

Mortgage & Protection news

The newsletter from The Centre Court Partnership

Is it time to start implementing your property (and protection) plans?

» Following the Financial Crash of 2007/8, many of us had to tighten our belts and hold back from implementing plans, such as house moves, or undertaking major renovations to our existing home. Yet, over time we had to get on with our lives. Similarly, as Brexit drags on, consumer reluctance to implement planned lifestyle changes may also soften. In which case you may, for example, want to take advantage of the **excellent mortgage deals** on offer.

Where we can help

Whilst strict lending requirements remain in place, we operate in this sector day-in day-out, and have an excellent understanding of what different lenders are looking for.

This will, hopefully, help us to swiftly identify the most suitable route forward for you, whether that's for a **house move**, **improving your current home**, or buying your **first property**.

Or maybe it's to help purchase a **second home**, or to **expand your portfolio** in your role as a landlord.

Alternatively, you may be coming towards the end of your current 'deal period' and want to **remortgage** onto another one. Or perhaps you simply want to identify a better



Be in CONTROL...

mortgage deal than the one you have.

Whatever your reasons, it can be a confusing process with so many different mortgage products out there, so it probably comes as no surprise that most seek advice. Research shows that 85% of all mortgages from those lenders surveyed are going through intermediaries (such as us).

(Source: iress, 2018 Mortgage Efficiency Survey, October 2018)

Interestingly, the increase in competition amongst lenders has meant that over the last decade, the average two and five-year **mortgage rates have more than halved!**

(Source: Moneyfacts, August 2019 release)

Elsewhere, current UK property prices will also be a consideration. Annual growth remains subdued at 0.6% - albeit regional variations would apply.

(Source: Nationwide, year to August 2019)

Furthermore, you must also recognise the importance of protecting you (and your income stream), by taking out suitable

protection insurance cover. Similar to what's on offer with mortgages, there's a wide, and innovative range of protection options to consider.

Mortgage Prisoners

With regard to this specific audience, there continues to be movement politically, and also via regulators and trade bodies, to get lenders to assist the **150,000** or so who are viewed as mortgage prisoners. These borrowers are **stuck on their Standard Variable Rate**, as they can't meet the strict affordability criteria to get a better deal, or find themselves with lenders who no longer lend.

Those that face this scenario ought to talk to us, as options may be improving. Alternatively, get in touch if any of the earlier issues resonate.

You may have to pay an early repayment charge to your existing lender if you remortgage.

■ Your home or property may be repossessed if you do not keep up repayments on your mortgage.

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Welcome....

to this newsletter, which covers what we believe are some of the key issues of the moment that affect mortgage, protection and insurance products - and sets out how we may help you.

■ The Centre Court Partnership is an appointed representative of Openwork Limited which is authorised and regulated by the Financial Conduct Authority.



Family PROTECTION

You may feel that once you've got your mortgage loan it's job done - but what about protecting the income stream(s) that will pay the mortgage, along with all the other family living costs?

» Many of us recognise the importance of insuring our homes, mobiles and pets. Yet do we apply as much importance to protecting the wage earner(s) who fund the above costs and much more? Whilst many may feel that an untimely death, serious health issue, or a major injury are highly unlikely, or way off into the future - do take a look at the box on the right, as you'll see that it's possibly more likely, and earlier in life than you think.

Surely it's better to **have some protection insurance cover in place and not need it, than to really need it and not have it!**

What's best for you?

There are three main areas to consider, and within these, a massive array of options to suit your age, lifestage, and pocket:

- **Life Cover** - this pays out a lump sum when you die, or a regular income in the case of Family Income Benefit.
- **Critical Illness Cover** - this pays out a lump sum when you are diagnosed with a specified critical illness.
- **Income Protection** - this pays you a percentage of your monthly income when you can't work due to illness or injury.

My Employer will support me

This may, or may not, be true, so do check what's on offer - as there's no point duplicating your cover. If, for example, you are off work long-term, due to illness or injury, and there's only support provided at the basic level, then it's Statutory Sick Pay, which is just £94.25 a week, paid for up to 28 weeks if you qualify. This is less than one-fifth of the average weekly wage of around £500*, which could leave a big shortfall in a person's finances.

Separately, if you are part of the 4.9m workers that are self-employed*, then your exposure is probably even more pronounced! *(Source: *Office for National Statistics, UK Labour Market, May 2019 release)*

Added value benefits

The insurance industry recognises that a payout upon claiming may be the initial driver in setting up a policy. But it's also aware that there is a real benefit - for both the insured and the insurer - if a relationship is maintained throughout the policy term, as reflected by the following examples:

- Incentives to keep healthy - including discounts off health club membership, and wearable technology to aid fitness.

- Specialist support - such as GP/nurse helplines, telephone counselling, carer support services, consumer rights, early intervention and rehabilitation services.

Costs and payout likelihood

With such a wide range of options on offer, do talk to us, as you may be pleasantly surprised at how little a plan may cost. As for paying out claims, take a look at the positive figures at the bottom of this page.

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

Could it happen to ME?

Leaving loved ones behind to pick up the pieces.

- **One in eight of all current healthy 35-year-olds will die before the age of 65.** *(Source: Drewberry, Protection Survey 2018)*

As worrying as the above figure may be, it's probably more likely that someone would suffer and survive a serious illness, long-term ill-health, or injury across the same period. If so, that would impact upon the regular income stream, whilst the wage earner recovers.

- **A sizeable 2 million individuals are currently off work and deemed as long-term sick.** *(Source: Office for National Statistics, UK Labour Market, May 2019 release)*

- **Going back 40 years or so, just 1 in 4 people survived their cancer disease for 10 years or more, nowadays it's doubled to 1 in 2.**

(Source: Cancer Research UK, April 2019)

- **Since 1961, the UK death rate from heart and circulatory diseases has declined by more than three-quarters.**

(Source: British Heart Foundation, Nov. 2018)

A massive 97.6% of all Protection Claims are met

- equating to a sizeable **£14.5m a day** in payouts, and how that plays out for the key sectors are as follows:

LIFE COVER

- 99.4% of all Life claims
- Average payout of: £81,269 (term) £4,740 (whole of life)

CRITICAL ILLNESS

- 91.6% of all Critical Illness claims
- Average payout of £70,926

INCOME PROTECTION

- 88.1% of all Income Protection claims
- Average payout of £22,058

(Source: Association of British Insurers, 2018 data, May 2019 release)



COST Control

Whilst you may recognise the benefits that **Protection insurance cover** could deliver for you and your family, we fully understand that there are likely to be many demands on your income stream. If cost is an issue, then do consider these two products that may better suit your pocket.

FAMILY INCOME BENEFIT

General life cover that pays out a lump sum (if a valid claim is made) is often in place to help settle the outstanding mortgage. That's a great help, but for the partner left behind and their children, what about ongoing everyday items such as food, clothes, utility bills, childcare, or other expenses like holidays and university costs?

This is where a **Family Income Benefit plan** could deliver much-needed support. In the event of death, it would provide a regular tax-free income for your loved ones from the time of the claim to the end of the plan term.

It's often taken out over a 10 to 20-year term, or whatever may be appropriate in your circumstances. The idea is that should you have a valid claim, then it's in place to **pay out until the children have grown up**.

It is generally viewed as a good value plan. This is because the potential 'total' payout over time decreases the further through the policy you get, which is reflected in a lower premium cost.

How it works

If you took out, for example, a 20-year term, which was set up to pay out £20,000 a year and it was claimed against after one year, then the family would receive £20,000 a year for the next 19 years, equating to a total payout of £380,000 (if no index-linking).

However, if for the same plan, there wasn't a claim until 18 years into the policy term, the total payout would be just £40,000. If, fortunately, there was no claim at all within the 20-year period, then the policy simply runs the whole term without any payout.

SHORTER-TERM INCOME PROTECTION

Income Protection is designed to pay out a tax-free monthly sum in the event that you can't work due to illness or injury. With mid-40s being the average initial age to claim, it could run right up until you retire. However, if you're concerned about minimising your outlay, then a **shorter-term version** is also available, which could still deliver important financial support (if still off

Finding the extra pounds...

Putting aside the money to fund a Protection plan may be easier than you think when you consider all those little items we may take for granted, like the odd drink or a magazine. Whilst we don't expect you to give up all of life's little luxuries, if you cut out just one unit each week of the items below, then you could save around £150 across a month. In many cases, that'll be more than you need to cover the cost of a protection policy.

Treats	£ Cost/unit (est.)
Soft drink	1.00
Snack	1.00
Magazine	1.50
Coffee (takeaway)	2.50
Pint of beer or lager	3.50
Glass of wine (175ml)	3.50
Taxi	5.00
Cigarettes (pack of 20)	10.00
Takeaway meal	7.00
Total	= £35.00

work) for generally up to two years.

Analysis by Zurich, an insurer, set out that this type of Income Protection cover for a 35-year-old professional earning the average salary of £27,000, and wanting to protect 50% of their net income may only cost the equivalent of **one takeaway coffee a week** across the course of each month, for up to two years cover. (Source: Zurich, *Cost of Resilience report, August 2018*)

Please get in touch to discuss what protection plan may be right for your needs.

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



With a wide range of product choices and a requirement to meet the strict borrowing criteria, the mortgage process can be confusing for **First-Time Buyers** - so it makes sense to take advice.

Onto the **Property Ladder**

» To own your own home remains a desire of many who are currently renting, or living at home. If you (or your children) find yourself in this situation, then you can take comfort from the continued support that exists.

The government, for example, wants to get more people onto the property ladder through initiatives such as the **Help-to-Buy** scheme. It's also keen to encourage new housebuilding - for which the first-time buyer is a key audience. In fact, in 2018, housebuilders applied for permission to build 370,000 new homes, double the number from a decade earlier.

(Source: Home Builders Federation/Glenigan, Housing Pipeline report, May 2019 release)

The Deposit

Providing a deposit is a key stumbling block for many, but in this respect there's much improved lender support with products that only require a **5% deposit**. Going back a decade, there were just five mortgage lenders who offered a product with a 5% deposit. By August 2019, there were 59 providers to choose from!

As for the deal rates, whilst they will not be as attractive as those where a much larger deposit is provided, the average two and five-year fixed rate deals for a 95% Loan-to-Value (LTV) mortgage were 3.24% and 3.63%, respectively.

(Source: Moneyfacts, August 2019 analysis)

CREDIT RATING

- This may not have been an issue for you previously, but it's an important factor when seeking a mortgage loan.
- The role of a credit score is to try to predict your future behaviour, which means that people who have a poor score may suffer.
- We can talk through the steps you could take to help improve your rating, and to make yourself more appealing to the lenders.
- Surprisingly though, rental payment history (particularly for those not in social housing) isn't necessarily reflected in people's credit reports. However, there now seems to be greater enthusiasm from the credit agencies and from those that use their service to include this information. This is likely to benefit some first-time buyers.

Additionally, if you have just a 5% deposit, then consider the Help-to-Buy scheme for new-build properties, where the government would loan an extra percentage enabling you to access the better LTV deals on offer.

As the average LTV figure for first-time buyers sits at around 77% (comparable to a 23% deposit) many have already taken advantage of this scheme, benefitted from the Bank of Mum & Dad, or simply saved for a larger deposit.

(Source: UK Finance, June 2019 figures, August 2019 release)

Positive climate

House price growth (or decline) will vary wherever you are in the UK, but in general, growth is slowing. **Stalling house prices**, combined with relatively **cheap borrowing**, and **lower deposit** requirements, may usher in a period of opportunity for those looking to make their first property purchase.

Additionally, don't forget that the first-time buyer is also a very attractive proposition for sellers, as there's no property chain behind them, creating one less hurdle in the homebuying process.

Our support

It's vital that you **take professional advice**. We would help navigate you through the affordability, evidencing of income and credit rating hoops, and in the process hopefully identify some of the decent deals that are still on offer - whether it's a 95% LTV package, or moving towards the 60%+ LTV deals, where the interest rate reduces to reflect the larger deposit contribution.

Please talk to us to see if we can help you (or a family member) step onto the property-owning ladder.

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

■ The contents of this newsletter are believed to be correct at the date of publication (September 2019).

■ Every care is taken that the information in the *Mortgage & Protection News* publication is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

■ The information in this newsletter is of a general nature. You should seek professional advice tailored to your needs and circumstances before making any decisions.

■ We do hope that the newsletter is of interest to you, however, please inform us if you no longer wish to receive it.