

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.

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

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Shared ownership: homebuying on a budget

What is shared ownership?

Shared ownership is a scheme set up by the Government to make it easier for people to buy their home. Instead of purchasing a property upfront, you can buy a share of it and pay rent to a landlord on the rest.

In England, the initial share of a property you can purchase is typically between 25% and 75% of its value, although for some homes it can be as low as 10%. You only need to pay the deposit on (and have a mortgage for) the share of the property you're buying.

The share you don't own is owned by a landlord, usually a housing association. You'll need to pay them rent on the share of the property they own, as well as any service charges.

You can usually increase your share in the property at any time, buying more of it from the landlord in increments until you own all of it – this is called 'staircasing'. The greater your share of a property, the less you'll have to pay in rent.



There are similar schemes available in Scotland, Wales and Northern Ireland, each with slightly different rules to the scheme in England:

- **Shared ownership in Scotland:** This scheme is aimed at first-time buyers and other priority groups. You can buy a 25-75% share of a property and pay an occupancy charge on the rest. See more on the [Scottish Government website](#).
- **Shared ownership in Wales:** This scheme works similarly to those in England and Scotland, but your total income must be less than £60,000. See more on the [Welsh Government website](#).
- **Co-ownership in Northern Ireland:** You can buy a 50-90% share of a property worth no more than £195,000 and pay rent on the rest. See more on the [NI Government website](#).

Who is shared ownership for?

Shared ownership can be a great way for people who might not be able to afford to buy straight away to get on the property ladder. In England, you qualify for the scheme if your household income is £80,000 a year or less (£90,000 in London) and you can't afford to buy a home that meets your needs.

You can check the full eligibility criteria on the [Government website](#).

Advantages to shared ownership

Buying under shared ownership means the upfront costs are lower because you only need to cover the deposit (and get a mortgage) for a share of the property rather than the entire value. You may also be borrowing a smaller sum from a lender.

The scheme allows you to buy your home gradually, making it easier for you to work towards home ownership if you're on a budget.

Shared ownership also typically offers more security than traditional renting. If you pay your rent and mortgage repayments on time, you can usually remain in your home for the entire length of the leasehold if you choose.

Things to watch out for

Shared ownership properties in England are always leasehold, meaning you own the property but not the land it's built on. You'll usually have to pay service charges on these properties, and you may need to extend a shorter lease to avoid problems in the future, which can be expensive.

The cost of staircasing can also be significant. You'll have to pay for the property to be valued every time you buy more shares, and the price of these shares will rise if house prices in your area go up.

Selling can also be complicated if you own less than 100% of your home. You must formally notify the landlord of your intention to sell, and they usually have the right to first refusal. This means they can try to sell their share in the property, which can take several weeks. If they can't sell their share, you may end up being responsible for selling it on the open market (and paying for any associated fees).

We can help you navigate shared ownership

We're here to help you understand shared ownership and determine if it's the right option for you. We can explain how it works, discuss your circumstances, break down the costs and explore alternative home ownership options to help you decide if shared ownership is right for you.

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

Proof in the payouts:

What claims data reveals about the impact of protection cover



There has long been a misconception that insurance companies do not pay out on protection policies. It's simply not true – as proven by the latest ABI data, which shows that insurance companies paid out a record £8bn in valid protection claims in 2024.

To further prove the point and to demonstrate the importance of the likes of life insurance, critical illness cover and income protection, providers will often release their claims data. In these annual reports, they will share key information such as the number of claims paid and the value of claims per type of protection policy alongside a number of key stats and success stories.

So what can we learn about protection cover in these reports? Let's look at three examples to find out.

Busting the myth

Aviva is one of the UK's largest protection providers and in 2024, they paid out £1.33bn to customers – settling nearly 53,000 claims. Legal & General is another large protection provider in the UK, paying nearly 21,000 claims in 2024, with over £1bn paid out to customers. This equates to more than £2.9m paid out every single day.

According to its latest report, Royal London paid out 98.7% of its claims in 2024, amounting to more than £751m paid out to over 65,000 customers across the UK.

It's a similar story across the different insurance companies and providers – they are paying out on valid claims. If you have been hoodwinked by this misconception, it's never too late to have a conversation about putting protection in place.

Cover for the long term

Digging into Aviva's report, you'll find that the average duration for

an income protection claim is 6 years, 9 months. Income protection provides a financial lifeline should you be unable to work due to illness or injury. Can you imagine trying to keep the bills paid if you were unable to work for over 6 years? Worry not with income protection.

In fact, one of Aviva's longest-running income protection claims still being paid in 2024 has run for more than 23 years. The customer claimed a couple of years after starting the policy in their 30s and has received more than £1.5m through their monthly benefit.

Straight to the rescue

When taking out such policies, we often hope we never need to claim. However, the reports show that claims can sometimes come almost straight away. According to Legal & General, the shortest length of policy at claim in 2024 was just 3 days for an income protection policy. For critical illness cover, it was slightly longer at only 5 days.

Meanwhile, Royal London revealed that nearly 28% of claims were made in the first five years of the policy.

Think you're too young? Think again!

It's also possible for us to think of protection as something we need later in life – not something to worry about while we're young and fit. The claims reports tell us to think differently.

Aviva's latest report highlights a 2024 claimant aged just 23 years old for a life insurance policy with critical illness cover. The policyholder received £71,500 for a cancer diagnosis after paying just £10.85 per month for his policy. The youngest claimant recorded by Legal & General was younger again at 20 years old for a life insurance policy.

Across the year at Royal London, more than a quarter (26%) of claimants were under the age of 45.

Cancer is often the leading cause of claims

According to Macmillan, someone is diagnosed with cancer on average every 75 seconds in the UK. It's hardly surprising then that cancer is regularly the leading cause of claims against protection policies.

Legal & General's data reveals that 63.4% of critical illness claims are for a cancer diagnosis, followed by heart conditions (12.8%) and strokes (7.4%). Alongside critical illness cover – which provides a tax-free lump sum pay out for specified serious illnesses – cancer is the leading cause of claims for life insurance and children's critical illness cover. It is also second for income protection, according to L&G.

In the Royal London report, 31.9% of claims on critical illness policies were for breast cancer – the most prevalent cancer among claimants. In 2024, Royal London paid out more than £31m to those with breast cancer, allowing them to focus on their health and recovery, rather than their finances.

Time to consider vital cover?

Whether you don't have protection in place or your policies were set up years ago, there's never been a better time to speak to a qualified protection adviser and review your options. Not only does protection provide a financial lifeline for you in the event of injury or illness, it can give peace of mind and security to your family should the worst ever happen.

Don't leave anything to chance, and don't believe any misconceptions. Speak to an adviser today and explore your options.

Going it alone

The risks of DIY advice can significantly compromise long-term financial security.

Is it worth getting financial advice?

It appears that most UK consumers remain unconvinced. In a survey conducted in May 2024, fewer than one in ten adults admitted to seeking advice on investment, pensions, or retirement planning in the previous year¹.

So, what's the problem? Do people believe they haven't got sufficient wealth to benefit from it, or do they think professional advice is too expensive or untrustworthy? Maybe they're confident they can go it alone.

There is no doubt that the emergence of online tools and low-cost platforms in recent years has increased the popularity of do-it-yourself financial advice, together with a belief that managing money independently saves fees. But there are pitfalls to DIY advice that can seriously damage your wealth.

Overconfidence

Many DIY investors assume that reading articles or watching videos equips them to make professional level decisions. In reality, financial planning requires deep understanding of tax rules, investment risk, sequencing risk, behavioural biases, and long term cash flow modelling.

The majority of UK adults do not take regulated financial advice, indicating many are making financial decisions independently. Yet the same research found that among consumers with more than £10,000 of investible assets, 61% held all or at least three-quarters of it in cash². In other words, their investment decisions aren't necessarily the right ones.

This chimes with research among those who are not engaged with financial services, which found that while 90% of them has cash savings, only around a third of them had investments. Of adults currently contributing to a workplace pension, 38% didn't know how much they or their employer was paying in³.

Getting emotional

A financial adviser acts as an invaluable behavioural anchor, discouraging clients from making the wrong decisions as well as guiding them to make the right ones. Without that sounding board, DIY investors are more prone to panic during market downturns or make impulsive changes that can erode returns and quickly throw plans off track.

Ignoring the big picture

Financial planning is complex. It's a skilled profession. Managing investments is only a small part of what's involved, but is often what DIYers focus on, ignoring vital areas such as estate planning, tax rules and wrappers, pension optimisation, insurance and long-term care needs. Missing these elements can have a devastating impact on the wellbeing and financial security of families.

Financial advice helps you create a clear picture of what you want your future to look like. It instils the financial disciplines of saving, planning and regular reviews which help build long-term capital. It gives you greater certainty that you've got things under control and the peace of mind that comes from knowing you've done the best for yourself and your loved ones.

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.

^{1 2 3} FCA Financial Lives 2024 survey, published in 2025

Could extra money help you in retirement?

Why consider equity release?

Equity release allows you to unlock tax-free funds tied up in your main residence. Whether you prefer a one-off lump sum or instalments after an initial release, this option can provide the financial boost you need.

If you're over 50 and a homeowner there are many reasons why you might consider equity release:

- **Pay off your existing mortgage** and potentially other debts, freeing up monthly cash flow.
- **Supplement your income in retirement.**
- **Fund home improvements or a dream holiday.**
- **Support your children or grandchildren** in getting on the property ladder.
- Another great benefit of equity release is that you get to remain in your own home. There will be no need to downsize or move.

Important considerations

A Lifetime Mortgage allows you to unlock tax-free cash from your home while retaining full ownership and the ability to stay as long as you wish. You can choose to make reduced or no monthly repayments, and with the No Negative Equity Guarantee, you will never owe more than your home is worth. However, as interest is charged on both the original loan and the interest that has been added, the amount you owe will increase over time, reducing the equity left in your home and the value of any inheritance, potentially to nothing.

It's essential to seek financial advice as a Lifetime Mortgage may affect your entitlement to means-tested benefits and is not suitable for everyone.

When arranging a Lifetime Mortgage, you may need to cover associated costs such as a property valuation, legal fees and advice, just as you do for a residential mortgage.

Although the decision is yours, discussing your plans with family and beneficiaries is encouraged, as a Lifetime Mortgage could impact potential inheritance. We recommend inviting them to any meetings with your Financial Adviser to ensure everyone is informed and involved in the decision-making process.

Navigating the variety of Lifetime Mortgages can be complex, which is why specialist, impartial advice is crucial if traditional mortgages don't meet your needs.

We're here to help

We're here to help you navigate the market based on your unique circumstances. If equity release isn't quite right for you, we'll be able to help you identify alternative solutions that might be better.

If you would like to find out more or are interested in receiving our '**Making More of Your Home**' brochure, please contact me/us.

If you would prefer to not be contacted about the products and services we offer, please let us know so we can update our records accordingly.



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