Financial Viewpoint

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Why you should get mortgage advice

Taking out a mortgage could be one of the biggest financial decisions you'll need to make in life, so it's important to get it right.

You could 'go direct' to find the right mortgage for your circumstances – as long as you're prepared to spend time and effort scouring a very competitive market for the lender and deal you feel most comfortable with.

You'll also need to consider things like lender administration and booking fees, the length and type of mortgage you need, valuation costs and repayment methods, all of which can affect the total cost of your loan. And you'll need to take out insurance; for buildings and contents and to protect your mortgage payments if you have to stop work.

Lenders will, of course, be able to give you guidance on any mortgages they offer, but you won't necessarily know how their deals compare to other deals on the market.

Advice from your lender

Advice from us

Unlike lenders, we don't have a vested interest. In fact, as part of Openwork, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders, many of which aren't available on the high street.

What's more, we will take the time to get to know you, your circumstances, and your overall financial position. We'll also want to understand what type of mortgage you believe is right for you and talk you through the pros and cons of each option.

Using our expert knowledge and database of several thousand mortgages, we will find the ones most suitable for your needs.

We'll work with you to complete the relevant paperwork and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the features and benefits of financial protection for your new property and we'll stay in touch throughout the process – and into the future.

If you'd like more information, or you need help planning your first, or next, property purchase, please get in touch.

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

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All about ISAs

In the 2019/20 tax year, you can save up to £20,000 tax-free in an Individual Savings Account (ISA), and when it comes to your ISA investment, you have a number of options.

Investors comfortable with the slightly higher risk Peer to Peer lending can also now invest in an Innovative Finance ISA, and those aged 18 to 40 can open a Lifetime ISA.

Although you can't hold an ISA for anyone else, parents or guardians can open a Junior ISA and manage the account; but the money belongs to the child.

Put simply, an ISA is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:

— Cash ISA
— Stocks and shares ISA

Withdrawing money

You can withdraw money from your ISA at any time without losing the tax benefits, but your ISA provider may have restrictions or ask you to pay a charge. It's worth contacting them to find out before you withdraw any money.

If you have a 'Flexible' ISA, you can withdraw cash and replace it in the same tax year without reducing your current year's allowance. For example

— The 2019/20 allowance is £20,000
— You pay in £10,000 and withdraw £5,000
— If your ISA is flexible, you'll have a remaining allowance of £15,000
— If your ISA is not flexible, you'll have a remaining allowance of £10,000

Transferring your ISA

All ISA providers allow you to transfer your money to a different provider (or to a different ISA with the same provider). By transferring, rather than selling or reinvesting, you keep future tax benefits.

Here are the rules:
— You can transfer from one provider to another
— You can transfer money from one type of ISA to another ie, from a cash ISA to a stocks and shares ISA
— Money you have invested in an ISA in the current tax year must be transferred in full
— Money you have invested in previous years can be transferred in part or in full

You may not be able to transfer your ISA back to the original source.

If your investments are moved to us as cash, you'll be out of the market while your money is being transferred. You could miss out on growth/income if the market rises during this time.

Additional permitted subscription allowance (APS)

If you're married or in a civil partnership with someone who died on or after 3 December 2014 you can apply for APS, which means the surviving spouse or civil partner will have an increased ISA allowance:

If a person dies with £50,000 in an ISA;
— The remaining spouse can apply for APS
— In the 2019/20 tax year they would have an allowance of £70,000 instead of £20,000.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

When your current mortgage deal comes to an end you might be tempted to do nothing and simply move on to your lender's Standard Variable Rate (SVR). However, by doing so you could risk your mortgage rate more than doubling.

According to Moneyfacts, fixed mortgage deals taken out two years ago attracted an average rate of 2.31 per cent, thanks to increased competition between lenders. Two years on and with average SVRs sitting at or around 4 per cent, the jump in mortgage payments at the end of your deal could mean your repayments increase by **£279.34** a month, or **£3,352.08** a year on average. That's a payment shock you'll want to avoid.

Remortgaging to a better deal
Finding a new mortgage deal is a lot easier than getting your first mortgage. You don't have the stress of finding a home, working with estate agents, negotiating contracts or worrying about onward chains.

When it comes to remortgaging you could choose to stay with your current lender, and they might offer you something tempting to stay with them, but you don't have to. Switching to a new lender may seem like hassle you don't need, but it's worth the effort as it could mean you get a better rate.

Whether you're staying with your current lender or moving to a new one, just as with your initial deal it can pay to get advice to help find the most suitable mortgage for your needs. That's where we come in.

The value of our advice
We'll look at your current deal and work out if there are any exit fees or early repayment charges. We'll discuss your needs and future plans; whether you want to pay off your mortgage early or you're looking for lower monthly repayments.

We'll check any changes in circumstances and how they impact your financial plans; have you started a new job or reduced your hours to care for a new baby?

What's more, We'll complete your mortgage application and take care of the legwork for you. As part of Openwork Ltd, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders.

You may be able to save money if you switch to a new deal. Don't leave it too late and end up paying more than you have to. Contact us today to discuss your remortgage.

Are you at the end of your deal?

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

How much can I pay into my pension?

A pension is a tax-efficient, long-term savings plan that you contribute to during your working life to provide an income when you stop work. You can benefit from tax relief on the contributions you pay in and your pension pot has the potential to grow.

At the moment you can save up to £40,000 every year into your pension. However, tax relief will only be given on 100% of your earnings or £40,000, whichever is the lower. This will differ if the reduced Money Purchase Allowance applies, or if your salary exceeds £150,000 (explained below).

What if...

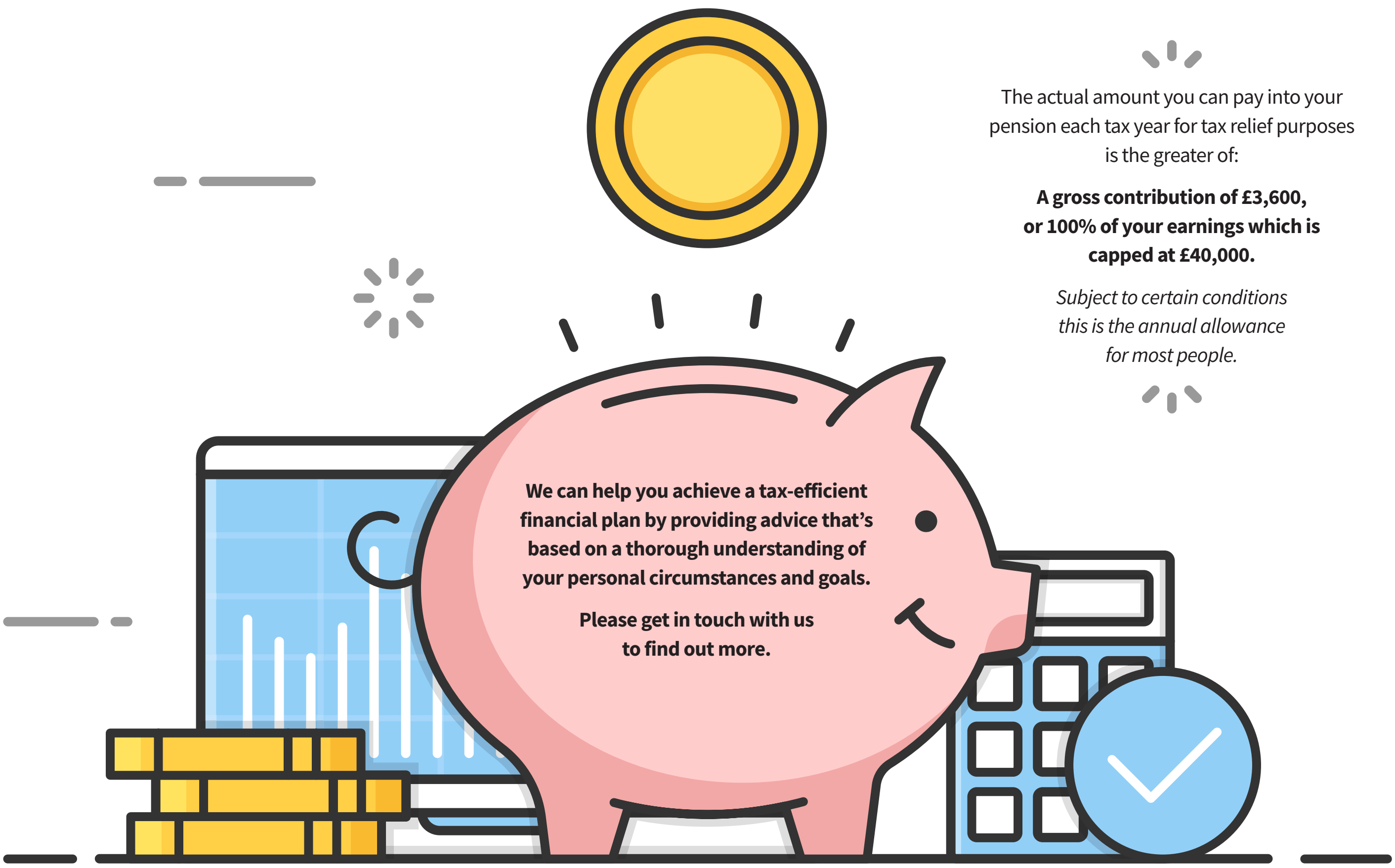
...your "adjusted income" is over £150,000?
Broadly speaking, adjusted income is your total taxable income (including salary, dividends, rental income and savings interest) plus the value of any employer pension contributions. If this exceeds £150,000 your annual allowance could be lower than £40,000. Here's why:

For every £2 of adjusted income over £150,000, your annual allowance falls by £1. If your adjusted income is £210,000 or more, your annual allowance is fixed at £10,000.

...you want to contribute over £40,000 this tax year?
Some higher earners can contribute up to £160,000 by 'carrying forward' unused annual allowance from the previous three years. Please ask for our guide which helps explain the rules around Pension Carry Forward.

...you're a member of a defined benefit (final salary) pension scheme?
The benefits you're building up each year are assigned a monetary value. This value counts towards the annual allowance and could therefore restrict what you can contribute to another pension. You need to contact your pension administrator and ask for this value.

...you've already accessed your pension?
Since 6 April 2015, if you have accessed a pension or had flexible drawdown before, a reduced money purchase annual allowance may apply. This is £4,000 for the 2018/19 tax year. You cannot use Pension Carry Forward option to contribute more than the money purchase annual allowance.



The actual amount you can pay into your pension each tax year for tax relief purposes is the greater of:

A gross contribution of £3,600, or 100% of your earnings which is capped at £40,000.

Subject to certain conditions this is the annual allowance for most people.

This information is based on our current understanding of the rules for the 2018/19 tax year. 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 value of investments and any income from them can go down as well as up and you may not get back the original amount invested

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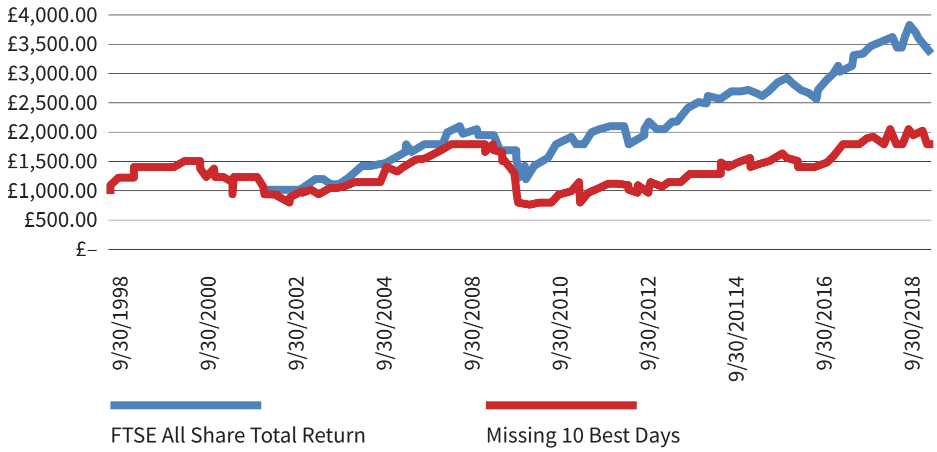
Time in the market vs timing the market



When it comes to investing, you might have heard that time in the market is better than timing the market.

Time in the market is another way of describing long-term investing. Investors with a time horizon of at least five years (and in many cases longer) buy an asset and hold on to it. They tend to invest with a goal in mind. A good example is someone saving towards retirement which, depending on the stage of their career, could be 20 years or more in the future.

On the other hand, investors who try to time the market buy an asset when the price seems low and aim to sell it once they believe the price has peaked. That means they typically trade more frequently and hold on to their investments for a much shorter period.

Patience is a virtue

How long you are prepared to leave your money in the markets can have a significant impact on your returns.

Returns become more reliable the longer you hold your investments, especially for a period of 10 years and beyond. To put this into context, take a look at the chart above which covers the performance of the FTSE All Share Index since 1998 *(source: Omnis Investments)*.

As the blue line shows, if you invested £1,000 in 1998, it would have risen in value to £3,000 by the end of 2018. That works out as a compound annual growth rate of 5.65 per cent for every year invested. However, the index did not move up in a straight line each year. While annual returns were positive most years, on some occasions they were negative. But by staying in the market, you would have earned a substantial return on your investment.

The red line tells a different story. It shows your returns on that £1,000 investment if you missed the ten days when the FTSE All Share enjoyed its strongest performance. This is entirely possible if you had tried to time the market, which is notoriously difficult to predict over any time frame, even for seasoned investment professionals. As you can see, your returns over the same period would be nearly 50 per cent lower.

A long-term perspective

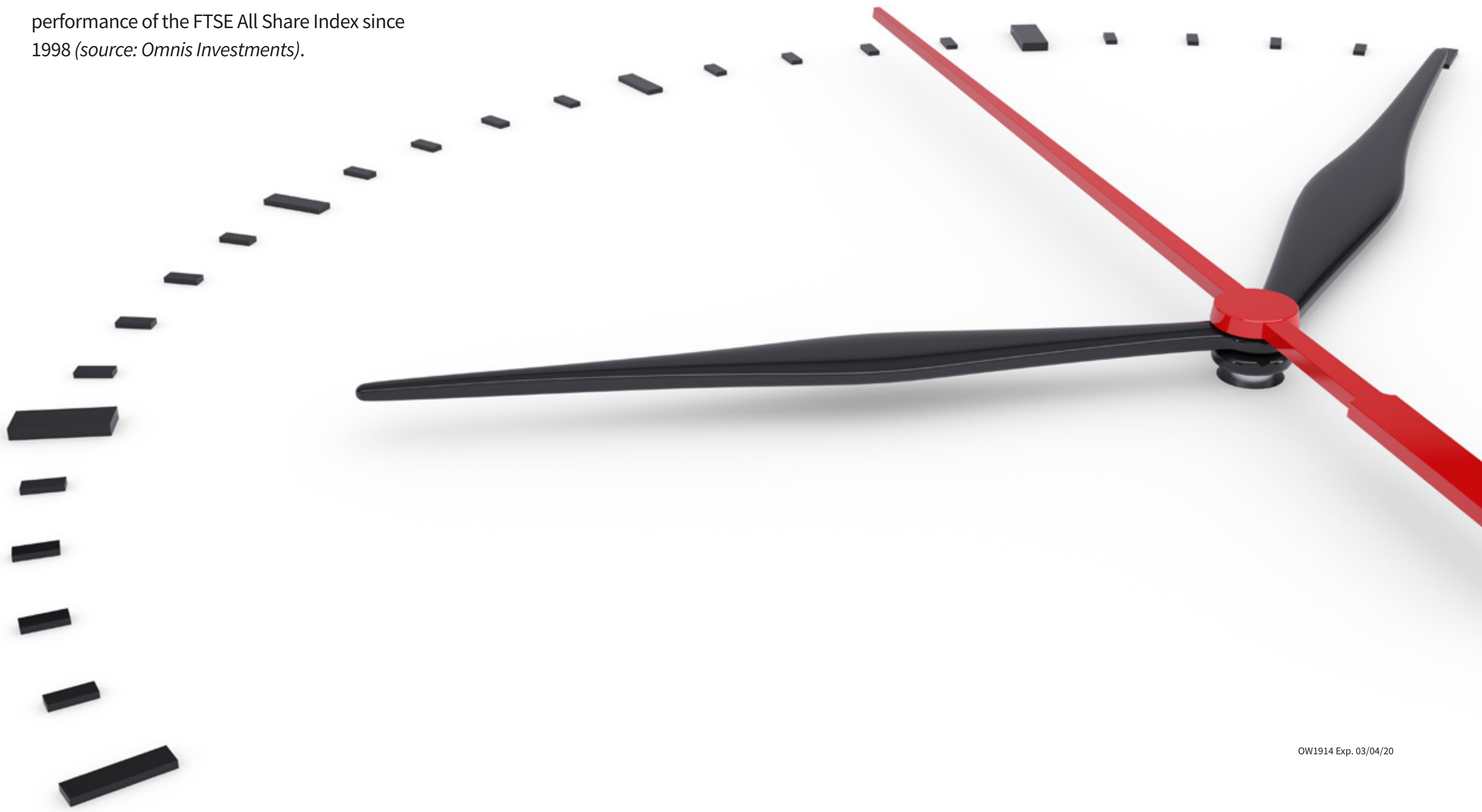
Both the auto-rebalancing Openwork Gaphene portfolios and the actively-managed Omnis Managed Portfolio Service are designed to deliver returns over a period of five to ten years. At a fund level, we also ensure our managers target returns over a similar time horizon.

To find out how long-term investing can help you achieve your goals, please get in touch.

Regardless of whether you invest in the long or short term, the value of your investment and any income from it can fall as well as rise. You could get back less than you invest.

Past performance is not a reliable indicator of future performance and should not be relied upon.

This update reflects Omnis' view at the time of writing (April 2019) and is subject to change.



Look beyond the price of your protection policy

Most of us celebrate the start of life and pay tribute to the end of life, but are we placing enough importance on everything in between?

If we're lucky we'll enjoy certain life events like finding a lifelong partner, marriage / civil partnership, having children, enjoying a career and, ultimately, retiring. But how many of us take out financial protection in the event our plans go awry?

Clearly life isn't always plain sailing and we will face obstacles and challenges to overcome. When these challenges are more serious, for instance if accident, illness or death strike, protection insurance can help provide a safety net.

And when it comes to protection, we hold two firm beliefs:

1. It should form the foundation of most people's financial plan.
2. Cover should be reviewed regularly to make sure it continues to meet your needs.

The second principle is particularly important when you're at a particular 'life' stage. Whether that's buying a house, getting married, starting a family, setting up in business, or all the above, protection insurance will help to protect your loved ones and your financial responsibilities.

But it's important to look beyond the headlines when taking out protection as many providers will offer added-value benefits beyond an initial pay out, that can really help you adapt and cope to potentially life-changing circumstances.

These additional benefits could be anything from access to expert medical opinion, rehabilitation to get you back to work as quickly as possible, bereavement counselling, or even global treatment.

When using comparison sites and direct insurers, care should be taken to make sure their 'off-the-peg' solutions meet your specific needs. Using our expert product knowledge, we can help find the right solution with the right value-added benefits for you.

For more information or to discuss a protection shortfall, please get in touch.

When lightning strikes

In July 2015, Mark received a call from someone telling him his house in County Durham was in flames and that a team of firefighters were currently at the scene.

He hung up – first, not quite believing what he'd heard was true – it must be a work colleague playing a prank! But when the police called back, Mark soon realised this wasn't a joke; it was a real problem that required his urgent attention.

Mark had moved out of the house and in with his partner a few months earlier, and was currently renting it out, hoping it might be a good investment. From the moment he took the call though, he started to worry he might have made a big mistake.

The cause of the fire was a lightning bolt, which had gone straight through the roof and into one of the bedrooms. The house was now uninhabitable and, as well as having a significant re-build project on his hands, Mark also had his tenants to consider, not to mention a potential loss of rental income that was currently covering his mortgage payments.

Fortunately, Mark had taken out appropriate insurance with a financial adviser at his local estate agent. They had recommended specialist Landlord's cover with Paymentshield, knowing that it was competitively-priced and that he would be covered should the property become uninhabitable.

Obviously the repairs to the house weren't going to happen overnight, which meant that Mark's tenants would need to be re-housed. Fortunately, his insurance covered the referencing fees to help them find a new property and, to Mark's amazement, it also covered his loss of rent while the work was being carried out.

Mark still had a mortgage on the property and relied on the rent to meet his monthly payments, so knowing he would continue to receive this income was a huge relief. He didn't even have to get too involved with restoring the property; the Paymentshield insurance team managed all the details and kept him fully updated on progress. Other than a small excess, Mark's claim pay-out covered the majority of the work.

It's not every day you get a phone call at work to say that your house is on fire after being struck by lightning.

But that's the whole point of insurance; it's there to protect you when the unexpected happens.

Luckily for Mark, he was covered by this random act of nature, but without the right advice and the right policy, he might not have been so lucky.

For trusted advice on home and contents insurance, please talk to us.

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