



# VIEWPOINT

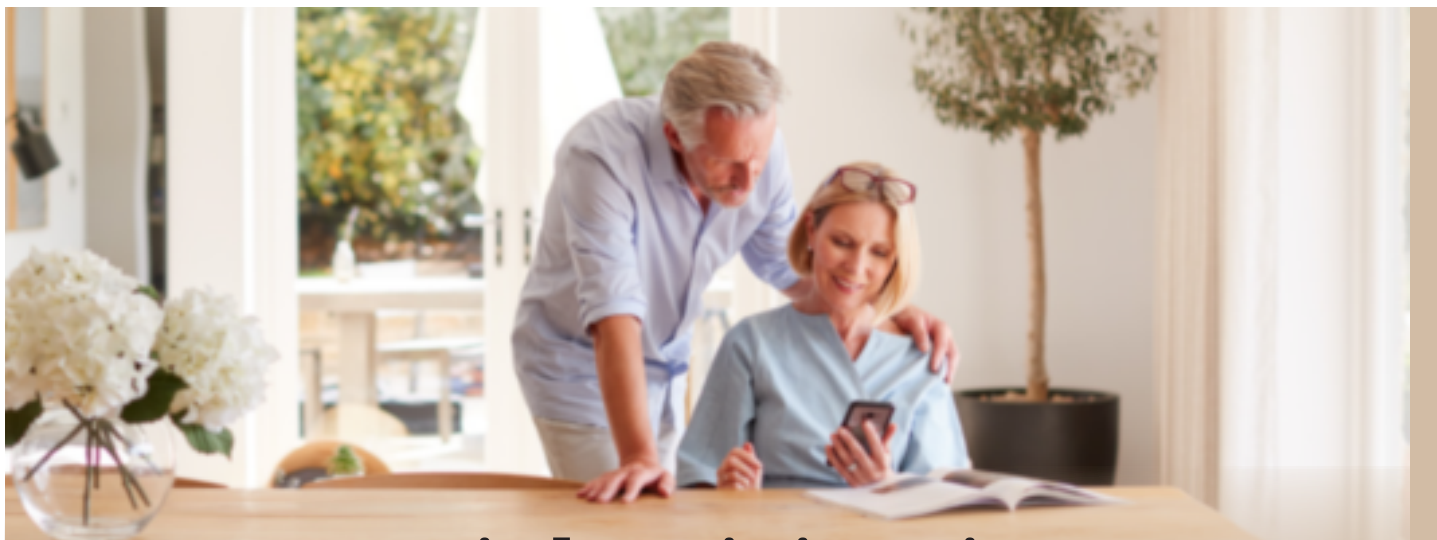
MAPLE FINANCIAL SOLUTIONS LTD

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Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

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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**

# 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 rate<sup>1</sup>. 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.***

<sup>1</sup> [www.investorcoms.com](http://www.investorcoms.com)

# What does a financial adviser do?

A financial adviser can help with your investment goals, but they can also offer many more ways to understand and make the most of your money.

You might think that people who use financial advisers are just investing in the stock market or need someone to manage their portfolios. But a financial adviser can do a whole lot more.

## Different types of financial advice

For an adviser, it's their aim to help you achieve your financial goals, but that doesn't just cover building wealth through investment – their expertise can apply to everything from mortgages to life insurance, pensions, saving for retirement or handling an inheritance. Advisers can vary in what they specialise in, and fall under a large umbrella of services including:

### Pensions

You may have several workplace pensions that you'd like to consolidate, or you could have questions about drawing an income from your pension. Whatever your circumstances, a financial adviser can examine the details within your pensions to guide you on how to approach them, considering how much you will need to live comfortably when you retire.

### Tax

You might think that there is little difference between another area where expert help is needed is tax. From inheritance tax to capital gains tax or working out how much you should be paying (and if there are ways to minimise your tax bill) – is tricky. With the help from an adviser, you can become more tax-efficient and make the most of any tax breaks available to you. An adviser is best placed to help minimise your tax bills and get you the best returns.

### Inheritance

An adviser can help you with leaving a legacy – an important part of planning the future of your estate and making sure your wishes are carried out when the time comes, and your wealth is passed tax efficiently. This advice could range from inheritance tax mitigation to making or updating your will.

### Mortgages

Mortgages can be a tricky area, whether you're a first-time buyer, searching for the best remortgage deal or looking for an investment property. A financial adviser can help you navigate the process, find the right type of mortgage and map out how your mortgage will work over the years (and when it could be a good time to review your mortgage). They'll also be able to let you know your tax obligations if your property is an investment.

### Investment

A financial adviser can help you navigate the world of investing safely, helping you take your first steps in investing or reviewing and managing your existing investments, as well as making you aware of any risks along the way and making sure you keep focused on the long-term goals through any market highs and lows. Our advisers have a broad breadth of experience and take an objective approach – offering ongoing advice and expertise – both of which are crucial to seeing your investment and retirement objectives come to fruit.

*Our financial advisers are here to help you make sense of your finances, build, and manage your wealth and protect what you have going forward – to the benefit of you and your family.*

***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.***



**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A 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.***