

VANTAGE POINT

EDITION 6

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A first time buyer's guide to mortgage rates

A glance at the news over the last 12 months or so would suggest that mortgage rates are a very hot topic indeed.

For the last 14 years, mortgage rates – the interest rate charged on the money borrowed to purchase a property – have tended to be low, because interest rates, in general, have remained low.

But Liz Truss's mini budget in September 2022 had a significant impact on mortgage rates; many mortgage products were withdrawn in the aftermath of the fiscal event, and interest rates rose very sharply which made monthly mortgage payments much more expensive for homeowners.

The good news is, according to a report from Moneyfacts Group, mortgage rates have come down since peaking in 2023. And while rates do not currently match the lows of the last 14 years, for first-time buyers, it is imperative that they seek the most affordable rate for their circumstances when purchasing a first home.

What are the different types of mortgage?

There are two main types of mortgage rate: fixed rate, where the interest stays the same for a set number of years, usually 2, 5, or 10 years, and variable rate, where the interest rate can change.

Fixed rate mortgages are the most popular option, with 74% of homeowner mortgages taken out on a fixed rate contract according to UK Finance, and 96% of new borrowers choosing this option since 2019.

One reason why they are popular is because it can be easier for borrowers to budget as the monthly payments stay the same until the fixed-term period ends. Also, they will not be affected by interest rate rises during the term of the mortgage. Equally, they also won't be affected if the interest rate falls. However, with stability around monthly payments, many are happy with this potential trade-off.

A variable rate means that the amount you pay each month can go up or down, usually in line with the Bank of England base rate of interest, which means monthly payments are much more unpredictable.

If we are in a period where we could see the base rate cut – or multiple rate cuts – some borrowers may opt for a variable rate mortgage to help reduce their total

mortgage payments. However, this comes with an element of risk as interest rates can always fluctuate in both directions.

You may also have heard of a standard variable rate. This is the interest rate a lender charges after the initial fixed rate ends. SVRs are usually higher than other mortgage products and can change at any time. As a result, many borrowers will look to remortgage or transfer to a new product with the same lender to capitalise on another fixed-rate period.

Seek advice to get the right deal

Not sure which option is right for you? We have access to a huge variety of deals available on the market and can help you select the right one to suit your individual circumstances. We will work with you to budget confidently and make sure you have enough money each month to be able to comfortably afford your mortgage payments – along with other living expenses.

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



Think insurance companies don't pay out? Think again!



Buying a home and taking on a mortgage is often the biggest financial commitment a person will make in their lives. With this in mind, protection policies offer great financial security, not just to protect you, but to protect your family, your income and even the loan itself should the worst happen.

However, a barrier stopping some from taking out financial protection is the view that insurance companies do not pay out or that they will find any excuse not to honour the claim. But is this actually true?

In reality, this is an unfortunate case of fake news and a worrying myth that is preventing some borrowers from having these important financial safeguards in place.

How can we overcome this? It's really important to be open and honest with your mortgage adviser when discussing financial protection. Whether it's answering lifestyle questions honestly or disclosing pre-existing conditions or health concerns, this allows your adviser to pair you with the right product and provider. It also means the provider can fairly assess your application on accurate information.

Is it too late?

If you have thought that the myth of insurers not paying out was true, the good news is that it is never too late to put some protection in place. A financial adviser is best placed to run through all the options available and provide choices that suit your individual needs and your budget.

Best of all, your adviser will review with you regularly to make sure those products are still suitable and continuing to meet your needs. This is particularly useful if your situation changes during the life of the policy – such as a new job, your family grows or your health changes. Plus, they can help you make the most of any inclusive services (such as counselling, remote GP services or physiotherapy sessions) or even help make a claim if needed.

While we all may expect to pay our mortgage every month, the truth is that life is unpredictable. Whether it's our health or something else, all could throw a spanner in the works and leave us in a difficult financial position. In those challenging moments, protection insurance can offer a solution and real peace of mind. If you're renting, buying or remortgaging it's never been so important to have that conversation and put that financial safety net in place for you and your family.

Talk to us to explore your protection options and we can tailor a plan that meets your specific needs and circumstances.

Do insurance companies pay out on protection?

The latest annual figures from the Association of British Insurers (ABI), show the protection industry paid out 98.3% of new claims in 2023, totalling more than £7.3 billion. This is a 14% increase in the total value of claims paid compared to 2022.

Furthermore, individual policies such as life insurance, critical illness and income protection saw a 14% increase in the total value of claims.

How do different protection insurances compare?

- 90.5% of critical illness claims were paid, with the value of claims averaging at £68,354
- 96.7% of life insurance claims were paid, with an average claim value of £80,403
- 81.32% of income protection claims were paid, with an average claim value of £22,270pa

So, with insurance companies paying out more than £20 million per day in 2023, we can definitely say that the myth of insurers not paying out or honouring claims is fake news.

Why would an insurer not pay a claim?

Given the strength of the data, it is hard to know why such a misconception exists. This is especially true as the data from the ABI continues to trend upwards each year.

Of course, there are cases where an insurer is unable to pay out on a claim. As part of its research, the ABI revealed that the main reasons for not honouring a claim is policyholders not accurately disclosing their medical history or habits when they took out the policy, or the claims not meeting the policy definitions.

Seven things you can do to minimise will disputes

We all hope that our estates will be dealt with in an orderly, considerate manner after we pass away, but families can often become embroiled in challenges to wills that are often expensive, time-consuming and emotionally draining.

Disputes can be taxing for our loved ones, but they can also affect how our estates are handled. Your assets might not be passed on in the way you intended, and people you wanted to benefit from your estate might be overlooked. Fortunately, there are some steps you can take to help minimise disputes over your will.

Understanding your estate can help you make decisions about your will

These seven actions can help to reduce will disputes, but having a full understanding of your estate can give you the greatest peace of mind. We're here to talk if you want to talk about your will or your estate planning to help you decide how you want your assets to be passed on.

Please note: The Financial Conduct Authority does not regulate estate planning. Will writing is not part of the Openwork offering and is offered in our own right. Openwork Limited accept no responsibility for this aspect of our business. Will writing and estate planning are not regulated by the Financial Conduct Authority.

1. Speak to your loved ones about your wishes

It's not any easy conversation to have, but discussing how you want to pass on your estate with your family can help to avoid disputes. It gives you the chance to explain your decisions and ensure that there are no surprises for the inheritors when your will is read.

2. Write a letter of wishes

You can also write a letter which outlines your wishes to be read alongside your will. This gives you another opportunity to explain your estate planning decisions which could be helpful for beneficiaries and the executor of your estate. This letter can also act as further reinforcement of your wishes if a dispute does arise.

It's important, therefore, to make sure that your letter of wishes doesn't go against what's written in your will. You may want to ask a solicitor to review it to remove any errors or contradictions.

3. Include a no-contest clause in your will

Adding a no-contest clause doesn't prevent someone from raising a dispute, but it can be an effective deterrent. This clause generally states that a beneficiary forfeits any inheritance they may have been entitled to if they challenge your will and lose their dispute. It's another tool you can use to help ensure that your assets are passed on in the way you want.

4. Hire a solicitor to write your will

You can write your will without professional legal support, but engaging a solicitor to write it for you can help you to express your wishes as clearly as possible. They'll use language that minimises contradictions and clearly sets out the way you want your assets to be passed on.

That can be especially vital if your estate planning is complicated, for example if you own assets in other countries or if you have investments. The support of a solicitor can increase your confidence that your complex estate will be passed on smoothly.

5. Ask a medical professional to witness your will

Your will must be made or acknowledged in the presence of two witnesses for it to be valid. These people must be:

- Aged 18 or over (16 or over in Scotland).
- Have the mental capacity to understand what they are signing.
- Not be related to the person making the will or have a personal interest in the will.

You can ask a medical professional, such as your GP, to witness your will and confirm that you were of sound mind when you wrote or amended it if you're worried that it might be contested on medical grounds.

6. Review your will regularly

A common cause of will disputes is a beneficiary claiming that it doesn't reflect your circumstances at the time of your passing. A regular review of your will helps to ensure that it's always up to date and minimise the risk of this kind of challenge.

Reassessing every five years will help keep the terms of your will current. You may also want to review it after major life events, for example if you welcome a new grandchild into your family, remarry, or if your wealth changes significantly.

7. Store your will securely

Make sure that you keep your will in a safe place and your executor knows where it is. Destroy previous versions of your will when you update it to avoid potential confusion.

You can keep your will yourself, leave it with your solicitor, or lodge it with the Probate Service if you live in England or Wales – each method has its pros and cons, and we're happy to explain these so that you can choose the right one for you.