YellowBrick Mortgages

VIEWPOINT

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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Are you insured to work from home?

We all know that remote working has soared since the onset of the pandemic, with 30% of the population still working exclusively from home during the week ending 29 November 2020. But with millions of workers taking to their home offices, their kitchen tables and – let's face it – their sofas, are they adequately insured?

Although the Association of British Insurers issued a statement in the early months of the pandemic stating that office-based workers would not need to contact their insurer if working remotely during lockdown, things may now have changed. A recent survey revealed that more than two in five homeworkers have not reported to their home insurance company they are now working remotely – potentially invalidating their policy.

What if I continue to work from home?

You may need to contact your insurer if you continue to work from home, or are allowed to return to the office but choose to work from home several days per week, to tell them that your working patterns have changed.

In addition, if you are now receiving business clients in your property instead of the office, you'll likely need to check with your insurer for this, too. You may not be covered for certain aspects of your policy, such as loss of money or theft.

Will my work laptop be covered?

Your own home insurance policy is unlikely to cover business equipment such as laptops, tablets and other devices. You should check with your employer to see whether their business insurance covers equipment away from the office.

What about health and safety?

All employers are legally required to have employers' liability insurance, which covers their legal liability if employees suffer an injury during the course of their work. While some policies extend automatically to remote working, others don't – so have a word with your employer to ensure they're covered in case you have an accident while working from home.

If in doubt – check!

If you're in any doubt, check with your insurer – you don't want to risk invalidating your policy! Meanwhile, if you'd like to review your home insurance needs, just have a chat with us – we can review a wide range of policies and recommend the one most suited to your circumstances.

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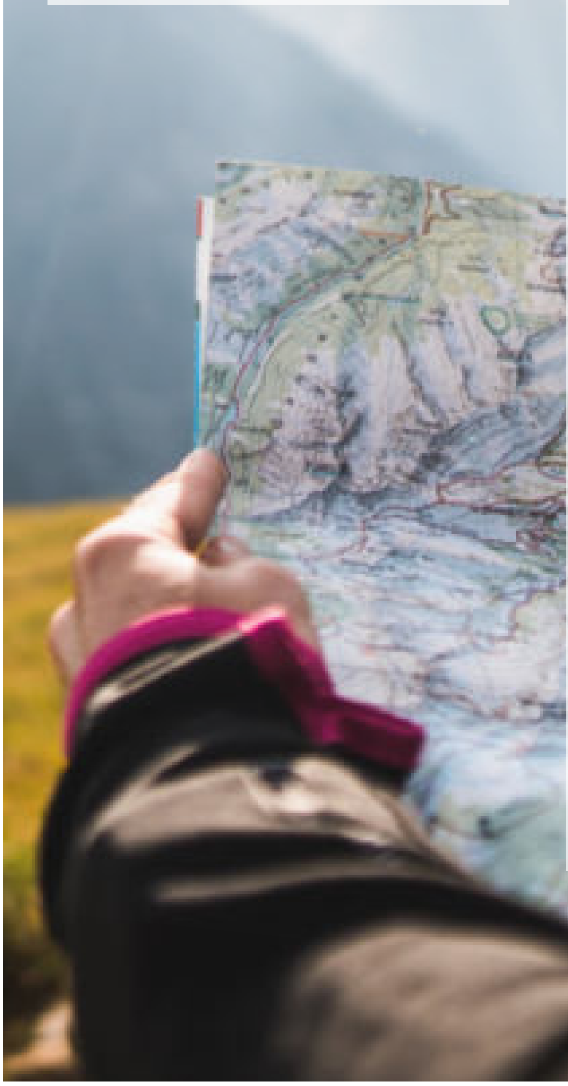

2 in 5

people think they don't have sufficient wealth to seek advice

1 in 4

think advice is for those with savings over £100,000

3 in 4

of those who have sought advice have savings and investments of less than £100,000

The value of advice

Throughout our lives, we face having to make financial decisions that can have a major impact on our wealth, as well as determining whether we meet our goals, and can protect ourselves and our families from unexpected events. A carefully thought-through financial plan can make a positive difference, no matter what stage of life you're at. Isn't expert advice only for the wealthy?

Certain life events, such as buying your first home, having a baby or retirement, will tend to prompt people to seek advice.

And don't think that professional financial advice is only for the very wealthy or is only useful when it comes to making complex investment or pension decisions. Even a seemingly straightforward financial goal could involve numerous decisions and having to make a choice from a range of different products and providers.

Research has found that two in five people think they don't have sufficient wealth to seek advice and over a quarter (27%) think advice is only for those with savings over £100,000. The reality is that 77% of those who have either sought advice or who currently have an adviser, have savings and investments of less than £100,000, compared to just 5% with more than £500,000.

Is it worth seeking financial advice?

Over the years, research has produced some interesting findings that highlight the benefit of taking advice when making financial decisions.

When assessing financial returns, one study found that individuals who receive financial advice were likely, on average, to receive 4.4% more per annum in net returns. This was through a combination of financial planning, tax advice, preventing behavioural mistakes and rebalancing portfolios.

Elsewhere, another study highlighted that receiving professional financial advice over a five-year period (between 2001 and 2006), resulted in a total boost to wealth (in pensions and financial assets) of nearly £48,000, a decade later.

The real value of advice

Good financial outcomes are obviously important, but the true value of financial advice can be measured in different ways. As well as saving you time, working with a trusted financial adviser can give you the peace of mind and reassurance that things are in hand.

No two clients will have the same requirements, so it's vital you obtain sound financial advice tailored to your individual needs. That's where we can help, with tailor-made advice which helps to add value, whatever stage of life you're at.

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.

Past performance is not a reliable indicator of future performance and should not be relied upon.

Unlocking the value in your home

The number of people using equity release schemes fell last year as older homeowners grew more cautious.

Older homeowners seemed to be more reluctant to release cash from their homes in 2020, according to the Equity Release Council. Data from the trade body shows drawdowns from lifetime mortgages fell by 21% last year and 10% fewer plans were agreed than in 2019.

This drop suggests the coronavirus pandemic affected the equity release market in 2020, with activity slipping to a four-year low between April and June. Yet the end of the year was a different story – a backlog of cases meant it was unusually busy, with 11,566 new equity release plans agreed between October and December.

What is equity release?

Equity release enables homeowners who are aged 55 and over to access some of the money tied up in their homes. You can take the money as a lump sum or in several smaller amounts. Many people choose this option to supplement their retirement income, make home improvements or help children or grandchildren get onto the property ladder.

The most common way to release equity from your home is through a lifetime mortgage, which allows you to take out a loan secured on your property, provided it's your main residence. You can ring-fence some of the property value as inheritance for your family and you can choose to make repayments or let the interest roll up. The mortgage amount, including any interest, is paid back when you die or move into long-term care.

Alternatively, you can take out a home reversion plan, which enables you to sell all or part of your home for a lump sum or regular payments. You can continue living there rent-free until you die, but you'll have to pay to maintain and insure it. You can ring-fence some of the property for later use. At the end of the plan, the property is sold and the proceeds are shared according to the remaining proportions of ownership.

Is equity release falling out of favour?

In 2020, £3.89 billion of equity was released from property, compared with £3.92 billion in 2019 and £3.94 billion in 2018, according to the Equity Release Council (5). These figures suggest people are biding their time before unlocking wealth from their homes, according to David Burrowes, the trade body's chairman (6).

Yet interest rates for lifetime mortgages are now falling, which could encourage people to take the next step. The average equity release interest rate fell to around 4% during the last three months of 2020, with the lowest rates now at around 2.3% (7). This rate is less than many of those available on 10-year fixed-rate mortgages, but higher than a lot of products with shorter fixed periods (8).

Is equity release right for you?

Deciding to release funds from your home isn't a decision to take lightly. While equity release means you have money to spend now instead of leaving it tied up in your property, it can be a complicated process. Remember that equity release often doesn't pay you the full market value for your home and it will also reduce the amount of inheritance your loved ones could receive. It's important to talk to a financial adviser who can help you decide whether the process is appropriate for you.

A Lifetime mortgage is a loan secured against your home. A Lifetime mortgage may affect your entitlement to state benefits, and it will reduce the value of your estate.