation of the RNRB and IHT planning are complex, so you should seek professional advice.

EACH PARENT WILL BE ABLE TO LEAVE £500,000 IN ASSETS THAT INCLUDE A 'FAMILY HOME' COMPONENT OF AT LEAST £175,000.

Tax treatment depends on individual circumstances. Tax treatment, rates and allowances are subject to change.

A THIRD OF YOUNG ADULTS TOO SCARED TO CHECK THEIR BANK BALANCE

Research carried out last year as part of National Student Money Week, showed that 34% of young adults were having money problems, and expected to get into debt. Many were adopting the ostrich approach and failing to get to grips with their finances, resulting in lost sleep and problems associated with running out of money. Being a student can be stressful enough without the added strain of financial worries, so here are some tips.

Work out your budget
Start by adding up what you're getting in loans and any other sources of cash you receive. Make a list of all your essential outgoings like fees, rent, food, travel and phone costs. Once you know what you have left over after taking off your essential outgoings, you can work out what you'll have to spend on other things like clothes and social activities.

Keep tabs on your bank statements and check your finances regularly. Try to build up a contingency fund for one-off extras or emergencies. Even small amounts saved regularly will mount up over time.

Think before you buy
When it comes to shopping for essential items, it pays to become a savvy shopper. Comparing prices, keeping an eye out for discounts, deals and bargains will all help your cash go further. When you're tempted to make an impulse purchase, think seriously about whether it's something you need and can afford, and the impact it will have on your budget.

Credit cards
Shop around and approach with caution. A low annual percentage rate (APR) will mean you will pay less interest. Be aware that low introductory rates may increase in the future, and keep a note of when your initial deal is due to run out.

...BEING A STUDENT CAN BE STRESSFUL ENOUGH WITHOUT THE ADDED STRAIN OF FINANCIAL WORRIES...KEEP TABS ON YOUR BANK STATEMENTS AND CHECK YOUR FINANCES REGULARLY.

HOW TO INSURE YOUR BIKE

With cycling becoming an increasingly popular pastime across the country, many families now own bikes. Road bike enthusiasts can pay anywhere from a few hundred to several thousand pounds for specially-constructed frames and components.

Research shows that 14% of people in the UK usually leave their bikes unlocked in the garden. Estimates of the number of bikes that get stolen every year vary, one of the highest quoted is half a million. The average value of a stolen bike is around £350.

Getting the right cover
You can include your bike in your home contents policy, or if it's a bespoke model, take out a specialist policy. You'll probably need a policy that covers you for theft and provides new for old replacement cover and damage too. If you're a really keen cyclist, you might have your bike and helmet, and other gadgets too, like a GPS watch or a heart-rate monitor. It pays to get advice to ensure your policy provides the right level and type of cover.

VALUE OF UK HOUSING STOCK RISES TO £6.8TN

Over the past few years, the UK has enjoyed low interest rates and a buoyant housing market. In further proof that residential property has become an increasingly-important store of wealth, research carried out by estate agents, Savills[1], shows that the overall value of the UK's 28.2 million homes has risen to a record £6.79tn. This figure is nearly one-and-a half times the value of all the companies quoted on the London Stock Exchange, and represents a £1.5tn increase over the last three years. The average value of a property in the UK has risen to over £200,000.

Where housing wealth has grown

The main beneficiaries of this increase in housing value have been Londoners, those aged over 50, and landlords. However, commentators expect the rate of growth to slow over the next few years, as a result of uncertainty over Brexit, new measures introduced to curb lending and government policy initiatives designed to level the playing field between first-time buyers and buy-to-let landlords.

The areas that have seen the biggest increase in property values are largely to be found in London and the south east. With the total value of houses in London now exceeding £1.7tn, homes in the capital account for more than a quarter of the total value of the UK housing stock.

The demographic profile of homeowners shows that more of the housing wealth is held by the older generation; those over the age of 65 now hold an estimated 43% of all owner occupiers' housing equity, a figure of over £1.5tn. Whilst younger buyers increasingly struggle to get onto the housing ladder, older home owners are living longer and have built up higher levels of equity through a steady rise in house prices.

[1]Savills, Residential Property Focus, Issue 1 2017

AROUND THREE-QUARTERS OF FIRST-TIME BUYERS PAY STAMP DUTY

Last year, 74% of first-time buyers[1] paid Stamp Duty Land Tax when they bought their property. Stamp duty is payable on properties worth more than £125,000 (£145,000 in Scotland, where Land and Buildings Transaction Tax applies).

The figures show that just a quarter of first-time buyers bought properties worth less than the stamp duty threshold of £125,000, down from 47% in 2006. With the average property costing over £200,000, according to figures from the Land Registry, more and more first-time buyers are finding themselves paying this tax.

Calculating the tax

Where a property is worth in excess of the nil-rate band, the amount up to £250,000 is charged at 2%, and between £250,000 and £925,000, 5%. This means that first-time buyers purchasing a property for £275,000 would pay £3,750 in stamp duty in England and Wales, and £3,350 in Scotland.

Some commentators have called for the tax to be levied against the seller, not the buyer, to help reduce costs for those entering the housing market.

[1]Yorkshire Building Society 2017