

## Your Home Finance

Spring 2021

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### Could your front door increase your home's value?

With millions of homeowners taking advantage of the Stamp Duty holiday and putting their home on the market, eager sellers have been looking at ways to increase the value of their property.

So, they might be interested in research<sup>1</sup> that has unearthed a little-known way of adding value to your home: the colour of your front door!

#### The most valuable colours

According to the study, the most valuable front door colour is blue, potentially adding an astonishing £4,000 to your house value. Next most valuable is a white door, adding an average of £3,400, with red doors coming in third place at £1,800. Conversely, brown doors are the least valuable and could in fact decrease your home's value by £700.

#### First impressions count

The study also consulted an environmental psychologist to gauge the impact of door colour on buyers. He said, "The colour of your front door can influence a buyer's initial perception. Our eyes are drawn to entrance points, so a front door is often one of the first things you notice." Therefore, the colour of your front door could potentially make the difference between a quick sale or months of waiting. That's one job to place at the top of your springtime to do list – paintbrush at the ready!

<sup>1</sup>Sellhousefast.uk, 2020



## Property market looks forward to a bright 2021

**2020 was a difficult year on many fronts, but how will 2021 shape up? With hundreds of thousands receiving their vaccinations daily and the property market continuing to boom, there is hope for a brighter future.**

The number of products available on the mortgage market shot up by 42% between October 2020 and February 2021 to 3,215<sup>2</sup>. This constitutes the highest mortgage availability since March last year, and the highest four-monthly increase in 13 years.

#### Good news for first-time buyers

Buyers with smaller deposits were hit hardest by mortgage availability issues during the pandemic, with higher LTV mortgages all but vanishing from the market. However, recent months have seen positive growth in 90% LTV mortgage products (for buyers with a 10% deposit). Rising from 160 in January, there were 248 90% LTV products on the market in February – a 386% growth in availability since October 2020.

#### Are negative interest rates a possibility?

Although the Bank of England held the UK base interest rate at its record low of 0.1% in February, banks have been told to prepare themselves for the possibility

of negative interest rates within six months. While it's unlikely that negative rates, if they did happen, will be passed on to borrowers, it does mean that the mortgage market is likely to remain highly competitive for homebuyers and remortgagers this year – some more positive news.

#### Homeowners' priorities shift

The pandemic has seen borrowers' priorities shift significantly both in terms of their choice of mortgage provider and the type of property they want to live in<sup>3</sup>. According to 79% of brokers, customers are increasingly prioritising flexible lending criteria, most likely due to the negative financial impact of the pandemic. Bigger houses are also higher up homebuyers' priority lists in order to make room for home offices, according to over half of brokers, while a third say that homebuyers are fleeing cities in favour of the countryside.

#### Get in touch

Spring is here, making it the ideal time to review your mortgage. Please get in touch with us so we can help you assess all the available options, including your life cover needs.

<sup>2</sup>Moneyfacts, 2021, <sup>3</sup>Masthaven Bank, 2021



## Budget 2021: Housing

**Rishi Sunak stood before the House of Commons on 3 March to deliver his second Budget. Of particular interest are the two major housing measures revealed in his speech.**

### Stamp Duty holiday extension

Many buyers breathed a sigh of relief at the Chancellor's announcement that he would be extending the Stamp Duty holiday until 30 June. This means that the £500,000 temporary threshold at which Stamp Duty begins to apply will be in place for another three months, before tapering down to £250,000 for a further three months. The usual £125,000 nil rate threshold will resume from 1 October 2021. By using this phased approach, the government is hoping to avoid another 'cliff edge' scenario where tens of thousands of buyers face a missed deadline – and a hefty tax bill.

### New mortgage guarantee

Secondly, Mr Sunak introduced a new mortgage guarantee for buyers with a 5% deposit, on properties valued up to £600,000. Essentially, the government will provide lenders with a guarantee, giving them more confidence to offer the highest value (95%) mortgages to buyers with a smaller deposit. While this group is largely composed of first-time buyers, the scheme isn't limited to those purchasing their first property, or indeed to new build properties. It will be available on all new mortgages up until 31 December 2022.

### Talk to us

If either of these measures have spurred you into considering your own house purchase, please get in touch with us and we can discuss your options and find the most suitable mortgage for your circumstances.

# Key Points

## Spring Budget 2021.....

### Job support

- Furlough scheme extended until 30 September 2021 – the government will continue to pay 80% of employees' wages up to £2,500 a month until the end of June, employers then pay a 10% contribution in July, rising to 20% in August and September
- The Self Employment Support Scheme also extended until the end of September.

### Business support & taxation

- A new 'Recovery Loan Scheme' replacing previous emergency government funding to support businesses, offers loans between £25,000 to £10m up to 31 December 2021 (government provides an 80% guarantee)
- A new 'Restart Grant' scheme provides retail, hospitality, accommodation, leisure and personal care firms up to £18,000, and non-essential retailers £6,000
- Business Rates Relief for retail and hospitality firms has been extended for three months to 30 June 2021, with a two-thirds discount available until 31 December 2021
- Corporation Tax will rise from 19% to 25% in April 2023 for all businesses with profits over £50,000, a tapered rate will be introduced for profits above £50,000, so that only businesses with profits of £250,000 or more will be taxed at the full 25% rate, businesses with profits of £50,000 or less will continue to be taxed at 19%
- To encourage business investment, a temporary 'super-deduction' tax incentive scheme will cut companies' tax bills by 25p for every £1 they invest, by providing allowances of 130% on qualifying investment in new plant and machinery, from 1 April 2021 to 31 March 2023
- VAT 5% reduced rate for tourism and hospitality sectors extended until 30 September 2021, followed by an interim rate of 12.5% for six months.

### Personal taxation, wages and pensions

- From 6 April 2021 Personal Allowance increased to £12,570 and the Income Tax higher rate threshold increased to £50,270, both thresholds will remain at these levels until April 2026
- National Insurance threshold increased to £9,568 from 6 April 2021, the Upper Earnings Limit will be £50,270
- Inheritance Tax nil-rate band remains at £325,000 and residence nil-rate band at £175,000, until April 2026
- Capital Gains Tax annual exemption remains at £12,300 for individuals and £6,150 for most trusts
- Lifetime Allowance for pensions remains at £1,073,100 until April 2026, the Annual Allowance remains at £40,000
- New single-tier State Pension increased to £179.60 per week in April 2021, the older basic State Pension increased to £137.60 per week
- ISA (Individual Savings Account) allowance remains at £20,000 for the 2021/22 tax year
- JISA (Junior Individual Savings Account) allowance or Child Trust Fund annual subscription limit remain at £9,000 for the 2021/22 tax year
- National Living Wage increased to £8.91 per hour from April 2021 and will include those aged 23 and over.

### Property transactions

- Stamp Duty (SDLT) holiday on house purchases in England and Northern Ireland extended, with the £500,000 threshold at which SDLT starts to apply ending on 30 June, a threshold of £250,000 applies for a further three months, with the regular £125,000 threshold returning from 1 October 2021. In Wales, the Land Transaction Tax (LTT) temporary tax reduction has been extended to 30 June 2021
- Mortgage guarantee scheme introduced from April, with the government providing guarantees to UK lenders who offer mortgages to buyers to secure a loan with a 5% deposit on a property of up to £600,000 up to 31 December 2022.

***As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.***



# Sell in May?

What a relief, spring is here and hope is in the air after a long, bleak winter. For those looking to move, there's even better news – spring to early summer has historically been the best time of year to put your house on the market<sup>4</sup>.

Proven to be the optimal time for selling your home, as gardens bloom, the milder weather in spring draws more people out house hunting and the brighter light helps properties look their best. You never know, competing buyers may prompt a potential bidding war on your property.

## Here comes the sun

Although this year has been different, there are sparks of hope and positivity, so with optimism in the air, now's as good a time as any to consider your options.

As we enter the property market's golden season, if you're looking for mortgage advice, please get in touch, we can help you get moving this spring. Here's to new beginnings.

<sup>4</sup>The Advisory, 2020



## Could you be invalidating your home insurance without realising?

**Home insurance may not be a legal requirement, but it's essential if you want to protect your belongings against theft or damage.**

### Avoid invalidating your cover

Even households that have cover in place need to take care to ensure they don't accidentally render their policy worthless. Although many householders are aware that actions such as leaving a window open whilst out could invalidate a consequent claim, fewer realise that most insurers limit the number of days their home can be left unoccupied.

This has proved particularly problematic during lockdown, with many people temporarily moving in with loved ones or left stranded overseas. Many insurers have agreed to extend cover beyond the typical 30 days if a property is left unoccupied for COVID-related reasons, but it's still good practice to inform the insurer of any change in circumstances.

Carrying out renovations has also been popular during lockdown and whilst smaller DIY tasks such as updating a kitchen or bathroom are unlikely to impact home insurance, more extensive work such as a loft conversion will have

an effect. Insurers should therefore be informed of any major property changes before work starts.

It's also best to speak to your insurer if you plan to rent out your spare room to a lodger. Although it may lead to a rise in premiums, this will ensure the policy remains valid.

### Keeping us in the loop

The best way to ensure you don't invalidate cover is to keep us up to date with any changes to your circumstances or property. For advice on finding the right home insurance policy, don't hesitate to get in touch.

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## Your mortgage options during a divorce

Divorce can be an incredibly stressful time for couples and the financial impact it can have only adds to the pressure. Unfortunately, many family lawyers are predicting the stresses of the last few months to result in a post-lockdown divorce boom.

For couples who own their home, one of the biggest decisions they face is what to do with the property.

### Options available to you

One option is to put the house on the market and split the proceeds of the sale between you. However, it's important to remember you will need to cover the costs of selling up, including estate agent and solicitor fees. You'll therefore need to ensure you have enough equity in the property to make this option worthwhile.

If you don't own much equity or one of you wants to stay in the property, another option is for one partner to buy out the other. Before doing so, however, the partner remaining in the home will need to weigh up whether they would be able to get a mortgage on their single income, and whether they could cover the costs of running and maintaining the property.

### Seek advice

We understand that going through a divorce can be a difficult time, which is why we're here to explain the financial options available to you and help you make the right decision, so please get in touch.

## Homeowners could save by remortgaging in 2021



**New research has revealed that homeowners could save an average of £2,000 in 2021 by remortgaging to a fixed-rate deal at today's low rates<sup>5</sup>. The saving is equivalent to around £169 a month, yet almost nine in ten borrowers haven't considered switching lenders.**

As households across the UK continue to face financial uncertainty due to the pandemic, three-quarters of homeowners say they are looking for ways to reduce spending in a bid to get their finances into shape for the coming year.

Yet almost a third do not know how much they pay in interest on their mortgage each month and only 11% have considered remortgaging as a way to give their finances a helping hand.

### Reluctance to switch

There are a number of reasons why homeowners are reluctant to switch to a new mortgage deal. More than half say they are happy with their current rate, and a quarter say they would find the task too stressful.

Cost is another concern for some homeowners, with 16% believing there are 'unnecessary fees involved', and 15% believing they cannot switch due to early repayment charges on their current deal.

### Busting myths

With mortgage rates so low, now is the ideal time to remortgage to a more competitive deal. Although switching deals may seem daunting, we can help you to assess your options and make the process as easy and seamless as possible.

Depending on the mortgage selected, you may not have to pay a fee, but we will always ensure you fully understand the costs involved. We can even help you assess whether it's more cost-effective to pay an early repayment charge to leave your current mortgage deal early and lock into a lower rate.

If you're not sure where to start when navigating the mortgage maze, don't hesitate to get in touch to see how we could help you. Spending a small amount of time with us could save you thousands of pounds on what's likely to be your largest monthly outgoing.

<sup>5</sup>TSB, 2021

**IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.**

***As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments. You may have to pay an early repayment charge to your existing lender if you remortgage.***

**It is important to take professional advice before making any decision relating to your personal finances.**

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**A mortgage is a loan secured against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.**

**Tax treatment is based on individual circumstances and may be subject to change in the future.**

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