



# Sovereign

Independent Financial Advisers

Established 1981

11A Forest View Road, East Grinstead  
West Sussex RH19 4AW

**TELEPHONE**

01342 313302

**FAX**

01342 315435

**EMAIL**

mail@sovereignfinance.org

**WEBSITE**

www.sovereignfinance.org



## CHANGES AHEAD!

**The Governor of the Bank of England has been preparing us for an increase in interest rates in the near future.** That and the uncertainty with the BREXIT negotiations are reasons for reviewing one's finances sooner rather than later. Mortgage and Lifetime Mortgage interest rates will both be influenced by any increase announced by the Bank of England and, in fact, some lenders have already started making adjustments.

## FIXING YOUR MORTGAGE

**If you have a mortgage, review it. If you are already on a fixed rate for a reasonable term, you probably do not need to take further action.** However, if you are on your lender's Standard Variable Rate, you face an increase in your monthly costs in the event of any mortgage rate increase. The easy solution is to talk to your lender about changing your mortgage over to a fixed rate. This can usually be done for little or no cost, and for most people will also mean they will immediately pay less than they were paying. For example a switch to a fixed rate can mean your paying a rate which is 2.0% or so lower than you are paying currently. This can result in significantly lower monthly payments. Check it out.

Assisting our clients to achieve their objectives and enjoy financial security

Sovereign Finance is authorised and regulated by the Financial Conduct Authority. Number 125460  
Proprietors TB Shuster BA, FHD Dip PFS and MJ Shuster BA (Hons) Cantab



## OVER 60? CHECK OUT LIFETIME MORTGAGES

**Lifetime mortgage rates are normally fixed for the whole term of the mortgage which is usually until the property is sold on death or when moving into care.** So if you have one already, then there is probably nothing you need to do. However, if you have been considering taking one out, it would be wise to do so quickly. Over the last year the number of older borrowers taking out a Lifetime Mortgage has increased by over 40%. This is a result of more older people approaching the end of an interest-only mortgage arranged many years ago, and changes in Lifetime Mortgages which have made them more flexible.

A Lifetime Mortgage is effectively a self-certification mortgage as there are no affordability requirements as with a standard residential mortgage. The amount that can be borrowed depends only on age and the property value.

Even a poor credit record generally does not affect the

ability to borrow. This can provide a powerful solution for older borrowers.



The borrowers have the choice of servicing the mortgage with regular or ad hoc payments or letting the interest simply roll-up. The bottom line is that there is no threat that missed payments would end up with one being kicked out of their property. Note: Lifetime Mortgages have a minimum age of 55; a husband and wife would require both to be aged 55 or older. Do give us a ring and we can quickly give you an idea of how much you would be able to borrow based on your age and property value.

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## OTHER OPTIONS FOR OLDER BORROWERS

**The market is becoming generally more flexible in dealing with borrowers aged 60 and over.** Many lenders will automatically accept earnings from employment for up to age 70. Where the borrowers have pension incomes or investment income, then mortgage terms up to 80, or even age 85, are not out of the question. Give us a ring and we can make enquiries for you.



### STRICTER RULES FOR BUY-TO-LET BORROWING FOR LANDLORDS

New regulations have just come into force which require lenders to deal differently with those owning 4 or more residential rental properties. This level of landlord will now have to submit full details of their portfolio including values and rental incomes for all of the properties owned, and these must fit into the new affordability calculations.

Those who own fewer than 4 residential rental properties will be able to remortgage properties and increase their portfolio up to the level of 4 much more simply. This does look to be yet a further effort by the Government to disadvantage those seeking to build a large property portfolio.

## WORKPLACE PENSION PAYMENTS TO INCREASE



**By now anyone who is paid on a PAYE (Pay As You Earn) basis will find themselves having been automatically enrolled into their employer's Workplace Pension.** Both the employer and employee have to make contributions into the employer's pension.

The initial level of compulsory payment has started very low – 1% of pay by employers and a similar amount by the employee. However, these will start to rise annually until they reach the final level currently required of 5% by the employee and 3% by the employer. The first increase was originally scheduled to take place in October 2017; however in 2015 the Government announced that the first increase would not take place until 6 April 2018 and then on the 6th of April in subsequent years.

For most people the increase on the 6th of April 2018 will be from 1% to 3% for their own

contributions and from 1% to 2% for their employer's contributions. For example, a person earning £400.00 per week will have been paying £3.20 per month and the Government would have added 80p and the employer would have paid £4.00. That means the employee would have had £8.00 go into his pension for only a £3.20 payment monthly by himself. This is a 250% immediate return on his contribution!

The change in April for the same employee earning £400.00 per month will mean they would be paying £9.60 per month with the Government adding £2.40 and the employer £8.00. That is still a very attractive total of £20.00 into the pension for a £9.60 contribution – more than a 100% return on investment. It would be very difficult to get a better return than that! For most people being part of their Workplace Pension is a very good idea.

## STATE PENSION

**The Basic State Pension is not a fortune but at £122.30 per week currently for a full Basic State Pension, it is still something worth having.** It does depend on making National Insurance Contributions for the required number of years or getting years credited for women for those years they receive Child Benefit. If you do not know your State Pension Retirement Age, you can simply go on-line to [www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age) and there is a simple calculator. You can also arrange to get your State Pension Forecast on-line at [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension).



## PENSION FREEDOMS

Generally you are now able to access some or all of your private pension benefits from age 55. You are entitled to make the decisions as to how you use the pension benefits you have.

We would be happy to make those options clear to you. Also, if you lost touch with a pension benefit you feel you had from a past job, you can use the Government's free Pension Tracing Service to track it down. For further details ring the Service on 0800 1223104.



## WILLS AND LASTING POWERS OF ATTORNEY

**As we have more and more experience with older clients, we better understand the importance of having a will and also a Lasting Power of Attorney (LPA) – particularly for those starting to have a need to be looked after.** The LPA is a legal document that lets someone appoint one or more people (known as ‘attorneys’)

to help them make decisions or make decisions on their behalf, should they become incapable of making that decision themselves. There are two types of LPA – one for managing someone’s health and welfare, and the other for managing the person’s property and financial affairs. Both the will and the LPA will make life easier for all concerned.

## CLIENT FEEDBACK

We do seek to do our best to assist our clients achieve their objectives and enjoy financial security. Here are some recent client comments:

**“We have received the money! Very many thanks for your help and advice, as always.”**

*Mr & Mrs MB of East Sussex*

**“I have used Sovereign Finance before and been impressed with the service.”**

*Mrs GM of East Grinstead*

**“Couldn’t have been more courteous. Very professional. Kept me up to date as to your progress at all times. Again thank you and well done.”**

*Mr CR of Kent*



Best wishes  
**Tom Shuster**

