



NEWSLETTER

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22 Corby Business Centre, Eismann Way, Northamptonshire NN17 5ZB
info@lilacfinancial.co.uk | www.lilacfinancial.co.uk | 01536357806

How to protect your mortgage

Strengthening your ability to keep up with mortgage payments is important and will give you some peace of mind if your circumstances change.

Life insurance is the form of protection most of us would name as one that could pay down or pay off a mortgage. Yet there are other situations (apart from death) that could mean it's very difficult or even impossible to keep up with mortgage payments for an extended period – without the help from other types of coverage.

Here are some protection policies you might want to have in place (alongside life insurance) to give your mortgage some security if you are unable to keep up with mortgage payments. Your adviser can help you work out the best option for your situation.

Critical illness protection pays out a one-off, lump sum if you're diagnosed with a critical condition or disability that is covered by your policy. It can be offered when you buy for life insurance, as extra coverage.

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. Depending on the terms, you'll receive a regular income until you either return to paid work, retire, pass away or if the policy term comes to an end.

Mortgage payment protection insurance (MPPI) pays your monthly mortgage payments if you're unable to make them due to an accident or illness.

What's the difference between income protection and MPPI?

Income protection insurance is seen as more comprehensive than MPPI as it covers a proportion of your income and not just your monthly mortgage payments. It could also help to cover monthly bills aside from your mortgage. The period you're protected with income protection tends to be longer than MPPI, too.

Your adviser will help you find a policy that works for you and your needs, in terms of the length of cover you want and how much the premium might be. MPPI premiums could be lower than those for income protection and more affordable.



Our advisers are here to help if you're looking for ways to protect your mortgage.

How to protect your business

What is business protection insurance and how does it work? Find out why it could be right for your business.

If you own or run a small business, protecting it is always a priority, especially if something were to happen to a key member, which could affect the financial health of the company. In this situation, business protection insurance could provide some peace of mind.

What is business protection?

Business protection provides coverage in the event that a director, business partner or other key employee of your business suffers a critical illness or long-term disability, or passes away. It's a way of protecting the business and ensuring continuity. Business protection can help support forward planning in terms of succession and gives you ways to provide stability during what could be an uncertain time, especially if the company is small.

What are the types of business protection?

Business protection insurance usually offers cover in three ways:

Key person protection

This protection provides cover to replace key staff and cover income lost by their absence that could affect the business. It can cover any key employee from a head of department to the CEO.

Business loan protection

This protects the business by helping to repay business debts like a loan or bank overdraft if the owner or a key member (like a partner) dies or suffers a critical illness.

Shareholder protection

This cover is also known as 'ownership' or 'partnership' protection. It specifically covers the business owners if a shareholder dies, or suffers a critical illness, by ensuring that funds will be available to buy shares from the deceased shareholder's estate.

These three forms of business protection also come with the option to add critical illness cover if you think it necessary. You could also get coverage for more than one person within the business. It's always important to speak to an adviser who

can help you figure out the the right type of business protection for your business and any extra coverage (like critical illness) your business and employees could benefit from.

What are cross-option agreements?*

Cross-option agreements are usually required with shareholder protection insurance. The agreement is set up with the directors or partners of the business, and means that if one of these members dies, the remaining directors or partners have the option to *buy back* the shares from the deceased shareholder's estate. It also gives representatives of the deceased's estate the option to *sell* the shares to the remaining shareholders (which could be the preferred option for both sides).

**Before setting an agreement up legal advice should be sought.*

What are the benefits of business protection?

One of the benefits of business protection is the knowledge that should anything happen to a crucial member of the business – or someone with a financial commitment within the company – there would be some protection financially. It also gives other members of the business some peace of mind knowing this. Business protection can protect any loans or mortgages tied to your business, too, meaning lenders (knowing that you have *business loan protection* in place) are less likely to refuse a future loan, and will not approach the guarantor of a loan or their estate to recoup any existing loans.

In a small business that relies on a few key employees, the risk to the business from a financial point of view might increase if one of the team were unable to contribute because they die or are critically ill. In that situation, business protection is a wise plan to have in place.

An adviser can help you find out which type of business protection plan works for you and your company.

How does a remortgage work?

A remortgage could help you save money if you weigh up the fees involved with the savings you could make. Here's how it works.

A remortgage is the process of moving your home's existing mortgage to one with a new lender.

People remortgage for many different reasons, including:

- Finding a better deal elsewhere – you might be on a standard variable rate (SVR) and want to move to a fixed-term rate.
- Coming to the end of a fixed-term deal on your current mortgage and wanting to lock in a lower rate with a new lender.
- The loan-to-value on the home is lower (as more of the mortgage has been repaid).
- Wanting to get ahead of a rise in interest rates, which would affect mortgage rates.

How a remortgage could help you save

One of the big reasons people remortgage is to save money on their monthly payments. If you're on a standard variable rate that is higher than the fixed-rate deals currently available, you could save by switching – either to a fixed-rate mortgage or one that 'tracks' the Bank of England's base rate.

If your home has gone up in value and you've paid off enough of your mortgage to give you a lower loan-to-value, it means you own more of your home and have less to pay off. Remortgaging could result in lower monthly mortgage payments because you're paying off less of a loan amount (and in turn, less interest on it too).

How long does the remortgage application take?

The process can take between four to eight weeks from the time you apply so it's good to start planning early. If you're coming to the end of a fixed-rate or tracker term, your lender should tell you that your mortgage will move onto their standard variable rate¹. This could be an ideal time to move if you find a better deal elsewhere, or you may even find an attractive deal with the same lender and go through a 'product transfer' (see box).

How much does a remortgage cost?

Existing lender fees

Your existing lender could charge you a fee if you're leaving them early into a fixed period in your mortgage. This is known as an 'early repayment charge' and could be in the range of 1% to 5% of your outstanding mortgage balance. They will also charge you an 'exit' fee of around £50 to £100 to cover their administration costs.

New lender fees

Your new lender could charge you a range of fees, so before you commit it's important to check what you will pay. This will help you calculate whether a move is financially beneficial overall.

Their fees could include:

- **Application fee** to set up your new mortgage. Could also be called an 'arrangement', 'product' or 'booking' fee. This could be around £1,000.
- **Valuation and conveyancing fees.** Some providers won't charge for these, but it's worth checking if you are moving to a new lender.
- **Solicitor's fee** covering the legal paperwork to do with managing the transfer of your mortgage.

Is a remortgage right for you?

Whether or not you remortgage all depends on your situation and the type of mortgage plan you're currently on. You may want a mortgage that lets you make overpayments, or you could be coming to the end of your current deal's fixed term and think the lender's SVR will be too high. One of the most important things you can do before you decide is gather your current mortgage paperwork, look at the fees and get some expert advice on your next steps.



What about product transfers?

If your mortgage is coming to its maturity date but you'd prefer to stay with your current lender, you could consider a product transfer. Switching to a new mortgage product with the same lender could save you money and time. Our financial advisers can help guide you through choosing the right product to make it worthwhile and explain the logistics of transferring your mortgage product.

Our advisers can help you work out the pros and cons of a remortgage, and what could work best for you.

¹www.investorcoms.com



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

