

Viewpoint

Your latest newsletter from Compass Personal Finance



European legislation hits the UK mortgage market

Back in March 2011 the European Commission proposed a new directive on credit agreements for consumers secured on property, referred to as the European Mortgage Credit Directive (MCD). The new rules came into force on 21 March 2016, but what do they mean for you?

Protecting consumers

MCD introduces standardised conduct rules for firms selling first and second charge mortgages across the EU, designed to protect consumers taking out credit agreements relating to residential property.

The good news is that the UK already has a robust regulatory regime in place, which means the changes coming in under the MCD are relatively minor.

Mortgage Market Review (MMR)

In April 2014, the UK's financial services regulator, the Financial Conduct Authority

(FCA) introduced a number of significant changes to its rules around mortgage regulation, known as the MMR. These changes were designed to tighten the rules in a number of areas ensuring that irresponsible lending practices are stamped out of the mortgage market.

In fact, the introduction of the MMR means that many of the MCD's requirements are already met, as the FCA were able to anticipate some of the emerging EU proposals through the recent MMR changes.

The most significant area of change is to the rules around second charge mortgage lending, meaning all lending secured on the borrower's home will be regulated under the FCA mortgages regime.

Whilst the changes are relatively minor, there will be a few new issues that lenders and mortgage advisers will need to incorporate into their businesses, such as:

- Changes to when and how you are told about the range of products that are on offer, any limitations in the services provided and how much mortgage advice will cost.

- A new Mortgage Illustration which has additional information about the cost of the mortgage and an example of what would happen if rates rose to a 20 year high.
- The introduction of a new mortgage offer that's binding on the lender and a new seven day reflection period for the consumer.
- A new approach to monitoring customers' foreign exchange exposure, including where part or all of their income is in a foreign currency, other than Sterling.
- A new classification of 'Consumer Buy to Let' mortgages to provide additional regulatory protection for 'accidental landlords' (people who did not buy the property with the intention of renting it out but ended up doing so).
- Regulation of second charge lending.

Whether you are buying your first home, moving up or down the property ladder, purchasing an investment property or simply remortgaging, the process is often complex, time consuming and for many people daunting!

Contact us and we'll go through the mortgage process with you to help ensure you make the right decisions.

Your home may be repossessed if you do not keep up repayments on your mortgage



Accident protection

More accidents happen in the home than anywhere else. And during the winter months more time at home means more chance of an accident.

You may take extra care whilst taking down the Christmas decorations or spring cleaning for Easter, but can you be sure your family are being as vigilant?

Every year¹:

- There are approximately 5,000 deaths as the result of an accident at home – with children under five and people over 65 most likely to have an accident
- 200,000 people report injuries that result in more than three days off work
- Almost 7,000 people were admitted to hospital after accidents involving a ladder
- Nearly 4,000 were admitted to hospital following accidents involving furniture
- 3,053 were injured due to accidental poisoning
- 137,264 under 18s are admitted to hospital due to injury

Spring cleaning may sound harmless but it can involve many of the chores that lead to trips, slips and falls. It is important to take the time out to think about your safety. If you need to climb, avoid using chairs and use a step ladder instead.

Most importantly, don't rush things, as that's when most accidents are likely to occur.

Take appropriate cover

You may think 'it won't happen to me' but accidents, by their very nature will happen. Accident protection can provide a cash lump sum when you really need it for a range of specified accidental injuries. It can give you a little more financial security to help cope with any loss of earnings through illness or injury.

Accident protection can provide cover for:

- Broken bones
- Hospitalisation due to accident and sickness
- Permanent injuries
- Permanent disablement
- Accidental death
- Funeral costs

Talk to us today about accident protection for you and your family.

¹ ROSPA & MetLife

Give yourself a sporting chance



With a summer of sports coming up you might feel inspired to get involved. But before you do make sure you're covered in case any of the inevitable bumps and bruises need more than just a plaster.

There's a host of major sporting events taking place this Summer.



An active community

Seeing so many of the world's greatest athletes and sporting heroes competing at the top of their game may leave you feeling motivated to get involved at a grass-roots level.

Anyone can take part in grass-roots sports – which play a crucial role in keeping us, our children and our communities healthy and active. But even with the best instructors, facilities and equipment, accidents and injuries can happen and you may be unable to work as a result.

After spending the week sitting behind a desk in an office, an 18-hole round at the weekend could take its toll. Some of the most common sports injuries are:

- Ankle sprain
- Groin pull
- Hamstring strain
- Shin splints
- Knee injury
- Tennis elbow

Accident protection

Obviously we all do our best to avoid accidents, but when you're playing sport you're at a much higher risk of twisting, spraining or breaking something and this could affect your ability to work. A broken wrist can take six to eight weeks to heal. Depending on the severity of the injury, a fractured leg could take from six to eight weeks all the way up to between three and six weeks to six months to heal.

If in that time you were unable to work accident protection would prove invaluable.

Before the summer comes and you decide to join in with a Sunday League football team or get involved in your local parkrun, please make sure you get in contact to discuss Accident Protection.

Spring clean your finances

A quick Google of ‘Spring Clean’ will throw up a million and one BuzzFeed articles or ‘life hacks’ on how to make spring-cleaning easier and quicker. You’ll find tips about using cola to clean the toilet, lemon to clean the taps and vinegar to clean just about anything.

When you’re done cleaning your worktops with baking soda and your windows with newspapers, why not try spring-cleaning your finances with our handy hints:

Work out what you’re spending

Keeping track of your income and outgoings gives you a great snapshot of your finances. It can help highlight any problem spending areas and where you can potentially make savings. To get started, you’ll need copies of your recent bills, wage slips and bank statements. Tally them up and write them down (or use a spreadsheet), including your other main monthly outgoings. Compare this to your monthly income to quickly see your spending patterns and how much you have left over at the end of every month. There are also online tools to help you while budgeting or your bank or building society may have an online tool which takes information directly from your transactions. Alternatively you can talk to us.

Protect what matters

Spring-cleaning your protection insurance is also important as you’ll want to make sure you have the right cover for your current circumstances when you need it.

If you’re renting a property you will want to protect your belongings. If you have just bought a home you’ll need to make sure both your home and possessions are adequately covered. You may even want to consider accidental damage cover or home emergency cover.

If you’ve recently had a baby, or you have others who depend on your income, make sure you have cover in place to provide financial security for those who depend on you should you become ill or die. Life insurance and critical illness insurance give you the peace-of-mind that you or your family could ‘weather a financial storm’.

Invest in an ISA

An Individual Savings Account (ISA) is a tax-efficient way of saving. In the current tax year (April 2016 to April 2017) the government allows you to put up to £15,240 into an ISA and it’s important to take advantage of this.

You can save your money in one cash ISA or one stocks and shares ISA, or split the allowance across both types. A cash ISA means you don’t pay tax on saving accounts interest. A stocks and shares ISA means you don’t pay tax on any income or capital gains you’ve made on your investments – but obviously there’s more risk involved in the latter. The tax efficiency of ISAs is based on current rules. The current tax situation may not be maintained. The benefit of the tax treatment depends on individual circumstances.

Although there is no fixed term, you should consider stocks and shares ISAs to be a medium to long term investment of ideally five years or more.

The value of your stocks and shares ISA and any income from it may fall as well as rise and is not guaranteed. You may get back less than you invest.

Get trusted advice

Discussing your financial needs with an expert can make managing your finances simpler. We can help you establish a financial plan that’s designed around your specific needs, make sure it stays on track, and provide ongoing advice that will help you achieve your goals.

If you would like to have a chat about your budget, protection or investment needs, please call us today.





Cost of dying rises by nearly 4%

The average cost of a funeral in the UK has risen by £140 in the last year to £3,702.

It's hardly the most cheery subject, but updated figures suggest that funeral costs are on the rise, increasing faster than the rate of inflation over the past year. But it's clear that while £3,702 might seem a reasonably generous budget, it might not be enough to include things you might consider essential for a dignified send-off.

Funeral director fees, which have risen by 5% in the past year alone, make up the majority of the cost. Cremations now cost £683 on average and burial fees £1,645. Adding flowers, a headstone and a reception could add another £2,323¹.

How you can tackle the rising costs?

Talk about it

It is never an easy discussion to have, but talking about funeral wishes with your loved ones can help minimise costs. When asked, most people would prefer a low-cost approach with over a third saying they want their families to spend as little as possible.

Shop around

Dying doesn't need to be expensive. As with all things, if you shop around you can usually find a better deal. Websites like YourFuneralChoice.com can help you find affordable funeral directors in your local area.

There are also more affordable alternatives to the traditional wooden casket. You can order a basic cardboard version online from just £245, a more exotic banana leaf construction for around £275, or even make your own².

Plan ahead to avoid debt

For many people, cost-cutting is the last thing on their mind when planning a funeral for a loved one. But in trying to provide a 'good send-off', you may put yourself at risk financially. During 2015, the average debt taken on to pay for a funeral was £1,318¹.

Cover the cost

A Whole of Life Plan can help take away some of the financial worry for your family or friends. These plans are designed to pay out a specified sum when you pass away (or are diagnosed with a terminal illness). The amount paid depends on the sum, you can decide this when you set up your plan.

Planning your own send-off can be difficult, but you may find that taking some time to share your wishes and put plans in place provides peace of mind for you – and your loved ones.

¹ *The Royal London National Funeral Cost Index Report 2015*

² comparethecoffin.com

If you would like to discuss end-of-life financial planning, or any aspect of your protection needs, please get in touch.

Ever bought something online that doesn't quite fit?



Sticking with the same provider year-on-year for financial products such as insurance or savings accounts may mean you're not getting the best deal. But using price comparison sites when renewing your policy isn't always the best way to find a better one.

Added extras

An investigation by the consumer body Which? found that policies at the top of price comparison website results often include features you don't want or need, such as a large excess or add-ons you didn't ask for.

The research also found that many price comparison sites:

- don't ask up-front about excesses on home insurance policies
- don't show the compulsory excess on home insurance policies
- don't give a breakdown of compulsory and voluntary excess
- don't display annual and monthly prices side by side
- list policies that don't offer the cover you require
- give the illusion of choice by showing quotes from the same company but offered by a range of brokers

Payment terms

It's also important to check the payment terms and any associated costs. For instance, paying monthly rather than annually for your insurance can add more than £100 to the cost of car insurance and £20 to the cost of home insurance. And the cheapest annual payment policy may not be the cheapest monthly payment policy.

What should you look out for?

When buying insurance for your home or car, income protection, accident protection or life insurance always consider quality as well as cost. Price comparison sites are set up to find you the cheapest possible deals. This may mean you may not get the level of cover, customer service or claims handling you expect.

Getting the right cover probably costs less than you think. Having the right cover in place now can help provide you with the peace of mind that you can cope financially, no matter what life throws at you.

Don't rely on the Internet, talk to a real person who can provide tailored advice that fits your exact requirements. Talk to us today about your insurance needs.

Too ill to earn



‘Seven Families’ highlights the importance of protecting your income.

Seven Families is a charity-led campaign that aims to raise awareness of the financial and emotional difficulties caused by long-term illness or disability. Launched in November 2014, it follows seven real families in the UK where the main breadwinner has been forced out of work by an accident or illness – without having any protection insurance in place.

The Clarke family

Tracey Clarke and her husband Tim live on a houseboat after financial difficulties forced the sale of the family home.

Tracey was born without functional vision in her left eye. It had never caused her problems until 2011 when her eyesight began to shut down completely. Tracey had to give up driving and, ultimately, her career as a Pharmacy Technician. Soon after, her husband Tim was made redundant.

The effect of losing two incomes unexpectedly meant Tracey and Tim had to rethink their financial plans. They were forced to sell their home of 25 years and find a place that would allow them to live within their means on the benefits they now depend on.

Looking back

Tim and Tracey admit they had to choose between paying various insurance policies and feeding the family. Looking back, Tracey says *“Obviously feeding the family had to come first. We should have looked again at the budget to find a way of maintaining the payments for the insurance policies.”*

Have you protected yourself and your family?

Income protection cover will help provide an income if you are unable to work due to an accident, sickness or, in some cases, unemployment.

Get in touch to find out how we can help protect you and your loved ones.

You can find out more about the Seven Families campaign at www.7families.co.uk

Over-sharing could invalidate your home insurance



If you use social media, you may have posted a picture by the pool or a selfie from the slopes. Even if you haven't, you probably know someone who has.

Did you know that sharing your current location or travel plans could void your home insurance?

A quick swipe through your timeline will probably reveal the recent holiday details of friends and family – right down to the travel dates, departure airport and hotel location.

But have you ever stopped to think that posting this sensitive information on Instagram, Facebook or Twitter could be advertising your vacated property to criminals?

Should your social media take a holiday too?

Maybe your break could be the perfect time to take a holiday from social media too.

If you suffer a break-in whilst on holiday, and had announced your travel plans on social media, it might lead to your home insurance claim being rejected. This is because the insurer might consider the homeowner has not done enough to guard against the theft by posting such information online.

Showing off your latest holiday on social media is tempting, but is it worth jeopardising your home's security for?

Protect your possessions

The same advice should also be applied to your possessions – particularly those of high value. Showing off your latest expensive purchase online could also be seen as increasing your risk - and would at the very least leave you feeling foolish if you lost or had it stolen as a result.

Staying safe

Insurers are reportedly considering asking home owners if they use social media when assessing their applications, as the risk of over-sharing becomes more and more common. If you do use social media, consider taking the following steps to reduce your risk:

1. Turn off location-based services on the social media accounts you use
2. Never share your home address on social media
3. Make your posts private so that only your friends and connections can see them

If you would like to discuss how you can protect your home and possessions, please get in touch.

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