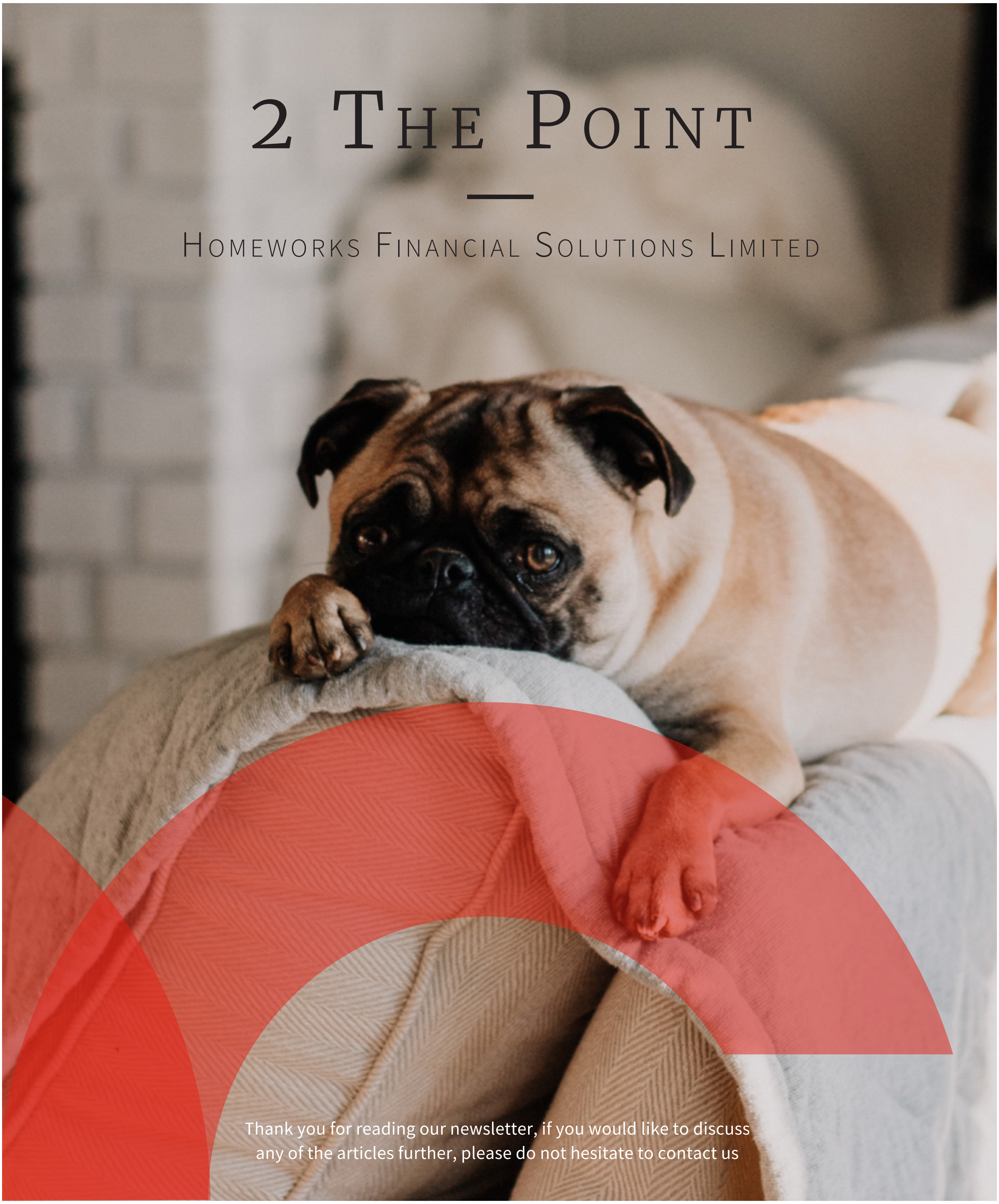
2 The Point

Homeworks Financial Solutions Limited



Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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As the property market thaws lenders are open for business

Estate agents are open, lenders are open, and we are open!

On Monday 11 May, the government surprised many by announcing the reopening of England's housing market from the following Wednesday. Rightmove reported nearly 5.2 million visits were made to its website on the first day of the lockdown easing, which was a 4% increase on the same day a year earlier.

Under the announced changes, both estate agents and members of the public were given the green light to travel to properties for viewings and to undertake house moves – albeit with certain rules in place to enforce continued compliance with social distancing.

These included, sellers being outside the property while viewings are completed, the number of viewings per day being restricted and potential buyers being encouraged to view the property virtually in the first instance. Some estate agents are asking prospective buyers to complete a health declaration before allowing them to view a property.

Mortgage rates fall to record lows

The Bank of England's base rate cuts to 0.1% have resulted in mortgage rates now sitting at all-time lows. The average overall two-year fixed rate is now 2.09%, a drop of 0.34% between March and May.

While those on variable rate and tracker mortgages stand to benefit, it has proved to be more difficult for those in the higher loan-to-value (LTV) ranges to secure a mortgage, with many lenders pulling mortgage products from the market and increasing rates, particularly for 95% LTV mortgages. Encouragingly, lenders are now beginning to reintroduce products and starting to relax their LTV restrictions.

Borrowers with a 10% deposit or equity will be pleased to see an average drop of 0.17% and 0.26% in rates for two and five-year fixed deals.

Speak to us early in the process

Whether you are moving up the ladder, looking to downsize, purchasing another property or remortgaging, getting a mortgage is one of the biggest financial decisions you will make. So, it's important to get it right.

With the property market starting to thaw again and mortgage rates now sitting at all-time lows, it's worth speaking to us. If you're looking to move or remortgage, we can help you work out how much you're likely to be able to borrow, prepare your mortgage application, and find the right mortgage for your circumstances.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

OW2807 Exp. 23/12/20

Protecting you and your family

Losing your partner at any stage in life can be devastating, but it may be particularly devastating when children are involved because of the financial pressures of raising a family.

Ensuring your children and other dependants are provided for in case you die should be a top priority but less than a third of people in the UK have life insurance.

Keep it simple

Many products are available but a simple level-term policy, where a pre-decided lump sum is paid out should you die within a stated period, is among the simplest to arrange and is typically not very expensive. As a rule of thumb, life cover should provide ten times the main breadwinner's income. The amount should cover any outstanding debts, including mortgage, regular outgoings, potential university fees and so on. The term should reflect the needs of your dependants; Children will probably need support until they leave education and a partner may need it until pensionable age.

Joint or single cover?

A joint policy will cover you and your partner, paying out on the first death within the term. Alternatively, you can have separate single-life policies; a little more expensive but potentially two payments. A young, fit individual should find life cover affordable. Be open about your lifestyle, especially if you have existing medical issues. Premiums rise with age, lifestyle factors, such as smoking and other factors that affect your life expectancy.

Keep under regular review

Reviewing your protection needs helps make sure you have the right cover in place for your financial circumstances, giving you the peace of mind that you've got things covered.

As with all insurance policies, conditions and exclusions will apply.

Keep your pension planning on track

The coronavirus outbreak is having a widespread impact across all aspects of our financial life, with many people finding their income reduced. At times like this it can be challenging to stay focused. No matter what age you are, now is not the time to neglect your pension. Try your very best to keep your pension planning and contributions on track – don't allow the pandemic to cast a cloud over your long-term plans.

It's never too early to start saving into a pension...

You should start saving for retirement as soon as possible, as the sooner you begin, the longer your savings have to grow. Other financial challenges can make this difficult but investing regular amounts in a pension throughout your working life gives you the best chance of enjoying a prosperous retirement.

...but better late than never

Don't think it's too late to start saving for your retirement. The favourable tax treatment pensions enjoy and their potential for investment growth, means any contributions you make later in life can still make a huge difference to your standard of living in retirement.

Take control of your retirement

When you reach 55, it's important to carefully consider what you can do with your pension pot. For instance, you could keep your savings invested, take a cash lump sum, draw a flexible income (drawdown), buy a fixed income (an annuity), or a combination of these. While this flexibility may enable you to retire earlier or semi-retire, it's vital you take full control of your retirement options at this stage. This should include seeking advice to discuss the pros and cons of the different avenues available to you.

Know your numbers

You can contribute as much as you like into your pension, but there is a limit on the amount of tax relief you will receive each year. The Annual Allowance is currently £40,000, or 100% of your earnings, whichever is lower. You can, however, carry forward unused allowances from the past three years, provided you were a pension scheme member during those years.

For the 2020-21 tax year the Tapered Annual Allowance limits altered. The Threshold Adjusted Income limit is £200,000 and the Adjusted Income Limit is £240,000. If your income plus pension contributions exceeds the Adjusted Income Limit, your Annual Allowance is reduced by £1 of every £2 you are over the Adjusted Income Limit. A Lifetime Allowance also places a limit on the amount you can hold across all your pension funds without having to pay extra tax when you withdraw money. This limit is currently £1,073,100.

Get good advice

Retirement planning is never a case of 'one size fits all'. It is vital you obtain sound financial advice tailored to your individual needs. We offer advice and help with all aspects of pensions and retirement planning, whether you're just starting out and want help choosing the most appropriate pension products, or you're approaching the stage of life when you need to utilise your pension pot and want to know the most efficient way to access your funds. We are here to help.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

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

OW2805 Exp. 02/04/21

Give your children a head start with financial education

Financial literacy isn't a skill that we are born with. Learning how to manage money effectively means acquiring a few important life lessons that parents can pass on to their children from a relatively young age. With home schooling on the agenda for many families at the moment, one perfect way to engage your children, a skill vital for everyday life, is financial education.

Money does not grow on trees

Encourage children to handle cash as soon as possible to help them recognise its value and to plan how to save some of their pocket money, so that they can save up to buy a new toy or book with their own money. After all, good things come to those who wait, teaching delayed gratification is a great lesson. Children need to realise that you work to earn money and that it simply does not pop out of the wall at the cashpoint.

Lead by example

Talk to your children about how much things cost and set a good example; your financial behaviour will lead the way. It's important for children to understand what budgeting means, to teach responsibility with money. If you demonstrate responsible buying by creating a budget before you go shopping, comparing prices, using money saving vouchers and curbing impulse purchases, you can lead by example.

Dividing money into different pots is a useful way to demonstrate only spending the money you have, as it helps your child to visualise where their money is going. When it's gone, it's gone.

Saving for the future

Junior Individual Savings Accounts (JISAs) are a good way for children to learn about the benefits of saving money for the future. Once the person who has parental responsibility for a child has opened the account, anyone can contribute to it, up to an annual limit (£9,000 this tax year). This means that the child can learn more about money management by saving some of their pocket money and watching it grow, before gaining control of it at age 16. The money cannot be withdrawn until the child is 18, at which point, the account is automatically rolled over into an adult ISA, a valuable facility for those who want to continue saving or investing tax-efficiently.

Teach a life skill

Due to limited curriculum time, only four in 10 children and young adults currently receive financial education lessons. According to The Financial Capability Strategy, children's attitudes to money are well-developed by the age of seven. Research confirms that children who receive a formal financial education are more likely to be money confident and have a bank account, understand debt, be capable of saving and generally have the skills needed to make the most of their money in the future.

Simple things like playing family board games together that promote financial literacy; games such as 'Cashflow 101' and the ever-popular 'Monopoly', which now has junior versions, are a good starting point.

The value of investments can go down as well as up and you may not get back the full amount you invested. This information is based on our current understanding of the rules for the 2020/21 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.