Issue 15 Spring 2016

Viewpoint

Your latest newsletter from Homeworks Financial Solutions Limited

Opting out of Auto-enrolment

Saving into a pension is an important financial step we should all be taking to ensure a comfortable lifestyle when we stop work.

When it comes to workplace pensions, all employers will have been required to enrol their eligible workers into a scheme by 2018, if they:

- are not already in one
- are aged between 22 and the State Pension age
- earn more than £10,000 a year
- work in the UK

You can choose to opt out of the scheme, but your employer is obliged to enrol you back in automatically every three years. You can opt out again if you still don't think it's for you, but you should think carefully before you do – especially if you don't have any other pension savings. After all, what will you live on when you retire?

Don't rely on the State

Many people over estimate how much they will receive from the basic State pension, which is currently just £115.95 a week plus any means-tested benefits. This will rise to a maximum flat rate of £155.65 from April 2016 – but only for those that have paid 35 years of National Insurance – providing an income of just over £8,000 per year.

Saying no to free money

Take 30 year old Miss Brown earning £26,500 per year with no current pension savings, who wants to retire at 60.

If she pays in £300 a month in to a private pension scheme until retirement she will receive an estimated pension income of just £3,960 per year.

If Miss Brown is opted into an auto-enrolment scheme where her employer contributes 5% per month (the minimum employer contribution is currently 1% which will increase over time), her estimated income at retirement rises to £5,420 per year. That's nearly £1,500 a year more with no additional cost to her.

What will you live on when you retire?

Relying on the State pension alone could mean a drop in your income when you retire. Saving into a pension, including a workplace pension scheme, means you will have more money to continue doing the things you enjoy when you retire.

A pension is only one form of retirement planning and it's a good idea to combine it with other methods. To find out more about auto-enrolment, pensioans and other types of retirement planning, please get in touch.

COPEN1235 Exp. 31/12/16

Spring clean your finances

A quick Google of 'Spring Clean' will throw up a million and one Buzzfeed articles or 'life hacks' on how to make spring-cleaning easier and quicker. You'll find tips about using cola to clean the toilet, lemon to clean the taps and vinegar to clean just about anything.

When you're done cleaning your worktops with baking soda and your windows with newspapers, why not try spring-cleaning your finances with our handy hints:

Work out what you're spending

Keeping track of your income and outgoings gives you a great snapshot of your finances. It can help highlight any problem spending areas and where you can potentially make savings. To get started, you'll need copies of your recent bills, wage slips and bank statements. Tally them up and write them down (or use a spreadsheet), including your other main monthly outgoings. Compare this to your monthly income to quickly see your spending patterns and how much you have left over at the end of every month. There are also online tools to help you while budgeting or your bank or building society may have an online tool which takes information directly from your transactions. Alternatively you can talk to us.

Protect what matters

Spring-cleaning your protection insurance is also important as you'll want to make sure you have the right cover for your current circumstances when you need it.

If you're renting a property you will want to protect your belongings. If you have just bought a home you'll need to make sure both your home and possessions are adequately covered. You may even want to consider accidental damage cover or home emergency cover.

If you've recently had a baby, or you have others who depend on your income, make sure you have cover in place to provide financial security for those who depend on you should you become ill or die. Life insurance and critical illness insurance give you the peace-of-mind that you or your family could 'weather a financial storm'.

Invest in an ISA

An Individual Savings Account (ISA) is a tax-efficient way of saving. In the current tax year (April 2016 to April 2017) the government allows you to put up to £15,240 into an ISA and it's important to take advantage of this.

You can save your money in one cash ISA or one stocks and shares ISA, or split the allowance across both types. A cash ISA means you don't pay tax on saving accounts interest. A stocks and shares ISA means you don't pay tax on any income or capital gains you've made on your investments – but obviously there's more risk involved in the latter. The tax efficiency of ISAs is based on current rules. The current tax situation may not be maintained. The benefit of the tax treatment depends on individual circumstances.

Although there is no fixed term, you should consider stocks and shares ISAs to be a medium to long term investment of ideally five years or more.

The value of your stocks and shares ISA and any income from it may fall as well as rise and is not guaranteed. You may get back less than you invest.

Get trusted advice

Discussing your financial needs with an expert can make managing your finances simpler. We can help you establish a financial plan that's designed around your specific needs, make sure it stays on track, and provide ongoing advice that will help you achieve your goals.

If you would like to have a chat about your budget, protection or investment needs, please call us today.

COPEN1236 Exp. 05/04/17

Are you considering remortgaging?

With continuing uncertainty over the future of interest rates, you may be considering remortgaging to a lower rate of interest to save money.

But before you're tempted to a new lender offering an attractive introductory rate, it's worth considering the bigger picture.

Should I stay or should I go?

Moving to a new deal could save you money. However, if you change your mortgage before the end of your current deal, you may have to pay an early repayment charge. It's also worth factoring in legal, valuation and administration costs that may be associated with signing up to a new mortgage deal.

In some circumstances, you may find that over the long term, the costs of switching outweigh the costs of taking on what looks like a better deal.

Tougher lending rules

As part of the Mortgage Market Review (MMR) in April 2014, the Financial Conduct Authority introduced new rules around mortgage lending. For instance, the lender must now take greater steps to ensure you can afford your mortgage not only now, but in the future if interest rates were to rise.

That means if you took out your current mortgage a few years ago, you may be asked for more information this time around. This may include details of how much you typically spend on things like travel, clothing, entertainment and childcare.

Changing the type of deal

When looking at new deals, you may want to consider a different type of mortgage arrangement to your current deal.

For instance, you may decide that you would benefit from the option of payment holidays, or a more flexible repayment arrangement. If you have significant savings, you may want to switch to an offset or current account mortgage, where you use your savings to reduce the proportion of your loan on which you pay interest.

Updating your protection

When changing your mortgage, remember to review your protection arrangements as part of the process. This could protect you financially if you become unable to meet your monthly repayments, should the unexpected happen.

Reviewing your protection needs is all the more important if you don't have cover in place already, or if your circumstances have changed since you last reviewed your cover.

With so many areas to consider, it makes sense to seek professional mortgage advice. We can help you weigh up the financial benefits of remortgaging, choose the most appropriate deal, handle your mortgage application from start to finish, and ensure your loan is properly protected.

If you'd like help choosing the right mortgage, please get in touch.

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

COPEN1103 Exp. 14/09/16

European legislation hits the UK mortgage market

Back in March 2011 the European Commission proposed a new directive on credit agreements for consumers secured on property, referred to as the European Mortgage Credit Directive (MCD). The new rules came into force on 21 March 2016, but what do they mean for you?

Protecting consumers

MCD introduces standardised conduct rules for firms selling first and second charge mortgages across the EU, designed to protect consumers taking out credit agreements relating to residential property.

The good news is that the UK already has a robust regulatory regime in place, which means the changes coming in under the MCD are relatively minor.

Mortgage Market Review (MMR)

In April 2014, the UK's financial services regulator, the Financial Conduct Authority (FCA) introduced a number of significant changes to its rules around mortgage regulation, known as the MMR. These changes were designed to tighten the rules in a number of areas ensuring that irresponsible lending practices are stamped out of the mortgage market.

In fact, the introduction of the MMR means that many of the MCD's requirements are already met, as the FCA were able to anticipate some of the emerging EU proposals through the recent MMR changes.

The most significant area of change is to the rules around second charge mortgage lending meaning all lending, secured on the borrower's home will be regulated under the FCA mortgages regime.

Whilst the changes are relatively minor, there will be a few new issues that lenders and mortgage advisers will need to incorporate into their businesses, such as:

- Changes to when and how you are told about the range of products that are on offer, any limitations in the services provided and how much mortgage advice will cost.
- A new Mortgage Illustration which has additional information about the cost of the mortgage and an example of what would happen if rates rose to a 20 year high.
- The introduction of a new mortgage offer that's binding on the lender and a new seven day reflection period for the consumer.
- A new approach to monitoring customers' foreign exchange exposure, including where part or all of their income is in a foreign currency, other than Sterling.
- A new classification of 'Consumer Buy to Let' mortgages to provide additional regulatory protection for 'accidental landlords' (people who did not buy the property with the intention of renting it out but ended up doing so).
- Regulation of second charge lending.

Whether you are buying your first home, moving up or down the property ladder, purchasing an investment property or simply remortgaging, the process is often complex, time consuming and for many people daunting!

Contact us and we'll go through the mortgage process with you to help ensure you make the right decisions.

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

Too ill to earn

‘Seven Families’ highlights the importance of protecting your income.

Seven Families is a charity-led campaign that aims to raise awareness of the financial and emotional difficulties caused by long-term illness or disability. Launched in November 2014, it follows seven real families in the UK where the main breadwinner has been forced out of work by an accident or illness – without having any protection insurance in place.

The Clarke family

Tracey Clarke and her husband Tim live on a houseboat after financial difficulties forced the sale of the family home.

Tracey was born without functional vision in her left eye. It had never caused her problems until 2011 when her eyesight began to shut down completely. Tracey had to give up driving and, ultimately, her career as a Pharmacy Technician. Soon after, her husband Tim was made redundant.

The effect of losing two incomes unexpectedly meant Tracey and Tim had to rethink their financial plans. They were forced to sell their home of 25 years and find a place that would allow them to live within their means on the benefits they now depend on.

Looking back

Tim and Tracey admit they had to choose between paying various insurance policies and feeding the family. Looking back, Tracey says *“Obviously feeding the family had to come first. We should have looked again at the budget to find a way of maintaining the payments for the insurance policies.”*

Have you protected yourself and your family?

Income protection cover will help provide an income if you are unable to work due to an accident, sickness or, in some cases, unemployment.

Get in touch to find out how we can help protect you and your loved ones.

You can find out more about the Seven Families campaign at www.7families.co.uk

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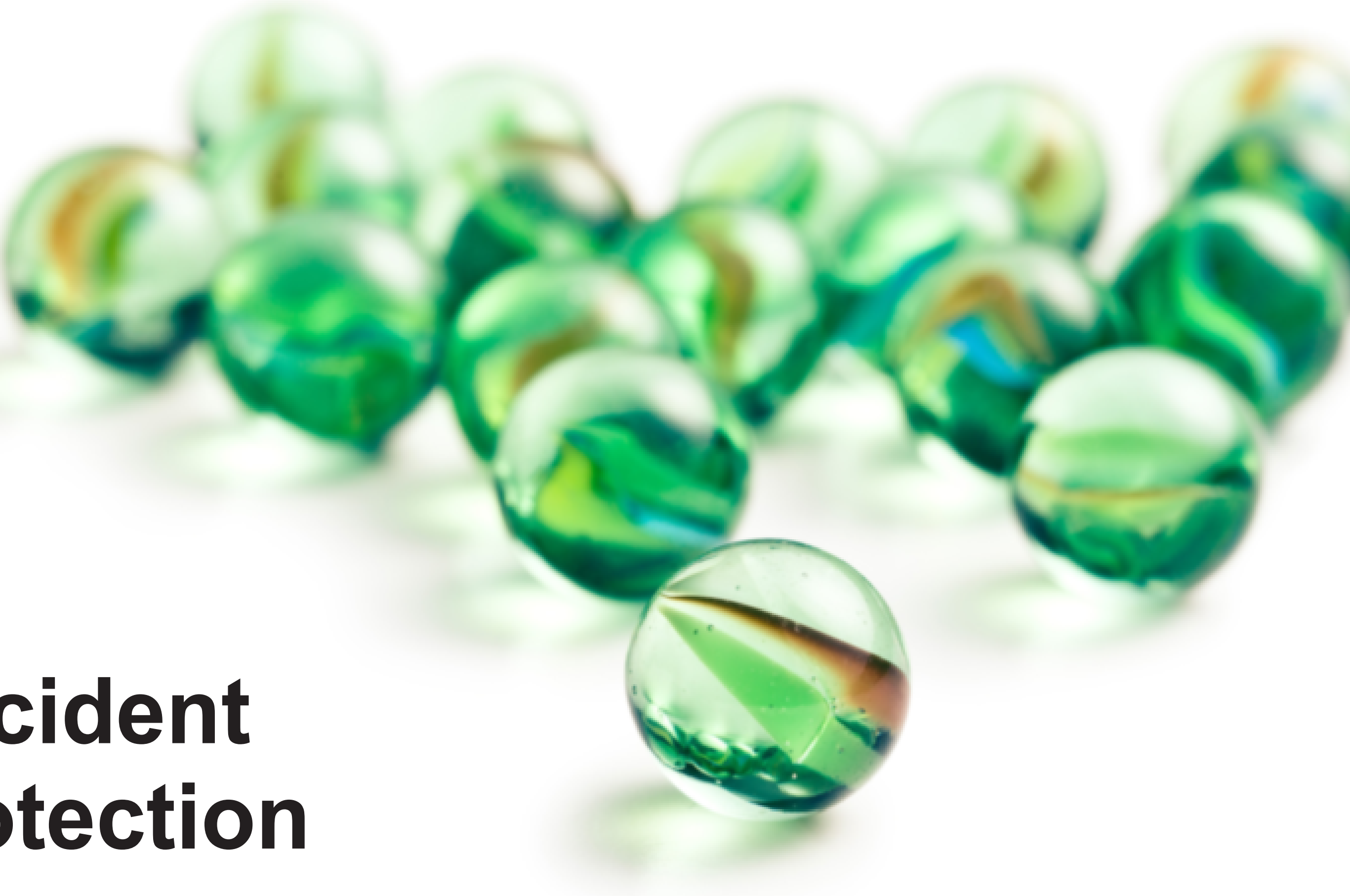
Homeworks Financial Solutions Limited **info@homeworks.uk.com** **01709 821967**



Accident protection

More accidents happen in the home than anywhere else. And during the winter months more time at home means more chance of an accident.

You may take extra care whilst taking down the Christmas decorations or spring cleaning for Easter, but can you be sure your family are being as vigilant?

Every year[1]:

- There are approximately 5,000 deaths as the result of an accident at home – with children under five and people over 65 most likely to have an accident
- 200,000 people report injuries that result in more than three days off work
- Almost 7,000 people were admitted to hospital after accidents involving a ladder
- Nearly 4,000 were admitted to hospital following accidents involving furniture
- 3,053 were injured due to accidental poisoning
- 137,264 under 18s are admitted to hospital due to injury

Spring cleaning may sound harmless but it can involve many of the chores that lead to trips, slips and falls. It is important to take the time out to think about your safety. If you need to climb, avoid using chairs and use a step ladder instead.

Most importantly, don't rush things, as that's when most accidents are likely to occur.

Take appropriate cover

You may think 'it won't happen to me' but accidents, by their very nature will happen. Accident protection can provide a cash lump sum when you really need it for a range of specified accidental injuries. It can give you a little more financial security to help cope with any loss of earnings through illness or injury.

Accident protection can provide cover for:

- Broken bones
- Hospitalisation due to accident and sickness
- Permanent injuries
- Permanent disablement
- Accidental death
- Funeral costs

Talk to us today about accident protection for you and your family.

[1] *ROSPA & MetLife*

COPEN1174 Exp. 14/12/16

Homeworks Financial Solutions Limited **info@homeworks.uk.com** **01709 821967**

Over-sharing could invalidate your home insurance

If you use social media, you may have posted a picture by the pool or a selfie from the slopes. Even if you haven't, you probably know someone who has.

Did you know that sharing your current location or travel plans could void your home insurance?

A quick swipe through your timeline will probably reveal the recent holiday details of friends and family – right down to the travel dates, departure airport and hotel location.

But have you ever stopped to think that posting this sensitive information on Instagram, Facebook or Twitter could be advertising your vacated property to criminals?

Should your social media take a holiday too?

Maybe your break could be the perfect time to take a holiday from social media too.

If you suffer a break-in whilst on holiday, and had announced your travel plans on social media, it might lead to your home insurance claim being rejected. This is because the insurer might consider the homeowner has not done enough to guard against the theft by posting such information online. Showing off your latest holiday on social media is tempting, but is it worth jeopardising your home's security for?

Protect your possessions

The same advice should also be applied to your possessions – particularly those of high value. Showing off your latest expensive purchase online could also be seen as increasing your risk - and would at the very least leave you feeling foolish if you lost or had it stolen as a result.

Staying safe

Insurers are reportedly considering asking home owners if they use social media when assessing their applications, as the risk of over-sharing becomes more and more common. If you do use social media, consider taking the following steps to reduce your risk:

1. Turn off location-based services on the social media accounts you use
2. Never share your home address on social media
3. Make your posts private so that only your friends and connections can see them

If you would like to discuss how you can protect your home and possessions, please get in touch.

COPEN1164 Exp. 10/12/16

Homeworks Financial Solutions Limited info@homeworks.uk.com 01709 821967

Taxation changes impacting Buy to Let landlords

In last year's Summer Budget, George Osborne announced changes to the way landlords can claim tax relief on their mortgage finance costs. In his Autumn Statement, the Chancellor then announced proposed changes to Stamp Duty Land Tax on properties purchased for Buy to Let purposes.

Tax relief on interest costs

Landlords can currently deduct mortgage interest from their rental income before calculating how much tax they should pay.

From April 2017, tax relief on Buy to Let mortgage interest will gradually be reduced. The restrictions will be phased in over four years, resulting in tax relief only being available at the basic rate of income tax (currently 20%) from April 2020:

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- 6 April 2017 – higher rate relief can be claimed on the first 75% of the Buy to Let mortgage interest costs. The remaining 25% will have the basic rate of tax relief applied.
- 6 April 2018 – higher rate relief can be claimed on the first 50% and the remaining 50% will attract the basic rate of tax relief.
- 6 April 2019 – higher rate relief can be claimed on the first 25% and the remaining 75% will attract the basic rate of tax relief.
- 6 April 2020 – Tax relief can only be claimed at the basic rate level.

Wear and Tear Allowance to go

Up until April 2016 only landlords of fully-furnished residential properties could claim tax relief for wear and tear on furnishings.

This 'Wear and Tear' Allowance has been replaced with a relief that enables all landlords of residential dwelling houses to deduct the costs they actually incur on replacing furnishings in the property, such as:

- sofas
- televisions
- fridges and freezers
- carpets and floor-coverings
- curtains
- crockery or cutlery
- beds and other furniture

The initial purchase of furniture, furnishings, appliances and kitchenware won't be eligible for the tax relief.

Changes to Stamp Duty Land Tax

Stamp duty on properties purchased for Buy to Let purposes will increase by 3% for each band from April 2016. This will mean that even properties up to the value of £125,000 that would previously have attracted 0% stamp duty will now attract the 3% Buy to Let / second home rate.

Some Buy to Let mortgages are not regulated by the Financial Conduct Authority.

If you let a property and would like to know more about these changes, please get in touch.

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

Homeworks Financial Solutions Limited
2 The Point
Bradmarsh Business Park
Rotherham
South Yorkshire
S60 1BP

01709 821967
info@homeworks.uk.com
www.homeworksfinancialservices.com

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