NEWSLETTER

LILAC FINANCIAL

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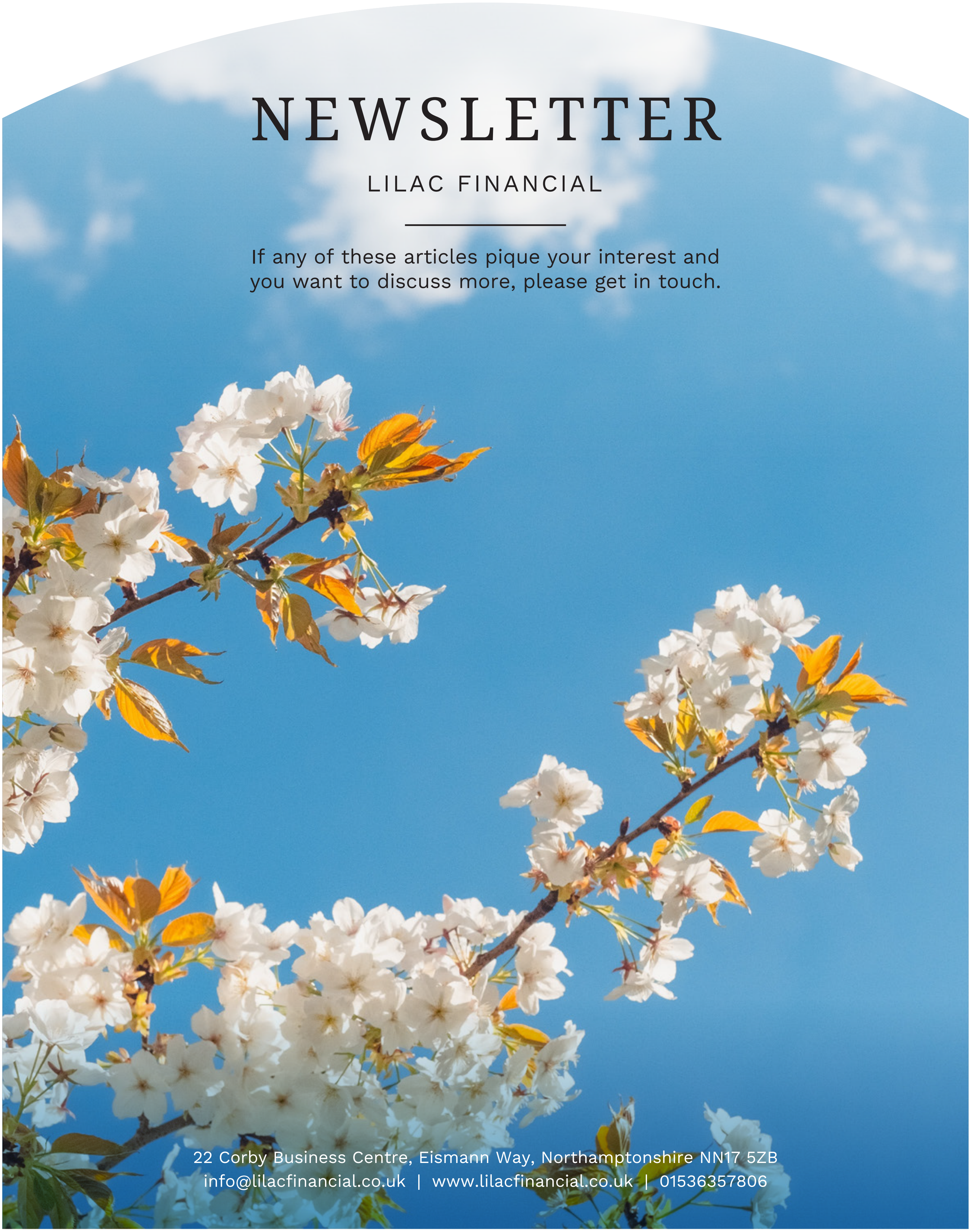

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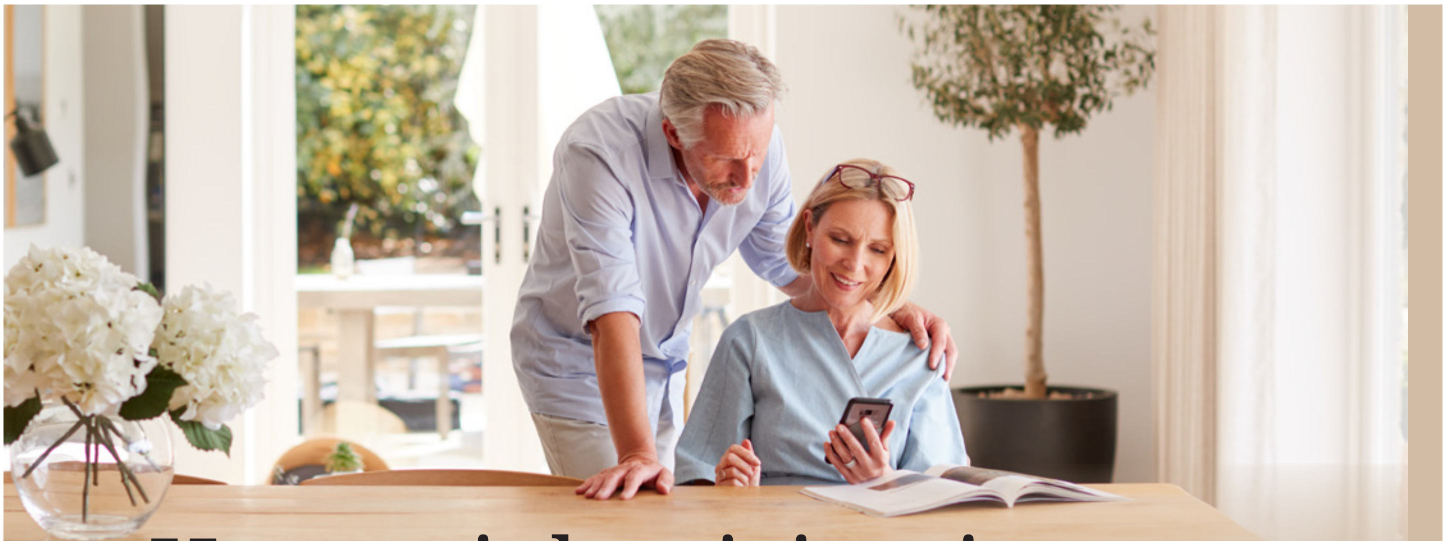

How might rising interest rates affect your mortgage?

The Bank of England has raised interest rates which means bigger mortgage bills for some homeowners.

At the start of February 2022, the Bank of England raised interest rates for the second time in three months from 0.25% to 0.50% to combat soaring inflation. This move will have a knock-on effect as mortgage lenders raise interest rates in response, which will increase monthly payments for some borrowers.

What does a rise in interest rates mean for your mortgage?

Anyone without a fixed-rate mortgage is likely to see their borrowing costs rise, although how they are affected will depend on the type of product they have. Your adviser can help you assess your mortgage deal and figure out ways to make some much needed savings.

- Only borrowers with a mortgage that moves up or down with the base rate will be affected by the interest rate change.
- This includes tracker mortgages and standard variable rate mortgages (which you revert to when a mortgage deal ends).

Fixed-rate mortgages

Most mortgage holders are on fixed-rate deals so won't see any change in their monthly payments. This is because the interest rate you pay stays the same for the length of the mortgage deal.

Standard variable rate mortgages

You will usually be moved on to a standard variable rate when your existing tracker or fixed rate mortgage deal ends. For example, if you take out a two-year fixed deal and you don't remortgage, you will be moved to the lender's standard variable rate. The rate is likely to be considerably higher than what you were paying before, so your monthly payments will increase, and lenders can raise the standard variable rate whenever they want.

Tracker mortgages

Homeowners with a tracker mortgage will find that their interest rate payments will now go up, but when this happens will depend on their lender. Tracker mortgages are a type of variable rate mortgage that follow the Bank of England's interest rate. So, when official interest rates go up, the rate on your tracker will rise as well.

As a rule, they do not exactly match the base rate, but are set a level just above it. For example, if the lender's rate is the base rate +1%, the interest you'd pay in total on your loan would be 1.5%.

Whatever type of mortgage you have, we can advise you about how the interest rate rise might affect you and address any questions or concerns you have.

How to save on your mortgage costs

The best thing you can do is to speak to your financial adviser. For example, if you're on a tracker mortgage, they will be able to advise whether changing to a fixed-term deal to protect yourself from any further rises is a good idea. They will also let you know about the fees involved when making changes to your mortgage. If you are on a standard variable rate you can switch at any time, so with interest rates rising, your adviser can help you look at available fixed-rate deals.

Homeowners on fixed deals don't have to worry about their mortgage going up until their current term ends. Most lenders will let you lock into a new deal six months before the current one ends so it's a good idea to plan.

Whether you're looking to remortgage or are a first-time buyer, we can help you find the most suitable deal for your circumstances and help keep your costs down.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT

Feel more secure with income protection

When it comes to insurance, we're more likely to protect our pets than our income. Here's why it's important to have some income protection in place.

What is income protection?

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. It gives you a buffer between finding yourself without an income, paying the bills and protecting your family's security. Building an emergency fund (which covers around three months' worth of bills and essentials) is a good start to give you some financial back-up, but income protection insurance can also provide peace of mind.

How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end. We can help you determine how much coverage you'll need.

How much does income protection pay?

It could be anything from 60% to 65% of your pre-tax income, and the regular payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter and the percentage of your income is larger. This type of protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead provide one-off lump sums in the event of your death or the diagnosis of a critical illness.

Do you need income protection?

With the rise in the cost of living and cost of borrowing right now, many people are worried about paying the bills should anything happen that leaves them unable to work. Recent surveys have shown that the average UK family doesn't have enough in savings to be financially secure for long if they're no longer receiving an income.

That's where income protection can give you some financial resilience, especially if your workplace does not provide statutory sick pay (or only starts to pay out after a period of several months). Your adviser can help you navigate the income protection policies that could best suit you and your needs, weighing up how much your premiums might be with the amount of cover you're after.

As with any insurance policy to do with your life and health, things like your age, health, occupation and other factors (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

We can guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

Your adviser is best placed to help you find an income protection policy to suit your needs and provide some security for you and your family.

Peace of mind for the self-employed

Sarah is self-employed and she approached her financial adviser for some advice. As a single mum, she worried that her emergency savings fund wouldn't be enough to cover the rent or bills if she found herself unable to work. Sarah's financial adviser found her an income protection plan with an affordable monthly premium that covers 65% of her earnings.

OW3991 Exp. 11/04/2023

Stamp duty and land tax

What you need to know

Following the lowering of the stamp duty threshold to £250,000 in July, the rate will drop further in October for buyers in England and Northern Ireland.

Stamp duty land tax applies to increasing portions of a property's price, starting at £40,000. There are different rates depending on how much you are paying for the property, whether you're a first-time buyer, where you live, and where the property is located within the UK. It's good to be aware of how much – if any – stamp duty you will pay, whether you're a first-time buyer, second homeowner, buy-to-let owner or in another situation.

Stamp duty bands from 1 October 2021

In England and Northern Ireland, as of 1 October 2021, you will pay stamp duty on a residential property's sale price over the first £125,000 (from 1 July 2021 up until 30 September, it was the first £250,000).

Property purchase price range	Stamp duty to be paid
Up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1.5 million	10%
Over £1.5 million	12%

For example, if you buy a house for £295,000, the stamp duty will apply as follows:

- 0% on the first £125,000. You pay: £0
- 2% on the next £125,000. You pay: £2,500
- 5% on the final £45,000. You pay: £2,250
- Your total stamp duty: £4,750.

First-time buyers

If you're a first-time buyer in England or Northern Ireland, it means you are about to buy your first main residential home and have never owned a freehold or leasehold on a property before (in or out of the UK):

- You will pay no stamp duty on the first £300,000 of your new home.
- Then, you will pay 5% on anything from £300,001 to £500,000.
- If your property price is above £500,000, the stamp duty from the rates paid by non-first-time buyers applies.

Second homes and buy-to-let properties

For those who are in the market for a second property, whether it's a buy-to-let or a second home, they will pay an additional 3% in stamp duty on top of those existing rate levels.

When is stamp duty not required?

There are some situations when you may not need to consider stamp duty. For example:

- When no money or form of payment is exchanged for a land or property transfer.
- If a property is left to you in a will.
- The property is transferred after a divorce or dissolution of a civil partnership.
- If the property you are buying is freehold costing less than £40,000.

These are a few examples in England and Northern Ireland. Scotland and Wales may have additional exemptions, so it's worth speaking to an adviser in those areas if you are buying a property.

Land and buildings transaction tax Scotland

Buyers in Scotland will pay a land and buildings transaction tax (LBTT) when buying a property, in place of stamp duty.

The Scottish system came into place in 2015, and is set up in a similar tiered tax rate level to that in England:

Property purchase price range	LBTT to be paid
Up to £145,000	0%
£145,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
Over £750,001	12%

If you are a first-time buyer in Scotland, you are exempt from LBTT for the first £175,000 of your property's sale price:

Property purchase price range	LBTT to be paid
Up to £175,000	0%
£175,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
Over £750,001	12%

For those in Scotland buying a second home or buy to let property, the additional rate of tax they will pay is 4% on top of the standard rates above.

When is stamp duty not Land transaction tax in Wales

In Wales, the land transaction tax (LTT) took over from stamp duty in 2018.

This means if you are in Wales and buying your main residential home (and do not own any other property) the LTT only comes into effect after the first £180,000 of the property's sale price.

However, a big difference in Wales compared to the rest of the UK is that there are no exemptions for first-time buyers, so the tiered system applies to all types of buyers (whether first-time or not).

For those in Wales buying a second home or buy to let property, the additional rate of tax they will pay is 4% on top of the standard rates below.

Property purchase price range	LTT to be paid
Up to £180,000	0%
£180,001 - £250,000	2%
£250,001 - £400,000	5%
£400,001 - £750,000	10%
£750,001 - £1.5 million	12%
Over £1.5 millionv	

Whether you are a first-time buyer, moving home or looking for a second home or buy-to-let, our advisers are here to help you through your journey.

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

OW3807 Exp. 30/12/2022

Covering the cost of your retirement with confidence

As you approach retirement, it's important to be aware of the cost of living and how much income you'll need to feel financially secure.

With the cost of living going up, people approaching retirement are finding their pension pots are not lining up with how much they'll need in their later years.

An online pension calculator can help start you off by giving you an idea of how much you'll need to live comfortably. Your adviser is ideally placed to help you look at your own situation, finances and future income needs and work out a suitable plan to help you get to these goals.

Examine your assets with the help from an adviser

Everyone's situation is different, depending on how much you have in assets, savings, and investments. However, there are some key issues to bear in mind to help things along, including the issue of rising inflation, which increases the cost of living as years go by.

Volatility in financial markets also adds to the concerns for anyone approaching retirement when it comes to how their pensions are performing. With expert guidance from your financial adviser, you'll be able to make the most of your money for many years to come.

How to boost your pension and make more of your money

Of course, the earlier you start putting money away, the more time you'll have on your side to grow your pension pot. But it can be hard when you're still juggling mortgage debt, family outgoings and the general cost of day-to-day living. Even if you've opted out of your workplace pension or are self-employed and don't have one, it's never too late to start your own personal pension.

We can take you through how a personal pension can benefit you and give you more control and flexibility around how much you put in, where your money is invested and how you can access it in retirement.

Keeping track of workplace pension plans (if you do have them) and thinking about consolidating them into one pot might be a good place to start planning towards the goal of making your retirement as financially worry-free as possible. It's a complex area, which your adviser can handle for you.

It's also worth remembering that if you defer or delay your State Pension, it will go up by 1% every nine weeks. That means if you're entitled to £179.60 a week and deferred your pension by a year, you would get an extra £10.42 a week.

Make the most of your pension allowance

Most people are able to pay up to £40,000 a year into your pension, tax free although some exemptions may apply. If you don't use this annual allowance, you can 'carry forward' the previous three years' worth of unused allowances providing you are still registered with the pension and have earned in the current tax year the amount you (or your employer) would like to contribute.

Our financial advisers can help you review your pensions and advise on how to make the most of your investments going forward into retirement.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Investment Update

Shaken but not stirred

Persistently high inflation is putting pressure on central banks to raise interest rates, which unsettled markets during the first few weeks of the year.

At the start of 2020 the World Bank issued a warning that the global economy faces a variety of challenges, including new Covid variants, high inflation and an uncertain geopolitical landscape. Its economists lowered their growth forecasts the and suggested that some richer countries might not reach pre-pandemic levels of output until 2023, with poorer ones taking longer.

Central bank monetary policies are another uncertain factor. After the US Federal Reserve (Fed) said it could raise interest rates multiple times this year and sooner than expected – to curb inflation – stock markets dropped in early January. The Fed is worried that inflation could spiral out of control, and a strong labour market has added to these pressures.

Stocks in the technology sector were among the hardest hit. The Nasdaq Index had its worst start to a new year since 2008 and European technology shares fell too. By the middle of January conditions had stabilised, with investors reassured by the Fed's announcement that it would tackle the surge in inflation. However, tech share prices suffered again towards the end of the month.

Inflation soars

The annual rate of inflation in the US jumped to 7%, which is its highest level since June 1982. Several factors are sustaining rising prices, with energy costs the largest contributor. In the UK, figures released in January showed inflation at a 30-year high, increasing pressure on the Bank of England to raise rates. The euro area's annual inflation rate crept up to 5%, another record high for the currency bloc. Energy prices were again the main factor.

Yet the underlying investment environment remains buoyant with the global economy continuing to expand at a decent pace, and companies delivering decent profits growth. Notably, the UK's economy has already recovered to its pre-pandemic level following a strong period of growth in the last few months of 2021, due in part to early Christmas shopping and an increase in dining out.

China's economy has been suffering from a variety of pressures, including a heavily indebted property sector, and it slowed at the end of 2021, which prompted a cut to one of its key interest rates. However, full-year growth was 8.1%, exceeding the government's target of 6% and rebounding from the 2.2% growth registered in 2020. With much of the world dependent on Chinese exports, the country posted a record trade surplus of $676 billion in 2021 – the highest since 1950.

The triumph of tech

With so many aspects of our lives shifting online during the lockdowns and ongoing digitalisation trends, it's not surprising that the technology sector often dominates the headlines. Notably, Apple became the first company to reach a market value of $3 trillion. The company's share price has more than tripled since the depths of the pandemic in March 2020.

Meanwhile, Microsoft announced a massive $69 billion deal to buy the games publisher Activision Blizzard. The move shook the gaming industry and after news of the acquisition, rival Sony saw $20 billion drop in its market value. The deal promises to turn Microsoft into one of the world's biggest interactive entertainment players.