

## Stonebridge Articles May 2023



## Life insurance first timer?

**Getting life insurance for the first time can seem daunting. Having to think about something as significant as how your loved ones will cope financially once you are no longer here can be quite overwhelming. We're here to help break things down and help you make the right decision for your unique needs.**

### Help when it's needed

For some, especially young people, taking out life insurance might not be something you have ever thought about seriously. Life insurance is a crucial safety net designed to protect your loved ones in case the worst happens. Sadly, many families would find themselves running short of money very quickly if the main breadwinner were to die unexpectedly.

Receiving a payout from a life insurance policy can be the difference between your loved ones facing a financial struggle at a challenging time and being able to maintain their same standard of living.

### What you need to consider

There can be a lot to think about when it comes to choosing the right life insurance policy. Here are four key questions you might be asking:

1. How much cover do I need?

There's no one-size-fits-all approach to life insurance. In deciding how much cover you need, consider your existing and future financial obligations, including mortgage and any other debts you may have. Think too about how much income your loved ones might need if you were to pass away.

2. What policy type should I pick?

There are two main types of policy:

- **Term life insurance** policies run for a fixed period of time, e.g. 10 or 25 years and pay out if you die during the term of the policy
- **Whole-of-life** policies provide cover that lasts a lifetime. This type of policy doesn't normally have an end date, so premiums are paid until you die

3. How much will it cost?

Every policy is different so there's no definitive answer! But, with products starting from a few pounds a month, there is a policy for every budget. It's a very small price to pay for the safety net of knowing that your loved ones won't suffer financial hardship.

4. Should I stretch the truth on my application?

In a word – no! When applying for life insurance, it is important to be honest about your health and lifestyle habits. If you provide any information that later turns out to be misleading, this could result in your policy being cancelled or your claim being denied.

**Don't do it alone**

Sorting out the right life insurance cover can seem a formidable task. When the stakes are so high, it's a good idea to get advice from an expert – we're here to help.

***As with all insurance policies, conditions and exclusions will apply***

## **Bank Rate and the mortgage market**

**Mortgage holders have been on a rollercoaster these past 12 months, with rising rates changing the state of the mortgage market. Thankfully, clear-headed thinking is the antidote to market volatility.**

### **Monthly movements**

After a decade of ultra-low interest rates, the return to rates around 5% has been a shock to the system for many mortgage holders. Mortgage rates have settled somewhat since the uncertainty caused by the mini-Budget, but they still remain higher than before September 2022.

The result is higher mortgage repayments for many mortgage holders, putting a further strain on household budgets.

### **To fix or not to fix?**

In an environment of rising rates, the certainty offered by fixed-rate deals can seem appealing. Having a fixed-rate deal offers a guaranteed interest rate, which means monthly payments will be the same from the start to the end of your term. The ability to plan your budget is a big plus, but your monthly payments won't fall if interest rates do.

### **Here to help – whatever the interest**

With inflation remaining stubbornly high, we'll continue to monitor developments in Bank Rate and the mortgage market. Wherever your property journey is heading, we'll help you navigate the market.

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

## What next after Help to Buy ends?

Property experts are calling on the government to support SME builders and boost housing delivery after its Help to Buy (HTB) scheme ended on 31 March, having granted over 375,500 interest-free equity loans.

The scheme was designed to support first-time buyers and boost the housing market by offering interest-free loans with a minimum deposit of 5% to purchase new properties. The government is yet to announce a like-for-like replacement for Help to Buy. Other government schemes are:

- The Mortgage Guarantee Scheme - this makes it easier for people to buy a home with less than 10% deposit by increasing the availability of 95% loan-to-value mortgage deals. It runs until the end of 2023
- First Homes – an initiative to help people buy a new build home at a significant discount (typically 30-50% of its market value). Local key workers and those on low incomes get priority
- Shared Ownership – a combination of buying and renting, where homebuyers can purchase a share of a property and pay rent on the remainder. 'Staircasing' allows you to increase your stake
- Right to Buy- for people looking to buy a council property they're currently living in at a discount, which can also serve as your mortgage deposit.

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## Helping you understand protection jargon

**One of the biggest challenges when it comes to our finances can be the terminology involved, which often feels like a language unto itself! It can feel both confusing and overwhelming, even if you're a skilled communicator in other areas, specialist protection jargon can leave you feeling lost.**

A study<sup>1</sup> has revealed that seven in ten UK adults are puzzled by financial jargon. **Phoebe Barter from Aviva, commented on the findings,** *"We understand that financial matters can be puzzling and our research highlights exactly this. It's easy to stick our heads in the sand and ignore something we find complex and confusing. But we also know that when things are resolved and clear, it's a huge weight off our minds."*

### **Crystal clear**

Ultimately, it's important to remember that financial jargon is a tool for communicating complex concepts and ideas. The last thing we want is for you to disengage entirely and not address the requirement for protection insurance in your life. We can explain everything you need to know in plain English, enabling you to truly connect with this vital area of your insurance requirements. Get in touch, we can find the most suitable protection for your requirements and clearly explain it to you.

***As with all insurance policies, conditions and exclusions will apply***

<sup>1</sup>Aviva, Dec 2022

## Addressing protection procrastination

### Are you the type of person who spends their life procrastinating?

Perhaps you're a perfectionist procrastinator who is reluctant to start or finish a task because they don't want anything to be less than perfect. Maybe you fall into the dreamer procrastinator category who has great ideas but really doesn't enjoy finer details. Or how about the worrier procrastinator who fears change and risk, resulting in them avoiding projects or tasks altogether.

The digital age certainly hasn't helped, providing us with so many distractions in everyday life that procrastinating has become easier. Facing up sooner rather than later to your protection needs will leave you well equipped to deal with whatever life holds, get in touch.

***As with all insurance policies, conditions and exclusions will apply***

#### Source:

<https://www.healthline.com/health-news/procrastination-digital-age#Procrastination-and-the-digital-age>

## Equity release for property renovation

**Making home renovations is a great way to boost your living space and give your property a new lease of life. Whether you are looking to upgrade your kitchen or turn your loft into an extra bedroom, the cost, however, can be steep.**

Equity release is a hot topic in 2023, as more homeowners look at ways to maximise their cash. Simply put, releasing equity involves borrowing against your home's value. If you plan to undertake a big project around the house, the money released from your property can be used for renovations.

When considering equity release, it's always best to speak to an expert first.

***Your home may be repossessed if you do not keep up repayments on your mortgage. A lifetime mortgage is a long-term commitment which could accumulate interest and is secured against your home. Equity release is not right for everyone and may reduce the value of your estate.***

## Landlords struggling to remortgage

**About a third of property investors are struggling to remortgage after failing their lender's affordability test<sup>1</sup> resulting in some landlords being forced to sell as high mortgage rates create affordability problems in the buy-to-let sector.**

Landlords coming off two or five-year fixed rates are facing rates more than 2% higher than they were a year ago, making their loan unaffordable, according to their lender's stress test. Unable to secure a new deal and with nowhere else to go, their loans are reverting to the lender's standard variable rate, which averages about 7.5% and could be as high as 9.5%.

Average buy-to-let mortgages rates have fallen in price recently but not as significantly as residential products.

***Your home may be repossessed if you do not keep up repayments on your mortgage. Not all Buy to Let Mortgages are regulated by the FCA.***

<sup>1</sup>Mortgages for Businesses

## Surge in subsidence claims

**Last summer's record-breaking heatwave, when temperatures peaked at 40.3 degrees on 19 July, has led to a surge in subsidence claim payouts, according to the latest from the Association of British Insurers (ABI).**

Insurers expect to pay £219m in subsidence claims made in 2022, many of which were caused by last summer's record-breaking high temperatures. This is the highest expected insurance subsidence bill since 2006.

Of the 23,000 subsidence claims made during the year, the majority (18,000) were in the second half of the year following the heatwave. This equates to one new claim every 15 minutes during the last six months of 2022. The average subsidence claim incurred was £9,600.

***As with all insurance policies, conditions and exclusions will apply.***