Financial Viewpoint

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

Self-employed lack protection
Why the self-employed could be vulnerable if things don't go to plan.

Shining a light on home insurance
How to find appropriate, good value protection for your home and contents.

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.

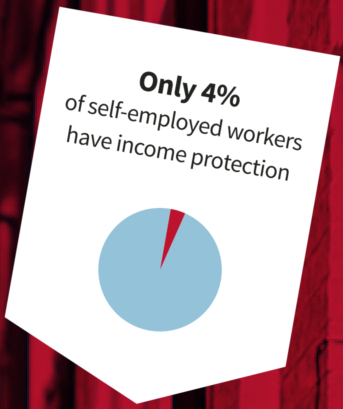
To discuss your mortgage needs, please get in touch.

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

Self-Employed lack protection

Just 4% of self-employed workers have income protection in place, leaving the majority vulnerable to financial difficulties if they are suddenly forced to stop working through illness or accident.

In its survey of more than 9,000 adults, LV= identified the self-employed as a niche group who would struggle to make ends meet if they stopped earning. This is partly down to the fact that they have no employer's safety net and little, if anything, in the way of emergency funds.



The benefits of income protection

Income Protection pays out a regular income if you're unable to work due to an accident or illness or, with certain policies, unemployment. For a monthly premium that can be adjusted to suit your budget, this valuable insurance will help to reduce stress, prevent your family suffering financial hardship and help you get back on your feet.

And budget is clearly a factor when it comes to the self-employed taking out protection, with two fifths (41%) surveyed saying they could not afford to save money on a monthly basis.

LV= also found there was a lack of understanding among the self-employed, which could account for such a large number having no income protection cover. In fact, four out of ten self-employed workers mistakenly believe they aren't eligible for this sort of cover.

How can you protect yourself?

Most of us don't think twice when it comes to protecting our vehicles or treasured possessions, and yet it's our income that enables us to enjoy these material things. Those of us who are employed may have some kind of cover provided by their employer, but if you're self-employed you could be exposed.

If you'd like advice on how to protect your finances, or you'd like to review your protection needs, please get in touch.

Shining a light on home insurance

Home and contents insurance seems to be a mystery to many households according to research by the Co-Op, which found more than five million have no cover despite the average value of contents reaching almost £40,000.

Top 10 regions without contents cover:

North East	31%
Northern Ireland	28%
Wales	25%
London	24%
South East	24%
East Midlands	23%
Yorkshire and The Humber	19%
South West	18%
North West	18%
East Anglia	17%

On the face of it, this type of insurance seems straightforward. It covers you for the loss of, or damage to, personal possessions in your home; ranging from laptops, TVs and furniture to clothing and jewellery. It's perhaps when you get to the small print that the problems start.

In fact, 42% of the people surveyed said they find insurance policies confusing and 92% would like insurers to make policies easier to understand. It's easy to see how this confusion could put someone off taking out cover, or prompt them to choose the cheapest policy available. And when you put price before value you risk taking out cover that lets you down when you need it most.

Evidently the insurance industry should do more to make their policies easier to understand, but there are a few steps you can take to make sure you find appropriate, good quality cover that fits your circumstances. If you're confused about the cover you have, or you're about to take out a new policy, these are some of the things we think you should consider:

Key steps to take

1. Check the insurer's definition of valuables
2. Find out if the policy comes with accidental damage as standard – many don't
3. Don't underinsure, make sure your possessions are covered for the right price and tell your insurer about any particularly valuable items
4. Check if the contents of your garden shed or outbuildings are covered
5. If you live in a flood-risk area, check your insurer's policy on flood damage
6. Check the policy exclusions before signing up
7. Keep your policy up to date to allow for new purchases

Don't stay in the dark about home insurance. Talk to us for expert, tailored advice.

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