

Speak...

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Mortgage

Winter 2010



House prices start strongly in 2010

The first Nationwide House Price Index report of 2010 showed some early positive signs.

House prices kicked off the New Year with a 1.2% rise in January. This brought the price of the average house to £163,481, 8.6% higher than January 2009. The last three months compared with the previous three months showed a 2.1% rise in property values. It will take a fall in house prices during February to prevent house price inflation moving to double digits for the first time since May 2007.
(Source: Nationwide Building Society.)

In January 2010, the Council of Mortgage Lenders also reported a 14% month-on-month rise in gross mortgage lending in December, taking it to £13.7 billion. This was up 3% on December 2008. (Source: Council of Mortgage Lenders.)

So we start 2010 with some encouraging news, let's hope this presages further progress for the rest of the year.

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

Positive outlook ahead but maybe at a price

Some experts believe that 2010 will see a resurgence in the property market. Predicted higher lending, an increase in transactions and more choice of higher loan-to-value mortgage products are all expected to give a much-needed boost.

However, some commentators also agree that the Bank of England will begin to raise interest rates later in the year. There is also a view that, regardless of what the Bank of England decides, lenders will begin to raise interest rates to balance the needs of savers.

These reports came out just as Moneyfacts.co.uk released the results of their latest research into fixed-rate mortgages. This research revealed that in December 2009 the cost of fixed-rate mortgages fell for the fifth consecutive month. This fall brought the average rate for a two-year fixed-rate mortgage down to 4.88%. (Source: Moneyfacts.co.uk 14 January 2010.) If predictions of higher interest rates later this



year prove to be true, fixed-rate mortgages may begin to look an attractive proposition.

If house prices continue to rise or if the pace of the rise begins to quicken, then the cost of climbing the property ladder will also increase. In a rising property market, although your own property is increasing in value so is the more expensive property that you may be thinking of buying. If they both increase in value at the same rate, the gap between the two properties widens. This makes the cost of trading up greater. If you're looking to move up the property ladder in 2010 it may be wise to take action soon.

Call The Financial Practice on **01249 715111** to discuss your requirements.

Whatever your reasons for needing a mortgage it is important you take professional advice; only by doing so can you be sure you have the most suitable mortgage for your needs. Contact us if you need help finding your next mortgage.

What's your New Year's resolution?

The New Year is often a time when many of us resolve to get our finances in order. This might include repaying some of those expensive credit cards and loans. If you have expensive loans, credit cards and store cards from several different providers, you may want to look at consolidating these debts into one larger debt so you can reduce your monthly repayments.

If you have equity in your home you may be able to raise enough capital by remortgaging to repay your loans and credit cards. Because mortgage interest rates are significantly lower than interest rates on credit cards and unsecured loans you can

dramatically reduce your monthly outgoings. However, you should understand this debt will now be secured against your home and you will now make these payments for the lifetime of your mortgage.

If you want to reduce your monthly credit card and loan repayments to a more manageable level, contact us now.

Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.

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Critical Illness – have you got it covered?

Are you prepared for the unexpected? What would happen if you were suddenly unable to work because of a serious illness? You would still have to pay your bills whether you could work or not.

Most of us arrange life assurance to cover our mortgage in the event of our early death, but how many of us cover ourselves against a more likely event than death – a critical illness? You may have some savings that you can call on. It may not happen at all. But are you willing to take that risk?

Over the decades, medical science has improved so much that our chances of surviving diseases, that not so long ago may have killed us, are far greater. The following statistics show the likelihood of surviving for five years:

- 50% of all people diagnosed with cancer¹
- 61% of men with prostate cancer¹
- 79% of women with breast cancer¹
- 95% of men with testicular cancer¹
- 68% of women with cervical cancer¹
- 76% of men who suffer a heart attack and survive the first 28 days²

And 62% of all people who suffer heart failure will survive at least a year².

¹ Source: Cancer Research UK

² Source: British Heart Foundation

Although the chances of surviving a critical illness are quite good, that same illness may prevent you from working for a prolonged period. In fact, it may mean you never work



again. This is where critical illness cover can be invaluable as it pays out a lump sum on diagnosis of many recognised critical illnesses whereas your life assurance will only pay out if you die.

This means critical illness cover has a key role to play in protecting your mortgage. If you should suffer a critical illness, being able to repay your mortgage in full will free you of, probably, your largest monthly financial commitment. Removing this financial worry will leave you to concentrate on getting better.

Not all critical illness plans are the same, so it's important that you seek professional advice. If you're worried about the financial havoc a critical illness may wreak, contact us for advice. We will explain how critical illness cover works, what illnesses you can cover, and how much cover you are likely to need.

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Do you have a protection gap?

A recent report released by Swiss Re reveals a startling gap between the insurance cover people think they have and the cover they do have.

According to the report, 43% of people claimed not to need life assurance but the worrying fact is the actual cover in force is far lower than people's perception. (Source: Swiss Re.)

So how can you tell if you have a protection gap?

Think about your current household income and outgoings. Now consider what this looks like if the major breadwinner dies. Suddenly a major part, if not all, of your household income disappears. Maybe your mortgage is repaid, in which case monthly outgoings will reduce, but most of your outgoings will continue. Now ask yourself how will my dependants meet these costs?

Perhaps you have life assurance cover already, but often the amounts involved can lead to a false sense of security. For example, £100,000 to most people is a significant sum of money.

However, if you invest this in a building society account paying 3%, this will produce a yearly gross income of only £3,000; basic rate income tax could reduce this to £2,400. Suddenly, £100,000 looks inadequate and a significant protection gap appears.

The chances are you have a protection gap, so what should you do about it? Firstly, you should contact us so we can help you quantify the size of your protection gap. Once you know what your protection gap is you can look at ways of closing the gap. And, it doesn't have to cost the earth; in its most basic form, level term assurance (a policy that pays out if you die during a specific term, for example, 25 years) can be surprisingly cheap.

What you must not do is ignore your protection gap. Anyone taking out a life assurance policy hopes they never need to claim, but it is worth the cost just for the peace of mind that, if the worst does happen, at least your dependants are financially secure.

Contact us without delay to assess your protection gap.



THE FINANCIAL PRACTICE

If you wish to discuss your financial needs, or any of the content in this newsletter, please get in touch. We may charge a fee of £250 for mortgage advice.

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