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Your Window on

Home Finance

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Too stressed to move home?

What's putting you off moving? Setting aside a sluggish property market, it seems that, for many of us, it's the thought that the process is just too stressful. The costs, finding a new mortgage, lack of certainty about a new area or a fear of the unknown has put off 60% of homeowners[1] placing their current home on the market and looking for a new one.

It's often said that moving home is more stressful than getting a divorce, having a baby, starting a new job or getting married. On the flip side, 62% say they are happier once they have actually made the move, so the key to a successful move is to identify the potential sources of stress and uncertainty and do all you can to eliminate them.

Embrace change
Some of us like change in our lives but for others who like familiarity it can be a source of anxiety. A new area, commute, schools and healthcare can be enough to make you decide to stay where you are. So, in preparation, spend time in the new area, talk to potential neighbours, check out the local amenities and visit at different times of the day/week to check noise levels. Addressing each of these issues will hopefully make you feel in control and more positive.

Finding a new mortgage
The finances of a move may be your biggest worry. Whether you need to increase the size of your loan, transfer your existing mortgage or find a new provider, speaking to us early in the process, even before you have identified your next home, allows you to consider your options and review the likely repayment costs.

Yes, there are some unknowns involved in a move but remember that for many it's a change for the better.

[1]Yopa, 2019

The Bank of Mum and Dad

The Bank of Mum and Dad is still playing an important role in the UK housing market, with young and even some middle-aged adults continuing to receive financial support from their parents for their first and subsequent property purchases.

Their assistance, however, has helped fund nearly 20% fewer purchases than in 2018, a symptom of a general reduction in transactions across the whole market. Those who have been helped have enjoyed an increase in lending – the average contribution this year is £24,100 up from £18,000 last year[2], a rise of over £6,000 which is double the average UK house price increase to March, possibly reflecting the choice of a house rather than a flat as a first home.

The Bank of Mum and Dad is set to lend £6.3bn this year, up from £5.7bn in 2018, making it the 11th largest mortgage lender in the UK and it has supported nearly 20% of transactions in the UK mortgage market over this period.

This funding is set to become the norm with 35% of prospective buyers who are planning to purchase a home in the next five years expecting to rely on financial support from their family.

[2]Legal and General, June 2019

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MORTGAGES GO GREEN

Environmentally friendly mortgage loans are set to increase as the government pledges £5m as part of its Green Finance Strategy. Money from the Green Home Finance Innovation Fund is to help the financial services industry offer more green mortgages. The perks of a green mortgage can include a cut in the rate for customers who upgrade the energy rating on their home.

FALLING FLAT

An increase in the average price of houses across England, contrasted with a fall of 2.7% in flats and maisonettes, has been revealed by recent statistics from the Land Registry. Reasons include a distrust of leasehold properties, making first-time buyers prefer to rent a leasehold apartment, while saving a larger deposit and making a freehold house their first purchase.

KEEPING UP TO SPEED

With fast broadband now considered a necessity rather than a luxury, slow internet connection can cut a significant amount off the value of a home. Some buyers rate broadband speed to be as important as local schools and transport links and not necessarily just because of working from home. Day-to-day web activities are all making fast connection a requirement for a house purchase to proceed.

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The UK's lack of age-friendly homes

Although new housing is appearing in towns and villages across the UK, it seems these estates are not including homes which appeal to the over-55s. The focus to date has been on building new homes for first-time buyers and families, but a swell in the numbers of elderly people looking to move to these out-of-city areas may have to change the minds of councils and developers.

The Royal Institute of British Architects is urging ministers to make it mandatory for developers to build new homes which are accessible and appealing to more mature people and disabled people. They should include features such as wider doorways and staircases, have access to open spaces and be within easy access of social and healthcare facilities. Many older people are still living in their three or four-bedroom homes, long after their family have left.

Amongst the recommendations[3] made include mainstreaming age-friendly design, removing barriers in the planning system that restrict the delivery of age-friendly homes and providing better information and support for people who want to move home, including piloting fiscal incentives to support older people to move home.

[3]RIBA, July 2019

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Premium for top university city homes

The higher-than-average house price growth in top university cities is making it difficult for talented individuals to stay on and work locally after graduation. Research[4] has shown that in the period 2009 to 2018 house prices in London have risen 76.3%, in Cambridge 73.4% and in Oxford 66.8%. This represents growth 25% higher than the national average.

Long term it is feared that the lack of affordable housing could hinder further economic growth and there is a call for local plans to include homes for key workers and for higher density development.

[4]Bidwells, July 2019

Learning to manage debt in retirement

An increase in older households, rising house prices and an acceptance of using unsecured credit as we age, is driving an increase in later life lending. This is expected to increase from £295bn this year to £548bn in 2029, with some homeowners in their seventies and eighties still paying off a mortgage[5].

With more people entering retirement, still tied to debt-repayments and with low levels of saving, more are considering secured Equity Release as a means of paying unexpected bills or simply enhancing their retirement years. For further information, please get in touch.

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

Think carefully before securing other debts against your home. Equity released from your home will be secured against it. Your home may be repossessed if you do not keep up repayments.

[5]Centre for Economics and Business Research

Accidental landlords could face a large tax bill

Earlier this year, the government announced plans to scrap two types of tax relief for landlords who sell a property that was once their home. Homeowners in these circumstances are often referred to as 'accidental landlords', as when they originally acquired the property it was not with the intention of letting it out. They may choose to do so because they are having trouble selling, are relocating or they may have inherited it.

The clock is ticking

The new rules will take effect from 6 April 2020 when the tax relief, known as principal private residence relief, will be reduced from the existing extension of 18 months to nine months. So, when a property that was once a main home is sold, the tax payable is on the amount it goes up in value while it is let out. Currently the owner is allowed to add 18 months to the amount of time they lived at that property; from April next year they will only be able to add nine.

Lettings relief is to be scaled back at the same time, meaning that landlords selling their former home after renting it out will no longer be allowed to shelter £40,000 of the gain from Capital Gains Tax (up to £80,000 for couples). From April next year, only landlords who continue to live in the property will qualify for this benefit.

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First-time buyers: when is it a good time to buy?

IMPROVING INSTEAD OF MOVING

The average time a homeowner in the UK stays in their property is 21 years[8]. This contrasts with the 1980s, when a fast-rising property market encouraged a move every eight years on average. Now though, high prices and Stamp Duty, combined with the other costs of moving, are encouraging us to stay put and spend money improving our properties.

There are variations across the country, with some of the most expensive areas of London (Kensington and Chelsea) showing an average 35 years between moves and only 15 years in parts of Kent (Dartford), South Derbyshire, Salford and East Lothian.

[8]Zoopla, July 2019

There is always a reason to put off making your first house purchase. Yet ask any homeowner and they'll remember similar hesitancies but have no regret about their first purchase.

The average age of a first-time buyer is now 34 compared to 26 in 1997[6]. Purchasing later in life can result in mortgage repayments stretching into retirement to avoid life in the private rental sector.

Good time to get on the property ladder

Interest rates remain low, some of the criteria for lending have been relaxed and property prices are falling in some parts of the country. Data shows people are taking advantage of these opportunities, with 32,760 mortgage approvals for first-time buyers in June[7].

Consider a longer mortgage term

Long-term mortgages of up to 40 years are becoming typical and are readily available. If you find it hard to meet the affordability requirements demanded by lenders, you may be able to benefit from reduced monthly repayments payable over a longer period (but including more interest overall).

Government help

The government has confirmed that its Help to Buy: Equity Loan scheme will run until March 2021. A new Help to Buy scheme will run from April 2021 to March 2023. It is restricted to first-time buyers and includes regional property price caps to ensure the scheme reaches people who need it most.

Another option is the housing association shared-ownership scheme allowing you take out a mortgage on between 25 and 75% of the property and pay rent on the rest.

Whichever way you choose to finance your purchase it is always worthwhile seeking some expert help. If you're unsure about mortgage terms or how to manage your repayments it makes sense to get in touch.

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[6]ONS, 2019

[7]UK Finance, July 2019

Understanding the value of protection

Working out the difference between life insurance, critical illness, income protection and buildings and contents insurance can be difficult, especially when they are wrapped up in the blanket term 'protection'.

While it's easy to presume there is an overlap and that an individual policy for each one isn't necessary, they do all play their part in providing you with adequate cover should something unexpected happen.

It's not all about you!

Think about protection insurance as something that safeguards everything that is important in your world: your health, your life, your job and your home. If you have a partner, children or other relatives who depend on you, think about them too.

And don't let the jargon put you off. Understanding what is available and choosing the right amount of cover for you and your family is important. Working with us will help you find protection which is affordable and understand the value of each type of insurance, so you are reassured that you are selecting the correct policies to secure your financial future.

IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.