



Sovereign

Independent Financial Advisers

Established 1981

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OPTIONS AND SOLUTIONS!

While there is much uncertainty politically in our and other countries, we can maintain our own personal financial stability by following sensible and proven rules. One of the first is to ensure that you have more money coming in than you spend! This certainly will keep you in the "Happiness" zone described by Charles Dickens, in one of his books.

This principle applies to individuals as well as groups and businesses and even countries.

To achieve this you do need to have a bit of organization in place so you can see all that comes in and all that goes out. Much more could be done to help educate those growing up so that they do grasp such basics and also learn the patience of setting money aside for a special purchase rather than having to buy things immediately on impulse.



AN IMPORTANT AGE – 55!

In today's financial world reaching 55 carries with it certain opportunities. 55 is the minimum age at which one can take most pension benefits (with the key exception being the State Pension which is no longer age 65 for most people). It is also the minimum age at which a person can take out a Lifetime Mortgage.

Assisting our clients to achieve their objectives and enjoy financial security

Sovereign Finance is authorised and regulated by the Financial Conduct Authority. Number 125460
Proprietors TB Shuster BA, FHD Dip PFS and MJ Shuster BA (Hons) Cantab



PENSION FREEDOMS

The majority of pensions now basically consist of a pot of money. The current rules allow a person aged 55 or older to take 25% of the value of this pot tax-free. The rest can be used to set up an income for life or to draw down lump sums when needed. Any of these remaining funds that are taken out or turned into income are taxable. They are treated the same way as any other earned income in the year they are taken.

While the majority of people we see have the relatively simple type of pension described

above, there are some complications with older pensions where there are certain guaranteed benefits built into the plan. It is worth having such plans looked at by a professional to ensure you are not missing out.

There are also many people who still will be able to benefit from better pension schemes termed "defined benefit or final salary pensions" as they guarantee an income based on years of service and salary. We are available for assistance with such matters. Just give us a ring.

PENSION BITS AND PIECES

The older of us have often worked in many jobs and often with each job came some sort of pension arrangement. When approaching age 55 or older, it is worth gathering all of these pieces and working out how you want to use them. Where such bits and pieces go back quite a ways in time, the Government can help you locate them through their free Pension Tracing Service (0345 600 2537). If you are not sure when your State Pension comes into effect, you can find out by searching "Check Your State Pension Age.gov.uk", and for your State Pension Forecast search "Check Your State Pension.gov.uk".



THE INERTIA TAX!

Those with residential mortgages that stay on their lenders' Standard Variable Rate are effectively suffering a voluntary tax by not taking advantage of their lender's special deals. Shifting over to the lender's special deals, such as a fixed rate for two or three years, can save hundreds or even thousands of pounds over those couple of years. Simply contact your lender and ask them what is available. This same principle applies for those who have buy-to-let mortgages on investment properties.

MORTGAGE PROBLEMS

As one gets older, one can hit various problems with mortgages. The older you get, usually the more difficult it is to take out a mortgage. One of the common problems we are often asked to assist with is interest-only mortgages – particularly those reaching the end of their term. Ultimately one can sell their property and downsize or go into rented accommodation, but as one gets older it becomes more and more

undesirable to leave the home and area one has lived in for so long and which have become such an important part of their lives. Another option is to seek advice from an independent mortgage broker such as ourselves, as there are a number of niche lenders who provide special terms for older borrowers.



OTHER SOLUTIONS - THE LIFETIME MORTGAGE – A NEW FLEXIBLE MORTGAGE TOOL FOR THE OLDER GENERATION

In many ways the new Lifetime Mortgages provide the sort of flexibility that was a feature of mortgage borrowing many years ago. The level of borrowing is determined in most cases not by affordability calculations, but by just the borrower's age and value of the property. The older you are and the more the property is worth, the more you can borrow.

This can provide an escape from an older interest-only mortgage arrangement. It can also open the door for using the value in the property for any other reason – whether it is for one's own projects or to help family with problems they may have. The Lifetime Mortgage interest rates have also been inching downwards in the last few years as competition has increased. Past credit problems also usually do not present a barrier.



LOOKING INSIDE A LIFETIME MORTGAGE

A Lifetime Mortgage is a mortgage like any other mortgage. You borrow money against the security of the property. You remain the owner of the property and benefit from any increases in the property value. You also remain responsible for keeping the property in a good condition. Usually the interest rate is fixed for the term of the mortgage which can be as long as you live or until you go into care. You can pay off the mortgage at any time, although in the initial years there may well be early repayment penalties – just as there are with most fixed rates with the usual residential mortgages. With a Lifetime Mortgage you can either choose to repay the interest being charged, or make no payments of interest – letting the interest build up and be repaid by the eventual sale of the property.

SOME MORE DETAILS OF THE LIFETIME MORTGAGE

Because of the potentially very long term of the mortgage, the maximum amounts that can be borrowed are generally less than you would be able to borrow with the usual residential mortgage. Here are examples of the maximum amount of borrowing possible based on age. (Note: in the case of a couple the age that the lender's operate on is that of the younger of the two.)



AGE	LOAN TO VALUE	MAXIMUM BORROWING ON PROPERTY WORTH £300,000
55	25.5%	£76,500
60	31.0%	£93,000
65	36.0%	£108,000
70	41.1%	£123,300
75	47.0%	£141,000
80	51.5%	£154,500

Note: These are examples only but do represent a reasonable estimate of the maximum borrowing possible at the ages shown. In the event that there are serious medical conditions a higher level of borrowing may be possible.

LIFETIME MORTGAGE INTEREST RATES

Most Lifetime Mortgage interest rates are fixed for the term of the mortgage. The rates currently range from about 3.68% upwards with the rate dependant on the percentage of borrowing and other scheme options. The maximum levels of borrowing shown in the previous example commonly come with higher rates of 5.55%. The lower rates are for lower percentage borrowing. While these rates are

much higher than the residential mortgage rates currently available, they are for potentially much longer terms and they are in line with the average mortgage interest rates over the past 10 years or so. There are also some variable rate options starting at 3.5% but these are increased in line with inflation (Consumer Price Index) each year.

LOOKING AFTER EACH OTHER

It is an unfortunate fact that eventually we are all likely to reach a point where we will need help either physically or in looking after our other affairs. If you have not already made enquiries about Lasting Powers of Attorney, we certainly advise that you do look into it and inform yourself about them. A reliable source of information is gov.uk's "Make, register or end a lasting power of attorney".



HELPING OUR CLIENTS ACHIEVE THEIR OBJECTIVES AND ENJOY FINANCIAL SECURITY

Here are some recent comments from clients on our efforts to achieve this purpose.

"I was recommended by my father who has used you on many occasions and highly rates the service... very helpful answering all my questions and explaining things clearly to me when I was confused. Rapid response to all correspondence."

Ms RF of Basingstoke

"Many thanks for your excellent attention, as always."

Mrs CC of Leicestershire

"Tom Shuster of Sovereign Finance recently helped my wife and I obtain two mortgages. His expertise and breadth of knowledge and experience was invaluable in ensuring these went through with the minimum of fuss and to the desired result. I have used Tom on many occasions over the years and he has always provided an excellent service."

Mr DB of West Sussex

"Efficient and friendly service, way beyond what was necessary."

Mrs SK of East Grinstead



**Best wishes,
Tom Shuster
Managing Partner**

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