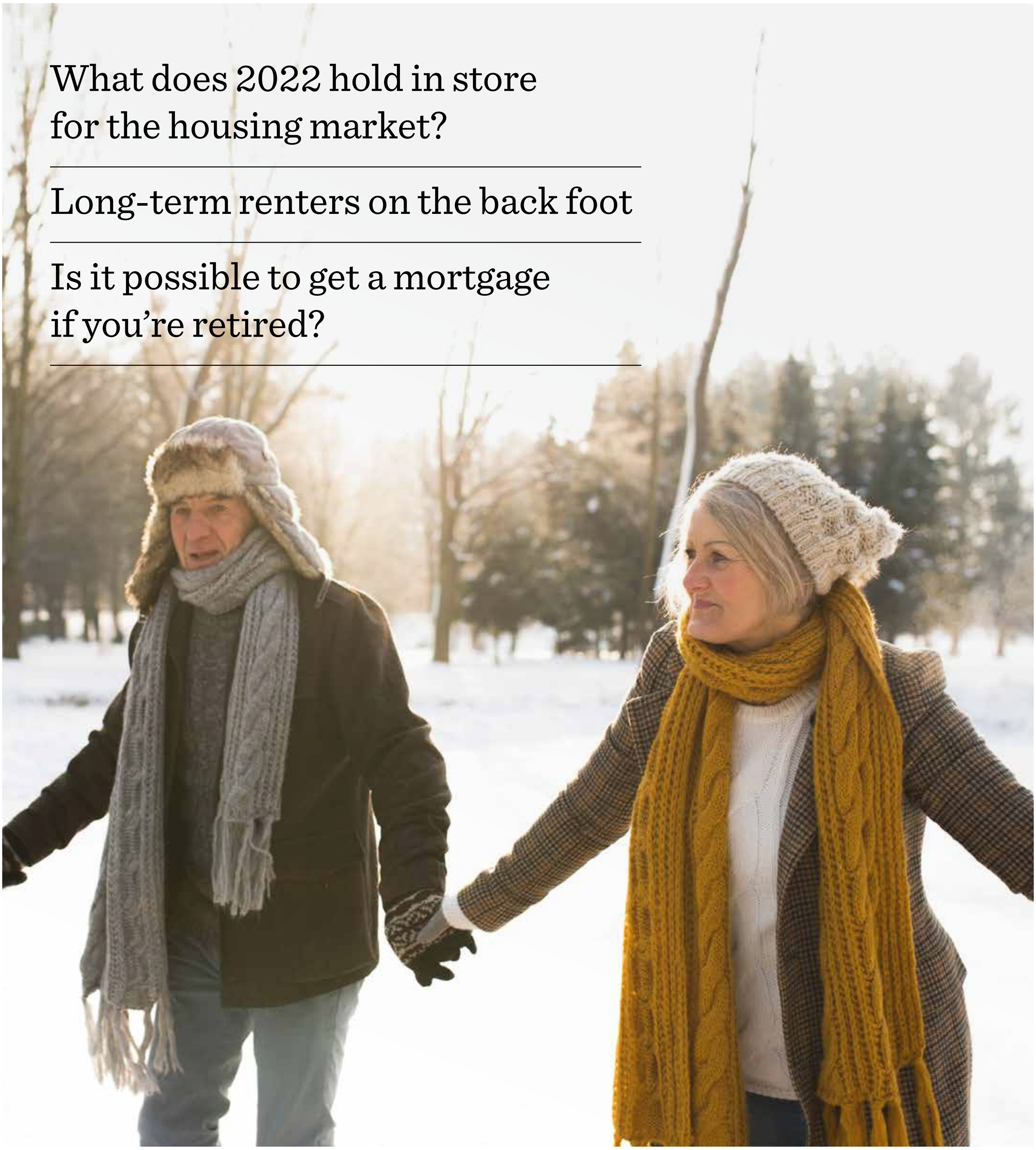
# Essentially Mortgages



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Quilter Financial Planning

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## What does 2022 hold in store for the housing market?

*Key factors driving the housing market in 2021 were a continuing desire for homes with more indoor and outdoor space, a mismatch in supply and demand, and the temporary cut in Stamp Duty.*

The resulting property boom, which according to Zoopla has made it the busiest year for the housing market since 2007, also saw UK house prices rise to record highs, with the average UK property hitting a record high of almost £273,000.[1]

### A strong end to 2021

According to the latest figures from Halifax, house prices rose by 1% in November alone, taking the annual growth figure to 8.2%. Significant regional variations continue to be seen; in England, the North West was, by far, the strongest performing region with annual growth of 11.4% and an average house price of £209,287; London has remained the weakest performing area of the UK, although with an average property price of £521,129, values in the capital remain well ahead of other parts of the country. House prices also continued to rise in Scotland, with the average property costing £191,140 and growth of 8.5% year-on-year.

### Uncertainty for 2022

One agent[2] has predicted that house prices will increase by 7% in 2022 in a *'best case'* scenario, with a downside prediction of 2% growth. However, it remains to be seen how any increases in Bank Rate or other economic factors will affect the market. Halifax Managing Director Russell Galley commented, *"Looking ahead, there is now greater uncertainty than has been the case for quite some time, with interest rates expected to rise to guard against further increases in inflation. Economic confidence may also be dented by the emergence of the new Omicron virus variant, though it remains far too early to speculate on any long-term impact, given insufficient data at this stage, not to mention the resilience the housing market has already shown in challenging circumstances."*

[1]Halifax, 2021, [2]Strutt & Parker, 2021

# The top beauty spots for those on the move

*Are you looking to relocate to one of the UK's top ten most sought-after beauty spots? With 46 areas of outstanding natural beauty scattered across England, Wales and Northern Ireland, and 40 national scenic areas across Scotland, you're spoilt for choice.*

**Out in the sticks**

Research[3] has highlighted that the Cotswolds tops the list, with houses in this area achieving more than 8.5 million views in 2021. Attracted by its charming villages and acres of open countryside, the average property price is £474,164. With 8.25 million views and an average house price of £460,132, the Kent Downs take second place, while the Chilterns ranks third with over seven million views and an average price of £613,200. Cornwall, the Gower, the Wye Valley, High Weald, South Devon, the North Wessex Downs and the Surrey Hills complete the top ten list.

The Surrey Hills is the most expensive area, with the average home costing £704,813. At the other end of the scale, the Scottish Highlands' Kyle of Tongue was the least expensive beauty spot, with homes selling for £118,302 on average.

If you're in search of your own rural bolthole in 2022, we can help you find the most suitable mortgage finance for your needs.

[3]Zoopla, 2021

*With 46 areas of outstanding natural beauty... you're spoilt for choice*

## Long-term renters on the back foot

*Getting a foothold on the housing ladder is no mean feat in today's market. An interesting new study has shown just how rewarding home ownership can be[4]. Before housing growth is factored into the equation, someone buying a house could save £326,214 in the next 30 years compared with people who rent during the same period.*

Although challenging, building up the funds for a deposit is worth it. Over two-thirds of homeowners say they feel confident about their financial future, compared with 45% of renters who feel the same.

**Confidence and wellbeing**

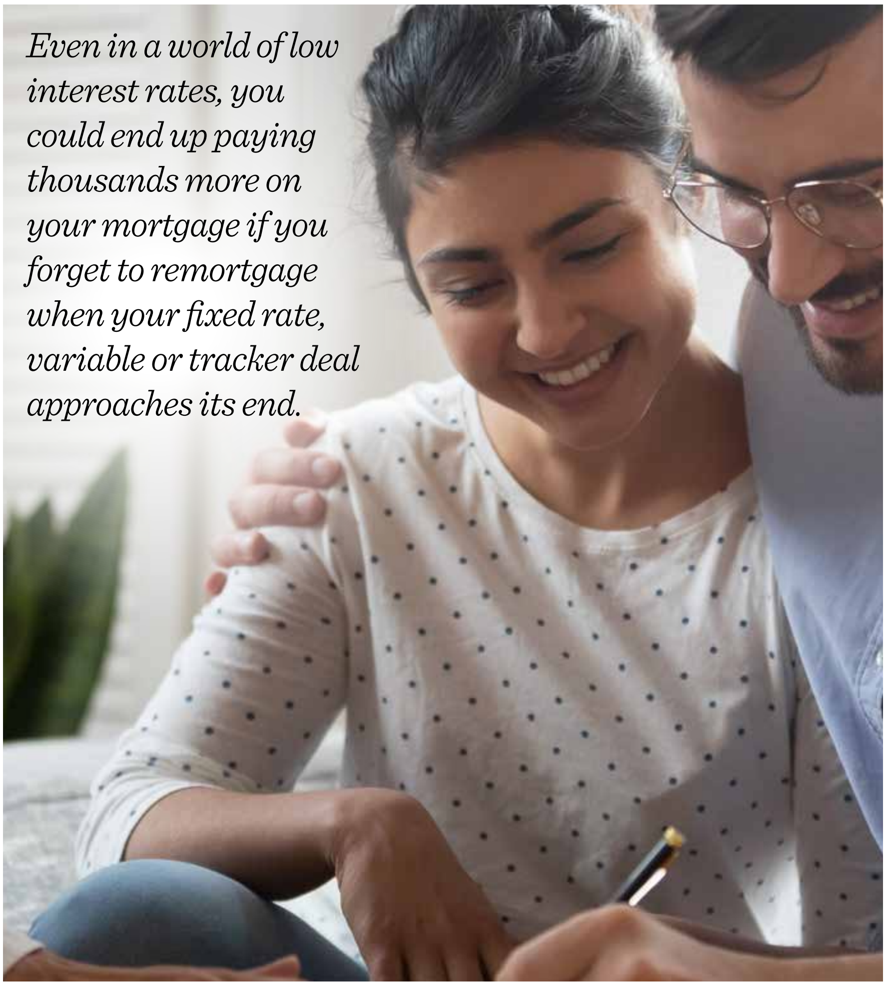
The research concludes that homeownership is becoming ever more critical to financial wellbeing and the ability for people to achieve their long-term financial goals. David Burrowes, Chairman of the Equity Release Council, commented on the findings, *"People today are living and working longer with responsibility to fund their later years and will need to think differently about their financial decisions at different life stages. For people who manage to buy their own home during their working lives, the extra confidence and flexibility this provides will be even more critical to their financial wellbeing than it is today."*

We can help you make your first steps towards homeownership.

[4]Equity Release Council, 2021

# Don’t pay over the odds on your mortgage

*Even in a world of low interest rates, you could end up paying thousands more on your mortgage if you forget to remortgage when your fixed rate, variable or tracker deal approaches its end.*



This is because you will automatically be placed on your lender’s Standard Variable Rate (SVR) when your deal ends, which can be 2% to 5% higher than the Bank of England base rate and much higher on average than current fixed mortgage rates. By comparison, data at the beginning of December revealed that the best five-year fixed rate for remortgagers was just 0.99%[5].

### Never remortgaged?

Despite the potential savings, nearly half (49%) of homeowners have never remortgaged their property, even though they had been making repayments for over 13 years on average[6]. This is according to a survey from Barclays, which also revealed that nearly a third of the respondents didn’t understand what an SVR is.

### Don’t lose out

Recent analysis[7] suggests that a homeowner could save over £5,000 across a two-year period by remortgaging from their lender’s SVR to a fixed rate deal. If you’d like assistance in assessing your own remortgage options and potentially cutting your monthly repayments, get in touch.

[5]Moneyfacts, 2021,[6]Barclays, 2021, [7]Experian, 2020

## Starting your protection journey in 2022

If the past few years have taught us anything, it’s that we never know what’s around the corner. That’s why the new year could be the perfect time to reconsider your protection needs.

If you don’t currently have protection insurance, the best place to start is to ask yourself these questions:

- How long could I pay my rent/ mortgage and bills for if I lost my income?
- Does my employer offer any benefits such as group income protection or company sick pay?
- What would the impact be on my family or dependants if I was unable to work?
- Do I have outstanding debt that I may default on if I lost my income?

The more financial commitments you have, and the less support you get from your employer (or if you are self-employed), the more sense it makes to take out protection insurance.

### It doesn’t have to cost the Earth

When it comes to protection insurance, there are a few options to consider:

- Life insurance, which pays out a lump sum if you die during the policy term
- Critical illness cover, which pays out a lump sum if you are diagnosed with a specific serious illness listed in the policy wording
- Income protection insurance, which pays out a percentage of your current monthly income if you are unable to work due to illness or injury.

Many of these options are not as expensive as people think and, for an affordable monthly premium, you could enjoy the peace of mind that increased financial security brings.

## Parental support for first-time buyers peaks

*Parental contributions to help younger generations fund their first home purchase (collectively known as 'the Bank of Mum and Dad' or 'BoMaD') reached nearly £10bn in 2021.*

According to projections[8], BoMaD supported just under half (49%) of all first-time buyer property purchases last year, with contributions peaking at a massive £9.8bn and averaging just over £58,000 per transaction. This compares with an estimated £6.1bn contributed in 2020 and £5bn handed over in 2019.

**A decade of BoMaD**

This dramatic increase in contributions should be considered against the backdrop of soaring house prices, manic property market activity and a dramatic dip in first-time buyer affordability that characterised 2021.

Even so, parental subsidisation of house purchases has long been a feature of the UK property market, with BoMaD contributing £53.9bn to young house buyers over the past 10 years. Since the 2008 financial crisis and the tightening of mortgage lending criteria in 2014, mortgage credit has become much less affordable – especially for 'riskier' first-time buyers – forcing parents to step into the breach.

**Think about your own affordability**

If you are looking to assist your child in their house purchase, it's important to think about how this will impact on your own financial stability. We can advise you on what you can afford to contribute whilst maintaining your own financial resilience for the future.

[8]Savills, 2021

*BoMaD supported just under half (49%) of all first-time buyer property purchases last year*

# Downsize or not to downsize?

*That is, indeed, the question. While it may seem like a no-brainer to build up your cash reserves for later life by moving into a smaller property, it can actually be a little more complex – both emotionally and financially.*

So, what are the pros and cons to weigh up when you're thinking about downsizing?

### Pros

**1. Save time and money**
Moving to a smaller home means less time eaten up by maintenance tasks such as cleaning, while your bills and other costs like council tax are likely to be lower.

**2. Opportunity to relocate**
If you don't already live near, downsizing could present the perfect opportunity to move closer to friends and relatives.

**3. Fund your retirement**
If your current pension savings aren't as robust as you'd like them to be, then the difference between the selling price of your former home and the cost of your new property can provide a welcome influx of cash to help fund your retirement.

### Cons

**1. Emotional attachment**
If you have lived in your home for a long time, you may find it difficult to say goodbye to friends, neighbours and memories.

**2. Less space**
If you have a lot of possessions, a smaller home and the resultant lack of space may prove an issue – you'll need to be prepared to declutter.

**3. Cost**
You may be saving yourself money in the long term by downsizing but remember that moving home can eat through a significant chunk of cash in the form of estate agency fees, solicitors' fees, moving costs and Stamp Duty/LTT/LBTT.

**No 'one-size-fits-all' approach**

When it comes to downsizing, your decision comes down to what suits your personal and financial circumstances. We can help you weigh up your options to find a solution that works for you.

# What value would your EPC rating bring you?

*Your EPC (Energy Performance Certificate) rating is a score given to your property according to how energy efficient it is.*

And with energy efficiency becoming ever more important as we creep towards the 2050 net zero deadline, the EPC rating of a property is becoming a desirable feature for buyers that has a direct impact on its value.

**Upgrading might be worth it**

According to a Rightmove study, which analysed 200,000 properties which had been sold twice (the second time with an updated EPC rating), people who upgrade their property from an EPC rating of D, E or F could gain up to 16% on average when they sell their home. This means that someone moving from an F to a C rating could net an additional £55,111 based on the current national average asking price of property!

**Some regions are leading the way**

Over the past five years, 22% of British homes have been upgraded from a D rating or below to a C rating or above. However, some regions are doing better than average, with the South East (26%) in first place, followed by Wales (24%) and the East of England (23%).

*With energy efficiency becoming ever more important as we creep towards the 2050 net zero deadline, the EPC rating of a property is becoming a desirable feature for buyers that has a direct impact on its value*

## Is it possible to get a mortgage if you're retired?

*Becoming a homeowner later in life is not uncommon these days, but getting a mortgage becomes more challenging after the age of 55, largely because it is harder to prove retirement income than it is a salary. Mortgage providers will also want to be sure you're able to pay off the loan during your lifetime.*

Providing you can prove your income some lenders are willing to offer mortgage finance to retirees. Income sources include savings and a private or workplace pension (or a mixture). Together with an outline of your expenditure, this will help prove you will have enough to live on and to pay your mortgage for the duration of the term.

You may be offered a shorter mortgage term or a higher interest rate, depending on your age and the lender, because most lenders have a maximum age by which they will want the mortgage to be paid off – this can be as high as 85 or as low as 70.

Challenging doesn't mean impossible, so get in touch for advice to secure mortgage finance that suits your circumstances.

# Pandemic-hit 'Gen Z' will most benefit from protection

*The pandemic has affected different generations in different ways. For the elderly, it threatened their health and independence. For younger generations, and particularly Generation Z (people born after 1997), the biggest impact has been financial.*

Lockdowns and business closures have had a disproportionate impact on young people, with under 25s representing 70% of employee job losses between March 2020 and May 2021[9]. And yet, 50% of Gen Zers are unaware of income protection insurance, which could provide them with much-needed financial stability[10].

### Income protection insurance

Income protection insurance is a type of insurance that is designed to pay out a monthly income if you are too ill or injured to work. This income will help you pay your rent/mortgage, bills and living expenses while you are unable to work – and alleviate your financial stress and the pressure on your savings.

### Going it alone

As digital natives (people who have grown up surrounded by technology) and with mobile banking and other financial apps at their fingertips, Gen Zers are more likely to go it alone with their finances when compared with other age groups. However, without expert financial knowledge, they risk not selecting the products and solutions that will best suit their circumstances.

### Valuable peace of mind

Taking professional financial advice may not be Generation Z's first port of call, but it could help younger age groups find income protection cover that suits their circumstances – and deliver valuable peace of mind.

[9]House of Commons Library, 2021, [10]Anorak, 2021

# Financial decisions for co-habiting couples

*Whether it's young couples moving into a first home together or older pairs blending families after a divorce or bereavement, many people co-habit at various stages in their lives. But some who have lived together for years, or even decades, might be surprised to learn they don't have the same legal rights as a married couple or civil partners.*

### Property perils

Take property for example. If your name does not appear on the deeds, you are not automatically entitled to any share of the property, regardless of how long you have lived in it or how much you have contributed to a mortgage.

### Tenancy types

That's why it's important to think about tenancy types when buying a property with someone else. You can choose to be joint tenants, where the property is owned equally, or tenants in common, where each person owns a specific part of the property.

As a joint tenant, you are entitled to half of sale proceeds if you decide to sell the house. Crucially, your partner would also automatically inherit your share of the home if you were to die – and vice versa. As a tenant in common, you only own your proportion of the property and therefore the deceased tenant's part would not be passed on to you unless, for example, they had bequeathed it to you in a Will.

### Life insurance

Another consideration is life insurance. Unlike married couples who receive a bereavement support payment if their spouse dies before State Pension age, those co-habiting are not eligible for financial assistance. Therefore, if your partner might struggle financially were you to die, life insurance could help provide for their needs and thus bring peace of mind once in place.

### Steps to take

If you haven't already, you should also think about drawing up a Will. Another important document to consider is a living together agreement, which can be used to set out how your possessions or assets might be split if your relationship were to end.

### Talk to us

We can help you understand the law around co-habitation so that you can protect yourself, your children, and your partner.

**Important information:** We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.