Summer/Autumn 2011

the mortgage & protection news

The bulletin from IMS - Insurance & Mortgage Services Ltd

IMS INSURANCE & MORTGAGE SERVICES LTD

Would you be able to cope if things took a turn for the worse?

Could it happen to me?

» Times are tough at the moment, and for many it's a case of keeping a control on costs. But what if something unexpected happened?

The unexpected could come in many forms - such as a health scare (or worse), losing your job, or perhaps an accidental injury.

Of course, many of us will think it won't happen to 'me'. And in most cases - it won't. But, at the same time, you're sure to know of someone who has **died young,** or who's **battling to survive a serious illness.**

And whilst a good number of us willingly insure our homes, cars, mobiles, and holidays, we often neglect to properly insure our families and ourselves.

In this respect, only you can judge if you might be leaving yourself (and your family) too exposed.

From the high take-up by households of home contents insurance at around 78%, the figures for personal 'protection' cover drops dramatically. For example, only about one-third have any form of life cover, even less protect their mortgage payments (under 20%), and it further reduces when we look at the percentage of households that have taken out products such as Income Protection or Critical Illness cover.

(Sources: Association of British Insurers, September 2010 booklet, outlining 2009 figures; Mintel, Protection Products report, June 2010)

Take advice

With the wide range of protection options out there it makes sense to take advice, to identify what best meets your needs. Additionally, we can establish if you already have some cover in place through existing policies. Furthermore, you may be entitled to a level of protection for some aspects via your employer (although this is generally for a limited period). Or you may need to consider if there is an element of support available from the State.

This would then enable us to assess your key needs, and how much protection you may require on top of anything from elsewhere (and when you need your policy to kick in). This planning may enable you to ensure the mortgage payments are met, bills are paid and the family can still function, without the added worry of limited finances.

In choosing the most suitable product (or products), we'd balance elements such as your budget, the product offering, policy costs, flexibility, and perhaps the payout performance.

And we could help with the application forms, as the last thing you want is to complete them incorrectly, or neglect to mention a pre-existing medical condition. Just as importantly, we can often assist should a claim need to be made.

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

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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.**

TIME to recover...

What would happen if you suffered a serious illness, such as a heart attack, cancer or stroke **and survived** - and were then, understandably, unable to swiftly return to work?

The likelihood of surviving a serious illness will luckily continue to improve as medical know-how develops - but your good fortune, could create financial problems too!

For example, around 146,000 people have a heart attack each year, with more than 1 in 3 surviving. And half of the people diagnosed with cancer now survive their disease for at least five years.

(Sources: cardiacmatters.co.uk, August 2010, Cancer Research website, April 2011)

Fortunately, a specific product exists to cover a wide range of serious illnesses - **Critical Illness cover** (although not all forms of cancer and heart disease are covered by a critical illness policy). This is designed to pay out a lump sum (if the condition was specified in your policy, and you survive generally for 30 days from the date of diagnosis); thereby easing a lot of the immediate financial worries.

And don't think that this is only of concern if you're much older. More than a third of critical illness claimants from one insurer, for example, were aged 40 or under.

(Source: Bright Grey claims statistics, Jan-June 2010)

Of course, if you're employed, you may have the buffer of a period of disability cover as an employee benefit. After that, you would have to fall back on State benefits of limited value. And you are even more vulnerable if you are self-employed.

Focus on recovery

If you suffered a critical illness, surely it would help to focus all your energies on recovery, without the additional worry about your finances?

And you can decide the level of cover you require at the outset, should you need to claim. You may want to have enough to pay off the mortgage, or alternatively you may decide to opt for less cover (meaning a lower premium too), but still have enough to see you through the initial couple of years as you recover.

Critical illness cover can be taken as a stand-alone policy, or as a bolt-on to a life assurance plan. The policies may vary with regard to the illnesses covered, **so it helps to take advice.**

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

Looking after your FAMILY

If the breadwinner died, would the family be able to cope financially?

There may be some life cover to help pay off the mortgage, but what about providing for everyday items such as food, clothing, utility bills and fuel or other expenses such as holidays?

There are numerous products available, but **Family Income Benefit** may be one of the better value protection plans on offer. Rather than delivering a lump sum should you die, Family Income Benefit provides a regular, tax-free, monthly (or annual) payment for your dependants - from the time of the claim to the end of the plan term.

It's **well-suited to those with young families,** as the idea is that it should be arranged to pay out until the children have grown up, so it's often taken out over a 10 to 20 year term, or whatever is appropriate in your circumstances. Although, please note that this type of policy has no cash-in value at any stage.

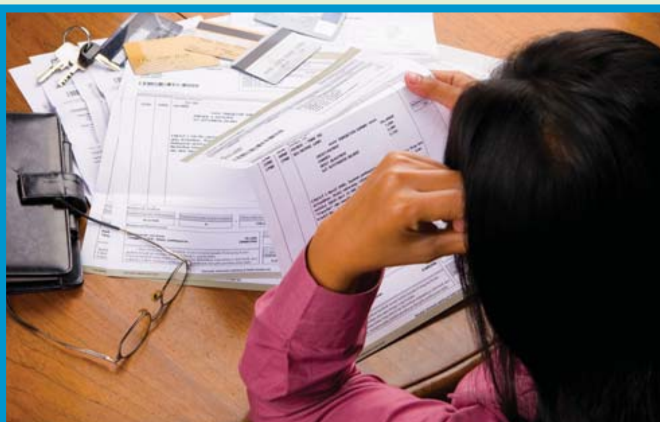
■ **As with all insurance policies, terms, conditions and exclusions will apply.**

Here's how it works

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

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

Talk to us to find out more.



The Happy Landlord!

In this market environment, many Landlords continue to enjoy decent rental incomes and face low levels of voids (where the property isn't being rented out). According to RICS - the surveyor trade body - in the three months to April, 35% more respondents reported that demand rose, rather than fell - **the highest level for over two years!** Looking ahead, the outlook remains strong, with 33% more surveyors expecting rents to rise, rather than fall.

(Source: RICS, June 2011 release)

And looking even further ahead, Capital Economics, set out that the number of households living in rented accommodation could rise to around 17% by 2015, from the current level of 14%, as home ownership attitudes start to shift.

(Source: Capital Economics, November 2010)

This fairly positive news may encourage existing Landlords to expand their current portfolios, and could even bring new entrants into the marketplace, who are looking for a better return for their money.

Availability of loans

But let's not get too carried away. Whilst the 27,600 Buy-to-Let loans in the first quarter of 2011 was a sizeable 25% up on the same period in 2010, the market has not fully recovered if you consider that the comparable period in 2007 generated 81,400 loans - three times as many!!

(Source: Council of Mortgage Lenders (CML))

The resurgence of the Buy-to-Let market continues, partially fuelled by First-Time Buyers who are unable to get onto the property-owning ladder.

It also makes sense to take advice, as lenders have markedly differing criteria as to whom they'll lend to - be it professional Landlords, and/or the part-time Landlord.

Whilst lenders generally continue to look for a deposit of 25% or more, there is a small trickle of 20% deposit products coming back to the market. The minimum rental requirement still sits around 125% of the rental return against the mortgage payments - to help cover any additional costs or voids.

(Sources: Moneyfacts, July 2011, CML, May 2011)

Also, you'll still have to do your homework. For example, you'll need to consider how interest rate and house price moves may impact upon you, and whether the Government's recent shake-up of Social Housing will benefit, or disadvantage, the rental market in your chosen area.

It's a complex marketplace, with lots to consider, so do get in touch to find out how we can help.

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

There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage.

The value of your Buy-to-Let property and income from it can go down as well as up. You may also require advice on the legal and tax issues.

The Financial Services Authority does not regulate legal and taxation advice, and most Buy-to-Let mortgages.

Is it time to consider your MORTGAGE OPTIONS?

Here's how to use the mortgage payments calculator: A £100,000 mortgage over 25 years, charged at a 4% interest rate would cost 100 x £5.28 (for Repayment) = £528 per month.

Monthly payments for a mortgage per £1,000 borrowed over 25 years

% Interest rate	Interest-only* £	Repayment £
1.00	0.83	3.77
1.50	1.25	4.00
2.00	1.67	4.24
2.50	2.08	4.49
3.00	2.50	4.74
3.50	2.92	5.01
4.00	3.33	5.28
4.50	3.75	5.56
5.00	4.17	5.85
5.50	4.58	6.14
6.00	5.00	6.44
6.50	5.42	6.75
7.00	5.83	7.07
7.50	6.25	7.39
8.00	6.67	7.72

(Source: Halifax, July 2011)
* Excludes any payments to a separate savings scheme, to help pay off the capital amount borrowed.

This calculator only provides a guide to monthly payments and does not guarantee eligibility for a mortgage. The actual amounts that you may have to pay may be more or less than the amounts shown. Please contact us for a personalised Key Facts Illustration.

If you're keen to see your loved ones benefit as quickly as possible from any 'life cover' payout - then you may need to consider the use of Trusts.

Advice you can TRUST

A Trust is a legal arrangement, which you can set up in your lifetime or in your Will. If a Trust is not in place then the payout process may be slowed down markedly (possibly by several months), as the Plan may have to go through the process of Probate (or Confirmation, as it's known in Scotland).

How it works

You will need to appoint a trustee or trustees. This could come from your family, friends, professional advisers or a corporate body - and don't worry, we may be able to help with this process.

For more information do get in touch.
The Financial Services Authority does not regulate Trust Advice or Will Writing.

Remortgage Countdown...

With increasing numbers coming off their deal rates and reverting to the lenders Standard Variable Rate, the big question is when to act.

The Base Rate, which (at the time of writing) has sat at 0.5% since March 2009, will go up at some stage. Whilst it's not the sole factor that affects the lender's own interest rates, they are more than likely to follow suit.

Whilst the Bank of England interest rate committee does have a juggling act, as they're keen not to damage the economic recovery by raising rates too soon. They do need to be mindful that the CPI inflation rate currently sits at 4.2% (way above their 2% target), and an interest rate rise may help control inflation.

(Source: Bank of England, July 2011)

Opportunity knocks

In the meantime, there may be an opportunity for the many that have enjoyed low mortgage rates for the last couple of years, but are now keen to plan ahead to avoid any major shocks into the future.

Especially, as the lenders have reacted to the static Base Rate and drop in SWAP and LIBOR rates (a better determinant on lender's interest rates for fixed and variable products, respectively), by recently improving a number of deals.

Additionally, there are an increasing number of mortgage products out there. In the last two years it's more than doubled. Whilst it's unlikely to return the levels of the pre-credit crunch days, there has been a noticeable growth in the products requiring a 25% deposit, or less. Although, as ever, the bigger the deposit, the better the deal. *(Source: Moneyfacts, July 2011)*

Fixed or variable

Dependent on your attitude to risk, or available budget, you need to decide if you want the safety of a fixed rate over a defined period, of say, 2, 3, or 5+ years. Or if you still feel that interest rates will stay low for a further period and prefer to opt for a variable tracker rate that would generally be linked to the Base Rate.

As it stands, the latter route will probably offer lower monthly payments at the outset, but you must be mindful that rates will rise eventually, and give consideration to what may be the better option over a longer period.

There's also the third-way - where you can 'hedge your bets', as some lenders will allow you to start off with a variable tracker, with the option of jumping across to a fixed rate further down the line. Although, we'd need to do the maths to see if this may work for you.

Timing is everything

Whatever course of action (or inaction) you opt for, there is the likelihood that the moment the Base Rate rises, many lenders will pull their existing deals.

It makes sense to talk to us to identify the best way forward for your needs - which may be to act now, or to stay put for the moment.

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

Let us do the LEGWORK...

» According to a recent survey, a third of the current mortgage holders in the UK plan to secure a new mortgage over the next 12 months. This amounts to 3.4 million people, of which the majority will be looking to refinance their current deal.

(Source: Legal & General and the Association of Mortgage Intermediaries (AMI) survey undertaken by YouGov, June 2011)

The survey also highlighted that 81% of respondents would prefer to make one attempt at securing a mortgage than trawl the high street.

Yet it shows that just one in three borrowers are very confident they would be accepted for a new mortgage if they applied for one.

And that's where **our professional, impartial advice** may help identify better financing options.

Interestingly, Robert Sinclair, director of AMI, said that competition from the smaller lenders should bring even better products this year. He pointed out that the Council of Mortgage Lenders recently revised its lending figures, up from £130 to £140bn for 2011. And said: "You have to wonder where it expects the extra lending to come from. It will know a number of smaller lenders are readying to travel higher up the Loan-to-Value and risk curve this year."

Talk to us to find out more.

■ We cover mortgages, insurance and protection products along with a number of other financial areas, so do contact us if you'd like to discuss your financial needs:
Tel: 01242 510090 Email: enquiries@ims4you.co.uk Web: www.ims4you.co.uk

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

We do not charge a fee, as we will be paid commission by the lender.

■ The contents of this newsletter are believed to be correct at the date of publication (August 2011).

■ 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.