Financial Viewpoint

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Offset mortgages explained
The advantages and disadvantages of using your savings to reduce your mortgage payments.

What life insurance is best for your joint mortgage?
Protection considerations when going into joint property ownership.

Advice matters
A high-level look at the financial planning requirements you might need through life.

Offset mortgages explained

With interest rates remaining low, you might want to consider an offset mortgage. This combines your mortgage and savings into one account and, rather then pay interest on the savings, the savings balance is deducted from the loan amount and you pay interest on the remaining balance.

Advantages

- As you'll owe less in interest, you'll effectively be overpaying, which means you could pay your mortgage off early and save money on mortgage interest payments
- You maintain access to your money, should you need it
- Deals can be flexible and allow you to offset savings and current accounts against your mortgage

Disadvantages

- You won't earn interest on the savings held in your linked account.
- If you don't have much saved, you won't save much on the mortgage, meaning it may be better choosing an alternative deal with a lower interest rate
- Offset mortgages are usually more expensive than standard deals
- Your choice of offset mortgage may be limited as not all lenders offer them

Why choose an Offset mortgage?

Taking out an Offset mortgage enables you to use your savings to reduce your mortgage balance and therefore the interest you pay on it. For example, if you borrowed £200,000, but had £50,000 in savings, you would only be paying interest on £150,000.

Usually linked with one bank account (but sometimes more), an Offset Mortgage allows the money in your savings account to be counted as temporary overpayments towards your mortgage. However, you can still access your savings if you need to.

When is it worthwhile?

If you have a mortgage rate that's higher than your savings rate (after tax), you may find yourself better off by offsetting – even if you don't have a high savings balance. An Offset mortgage may be more appealing if you're a higher rate tax payer. As there's no savings interest paid on the money in an Offset savings account, there is no tax liability.

Offset mortgages can offer real financial benefits if you have a mortgage and some savings. By seeking professional advice, you'll get a clearer picture as to whether it's the right choice for you.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

To discuss your mortgage needs, please get in touch.

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

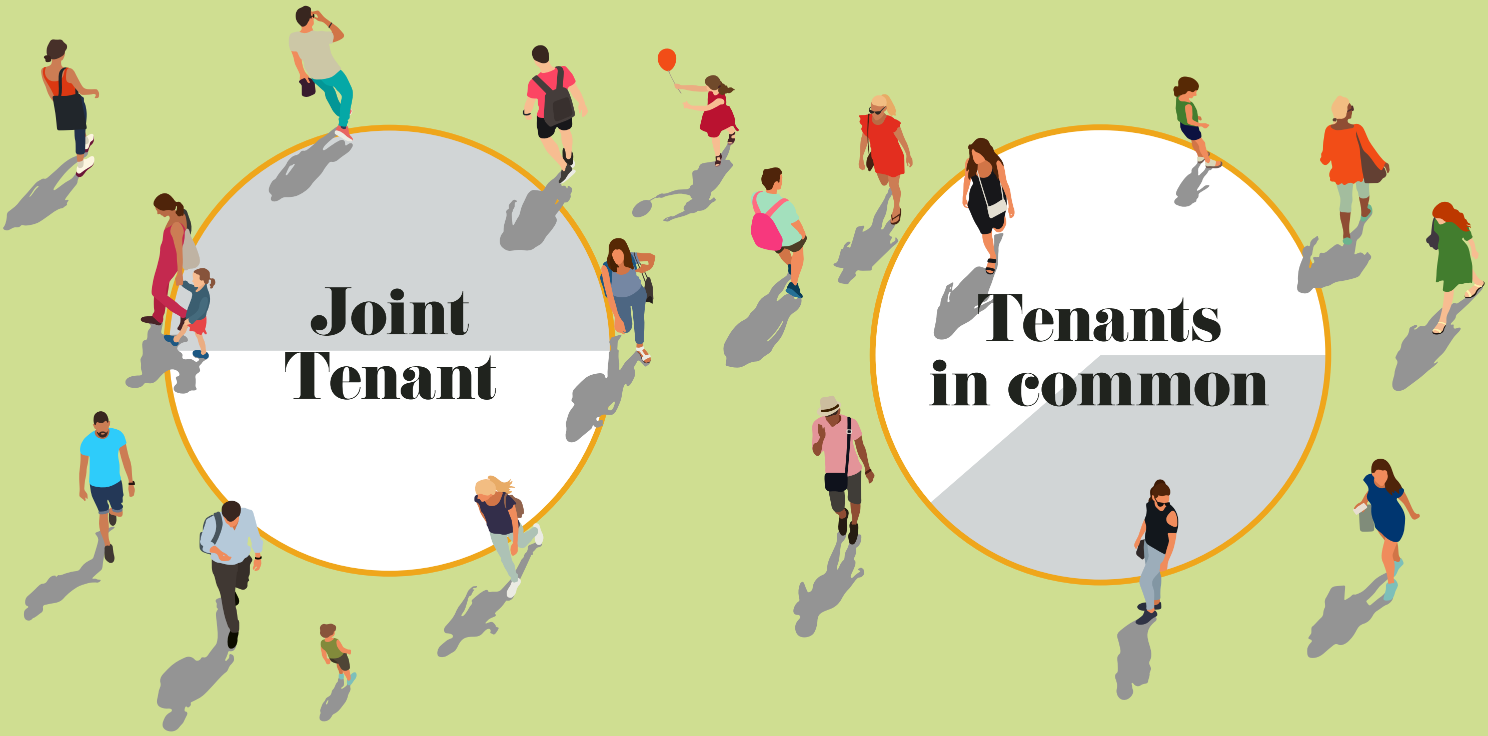
What life insurance is best for your joint mortgage?

When you take out a mortgage we would always recommend you take out appropriate life insurance too, so that you know your monthly mortgage payments are covered if things go awry.

If you're buying on your own, a single life insurance plan will probably do the trick, but if you're going into joint property ownership, a joint plan may be more appropriate. So, which is best for you?

Property ownership

When it comes to joint ownership, there are two main types:



Where both individuals each own 50% of the property and have equal rights over it – no matter who contributed what in terms of a deposit. Married couples and those in civil partnerships would typically go into joint tenancy, as it means that if one person dies, their share automatically passes to the other – irrespective of the terms of any will in place.

Where each owns a separate and distinct share of the property (and not necessarily an equal share). This might be the best option for co-habiting (but not married) couples, parents buying for their child, or relatives or friends buying together. This set-up means that if one of the tenants in common dies, their share forms part of their estate, rather than automatically going to the other tenant.

Single or joint life insurance?

Given the differing types of property ownership, it's important to look at your individual situation before taking out life cover.

A policy taken out on a single life basis covers one person only and will pay out the sum assured if the policyholder dies within the term of the policy. A joint policy covers two lives and will normally pay out on a 'first death' basis, at which point the policy will end. There are pros and cons of both types of cover - and you should seek advice so you know you're getting the cover that's right for you.

Things to think about

Budget

One joint insurance life policy could be more affordable than two single life insurance policies.

Cover

Do you both have exactly the same life insurance need? Would two plans be more appropriate?

A joint life insurance policy only pays out once

The proceeds could go to the surviving partner (and would be tax-free) so that they could pay off the mortgage. However, they would be left without any life insurance and applying for cover later in life can be expensive.

Relationship break down

It's possible that the insurance provider would not be able to divide a joint life policy into two single policies. If you have two separate policies, neither will be affected in the event of a split with the joint owner.

If you need life insurance to protect your mortgage, please talk to us before you buy and we'll advise on cover that's tailored for your circumstances.

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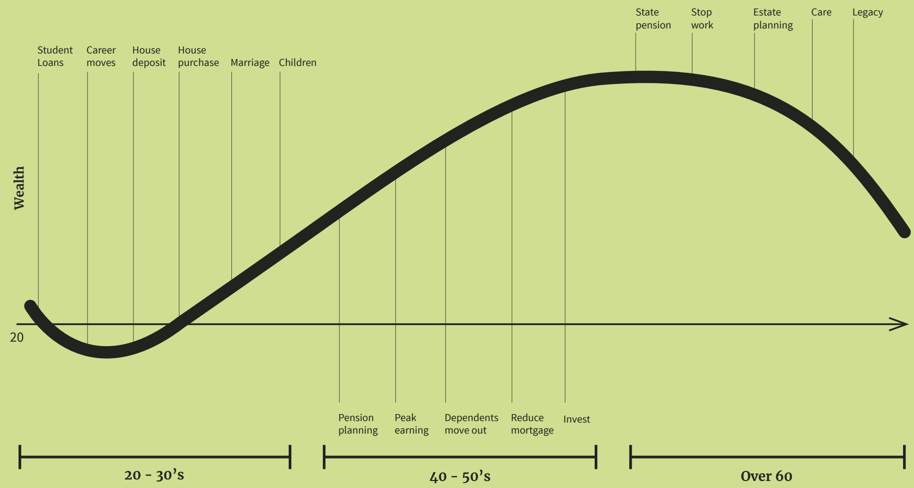
Advice matters - whatever stage in life you're at

The financial products and services we need to navigate through life will change with our circumstances. In the early years, our financial needs are likely to be more straightforward, getting increasingly complex as we grow older and experience more of life's rich tapestry.

We can provide high-quality financial advice whatever your circumstances. Please talk to us to find out more.



20 - 30's: From single and sorted to settling down

Ah, those carefree days of being young, free and single; possibly still enjoying student life (albeit probably with a loan), starting an apprenticeship, or moving onto and along the career ladder.

Our financial needs at this point might be fairly basic: an inflation-beating savings plan for those starting to think about homeownership, income protection for the workers. If budget allows you might even think about cover that helps to pay the bills in the event of an accident or illness. And when you meet someone and start a family, or take on your first mortgage, the need for protection insurance becomes essential.

40 - 50's: Accumulating wealth and paying off debts

For most of us, financial wellbeing will depend on whatever it is we do to earn money. At this stage in life, as well as securing good living standards while we're working, it's important to think carefully about putting some of our income aside for the future.

Generally speaking, and subject to investment performance and charges, the earlier you start saving and the more you save, the better shape your financial assets are likely to be in when you need to draw on them. But deciding on the right investment strategy is complicated because of the various factors that can influence it.
For instance:

- your investment objectives - what do you want from your money?
- the level of risk you're prepared to accept and the potential level of loss your finances can tolerate
- the types of investments you should consider in view of your objectives and risk profile
- the tax-efficiency when it comes to holding these investments
- the ongoing management of your investment

Over 60: Taking your pension; enjoying retirement

When the time comes to draw money from your pension, you'll need to decide how and from where.

Self-evidently, the greater the value of your investment, the better the prospect of a financially-rewarding retirement. But the more investments you have, the more important it will be to think very carefully about where you take money from when the time comes, and how you continue to manage your money throughout your retirement.

It's also wise to make sure your estate is in good order for any potential beneficiaries. Successful estate planning is all about helping to control the amount of tax you pay on the wealth you create and there are a number of key areas to consider as part of this:

- A will
- Lifetime gifts
- Trusts
- Use of exemptions and reliefs
- Tailored investment products
- Pension arrangements
- Life assurance

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The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.

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