VIEWPOINT

THRESHOLD FINANCIAL SERVICES LTD

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

Threshold Financial Services Ltd, 1-2 Brookside, Auckland Road, Southampton, SO15 0SD
newenquiry@thresholdmortgages.com | www.thresholdmortgages.com | 0330 024 9115

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But Liz Truss's mini budget in September 2022 had a significant impact on mortgage rates; many mortgage products were withdrawn in the aftermath of the fiscal event, and interest rates rose very sharply which made monthly mortgage payments much more expensive for homeowners.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

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.

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.

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Time for a Fresh Look at Your Finances – Where Should You Start?

Any time can be the right time to take stock of your finances. Whether you're setting new goals, preparing for a life change, or simply want to feel more in control, reviewing your financial position can help you move forward with confidence.

Maybe you're thinking about getting onto the property ladder, protecting your family's health and financial wellbeing, or thinking about plans for retirement, the right advice can help you on the path to identifying new opportunities and achieving your goals.

With so much to consider, good advice has arguably never been so important. So where should you start?

Where should you prioritise?

- **Mortgages:** Whether you're looking to buy or remortgage, a mortgage adviser has access to a wide variety of mortgage options as well as an extensive panel of lenders to identify the right product that suits your individual needs.
- **Protection:** With a mortgage often being our biggest financial commitment, the right protection is important should you become ill or unable to work, helping to safeguard yourself and your family.
- **Retirement planning:** Making those retirement dreams become a reality, ensuring you can maintain the lifestyle you desire after you finish work.
- **Wealth management:** Helping your money work for you through financial planning and a clear investment strategy.
- **Tax planning, including inheritance tax:** A financial planner can build a strategy to help minimise your tax liabilities efficiently and in a way that is fully above board.
- **Estate planning including wills and Lasting Power of Attorney:** Organising all your affairs and assets to make sure loved ones are supported and your wishes are carried out if you become incapacitated or you pass away.
- **Private Medical Insurance (PMI)*:** With continued pressure on our health service increasing the length of wait times, PMI helps you and your family access private healthcare quicker.
- **Home Insurance and conveyancing:** Home insurance is essential in safeguarding your home should the worst happen. Just as important are quality conveyancers who will manage the legal process of transferring ownership when you decide it's time to sell.

Finding a good recommendation

Whether some or all of the above are relevant to you right now, it can feel quite daunting to start the process of seeking advice. That is especially true if you're expecting to speak to eight different companies about each individual topic.

One of our greatest strengths, is we are part of The Openwork Partnership, which is one of the biggest financial advice groups in the country. This means that at whichever point you enter; whether it's discussing mortgages, protection, pensions or investments, your individual adviser is supported by thousands of others who will be able to help answer any other needs you may have.

Not only is it great to have a good recommendation, it also means you can access expert advice in every area and build a comprehensive plan that covers all aspects of your financial plan. Best of all, you have the peace of mind and convenience of dealing with one expert network.

Get in touch today

A holistic approach such as this ensures that all your bases are covered and helps minimise the risk of any potential gaps or missed opportunities.

So whether you have a priority or a clear goal in mind, advisers are able to work together and with the bigger picture in mind to help you identify every opportunity and make good progress towards your financial goals.

*Private Medical Insurance is available via a referral service to a specialist.

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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.

WILL WRITING, LASTING POWER OF ATTORNEY AND CONVEYANCING ARE NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

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5 tips to help you set realistic financial goals

Realistic financial goals are an important part of a financial plan. They help you stay motivated, define your version of success and give you a benchmark to work against.

But things can change and creating financial goals that will still be relevant in 10, 20 or 50 years can be difficult. We want to help your secure your finances and empower you to face the future with confidence, so here are five top tips for setting realistic financial goals.

1. Review your current financial situation

Set yourself up for success with a thorough review of your finances. Mapping out your income, assets and expenditure can help you understand how to use your wealth to set and achieve realistic financial goals.

You might identify opportunities to make more efficient use of your money – could that spare £100 left in your current account at the end of each month be working a little bit harder for you?

2. Build a strong foundation

Shocks like an emergency repair or sudden illness can undermine even the best-laid plans, but a solid financial foundation can help you weather periods of volatility.

An emergency fund for unexpected expenses is a good place to start. How much you put in depends on your specific circumstances, but a good rule is to have enough saved to cover three to six months of essential outgoings.

You might want to consider an ISA which works similarly to a regular savings account with one significant advantage – you don't pay tax on the interest you earn. You can deposit money whenever you like (up to your annual ISA allowance of £20,000 for the 2025/2026 tax year) and take out funds when needed.

3. Make your goals specific and measurable

A vague goal might be flexible, but how do you know when you've achieved it? Clear goals with a specific outcome and measurable progress make it easier to understand if your financial plan is on track.

Let's say you want to help your child buy their first home. Stating that you want to save £20,000 by your child's 18th birthday is a better goal than simply saying you want to create a nest egg for them because you have a specific amount to aim for and a clear timeframe in which to achieve your goal.

For this, you could think about a Junior ISA (JISA). Set up by parents or guardians, a JISA provides a long-term, tax efficient savings strategy. With an annual allowance of £9,000 (for the 2025/2026 tax year), all growth is tax-free. Entirely for the benefit of the child, the child can take control of the account at 16, but cannot withdraw funds until 18.

4. Act on evidence rather than assumptions

We'd all love to achieve our financial goals with no downsides, but no financial plan is entirely risk free. Informing your decision-making with evidence, rather than acting on assumptions, helps keep your goals realistic and your finances secure.

You might be investing towards a target amount and calculate that you need returns of 8% every year for five years to reach your goal. Chasing these returns in such a short timeframe might present more risk than you're comfortable with, so you might opt for a product with a strong track record of providing 4% annual returns. You'll invest for longer, but this could be a more secure approach.

5. Work with a financial adviser

You know your finances best, but expert advice could help you make the most of your wealth. A financial adviser can bring together your current financial situation and your long-term goals to create a tailored plan. We'd love to help you turn your aspirations into reality and empower you to face the future with confidence.

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.