Eureka Newspoint

Eureka Financial Solutions Ltd

Thanks for reading our newsletter if you want to discuss any of the articles in more detail please get in touch

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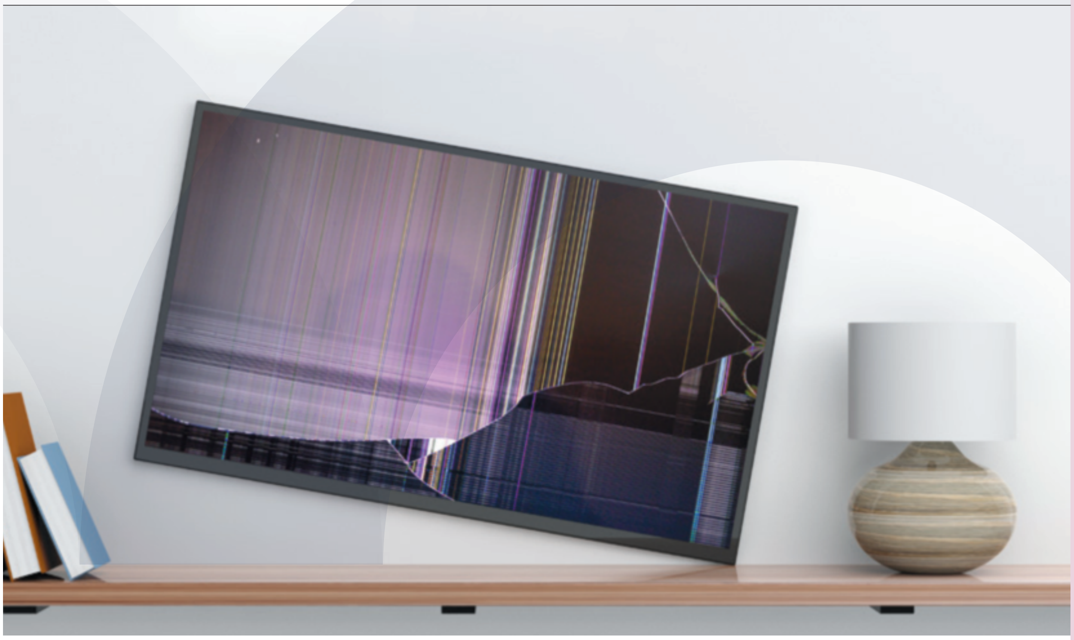

Accidental damage protects against life's little mishaps

Nobody knows what is around the corner. Accidents can and do happen and the most commonly reported household claim in 2018 was for Accidental Damage. It's therefore wise to check what is included in your insurance policy to help protect the valuable items in your home.

Standard contents insurance usually protects you if you have possessions stolen, destroyed or damaged. Accidental damage on the other hand, isn't typically included in contents insurance but may be an optional add-on to your standard policy. It covers you for unforeseen events that cause damage to your belongings.

We have all heard of stories of red wine being spilt on new cream carpet, and kids breaking TV screens with a games console controller gone awry. There are also those more 'comical stories' of toddlers painting the sofa with nappy rash cream, puppies rather enthusiastically playing with TV cables or mugs of tea being dropped in the bathroom and smashing the toilet. Insurance doesn't have to be for significant claims; it's also to protect against these types of life's little mishaps.

It's probably worth taking a few minutes to consider your day-to-day needs and it's definitely worth checking what your insurance policy covers as you may already have accidental damage in place. And if you don't, you might want to consider arranging accidental damage to ensure your valued belongings remain protected.

Five expensive and weird pet-related insurance claims

Tortoises torching homes

Clare was relaxing at home when she smelt smoke. She saw flames coming from another room and realised that her two tortoises had knocked over their heat lamp and started a blaze. Luckily her pets were unharmed and she had home and contents insurance to cover the damage.

Destructive dog

Lee was watching his daughter's puppy when the neighbour's cat strolled through the garden. The dog charged straight towards the cat and through the patio door. Lee had accidental damage cover which meant he could claim to replace the shattered glass.

Cat-astrophe

Faye returned home from work to find some of her favourite antique ornaments smashed on the floor. Sitting amid the chaos was her neighbour's cat who had climbed in through an open window. The cat, like many in Instagram videos, had knocked the items over. Faye's contents insurance was able to cover the cost of the broken ornaments so she could replace them.

Painting paws

Ian was doing some DIY and adding a coat of paint over some marked walls while his wife was out walking the dog. When they returned the dog excitedly ran through the house, through a paint tray and onwards through the lounge leaving 'painty' paw marks all over the carpets. After cleaning the dogs paws Ian was able to claim on his home insurance to have the carpet replaced.

Hungry husky

Lisa took her hearing aids out to clean them. She placed them on the coffee table whilst she went to collect clean water and a brush. When she was out of the room her dog was sniffing around the table and mistook the hearing aids for treats. Lisa had already planned ahead and made sure her hearing aids were covered under her home insurance and she was able to successfully make a claim.

Borrowing options in your later years

Retirement is an exciting time; the start of a new chapter in life. Whilst we will have worked, saved and prepared for this moment for a long time, many of us will find we don't quite have enough money to fund all the things we planned to do.

Luckily, there are an increasing number of options for borrowing in your later years, enabling people to stay in their homes for longer and help fund their retirement lifestyle.

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

Mortgage

One option is a traditional residential 'capital and repayment' or 'interest-only' mortgage. Many lenders have increased their upper age cap limits in recent years, enabling mortgages to now be applied for by people up to 80 years old and allowing mortgage terms that end when a customer is up to 85 years old.

You'll have a better chance of being accepted for these mortgages if you have a good credit history. Your income will need to be high enough to easily cover the mortgage payments, so lenders will be looking for proof of pension income. This is easier to do once you are retired.However, if you are yet to retire, your pension provider can give confirmation of your expected retirement date, current pension pot and expected retirement income. The mortgage provider will also be interested in other income you may have, such as from shares and property investments.

Equity Release

Another option is equity release. With an Equity Release Mortgage, you borrow an amount against a part-share of your home, either as a one-off lump sum or a monthly income.

You still own your home, and the payment can be used for a variety of purposes. These are, most commonly, to pay off an outstanding mortgage, pay for a major purchase or unexpected cost, or simply to help fund your retirement.

Lifetime Mortgage

A Lifetime Mortgage differs to a traditional Residential Mortgage as payments do not need to be made throughout the term of the mortgage. Instead, the total amount borrowed plus the interest is repaid when the house is sold, which is usually after the borrowers have moved into a care home or passed away.

Both Equity Release and Lifetime Mortgages will impact elements such as how much inheritance you have available to pass on, eligibility for state benefits and your tax position.

Each of these borrowing options suits different circumstances so you must carefully consider which would be best for you in your later years.

You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.

Coming to the end of your interest-free equity loan period

The government launched its Help to Buy equity loan in April 2013 and since then 210,964 properties have been bought under the scheme.

First-time buyers and people moving to a new-build home worth up to £600,000 have benefited from the scheme, which provides an equity loan of up to 20% of the cost of the property interest free for the first five years. But what happens when you come to the end of the interest-free period?

Continue paying
If you haven't paid your equity loan off by the end of the five-years, you'll be charged 1.75% interest on the outstanding loan amount and this will increase by the Retail Prices Index (RPI) plus 1% each year.

Sell the property
If you choose to sell your home, you'll need to repay the equity loan in full. If the value of your property has stayed the same and your loan was 20% then your repayment will be 20% of the value of your home.

If the value of your home has increased or decreased the amount you pay will change by the same percentage. So, if your home is now worth 5% more than when you originally bought it you'll owe an extra 5% of original loan value.

Remortgage and keep the loan
If you want to remortgage and keep your equity loan, the new mortgage must not exceed the current mortgage and cannot be longer than the entire term of the existing mortgage. For example, if you remortgage five years after taking a 25 year Help to Buy equity loan, your current mortgage must not be longer than 20 years. You will of course have to start paying interest on your equity loan.

Remortgage and pay the loan
If you choose to increase your borrowing to remortgage to pay the equity loan off in full you'll need to be aware of any changes in the size of your equity loan just as if you were selling.

If your original equity loan value was £20,000 – below is indicative values of the amount owing when you come to sell

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

House value decreased 5%	House value the same	House value increased 10%
£19,000	£20,000	£22,000

There are a number of options when it comes to the end of your five-year equity loan period. Contact us and we can discuss the right option for you.