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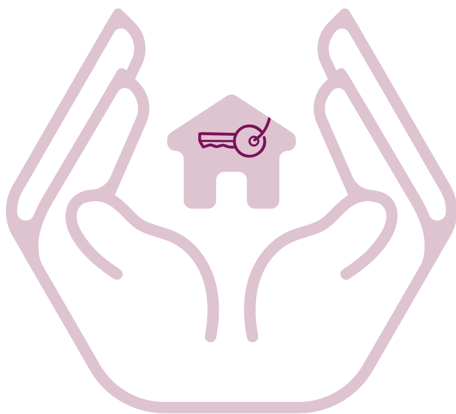
BUDGET HIGHLIGHTS

- New 'Lifetime' ISA available from April 2017
- ISA allowance increase to £20,000 from April 2017
- Capital Gains Tax reduced to 20% for higher rate taxpayers and 10% for basic rate tax payers from 6 April 2016 (exclusions apply)
- Personal allowance to rise from £11,000 in 2016–17 to £11,500 in April 2017
- Higher rate tax threshold to rise from £43,000 2016-17 to £45,000 in April 2017
- Insurance premium tax increase to 10%
- Class 2 National Insurance contributions to be abolished from April 2018
- New tiered system of stamp duty rates for commercial property, effective 17/03/16
- Reduction in Corporation Tax to 17% by 2020

GETTING A BETTER DEAL FOR YOUR HOUSEHOLD INSURANCE



Home insurance is an effective shock-absorber that protects thousands of families each year from unexpected and unwelcome loss, damage and expense.

However, it is vital to update it regularly to ensure that you always have the right level of cover in place for your property and belongings. In addition, you could find that your existing insurer has steadily raised your premium over the years and your policy no longer represents good value for money.

GETTING THE CORRECT COVER

Many people use comparison sites to find the cheapest policy available, but that may not be the right type of cover for your particular circumstances. Whereas homeowners and landlords usually require both building and contents cover, those living in rental properties usually only require contents cover. Purchasing combined insurance can often be a cheaper option.

A common mistake that many people make is over-covering their building, selecting to cover the market value of their home rather than the rebuild value. This is not an easy figure to determine; commissioning a survey is the most reliable, but expensive method. You could select to use an online rebuild calculator. People often inadvertently under-insure their contents, leading to a shortfall in the event of a claim. By carefully and accurately costing up all of your assets you can avoid this common scenario.

In addition, never auto-renew your policy, as insurers rely on consumer lethargy to hike up premiums, relying on existing customers to roll over their policy unchallenged for another year.

RATINGS MATTER

One of the tools used when researching the right policy is the Defaqto rating system. Whilst you may have heard the name Defaqto mentioned in connection with insurance policies, you may not know that this company has created a way of assessing policies or what their star rating system means for consumers. The star system looks to reflect the quality of a product, and gives consumers expectations about the cover on offer and the knowledge that a 4 or 5 star product is likely to be amongst the best in its class.

So if your policy is coming up for renewal, why not ask us to find you the most appropriate and cost-effective plan for your needs or source an approved provider.

HOUSING MARKET – LANDLORDS RUSH TO BUY

According to figures released by the Council of Mortgage Lenders*, gross mortgage lending reached £17.9 billion in January this year, the highest lending total for January since 2008.

The amount lent was 21% higher than the £14.8 billion lent in January 2015 and was accounted for in part by a surge in activity in the buy-to-let market, where lenders were looking to buy property ahead of the stamp duty changes taking effect in April.

From the start of the 2016–17 tax year, most landlords will be faced with a three percentage point surcharge on stamp duty on the purchase of buy-to-let or second homes.

FIRST TIME BUYERS

Some of the increase in January's lending figure is accounted for by first time buyers. Encouragingly, government schemes such as Help to Buy and the newly-introduced Help to Buy ISA are proving popular. The Treasury reports that more than 250,000 people have taken out a Help to Buy ISA since it's launch in December 2015.

2017 TAX CHANGES

Once the new tax initiatives have been fully implemented, landlords who had been able to claim tax relief worth 40% or 45% will find their relief restricted to just 20%. From April 2017, those with buy-to-let mortgages will not be able to deduct all finance costs (e.g. mortgage interest, interest on loans taken out to furnish the property and fees) in arriving at their rental income. Instead they will receive a basic rate reduction from their income tax liability for their finance costs. The 10% wear-and-tear allowance will also be removed from April 2017, meaning that landlords will only be able to deduct costs they actually incur.

However, the new rules won't be fully implemented until 2020 as the relief will be tapered down. For example, in tax year 2017–18, the deduction from property income will be restricted to 75% of finance costs, with the remaining being available as a basic rate reduction. For higher rate tax payers, the group most affected by the change, there are ways they can reduce the impact, such as setting up a company and putting their buy-to-let properties into it.

*Council of Mortgage Lenders, Market Commentary, Feb 2016

STARTING OUT – YOUR FIRST MORTGAGE

Many first-time buyers despair of getting a mortgage. Although lenders are all bound by the same general principles, there are variations in the way they apply them. So it really pays to work with an adviser. Their knowledge of the market and understanding of the approach adopted by individual lenders means they can help you present your application in a positive light to the right one, saving you time and stress.

MAKE SURE YOUR BUDGET TICKS THE BOXES

The Financial Conduct Authority introduced its Mortgage Market Review (MMR) measures in April 2014. Under the MMR, lenders need to ask homebuyers questions about their lifestyles and spending habits to ensure that they can afford a mortgage.

Lenders will scrutinise your outgoings, looking for reassurance that your spending is under control. They will need to see a track record of good budgeting and evidence that you're paying back any debts. They will ask about your future plans too, including spending on holidays and entertainment. So look closely at your budget and make sure your finances are in good shape; think about cancelling regular payments you don't use any more, such as memberships or subscriptions.

CASH TO GET YOU STARTED

You will need a deposit. Having a larger deposit can improve your chances of getting a better rate on your mortgage loan. At this point, parents and grandparents may step in to help, so it makes sense to discuss your plans with your family. Remember to budget for all the incidental costs such as structural surveys, legal and arrangement fees, moving costs and stamp duty too.

You can kick-start your savings by putting up to £200 a month into a tax-free Help to Buy ISA as well as a £1,000 lump sum when you open an account. The government will top up your contribution by 25% up to a maximum top-up of £3,000. Your Help to Buy ISA can be used for properties up to £450,000 in London or £250,000 elsewhere.

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

EQUITY RELEASE REACHES NEW HIGHS

Figures from the Equity Release Council[1] show that those aged 55 or over are relying more than ever on the wealth tied up in their houses. Older people who bought their properties many years ago can often find themselves asset rich but cash poor, sometimes living on low incomes but living in valuable properties.

Whilst downsizing to a smaller home might be the answer for some, moving house can be a stressful and costly process, and there's a well-documented shortage of available properties designed with the needs of retirees in mind.

Equity release has proved an increasingly-popular solution for several reasons. Many pension pots fall short of what's needed to sustain a comfortable retirement and, as life expectancy rises, property wealth is emerging as an accessible source of funding in later life.

In the final quarter of 2015 homeowners unlocked a record amount of the equity tied up in their properties[2], with lifetime drawdown mortgages reaching a new high of £1.61bn.

A USEFUL SOURCE OF FUNDS

Equity release has become a popular way to boost finances, with the money being used for a variety of purposes:

- Topping up retirement income
- Paying off a mortgage, credit card or other loan
- Passing money on to family members, often to help them onto the property ladder
- Home improvements including adaptations to make retirement more comfortable
- Taking more holidays and fulfilling lifelong dreams

The last decade has seen the rise in popularity of the drawdown type of lifetime mortgage, as it gives homeowners the freedom to dip in and out of their housing wealth, and means that they can leave more of their equity intact to pass on as an inheritance to their families.

Independent professional advice is essential; equity release isn't the right solution for everyone. Releasing cash from your home reduces the value of your estate and the amount of inheritance you leave, so you should involve your children and dependants from the outset. You should always consider

the alternatives, as equity release is just one possible option for acquiring tax-free money from your home.

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

1 Equity Release Council, Quarterly Lending Figures, Q4 2015
2 Mortgage Introducer, Equity release hits record high, Jan 2016

GETTING A MORTGAGE IF YOU'RE OVER 55

There's been a lot of media coverage over the past year highlighting the problems often faced by older borrowers looking to take out a mortgage. Many over 55s have found their applications turned down, despite having strong credit histories, sizeable deposits and sufficient income to cover the repayments.

When questioned about why they felt unable to grant mortgages to older people, many lenders pointed to the Mortgage Market Review (MMR), which came into effect in April 2014 and imposed stricter lending criteria.

THE MMR

Lenders are now required to scrutinise borrowers' incomes, outgoings and credit history closely and err on the side of caution when granting mortgages. Minister of State for Pensions and financial campaigner, Ros Altmann, has called for a better deal for older borrowers seeking mortgages saying that they are, *"facing age discrimination in the mortgage market, with companies refusing to lend purely on the grounds of their age, rather than their income."*

Age itself should not be a bar to getting a mortgage. However, some lenders fear that if they grant a mortgage to an older borrower who subsequently experiences difficulties in repaying their loan, they might be open to claims that the mortgage was mis-sold in the first place.

While some lenders are reluctant to advance loans that run on into the borrower's retirement, others will lend to applicants up to the age of 75 if they can demonstrate that they will have sufficient retirement income to cover their repayments.

FINDING THE RIGHT LENDER

If you're looking for a new home or just want to remortgage your existing one to free up some cash, it pays to work with an adviser. Although lenders are all bound by the same general principles and criteria as set out in the MMR, there are variations in the way that they interpret them in practice. Advisers know the marketplace and can help you present your application in the most positive light to the right lender.

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

SECOND STEPPING – YOUR NEXT RUNG ON THE HOUSING LADDER

The good news from the mortgage market is that second steppers, those who want to make the move from first time buyer properties to the next rung of the property ladder, are on the move.

According to Lloyds Bank, who first coined the term, second steppers are far better placed than they were. With property values continuing to rise, they have more equity in their existing property, and there are plenty of first time buyers looking to snap up their homes.

Many second steppers bought at the bottom of the market in 2009, so with the rise in property prices since then, they can in some instances be looking at an increase in value of around 30%.

However, a report issued by Lloyds* last summer showed that those living in their first homes would have to find over £128,000 to bridge the gap between the sale price of their current property and the cost of the property they would like to move to. There are wide regional differences, with those in London often needing to find around £330,000 to make their move, while in Northern Ireland the figure is likely to be around £68,000.

LOW INTEREST RATES PREVAIL

Tighter lending criteria and the need to find a substantial amount of money for a deposit can pose problems. So too does the UK's housing shortage. However, with mortgage interest rates remaining low, employment remaining high, and plenty of first time buyers in the market, the report concluded that the outlook for second steppers is steadily improving.

TIPS FOR MAKING YOUR MOVE

With homes for sale in property hotspots often being actively pursued by scores of potential buyers, there are some useful tactics you can employ to make your offer an inviting proposition.

Most estate agents would recommend being flexible and accommodating when it comes to buying your next property. Although it isn't an option for everyone, it helps to get your offer accepted if you can show that you have already sold your property and would, if necessary, be prepared to move into rented accommodation to facilitate the deal.

Getting your finances in good shape will help speed up your mortgage application. Don't forget to draw up a budget that covers not only the cost of the new property, but includes all the associated expenditure like surveys and legal fees too.

Take advice early on in the process - advisers know a lot about lenders and will be able to help you get your application into good shape. Getting a mortgage offer in principle at the start of the process will show a seller and an estate agent that you are serious about the transaction; most mortgage offers will last for three to six months after being agreed in principle.

Don't forget that buying a house is a human experience; when it comes to making an offer, including a short personalised letter that explains a little about you and why you want to buy the property can help your offer get accepted.

*Lloyds Banking Group, Doors open for second steppers, 2015

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

FLOODING – WHAT TO DO IF YOU'RE AFFECTED

After one of the wettest winters ever recorded, there's some good news at last for the thousands of homeowners living in flood-prone areas of the UK. Many of these householders have found themselves unable to afford the rising cost of insurance premiums following major flooding incidents.

Flood Re, which is due to go live in April, is a not-for-profit flood insurance scheme set up jointly by the government and major insurance companies. It will cap the insurance premiums of home-owners in flood-stricken areas from £210 per year for Council Tax Band A homes to £540 per year for Band G homes. Properties built since 2009 will be excluded from the scheme in an effort to discourage development on flood plains.

Under Flood Re, a person living in a high-risk area will buy home insurance in the usual way. The insurer will then decide whether to approach Flood Re to take on the flood risk for that particular property or assume the risk themselves. The scheme should eventually cover over 350,000 properties.