



## OPW\_0532\_A795\_Aug25 | OW 6835 | Expires 02/09/26

## Why mortgage rates don't always drop when the base rate does?

The Bank of England's Monetary Policy Committee (MPC) is the group responsible for setting the bank base rate (BBR). This interest rate influences the cost of borrowing for banks and the rates they offer on loans, mortgages and savings, all with the ultimate aim of helping to control inflation.

When the committee meets roughly every six weeks, all eyes are on its decision. Based on a large number of factors in the UK economy and also abroad, the MPC will decide whether to raise, hold or cut the base rate.

You may expect a cut to the base rate to mean an instant cut to mortgage rates - however, this isn't always the case. In reality, the base rate is just one component that influences the mortgage rates offered by a lender.

### Swap rates

Another factor is something called swap rates – the rate lenders pay to access money to lend. Think of these like the stock exchange – they fluctuate all the time depending on economic conditions, global factors, market expectations and sentiment. If swap rates increase, then so does the cost for lenders to lend money.

When the economy is stable and inflation is on track, a decision to cut the base rate can cause swap rates to fall and almost instantly bring mortgage rates down. However, if swap rates become unsettled by economic events, future expectations for inflation or challenges abroad, a cut to the base rate may not be enough to calm swap rates, causing the cost for lenders to borrow money to increase.

We have seen this recently following the Chancellor's Budget. The big policy announcements made by the Chancellor, along with concerns in the Middle East and uncertainty around the implications of the US Presidential race, unsettled swap rates and caused them to rise. Even with the positive news from the MPC to cut the base rate, it wasn't enough to stop fixed rate mortgages increasing.

### What about trackers or SVR?

It's important to note that this swap rates something that mainly impacts fixed rate mortgages. A cut to the base rate will be felt almost immediately by those who are on a tracker mortgage – a flexible rate that follows the bank base rate – or if you are on a lender's standard variable rate (SVR) – a changeable rate set by the lender typically after your fixed rate comes to an end.

This is only a minority of borrowers though, as according to UK Finance, 74% of homeowner mortgages are on a fixed rate contract, with 94% of new borrowers choosing this since 2019.



### Supply and demand

Alongside swap rates, supply and demand is another factor that can cause mortgage rates not to drop if the base rate is cut. It may seem advantageous for one lender to offer a lower rate than their competition. However, if a rate is too competitive following a rise in swap rates, they may become overrun with new business enquiries and unable to cope with the demand.

In this instance, we may see some lenders decide to follow the herd and reprice their products, bringing them closer in line with their competition.

Separately, it is important to note that lenders have many internal factors that will decide whether they raise or reduce mortgage rates. This can include their own lending targets and future pipeline, competitor pricing and overall service levels, irrespective of swap rates or the bank base rate.

### Get advice today

Understanding the factors that can contribute to mortgage pricing can be important in helping you make the right decision. While this can be confusing, with lots of factors contributing to the rates on offer, mortgage and protection advisers can offer plenty of knowledge, support and access to lots of lenders for those looking to navigate the market.

Whether you're looking to apply for a mortgage, you are soon due to remortgage or you are just looking for some advice, we can help you find the right solution.

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

## OPW\_0322\_A588\_Feb25 | OW5149 | Expires 12/02/26

### How to move into the decumulation phase of retirement planning

### 1. Accumulation:

During your working life, you focus on building up your assets. This might involve contributing to a pension, saving in other accounts, or investing in property. The goal is to create a financial cushion that will support you in retirement.

### 2. Decumulation:

Once you stop working, you shift your focus to using your accumulated assets to fund your retirement lifestyle. This might involve drawing down on your pension, selling investments, or accessing other sources of income. The goal is to manage your spending wisely so that your assets last throughout your retirement years.

Transitioning into retirement can present new challenges, not least, understanding how to sustainably start using your assets to create an income. As you move into the decumulation phase, you might worry about balancing your needs now with your long-term financial security, but a plan could give you more confidence.

Managing the decumulation of assets is something more people will need to do in retirement as the number of workers with a defined contribution (DC) pension rises.

With a DC pension, you'll retire with a pot of money that you'll have to decide how and when to access. You may need to ensure the pension you've built up over your career will continue to provide an income for the rest of your life.

According to a report in FTAdviser, the Pensions Policy Institute (PPI) expects the assets held in DC workplace pension schemes by over-55s still in work to increase almost threefold to £527 billion over the next decade.

With most workers now automatically enrolled into their employer's pension scheme, which is usually a DC pension, the figure could rise significantly in the future.

### Switching from accumulation to decumulation might require changing your mindset

Switching your mindset to start depleting your assets could be more difficult than you think.

To secure your retirement, you may have diligently saved into a pension or built-up other assets over decades. Watching the value of your assets grow can be satisfying and might help you feel more financially secure. When it comes to using those assets to create an income, it can be challenging.

So, what can you do as you move into the decumulation phase of retirement planning to effectively manage your assets? Here are some steps that could be useful.

### Seek tailored financial advice

While general advice can be useful, tailored advice will take into account your circumstances, goals, and concerns to create a bespoke plan.

The PPI has set out five principles for "good" decumulation to help DC pension savers manage their assets. Among them is ensuring savers are supported when making key decisions about their pension, including when decumulating.

Booking a meeting with a financial planner could help you manage the decumulation phase of retirement planning and give you peace of mind. Please contact us if you'd like to speak to one of our team.

### Understand how long your pension and other assets need to last

One of the reasons you might worry when depleting your pension or other assets is the risk of running out in your later years. So, understanding how long your pension needs to provide an income is often essential.

It's not uncommon for retirees today to spend several decades in retirement. Indeed, according to the Office for National Statistics, a 65-year-old man has a 1 in 4 chance of celebrating their 92nd birthday. For women of the same age, they have a 1 in 4 chance of reaching 94.

As a result, you may need to plan to decumulate your assets over a long period.

### Manage your investment risk

When you're accumulating wealth, investing might be a good way to help the value of your assets grow over the long term.

However, as you start decumulating your wealth, your risk profile could be very different. As you might not be earning an income, taking the same amount of investment risk may no longer be appropriate, as you may not have the opportunity to recover from potential losses.

The money held in your pension is typically invested and you might have other assets that are exposed to risk too. So, a complete financial review to assess your risk profile and whether your current assets align with this could help you strike a balance that suits you.

### Carry out regular financial reviews

Even if you've set out a long-term financial plan you're confident about, reviews throughout retirement can be valuable.

During your retirement, your wishes and circumstances might change. For instance, you might decide you want to travel for an extended period and will fund it by taking a lump sum out of your pension. Or perhaps you plan to downsize, which could release equity, and might mean you don't need to withdraw as much from other assets.

Regular reviews could help ensure that the way you're using assets continues to reflect your goals and financial situation.

In addition, factors outside your control might affect how and when you want to deplete assets.

To maintain your standard of living, you might have needed to increase the amount you were withdrawing from your pension as prices increased. A financial review could help you understand if that would be sustainable, as well as the potential long-term effects.

### Contact us if you have questions about using assets to fund your retirement

If you've already retired or are nearing the milestone and have questions about how to use your assets to create financial security, please contact us.

We can work with you to create a plan that focuses on decumulating sustainably, as well as incorporating other important factors, from managing your tax liability to what assets you'd like to pass on to loved ones.

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

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.

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### Inheriting ISAs: explained

### Planning on leaving your ISA to a loved one? Here's what you need to know.

Individual savings accounts (ISAs) are a great option for taxfree saving, but it's important to understand the rules around inheriting ISAs if you want your beneficiaries to make the most of your legacy.

### What is an ISA?

A savings account in which your earnings are tax-free. Every year, the government sets a limit on tax-free savings. This is your ISA allowance, and it's £20,000 for the 2025/26 tax year.

### Who can inherit an ISA

Anyone can inherit the funds in an ISA, but only a spouse or civil partner can retain the tax benefits thanks to the additional permitted subscription (APS), also known as an 'inherited ISA allowance'.

### How does the APS work?

An APS is an extra allowance that your spouse or civil partner can add to their existing ISA allowance. It's based on the value of an open ISA held in your name when you pass away or the value as at date of transfer. Your spouse or civil partner must be living with you at the time of your death.

For example, if you have £20,000 set aside in an ISA when you die, your spouse or civil partner's ISA allowance increases to £40,000 (their £20,000 allowance plus the additional £20,000 from the ISA they've inherited). This means they can pay the money from the inherited ISA into another account without paying tax on it.

An APS must be claimed within three years of the death of the account holder or up to 180 days after administration of the estate is complete, depending on the assets held in the account(s) and whichever deadline is sooner.

### Can someone else inherit an ISA?

If you leave money in an ISA to a beneficiary that isn't your spouse or civil partner, the funds will form part of your estate and be subject to inheritance tax (if the value of your estate exceeds £325,000, in the 2025/2026 tax year).

### What can my spouse or civil partner do with their APS?

They're under no obligation to stay with the same provider of the inherited ISA. They can transfer up to the value of their APS in any type of ISA if the provider accepts transfers from inherited ISAs. As with any saving decision, it's worth shopping around to find the best deal.



Get in touch if you want tailored support with your estate planning.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you 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.

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### Weathering the Storm: Understanding Home Insurance Coverage for Adverse Weather

Extreme weather events and powerful storms are becoming more frequent and intense in the UK. Homeowners may be increasingly concerned about the potential damage their properties may face.

Fortunately, many home insurance policies include coverage for adverse weather as a standard feature. However, it's crucial for homeowners to review their policies regularly to ensure they have the right cover for their needs.

### **Understanding Standard Cover**

While home insurance policies generally cover a broad range of weather-related perils, it's essential for homeowners to review the specifics of their coverage. Standard features often include protection for structural damage, damage to personal belongings, and additional living expenses if the home becomes uninhabitable due to adverse weather.

### **Additional Considerations**

Despite the inclusion of weather-related coverage in many home insurance policies, it's crucial to consider the limitations and exclusions that may apply. For instance, escape of water cover may only cover the damage caused by a pipe that has burst due to freezing and may not cover the repair of the pipe itself. It's important to be aware of any limitations and take steps to fill potential gaps in coverage.

If you are a renter, you will need contents insurance to cover damage to your belongings like clothes and electronics if there is a flood from heavy rain fall for example.

### **Steps for Homeowners:**

- 1. Regular Policy Review: Schedule regular reviews of your home insurance policy to ensure that it adequately covers the risks associated with adverse weather events.
- 2. Understanding Exclusions: Pay close attention to policy exclusions and limitations related to weather-related damage. Consider purchasing additional coverage if needed.
- 3. Mitigation Measures: Implement preventive measures to minimize the risk of weather-related damage to your property. This may include reinforcing roofs, installing storm shutters, and ensuring proper drainage around your home.
- 4. Communication with Insurer: Stay in communication with your insurance provider. If you live in an area prone to specific weather risks, discuss your concerns with your insurer to ensure that you have sufficient coverage.

As extreme weather events become more commonplace, having adequate insurance coverage is crucial. While many home insurance policies now include standard coverage for adverse weather, it's essential to stay vigilant, regularly review policy terms, and take proactive measures to protect your property. By staying informed and prepared, you can weather the storm with confidene and peace of mind.

