



# Sovereign

**Independent Financial Advisers**

Established 1981

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## OPENING THE CAGE!

The last several years has seen the arrival of many new options for those who had not been able to obtain a mortgage due to their age. Standard residential mortgage lenders generally now allow borrowing up to age 70 for those who are relying on earned income – whether employed or self-employed. For those who have guaranteed income into retirement such as pensions and investment or rental income, it is possible to borrow up to age 85 or even 90.

**Assisting our clients to successfully achieve their objectives and enjoy financial security**

Sovereign Finance is authorised and regulated by the Financial Conduct Authority. Number 125460  
Finance Brokers Licensed under the Consumer Credit Act 1974 License Number 204599  
Proprietors TB Shuster BA, FHD Dip PFS and MJ Shuster BA (Hons) Cantab



## NO INCOME REQUIREMENTS!

**Where the problem is insufficient income to meet the lenders' requirements there are now a number of Lifetime Mortgage options where the borrowing is dependent on age and property value only.**

The minimum age is 55 but where one spouse or partner is over 55 but the other is not, there still can be options. Many Lifetime Mortgage providers also can ignore credit problems such as arrears or defaults and even sometimes CCJs or even a historical bankruptcy. A survey carried out at the end of 2018 saw people using Lifetime Mortgages to raise funds for many different purposes including the following: 66% - home improvements; 34% - to go on holiday; 30% - to pay off debts; 27% - gifting to family or friends; 21% to clear an outstanding mortgage; 12% to help with regular bills.

Lifetime Mortgages now also allow monthly interest payments for some or all of the interest being charged so the interest does not have to be left to build up. The other alternative is to be able to make lump sum payments during the year without penalty – usually up to about 10% of the



amount borrowed. The interest rates vary from provider to provider but generally depend on how much is being borrowed and the loan to value ratio. The best rates start at about 3.2% going up to about 6.0% for maximum borrowing. Here are some examples of how much could be borrowed:

(Note: These are approximate figures and assume a property value of £300,000)

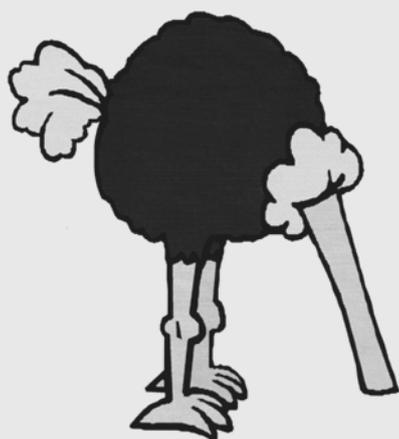
- Age 75** - £141,000 (47% of property value)
- Age 70** - £135,000 (45% of property value)
- Age 65** - £120,000 (40% of property value)
- Age 60** - £98,800 (33% of property value)
- Age 55** - £73,500 (25% of property value)

Taking all of these points into account, the bottom line is that if you are over 55, you may be able to borrow for any legal reason on an interest-only basis without having to meet any affordability requirements and regardless of credit difficulties. If you would like to find out what your options might be, just give us a ring.

## WHAT WE DON'T WANT TO THINK ABOUT

Death and incapacity are not popular subjects to think about or discuss but it is only right to consider how others close to you might be affected by your death or incapacity. Many have not written a will and the vast majority of people have not considered the effects of not setting up a Lasting Power of Attorney (LPA) in case one is still living but not able to make decisions on matters regarding their health or finances.

A recent case outlined by a firm of solicitors concerned a family with husband and wife in their mid-70s with two children and 3 grandchildren. They had written their wills but despite



the recommendations of their financial adviser, they had not taken out an LPA. The husband suffered a sudden and unexpected stroke which left him effectively unable to make decisions. As many of his financial matters were in his sole name including his pension and investments, his wife could not take action to deal with his and the family's needs. Even the financial adviser was not able to act on her behalf in respect of the husband's financial matters as her husband had not given him authority to do so before he suffered the stroke.

They had to apply to what is called the Court of Protection which deals with such matters and is able to award powers to someone they deem appropriate in the form of a Deputy Order. The decision as to who was to be appointed was completely

in the hands of the Court of Protection. It took several months to arrange and the costs of getting the Deputy Order was £3,243 and the estimated annual costs of the Deputy Order was about £1,500. Until that was set up the family had no say over the husband's financial affairs or his medical treatment and rehabilitation.

There are two parts to an LPA. One is Health and Welfare and concerns medical treatment and related matters. The other is Property and Financial Affairs which deals with financial decisions and assets such as houses. One or both can be done. If done by a professional, which we would recommend, setting up an LPA is likely to cost in the region of £300 to £400.

## SPECIAL NOTICE!

### REMINDER – TAX BANDS IN THE NEW TAX YEAR (2019/20)!

Here are the new Income Tax bands that come into force from the 6th of April:

- **Personal Tax Allowance - £12,500**

This is the amount that an individual can earn before he pays any tax at all.

- **Basic Rate Taxpayer (20%) - £37,500**

This is the amount of earnings over the £12,500 that an individual would pay 20% tax on. So you would have to earn in excess of £50,000 before you started paying higher rate tax.

- **Higher Rate Taxpayer (40%)**

This is the amount over and above the Personal Tax Allowance and the Basic Rate. 40% tax would be charged on earnings from £50,000 to £150,000.

- **Above that is the Additional Rate of Tax, i.e. 45%.** So earnings over £150,000 would be charged at 45%.

**Other tax matters to note are as follows:**

Capital Gains Tax Exemption - £12,000

Inheritance Tax Nil-rate Band - £325,000 (unchanged from last year)

Rent-a-room relief - £7,500 per annum (unchanged from last year)

Pension Lifetime Allowance - £1,055,000

Annual Pension Allowance - £40,000 (subject to earnings)

## A SAFE HAVEN FOR CASH!

**While there is a great deal of competition by banks and building societies for your cash deposits, a safe and secure option is the National Savings and Investments Bank (NS&I).**

While deposits with other savings institutions are insured by the Government up to a maximum of £85,000 for each individuals, NS&I is a Government institution and ALL money held in NS&I is guaranteed by the Treasury. (Note: The £85,000 limit applies to each banking group so you would need to check if you have savings with two or more companies which might in the same banking group, e.g. the Lloyds Banking Group includes Lloyds Bank, the Halifax and the Bank of Scotland so the £85,000 limit would apply to the total sum you have in all three of those institutions.)”.

Here is a look at some of the NS&I products:

1. Premium Bonds set to return 1.40% free of tax.  
Maximum £50,000 per person.
2. Guaranteed Income Bonds paying 1.45% guaranteed for one year or 1.90% guaranteed for 3 years (taxable).  
Maximum £10,000 per person in each.
3. Income Bond paying 1.15% with a maximum of £1 million (taxable)
4. Direct ISA paying 0.90% free of tax.

It is worth looking at NS&I as an option for your cash savings.



## CLIENT FEEDBACK (Yes, a bit of blowing our own trumpet!)

- (regarding a Lifetime Mortgage) –  
***“Thank you so much for all your help in this – you made a potentially scary thing very easy.”***

- Mr MN of Brighton

- (regarding a Pension) –  
***“Good consultation, fast service. Enabled me to make decisions I’m happy with.”***

- Mr AG of Berkshire

- (regarding Financial Advice generally) –  
***“It is very good to know that in this mad bad world, there is still efficiency and professionalism to be found!”***

- Mrs AK of East Sussex

- (regards a Remortgage) –  
***“Thank you. I really have appreciated your help on this.”***

- Mrs MC of East Grinstead



Best Wishes, Tom Shuster

P.S. As regards Brexit, at this time we recommend simply continuing to work hard and being sensible with your financial affairs.

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