Finhawk Mortgages Ltd

INSIGHT BRIEFS - JULY 2024

FINHAWK MORTGAGES LTD

Please enjoy 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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Mortgage holders could benefit from rising property prices

Homeowners who sold their properties in 2023 made an average profit of £74,000 according to data from property website Zoopla. But you don't have to sell your house to benefit from rising property prices – they could help you get a better interest rate on your mortgage.

9 in 10 homes sold for more than their purchase price

Concerns that the Bank of England's decision to increase its base interest rate might cause property prices to stagnate or fall appear to be unfounded as homeowners continue to benefit from long-term growth.

The average seller in 2023 had lived in their home for nine years and most made a profit. London homeowners saw the biggest gains of £137,000 on the average sale, whilst those selling a bungalow or detached home made an average profit of more than £100,000. Just 10% of property sales were sold for less than their purchase price, with the average loss weighing in at around £17,000.

You may discover that your budget is larger than expected if you're searching for a new home this year. An accurate and timely valuation of your property is key to calculating your mortgage needs and setting the budget for your next move.

Rising property prices could cut your outgoings when you remortgage

You don't have to wait until you sell your home to benefit from rising property prices – if the value of your home has increased it could help you secure a more competitive interest rate on your mortgage.

Lenders compare the value of your home to your mortgage when reviewing your application to remortgage – this is known as your "loan-to-value" (LTV) ratio.

For example, if you purchase a property for £200,000 with a 10% deposit, your LTV ratio is 90%. If the value of your property rises to £220,000, your LTV ratio falls to around 82% because the size of your mortgage relative to the value of your property has now decreased. If you've selected a repayment mortgage, then your repayments will also lower your LTV as the amount you owe falls.

A lower LTV ratio usually results in a more competitive interest rate because you pose less of a risk to the lender. The combination of regular repayments and rising property prices could therefore lead to lower repayments in the future.

Lower interest rates could save you thousands over your mortgage term

The Bank of England has gradually increased its base rate over the last few years to help tackle inflation – it's currently 5.25% compared to historic lows of 0.1% for much of 2020 and 2021. Many homeowners are dealing with sharp increases in their mortgage repayments as a result.

Securing a more competitive interest rate now could help to offset the previous increases you may have experienced. Even a small reduction could have substantial impacts over the full term of your mortgage.

Let's say you borrowed £150,000 through a repayment mortgage with a 15-year term, if the interest rate is:

- 5.5% your monthly repayment is £1,126.
- 4% your monthly repayment is £1,109.

You would save £20,000 with a 4% interest rate over the full 15-year term of the mortgage compared to repayments at 5.5% interest over the same period.

Revaluing your home could therefore be a crucial money-saving strategy if your mortgage deal has expired or is due to do so soon. You can usually lock in a new mortgage deal up to 6 months before your current deal expires.

Being proactive and finding a new mortgage before your existing one ends could also mean you avoid paying your lender's standard variable rate (SVR), which isn't typically a competitive rate.

We can help you reassess your mortgage needs

Whether you're moving home or looking to secure a better interest rate on your mortgage, we'd love to help you make the most of rising property prices. We'll help you assess the mortgage market and match you up with the right deal for your circumstances.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT

OPW_0104_A422_Jun24 | OW5445 | Expiry 31/12/2024

Seven things you can do to minimise will disputes

We all hope that our estates will be dealt with in an orderly, considerate manner after we pass away, but the number of will disputes is increasing.

Up to 10,000 people in England and Wales dispute wills every year according to a report by The Guardian, and a growing proportion of these are being taken to court – 195 in 2022 compared to 145 in 2017. Thousands of families have been embroiled in challenges to wills that are often "ruinously expensive", time-consuming and emotionally draining.

Disputes can be taxing for our loved ones, but they can also affect how our estates are handled. Your assets might not be passed on in the way you intended, and people you wanted to benefit from your estate might be overlooked. Fortunately, there are some steps you can take to help minimise disputes over your will.

Understanding your estate can help you make decisions about your will

These seven actions can help to reduce will disputes, but having a full understanding of your estate can give you the greatest peace of mind. We're here to talk if you want to talk about your will or your estate planning to help you decide how you want your assets to be passed on.

Please note: The Financial Conduct Authority does not regulate estate planning. Will writing is not part of the Openwork offering and is offered in our own right. Openwork Limited accept no responsibility for this aspect of our business. Will writing and estate planning are not regulated by the Financial Conduct Authority.

1. Speak to your loved ones about your wishes

It's not any easy conversation to have, but discussing how you want to pass on your estate with your family can help to avoid disputes. It gives you the chance to explain your decisions and ensure that there are no surprises for the inheritors when your will is read.

2. Write a letter of wishes

You can also write a letter which outlines your wishes to be read alongside your will. This gives you another opportunity to explain your estate planning decisions which could be helpful for beneficiaries and the executor of your estate. This letter can also act as further reinforcement of your wishes if a dispute does arise.

It's important, therefore, to make sure that your letter of wishes doesn't go against what's written in your will. You may want to ask a solicitor to review it to remove any errors or contradictions.

3. Include a no-contest clause in your will

Adding a no-contest clause doesn't prevent someone from raising a dispute, but it can be an effective deterrent. This clause generally states that a beneficiary forfeits any inheritance they may have been entitled to if they challenge your will and lose their dispute. It's another tool you can use to help ensure that your assets are passed on in the way you want.

4. Hire a solicitor to write your will

You can write your will without professional legal support, but engaging a solicitor to write it for you can help you to express your wishes as clearly as possible. They'll use language that minimises contradictions and clearly sets out the way you want your assets to be passed on.

That can be especially vital if your estate planning is complicated, for example if you own assets in other countries or if you have investments. The support of a solicitor can increase your confidence that your complex estate will be passed on smoothly.

5. Ask a medical professional to witness your will

Your will must be made or acknowledged in the presence of two witnesses for it to be valid. These people must be:

- Aged 18 or over (16 or over in Scotland).
- Have the mental capacity to understand what they are signing.
- Not be related to the person making the will or have a personal interest in the will.

You can ask a medical professional, such as your GP, to witness your will and confirm that you were of sound mind when you wrote or amended it if you're worried that it might be contested on medical grounds.

6. Review your will regularly

A common cause of will disputes is a beneficiary claiming that it doesn't reflect your circumstances at the time of your passing. A regular review of your will helps to ensure that it's always up to date and minimise the risk of this kind of challenge.

Reassessing every five years will help keep the terms of your will current. You may also want to review it after major life events, for example if you welcome a new grandchild into your family, remarry, or if your wealth changes significantly.

7. Store your will securely

Make sure that you keep your will in a safe place and your executor knows where it is. Destroy previous versions of your will when you update it to avoid potential confusion.

You can keep your will yourself, leave it with your solicitor, or lodge it with the Probate Service if you live in England or Wales – each method has its pros and cons, and we're happy to explain these so that you can choose the right one for you.

OPW_0105_A422_Jun24 | OW5446 | Expiry 10/07/2025

Five essentials to know about critical illness cover

Critical illness cover can help ease the burden that serious health conditions place on our finances, but almost three-quarters (73%) of young adults don't have a critical illness policy.

More than half of adults aged 18 to 40 don't understand what critical illness cover is for, according to research published by Beagle Street and reported in IFA Magazine.. After having it explained to them, however, four in five of those surveyed said they would consider purchasing it.

Critical illness cover pays out if you are diagnosed with a specified serious illness or health condition. The money can be used to pay off large financial commitments (like a mortgage), maintain your lifestyle or provide for dependents.

It's important to understand how critical illness cover works, so here are the five essential things you need to know before you take out a policy.

1. Critical illness cover pays out a lump sum

Critically illness cover provides a single payment when you become seriously ill. You decide how much you want your cover to pay out and you can use the money however you like, but it's worth taking the time to understand your finances to determine what level of cover is right for you.

You might want to consider regular outgoings, any other assets or financial protection you have, and any costs associated with becoming serious ill. Because critical illness covers pays out one large sum, you might also want to think about what your priorities might be and the best way to use the money to create long-term financial security.

2. Not all illnesses are covered

Half of those with critical illness cover are unaware of the conditions covered by their policy, according to a report from FT Adviser. The lump sum is typically paid when you're diagnosed with certain specified illnesses or conditions which vary between providers. A payout might also depend on the severity of your illness, so it's important to understand how comprehensive your cover is.

There are other options beyond critical illness cover. Income protection, for example, could pay a regular income if you're unable to work because of an accident and may cover more conditions than critical illness cover.

3. There may be additional exclusions based on your health

Your general and family health at the time you take out critical illness cover can affect the level of protection you receive. For example, pre-existing medical conditions or illnesses that your close family members have been diagnosed with will probably be excluded.

4. The cost of critical illness cover varies

Your age, family medical history and your lifestyle are just a few factors that can influence the cost of critical illness cover. Prices also vary between providers so shopping around and comparing your options is the best way to secure the right cover at the right price. Make sure you're comparing like-for-like though – a cheaper policy may not cover everything you want it to.

5. Most critical illness claims are successful

91% of critical illness claims were paid in 2022 according to data from the Association of British Insurers. It can be tempting to forego critical illness cover on the basis that serious illnesses are comparatively rare, but the evidence shows that its likely to pay out when people need it the most.

Let's chat about critical illness cover and financial resilience

Critical illness cover is one of many products that can help create a safety net for your family and your finances if you become seriously ill, and there could be other ways of increasing your financial resilience too. We're here to talk through your options and help you increase financial security for you and your family.

Please note: Financial protection plans typically have no cash in value at any time and cover will cease at the end of the term. Cover will lapse if premiums are unpaid. Cover is subject to terms and conditions and may have exclusions. Definition of illnesses vary between providers and will be explained in policy documentation.

OPW_0106_A422_Jun24 | OW5447 | Expiry 10/07/2025