ONE STOP Finance Ltd

87 HIGH STREET, HEMEL HEMPSTEAD, HERTS, HP1 3AH
ALSO AT: SUITE E, HOLLIES HOUSE, 230 HIGH STREET, POTTERS BAR, EN6 5BL
T: 01442 232272 E: INFOHEMEL@OSFG.CO.UK
F: 01442 232275 WWW.OSFG.CO.UK

FINANCE MATTERS AUTUMN 2020

INSIDE THIS ISSUE

New property trends emerge following lockdown

The property market is gradually showing signs of recovery and a number of new trends are emerging. It's likely that these trends will continue to influence the market over the coming months.

Sales rise due to high demand

Pent-up demand and incentives including the temporary Stamp Duty holiday have provided a much-needed boost to the property market and homes are reportedly selling faster than ever before. Research from Zoopla shows that in the 90 days to mid-August, a three-bedroom house sold in an average of 24 days – 12 days faster than the previous year[1].

Shifting priorities

There are signs, however, that buyers are taking more time to consider what they want from their homes, with one-bedroom flats now taking the longest to sell at 34 days. Meanwhile, thanks to a rise in demand for outside space following lockdown, properties with south-facing gardens are being priced 7% higher on average[2]. These trends are also being seen worldwide, with a survey of buyers from 44 countries revealing that 40% and 37% are looking for waterfront and rural homes, respectively[3].

Moving to the country

With working from home becoming the norm for many, large numbers of buyers are looking to move out of London, big cities and pricey commuter areas. Idyllic rural areas are becoming increasingly sought after as a result, with enquiries about village properties soaring by 126% in June and July compared to the same period a year ago[2].

First-time buyers choose longer mortgage terms

Getting on the property ladder has long been a struggle for many first-time buyers. In a bid to make monthly payments more affordable, 45% of first timers opted for a mortgage term of 30 years or more in 2018–19.

Seek advice

Despite many lockdown restrictions being lifted, local lockdowns are likely to continue over the coming months, presenting new challenges for regional property markets. In these ever-changing times, seeking professional advice can help ensure your property aspirations go to plan – so don't hesitate to get in touch.

[1]Zoopla, 2020, [2]Rightmove, 2020, [3]Knight Frank, 2020

HELP TO BUY SCHEME EXTENDED BY TWO MONTHS

Homebuyers looking to take advantage of the Help to Buy equity loan scheme have longer to do so after the government announced a two-month extension to the deadline. Construction delays caused by the pandemic have resulted in the deadline being moved from the end of December 2020 to 28 February 2021. There has been no change to the deadline for the legal completion of the sale which will remain 31 March 2021.

Homes England will also support those who had a new home reservation in place before 30 June this year. Each situation will be assessed to see whether an extension should be provided and if so, the legal completion deadline will be moved to 31 May 2021. There have been no changes to the new Help to Buy scheme which will still come into effect from 1 April 2021 and run until March 2023. The new scheme will introduce property price caps and is only available to first-time buyers.

Help to Buy
Backed by HM Government

IN THE NEWS

Private pension age set to increase

After years of speculation, the government have confirmed that the private pension age will rise from 55 to 57 in 2028. So, those retiring in future will have to wait a couple of extra years before accessing their pension.

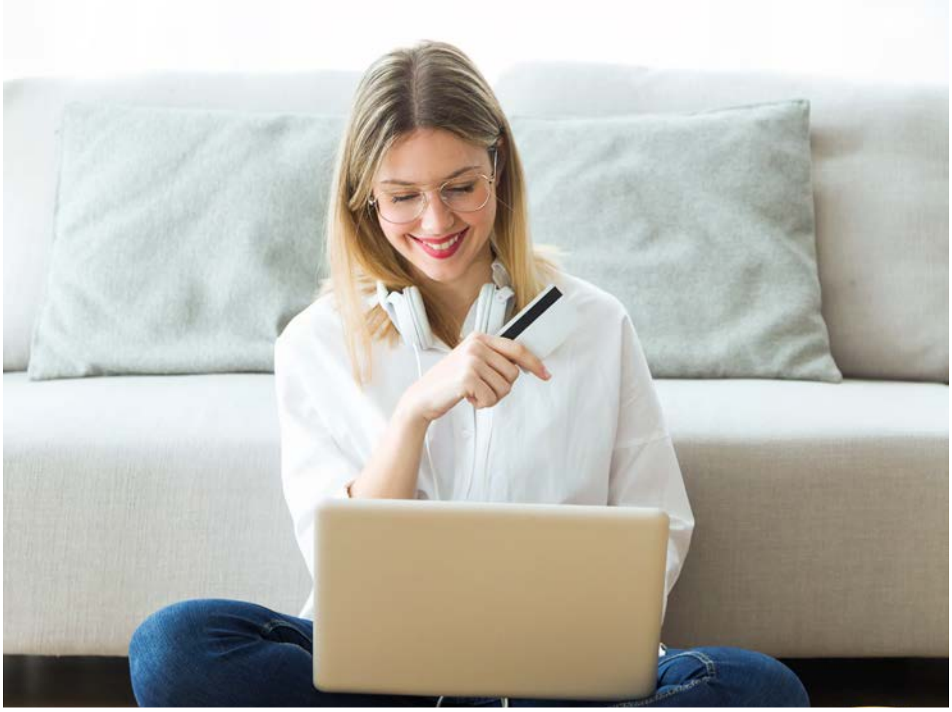
CGT – fit for purpose?

Rishi Sunak commissioned a review of Capital Gains Tax during the summer, to find out whether the current system is fit for purpose and to identify simplification opportunities. The Office of Tax Simplification (OTS) published a call for evidence and an online survey. The OTS commented, there have been, *'several changes to CGT'* over the last ten years and that it *'may be helpful to consider the tax again in the current climate.'* They will investigate the applicable rates, reliefs, exemptions, allowances and overall scope of the tax. We will update you on any developments.

Fund inflows on the up

Although March saw the highest ever monthly outflow from retail funds, in Q2 UK savers invested more in the quarter than they did in the whole of 2019. Data shows that £11.2bn was invested in funds such as unit trusts and open-ended investment companies during the quarter, compared with £9.8bn in 2019[3].

[3]The Investment Association, 2020



Be on your best investor behaviour

It's all too easy to let emotions influence investment decisions in times of market volatility. After all, it's human instinct to be responsive, but resisting the urge to take flight can prove rewarding. Take it back a few million years to prehistoric times; the fight or flight reaction meant the difference between life and death, survival depended on decisive action. As an investor, controlling these hard-wired behavioural biases and resisting the urge to panic, can prove beneficial.

In March, as markets reacted to the unfolding pandemic, in just one month, retail investors sold investment funds worth £10bn[3], with many selling as the stock market was falling to its lowest level in eight years. By reacting and choosing this course of action, they missed out on the ensuing market bounce of nearly 30%.

Hindsight is a marvellous thing
Yes it is; but when it comes to investor behaviour, having foresight, i.e. insight gained by looking forward, is far more valuable because markets tend to bounce back over time. Although it obviously can't be guaranteed.

Various factors feed into people's responses to different market occurrences, for example – what your objectives are, your risk tolerance, emotions, preferences, beliefs and past experiences. These can all result in different investor behaviour. Just one chosen scenario, a market fall, can lead to different behaviours: halting investing until markets become more stable, selling in case it's the start of a market decline, or seeing a market correction as an opportunity to invest. Some beliefs may result in successful investment outcomes, others in behavioural biases that are counterproductive and imperil the chance of achieving your financial goals.

Kicking those behavioural biases into touch
We all suffer from some biases, the best mechanism to prevent knee-jerk reactions and defend against the influence of your biases, is to follow a robust, disciplined, well thought-out investment process. Investing with a clear idea of what you want to achieve will determine how we structure your investments. You have a better chance of achieving your goals if you use them to frame all investment decision-making, whether you're building a university fund or your retirement nest egg.

We take the time to understand your objectives, apply a thorough investment process and advise you on the strategy most appropriate for your circumstances.

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

Are you ready for a mortgage?

Before offering you a mortgage, lenders will review your finances to assess whether you can afford to make your monthly repayments. The following steps can help get your finances in good shape before you apply:

Save – Put aside as much as you can towards a deposit as this will increase your chances of being offered a more competitive mortgage. To do this, open a dedicated savings account and look for the one paying the highest rate of interest.

Check your credit score – To secure a mortgage deal with a competitive interest rate, you'll need a good credit rating. Tips to improve your credit score include checking you are on the electoral roll, paying bills on time and clearing your credit card balance in full each month.

Budget – Regularly look at how much you have coming in and going out each month and close or cancel any accounts, subscriptions or memberships you no longer need. Lenders will examine how much debt you have, including whether you are using your overdraft. Consider using any savings to pay down existing loan or credit card debt, although remember to keep some back to cover emergencies.

Timing is key - Several lenders withdrew their 'high loan-to-value' (LTV) products during lockdown, which typically only require a deposit of 5% or 10%. Some high LTV products are returning to the market, so if you are a serious mover you may need to act soon.

Seek advice – It's important to ensure you choose the right mortgage for your circumstances, which is why it's worth seeking advice. We can help and support you through the entire mortgage process and help you find the most suitable deal.

HOME IMPROVEMENTS RISE ON THE BACK OF LOCKDOWN

Spending months cooped up at home has prompted the nation to spruce up their living space, with homeowners spending an average of more than £4,000 each on renovations since lockdown began at the end of March.

The increased time at home has led to more people spending time in the garden, so it's no surprise that garden improvements (34%) were highest on the list, according to one study[6]. Gardeners World also received its highest ratings in 10 years as those at home enjoyed their outdoor space. Other popular renovation areas include the living room (23%), bedroom (22%) and kitchen (22%).

Renovate to prevent 'Zoombarrassment'
One of the most common reasons homeowners chose to tackle DIY was to add value to their home (27%). However, four in ten (40%) said they carried out renovations due to 'Zoombarrassment' over the appearance of their property. Around one in four (24%) respondents said they had used money set aside for a holiday to help pay for home improvements, while a further 26% said they had dipped into their savings pot.

[6]Money.co.uk, Aug 2020

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

The intergenerational impact of the pandemic

It seems different age groups have been impacted by the pandemic in vastly different ways. And although older generations have irrefutably suffered the most significant health impact, it seems younger generations have shouldered both the financial and social burden of the outbreak, research concludes[10].

The FCA concur, younger people have taken the prime financial hit. This can be attributed to the distinct probability that they are working in some of the sectors most affected by the pandemic, including retail, leisure and hospitality.

Significant challenges faced by all
This intergenerational pattern manifests in the workplace too[11]. Younger (under 25) and older (50+) workers face distinctive, but real, challenges. Those aged under 25 are more likely to be furloughed, while over-50s are more exposed to health risks because of their increased presence in sectors containing key workers.

In addition, disruption to training opportunities and education will make it harder for younger people to achieve employment in a depressed jobs market.

Comfortable in the middle?
Those aged between 25 and 50 are at lower risk of being impacted by the health and financial risks of the pandemic. They are more likely to own their own homes, are at lower risk of severe health implications and have a greater chance of working in sectors less vulnerable to shut down.

Chin up
Whatever age you are, why not get in touch, we can advise on all aspects of your financial planning.

[10]OECD, 2020, [11]Business in the Community, 2020

ARE YOU FINANCIALLY FIT FOR THE NEW NORM?

Times are a changing – take some time out to make sure your finances still match your lifestyle and needs.

Budget – Review your income and outgoings, particularly if your circumstances have changed.

Debt planning – Prioritise clearing any debt you have, including credit card balances or loans.

Get saving – Peace of mind can be gained from having a minimum of three to six months' income as a buffer. If you were lucky enough to save in lockdown, channel some into a savings account.

Have backup – Protection policies such as income protection and life insurance offer an essential safety net. If you have policies in place, do they still offer the most suitable cover?

Think long-term – Don't let short-term events divert you from future plans. Investing into a pension, no matter what age you are, is vital.

Take advice – We can help you see the bigger picture, weigh up your options and make a balanced plan for your individual needs.

LIFE INSURANCE PAYOUTS WILL KEEP YOUR FAMILY AFLOAT

In 1912, when the 'unsinkable' Titanic hit an iceberg and sank, accident and life insurance companies lost almost $3.5m, with the tragic accident leading to some of the largest insurance payouts ever.

Of all those who perished, Herbert F. Chaffee of North Dakota held the largest life insurance policy. His beneficiaries received $146,750, equivalent to around $3.9m today.

Still relevant
Recent events have taught us that life insurance is just as important in 2020 as it was over a hundred years ago. The pandemic has led to the loss of more than 40,000 lives in the UK and over 890,000 globally. Many grieving families have been left financially devastated.

Life insurance is often cheaper than many people think and ensures your dependants will be financially secure should the worst happen. It's not worth leaving your family's future to chance.

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation. The value of investments and income from them may go down. You may not get back the original amount invested.