Viewpoint

Do you know your credit rating?
A low credit score could impact your chances of a mortgage.

Mortgage savvy millennials
Do younger borrowers make sound decisions when it comes to their mortgage?

Plugging the protection 'gap'
Becoming your own boss could leave you exposed.

Do you know your credit rating?

If you're looking to take your first steps onto the housing ladder you may have sacrificed your takeaways and holidays to save the deposit and scoured hundreds of houses online. But have your checked your credit history?

Even if you're remortgaging or moving up the housing ladder your credit history will be important.

If you're a first time buyer looking for a mortgage or a homeover looking to remortgage, please get in touch to see how we can help find the right mortgage for your circumstances.

What is a credit score?

A credit report includes details of your credit history including any credit you've applied for (like loans, credit cards, and overdrafts), credit you've been given and how you've managed the repayments. Also included are your address details (current and previous), public records such as county court judgments and financial associates (someone who is financially linked to you eg. a joint mortgage or bank account).

All the details in your credit report are analysed to calculate your credit score. This score is used by lenders as an indication of how you'll manage and repay the money you borrow.

Scores on the doors

The general rule is the higher the score the better, and the more likely you'll be accepted for a mortgage or other credit.

If you're looking to take out a mortgage or remortgage, check your credit score regularly. You can usually get a simple overview for free and it pays to check with several different sources. Noddle, Equifax, ClearScore and Experian all offer a service to help you understand your rating.

According to research from Experian, when the home buyers who were surveyed checked their credit 18% found their score was lower than expected. The good news is that there are ways to improve a low score:

- Pay more than your minimum payments on credit cards
- Bring your overdraft down
- Close unused credit accounts
- Register for the electoral roll

Happily, 54% of those surveyed found their score was higher than expected and 25% were surprised by their score. Given that 43% of people haven't checked their credit score it may be that many are unaware of the impact it may have until they come to apply for a mortgage.

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

Average house prices

today
£209,971

2000
£81,628

1980
£22,677

Whatever age you are, whether you're looking to buy for the first time, remortgage or move up the housing ladder, please get in touch to see how we can find the right mortgage for you.

Mortgage-savvy millennials

When it comes to their mortgage, are younger people making better financial decisions than their older counterparts?

The term 'millennial generation' applies to people born somewhere between 1980 and 2000, a 20-year span which also saw a huge rise in property prices. At the start of 1980, the average house price was £22,677, but by the end of 2000 this had risen to £81,628. Today the figure stands at £209,971.

A recent study shows the dramatic rise in property prices means just one in five 25-year-olds can afford to buy a property, and the average age of a first-time buyer in the UK has been pushed up to 30. Despite the financial challenges, almost three quarters of UK millennials intend to buy their first home in the next five years.

Repayment vs interest-only

The millennials who've bucked the trend and already made the first rung of the housing ladder obviously prefer the concept of reducing their loan month by month, with the vast majority (92%) of 18-34 year olds choosing a repayment mortgage, compared with 68% of those aged 55 and over.

Fixed rate

Younger borrowers also seem to prefer to know what their mortgage repayments are going to be, with nearly 70% opting for a fixed-rate deal compared with 35% of their older counterparts. They also seem happy to shop around, with a quarter remortgaging to potentially reduce their monthly payments, whereas 82% of those aged 55 and over have stuck with the same mortgage.

Offset mortgages also appear to be more attractive to younger generations with one third of 18-34 year olds taking out an offset mortgage (where they will use their savings to either reduce the term or repayments on their mortgage) compared to just 11% of over 55s.

If there is a conclusion to be made from these statistics it could be that millennials are more savvy when it comes to their mortgage, but remember, interest rates have remained at record lows for nearly ten years; something that's very much in their favour.

Figures correct as at September 2017

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

Plugging the protection gap

If you're one of the increasing number of people who've become self-employed in recent years, you may have found the switch has left you without the employee benefits you previously took for granted.

Making the change from employed to self-employed is a big step and it's one more people are taking. The number of self-employed people in the UK now stands at 4.80 million, representing 15% of the working population.

But while some may find they can earn more as a result, they might overlook the importance of replacing lost employee benefits like income protection and life insurance.

Death in Service

Many employed people automatically benefit from life insurance arranged on their behalf by their employer. This would pay a multiple of their annual salary were they to die while still employed, which could then be used to pay off a mortgage or maintain their family's lifestyle.

Some employees receive a proportion of their salary for a period of time if they become unable to work due to illness or injury (over and above statutory sick pay levels) and may benefit from access to private medical treatment.

Clearly, moving from employment to self-employment would mean these benefits cease, and potentially leave a protection 'gap'.

Mind the gap

Fortunately, the benefits you may have received automatically as an employee are also available to you as a self-employed individual - and they may be more affordable than you think.

Income protection insurance will pay you a monthly income if you become unable to work through illness or injury. Self-employed workers should consider this an essential piece of protection because it can help prevent your family suffering financial hardship and allow you space to recover more quickly without the burden of financial worry. Many insurance companies also provide support for customers to help them return to fitness as quickly as possible.

Life and critical illness plans can be individual plans or combined. Life insurance will pay out a lump sum or a regular income to your dependants if you were to die during the term of the cover. Critical illness plans pay out a lump sum if you are diagnosed with a specific illness. Both can help secure your family's financial future.

Private medical insurance (PMI) may be considered less of a priority than either income protection or life insurance, given the treatment you are entitled to via the NHS. For those seeking to replicate all the benefits they may have enjoyed when employed, there are a range of policies available at varying price levels. If you are interested in PMI we can introduce you to our PMI referral partner.

Are you covered?

If you're self-employed, it's easy to make sure your employment status doesn't put your long-term financial security - and that of your family - at risk. Get in touch to discuss your protection options.

Eureka Financial Solutions
67 Abbey Road
Bristol
BS9 3QL

0117 369 9770
ben@eurekafs.co.uk
www.eurekamortgagesbristol.co.uk

OW1008 Exp. 31/03/18