

Julian Nield
julian.nield
07495 850 128

julian-nield

pia Mortgages
& Insurance
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VIEWPOINT

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Unit 2, 15 North Burns, Chester le Street DH3 3TF
info@piafs.co.uk | www.piafs.co.uk | 0345 226 2831

Get the best out of your BTL mortgage

Many fixed mortgage deals will be approaching the end of their term this October, so it's a good idea to review your buy-to-let mortgage.

With interest rates still at low levels and demand for rental properties increasing around the country, investing in a buy-to-let (BTL) is a popular choice for many.

Buy to let basics

A BTL mortgage is a specific type of product for those who want to buy a property with the intention of renting it. Because of this, there are different terms and rules around a BTL mortgage (compared to a regular mortgage for a property the buyer intends to live in.)

- With a BTL mortgage, the anticipated rental income is taken into account when the lender calculates how much you can borrow.
- A BTL mortgage could suit investors with enough equity to put down a deposit of at least 20% of the value of the property (but some lenders could require up to 40%).
- Your credit record is closely scrutinised with a BTL mortgage, as with a regular mortgage application.

Interest rates for BTL mortgages are usually higher than a regular mortgage.

Things to remember

If you have a BTL mortgage already and its fixed interest rate term is coming to an end, you may be thinking about switching products or providers to gain a better deal. Here are some other things to look out for:

- Examine all of your options into the type of product to suit your investment going forward. A financial adviser is best placed to help you with this.
- Don't forget to research any fees and charges around changing your product too, as these could be higher than you expect.
- When changing products, you may be asked about your property's rental income history in order to assure any new lenders that you are able to keep up with mortgage payments.
- Show that you have sufficient savings to cover any gaps in rental periods when your property could be unoccupied.
- For your own peace of mind, having a cushion of savings available to cover any essential repairs is important.

If you are looking to remortgage your BTL property or are thinking about transferring your mortgage to a different provider, our advisers can help you find a product that best suits you.

Some buy to let mortgages are/is not regulated by the Financial Conduct Authority.



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

What is income protection?

Income protection insurance pays out a percentage of your monthly income if you are unable to work.

Your income is important and keeps your family secure. So, if you are in a situation where you'd like to protect it if anything happened, you might want some income protection.

How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability, or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end.






The amount that is paid could be anything from 60% to 65% of your pre-tax income, and payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter, and the percentage of your income is larger.

Income protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead give you one-off lump sums in the event of your death or the diagnosis of a critical illness. That's why it's important to seek financial advice if you are thinking about getting coverage.

Who could benefit from income protection?

If you work in a high-risk profession or have high-risk hobbies, you might want income protection in case you're unable to work because of an accident. If you've suffered an illness and feel you're at risk of being unable to work because of it, income protection could provide peace of mind, too.

Some things to consider if you are thinking about getting income protection include:

-  if you have a good level of statutory sick pay from your employer, you may not need more cover.
-  is it the best option for you and your situation? For example, do you (or your partner or spouse) have sufficient savings to help provide an income if you were unable to work?
-  can you keep up with the premiums?
-  will you find any exclusions in your policy difficult to manage?
-  are you close enough to retirement to not need income protection?

How are premiums calculated?

As with any insurance policy to do with your life and health, factors like your age, health condition, if you smoke, your occupation and others (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

Our Protection Advisers will be able to give you advice and guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

Our advisers can help you find an income protection policy to suit your needs and keep your family secure.





Are you insured to work from home?

We all know that remote working has soared since the onset of the pandemic, with 30% of the population still working exclusively from home during the week ending 29 November 2020. But with millions of workers taking to their home offices, their kitchen tables and – let’s face it – their sofas, are they adequately insured?

Although the Association of British Insurers issued a statement in the early months of the pandemic stating that office-based workers would not need to contact their insurer if working remotely during lockdown, things may now have changed. A recent survey revealed that more than two in five homeworkers have not reported to their home insurance company they are now working remotely – potentially invalidating their policy.

What if I continue to work from home?

You may need to contact your insurer if you continue to work from home, or are allowed to return to the office but choose to work from home several days per week, to tell them that your working patterns have changed.

In addition, if you are now receiving business clients in your property instead of the office, you’ll likely need to check with your insurer for this, too. You may not be covered for certain aspects of your policy, such as loss of money or theft.

Will my work laptop be covered?

Your own home insurance policy is unlikely to cover business equipment such as laptops, tablets and other devices. You should check with your employer to see whether their business insurance covers equipment away from the office.

What about health and safety?

All employers are legally required to have employers’ liability insurance, which covers their legal liability if employees suffer an injury during the course of their work. While some policies extend automatically to remote working, others don’t – so have a word with your employer to ensure they’re covered in case you have an accident while working from home.

If in doubt – check!

If you’re in any doubt, check with your insurer – you don’t want to risk invalidating your policy! Meanwhile, if you’d like to review your home insurance needs, just have a chat with us – we can review a wide range of policies and recommend the one most suited to your circumstances.

Specialist mortgages and your holiday let

If you're in the market for a holiday let and need a specialist mortgage, what should you be aware of?

When might you need a specialist mortgage? The clue is in the name – if your situation is different from the normal criteria of a traditional mortgage, then a specialist product could be the answer. This especially applies to people in the market for a holiday let.

When do you need a specialist mortgage?

A specialist mortgage could apply if you're buying a high value home or already have a home and want a second charge mortgage in order to carry out renovations. They could also suit those who are self-employed, looking for a holiday or buy-to-let (BTL) property or people who do not meet the standard criteria for a mortgage. Whatever the reason, seek financial advice from an expert in the specialist mortgage field to find the best deal for your situation.

Holiday lets

When it comes to a mortgage for a property you intend to use as a holiday let, your regular income is considered in terms of the loan value, regardless of the amount you estimate might come in from the eventual rental. This is to ensure you can afford the mortgage payments during times when rents are not coming in, or when you are using the property. Although staying there yourself is one of the advantages of a holiday let, you can't live there on a permanent basis as it would affect the terms of the mortgage.

Some specialist mortgage products for holiday lets offer a maximum loan-to-value (LTV) of a certain amount for the mortgage. So, if your holiday let costs £200,000, and the LTV from the specialist product is 70%, then you will be able to get a loan of £140,000 from your lender and your deposit would need to be £60,000.

Lenders have their own criteria, which could include the following:

- Applicants need to be over the age of 21 and in stable employment.
- Your main income should not come from another rental or investment.
- Borrowers will need to prove their income exceeds a certain amount annually.
- A minimum deposit (usually around 25% of the property value).
- Rental projection from a holiday letting agent may be required, covering off-peak seasonal periods and high-demand times of year.
- The rental property itself must meet certain criteria (for example, being located within the UK and functioning as a single-family dwelling).

Holiday let vs buy-to-let

You might think that there is little difference between a holiday let mortgage and a buy-to-let mortgage (BTL), but there are a few. A BTL mortgage will contain different conditions and requirements, such as the need for an assured shorthold tenancy being in place (AST).

Using a BTL property as a holiday letting – without informing your lender – is a breach of the agreement and could undermine your mortgage contract and credit rating. The main difference between the two types of mortgages is how the loan size is calculated, and the estimates of rent the properties will receive. A holiday let will tend to bring in less rental income due to its seasonal nature.

Furnished holiday lets come with tax advantages that BTL properties do not.¹ They are treated as a business, which means you can claim capital gains tax relief on any profits. Owners can also claim capital allowances to cover the cost of furnishings and furniture, and equipment such as refrigerators and washing machines.

There are more allowable expenses for a holiday let, compared to a BTL, including:

- ✓ letting agents' fees
- ✓ accountants' fees and certain legal fees
- ✓ mortgage interest
- ✓ building and contents insurance
- ✓ maintenance and repairs to the property
- ✓ utility bills, council tax, ground rents and service charges.

Speak to a financial adviser to work out what's best for your situation if you are looking for a specialist mortgage.

Some specialist mortgages are not regulated by the Financial Conduct Authority.

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

The perks of protection

What support do insurers offer after the event?

Illness and bereavement help.

Many providers give free access to services offering practical and emotional support for those left behind after the death of the policyholder.

Rehabilitation.

Insurers usually offer back-to-work support services, including physiotherapy, careers guidance or advice if you choose to go self-employed. If you're returning to work following a mental health issue, providers will continue to cover counselling sessions for a set period of time.

As well as peace of mind, many insurance providers offer additional benefits that you may not know about.

Whether we're crossing the road or getting on a plane, we encounter risks every day. For many of us, life has felt more uncertain than ever over the past year as we continue to deal with the coronavirus pandemic. Although we can't always control what's happening in our lives, we can plan for the unexpected.

By taking out a protection policy, you can safeguard your family's finances if your situation changes. The main types of protection include:

- Life cover – pays out a lump sum if you die
- Health insurance – pays medical costs at a private hospital or private ward
- Critical illness – pays a tax-free lump sum if you're diagnosed with a major illness
- Home contents and buildings – covers your home's structure (including fixtures and fittings) and contents (furniture)
- Income – pays out if you can't work due to illness or injury

As well as peace of mind, protection policies often come with added extras. We've highlighted examples of some of the perks you could receive when you take out a policy, even if you don't make a claim.

Welcome gifts

When you sign up for a protection policy, some providers offer a welcome gift. For example, health insurers sometimes offer gadgets like an Apple Watch to help you track your activity – with some even offering a discount based on the amount of exercise you do each month.

Discounts

Many health insurers offer discounts on gym memberships and weight-loss programmes to help you embrace a healthier lifestyle. Some also offer you the option of taking a health check to reduce the amount you pay each month.

It's worth noting that when you take out a protection policy, your provider is likely to offer you discounts on other products such as pet or travel insurance.

Additional healthcare options

Some health insurers now cover complementary therapies such as osteopathy and acupuncture, giving you more treatment choices. In addition, counselling services are now included in most health insurance policies and many also give you the option to upgrade your hospital room if you need treatment.

Will writing

Some providers of life insurance give new policyholders the opportunity to draw up a will free of charge.

Cover for children

Many critical illness plans include free cover for dependent children.

Whatever type of protection you're looking for, get in touch and we can help



Jargon and lingo – talking about mortgages

From agreement in principle and loan-to-value to freehold and leasehold, we've compiled a list of terms you're likely to come across when buying a property and what they actually mean.

Buying a property can be a complicated process, and even more confusing when you're confronted with various terms you've not come across before. To help you make sense of it all, we've listed some key definitions you'll need to know.

This list should give you a good head start when it comes to understanding the jargon around mortgages. To help you take the stress out of buying a property, speak to a financial adviser about how they can help you find the most suitable mortgage and guide you through the process.

Agreement in principle	A document from a mortgage lender with an estimate of how much money you may be able to borrow. You can use this to prove to a seller that you can afford to buy their property.
Annual percentage rate (APR)	The overall cost of a mortgage, including the interest and fees. It assumes you have the mortgage for the whole term.
Arrangement fee	A set-up fee for your mortgage.
Base rate	The interest rate the Bank of England charges other banks and lenders when they borrow money.
Buildings insurance	Covers you for damage to the structure of your home – you'll need to have a policy in place when you take out a mortgage.
Capital	The amount of money you borrow to buy a property.
Conveyancing	The legal process you go through when you buy or sell a property done by a licensed conveyancer or solicitor.
Deposit	The amount you need to put down in cash towards the cost of a property.
Equity	The amount of the property that you own outright – your deposit as well as the capital you've paid off on your mortgage.
Fixed-rate mortgage	The interest rate on the mortgage stays the same for the initial period of the deal. Your rate won't change with the Bank of England base rate during this time.
Flexible mortgage	Allows you to underpay, overpay or take a payment holiday from your mortgage – they are usually more expensive than conventional mortgages.
Freehold	You own the building and the land it stands on.
Gazumping	When an offer has been accepted on a property but a different buyer makes a higher offer, which the seller accepts.
Guarantor	A third party who agrees to meet the monthly mortgage repayments if you can't.
Help-to-Buy	The government has introduced various Help to Buy schemes to make buying a home easier, including equity loans, mortgage guarantees, ISAs and specific schemes for Scotland and Wales.
Interest-only mortgage	You only pay the interest on your mortgage each month without repaying the capital.
Joint mortgage	A mortgage taken out by two or more people.
Land Registry	The official body responsible for maintaining details of property ownership.
Leasehold	You own the building but not the land it stands on, and only for a set period.
Loan-to-value	The size of your mortgage as a percentage of the property value.
Porting	Allows you to transfer your borrowing from one property to another if you move, without paying arrangement fees.
Repayment mortgage	You pay off interest and part of your capital each month.
Stamp duty	You'll need to pay stamp duty land tax when you buy a property over a certain price.
Standard variable rate (SVR)	The default interest rate your lender will charge after your initial mortgage period ends.
Tracker mortgage	The interest rate on your mortgage tracks the Bank of England base rate at a set margin above or below it.
Valuation survey	Lenders will carry one of these out to check whether the property is worth around the amount you're paying for it.

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



Protect your peace of mind when moving home

Moving home can be a hectic and exciting time, but don't forget about protection – taking out the appropriate policies can save you a lot of stress in the long term.





If you've just moved home or are about to, it probably feels like you've been caught up in a bit of a whirlwind over the past few months. With searching for a property during a pandemic, making the move before the stamp duty holiday ends and potentially getting caught up in the resulting conveyancing backlog, protection policies are probably not top of your priority list.

Yet it's important to take the necessary precautions to ensure your new home and possessions are looked after – now more than ever. Here are some of the main types of protection you should be thinking about.

Mortgage protection

If you're unable to work due to illness or injury or because you've lost your job, mortgage payment protection will cover the cost of your mortgage each month. These policies usually last for a year or until you return to work – whichever is soonest.

You can pick how much you want your policy to pay out each month, and this can include a buffer for other expenses, such as bills. It's important to bear in mind though that providers usually set monthly limits of between £1,500 and £2,000. You won't always be able to claim straight away, and there's usually a waiting period of one or two months. The cost of mortgage protection will depend on:

-  your salary;
-  the size of your mortgage repayments;
-  the type of policy you choose; and
-  how soon you want to be covered.

Income protection

Income protection provides you with a regular income if you've lost your job or are unable to work due to illness or injury. There's usually a minimum wait of four weeks before you can start receiving payments. There are different types available:

- A short-term plan covers you for involuntary redundancy, but is usually limited to a set time period.
- A long-term plan will usually cover you until you return to work, retire, die, or the policy ends – whichever is soonest.

Buildings insurance

If you've got a mortgage, you're likely to have buildings insurance to cover the cost of repairing damage or rebuilding the structure of your home if it's damaged. But have you looked carefully through the policy and made sure that it definitely covers everything you need it to? Once you've moved, you may realise that your new home has a slightly more complex structure than you first realised, and it's important to make sure your buildings insurance takes this into account. If you're lucky enough to not have a mortgage, it's still a sensible idea to invest in this type of insurance for peace of mind.

Contents insurance

If you've bought new furniture and gadgets for your home, you might need to review your contents insurance. This type of insurance covers the cost of replacing possessions in your home if they're stolen, destroyed or damaged. It's a good idea to double check which of your items are covered so that you're not caught out if something does go wrong.

Act now

When you're caught up in the excitement of moving, thinking about protection might be the last thing on your mind. But remember that your circumstances can change quickly and it's important to make sure you're prepared now in case things don't go to plan in the future. For more information about protection and to talk about whether your current policies are right for your situation, speak to your financial adviser today.