



SIMPLY MORTGAGE

NEWSLETTER FROM A1 FINANCIAL SOLUTIONS

NOVEMBER 2019

ISSUE #08

WINTER

‘NO, THANKS’ TO DOWNSIZING

More baby boomers plan to stay in their own home

GENERATION GAME

Lending soars at Bank of
Mum and Dad

REFRESH YOUR SPACE

Decluttering tips to instantly
transform your home



GENERATION GAME

Lending soars at Bank of Mum and Dad

The Bank of Mum and Dad has been branded as socially divisive and a symptom of Britain's broken housing market as new figures reveal it is now one of the UK's biggest mortgage lenders. Thousands of over-55s are generously gifting money as part of the Bank of Mum and Dad, using savings and even pensions to help their family onto the housing ladder, research has revealed[1].

However, the new data also shows that many people could be accepting a more uncertain retirement after financially supporting family members to buy a home. These latest findings follow earlier research which showed that this year, the average Bank of Mum and Dad contribution has risen by more than £6,000 to £24,100. The rise means that the Bank of Mum and Dad is now the equivalent of a top-ten UK mortgage lender, gifting a total of £6.3 billion in 2019[2].

SUPPORTING LOVED ONES TO BUY A HOME

Parents and grandparents across the UK are overwhelmingly in favour of supporting their loved ones to buy a home. More than half (56%) of the Bank of Mum and Dad lenders who have or would consider helping family to purchase property said they are willing to because 'it was a nice thing to do'. Almost another fifth (19%) said they feel it's their personal responsibility to help out.

The research also shows that when it comes to gifting money, the Bank of Mum and Dad is drawing on a wide range of sources to financially support other family members with a deposit. Although more than half are using cash (53%), 9% are cashing in lump sums from their pension savings, 7% are using their pension drawdown, and 6% are drawing on their annuity income to help support their loved ones' homeownership ambitions.



DIGGING EVER DEEPER INTO RETIREMENT SAVINGS

Despite this generosity, digging ever deeper into their retirement savings is leading some over-55s into a more uncertain retirement. Over a quarter (26%) of Bank of Mum and Dad lenders are not confident they have enough money to last retirement after helping their loved ones, and 15% have had to accept a lower standard of living. A small number (6%) are even choosing to postpone their retirement.

However, the Bank of Mum and Dad research has also revealed that consumers are increasingly considering other solutions that can help them to support family members but also pay for the retirement they want to lead. Unlocking housing wealth with equity release is becoming more popular with the over-55s, and many are now using the money to help with a deposit.

HOUSING WEALTH TO FUND HOME RENOVATIONS

16% of Bank of Mum and Dad lenders have or would release equity and use that money to financially support their children or grandchildren. This makes it the third most popular source of funds for the Bank of Mum and Dad. But Bank of Mum and Dad lenders

are using these funds to help with their own retirement ambitions too.

More than a quarter (26%) would or have used their housing wealth to fund home renovations, and nearly three in every five (58%) parents and grandparents are using it to free up cash to stay in their own home. Across the over-55s surveyed who haven't released property equity already, well over a quarter (29%) said they would consider drawing equity from their home with a lifetime mortgage. ■

Source data:

[1] *Legal & General and Cebr 27.08.19*

[2] www.ukfinance.org.uk/news-and-insight/blogs/largest-mortgage-lenders-strong-2018-growth-specialist-lending

WILL YOU AFFORD THE LIFESTYLE YOU WANT AFTER YOU RETIRE?

We understand that the financial planning process can be overwhelming. We'll give you a clear idea of how much you'll need to afford the lifestyle you want after you retire. To review your options, please contact us – we look forward to hearing from you.



REFRESH YOUR SPACE

Decluttering tips to instantly transform your home

From broken items you promise you'll fix one day to mementos from that special holiday, it can be easy to let things pile up in your home without even realising. Every so often, it's important to give your homes a good clean and, in the process, get rid of things that are taking up valuable space.

Here, we share our top 8 tips for refreshing your home in an instant.

1. TAKE STOCK OF WHAT YOU ALREADY OWN

We start with a reverse decluttering tip: always store like-for-like. This means you'll always know exactly how many of each item you have, therefore you'll never buy more than you need in the first place. It also means that you can easily find anything and everything when you're in a hurry, as there's nothing more annoying than shelling out for something only to discover you had plenty

already. Plus, it will stop you succumbing to 'special offers' that aren't remotely advantageous if you don't need said item.

2. FOCUS YOUR ATTENTION ON ONE THING

When the mood to declutter strikes, contain yourself to one thing to purge, such as newspapers and magazines or your wardrobe, rather than randomly attacking the house, or even a room, as a whole.

If you do the latter, you'll soon be either overwhelmed or bored. If you focus your efforts, it's potentially more achievable, and there'll be a rewarding sense of completion when it's done, which might even inspire another round of clearing!

3. GET INTO THE RIGHT MINDSET

When it comes to assessing whether to bin, recycle, give away or keep anything, imagine you're moving house. Ask yourself: can I

live without it and/or would I pay someone to carry it up three flights of stairs? If you answer 'yes' to the former, away it goes. Answer 'yes' to the latter, and you can hang onto it.

4. DON'T FALL INTO THE 'IT MIGHT COME IN USEFUL ONE DAY' TRAP

The 'it might come in useful one day' mode of thinking is the death of a good declutter. Ask yourself: could it really not be re-sourced or inexpensively re-bought should that day ever materialise? Toilet rolls, spare boxes and old wallpaper rolls do not come into this category...get rid and recycle!

5. STORE YOUR MEMORABILIA MINDFULLY

It's fun to regularly read through old letters, thumb through childhood diaries and look at old pictures. And each time you do it, you'll probably be happy to let something go, so it'll reduce organically over time. It also means you've created a dedicated place for such things when you inevitably have new things to add.

6. ACCESS YOUR FOODSTUFFS

As per point 1 above, store like-for-like to avoid unnecessary stockpiling. And, at least twice a year, pull everything out to check use-by dates and to do a swift inventory.

7. DO YOU REALLY NEED THOSE BROKEN THINGS?

Unless broken items can be fixed instantly with a tube of superglue or you are about to be retired, get rid of them. Be honest with yourself and ask how long that vase/chair/old toy has been in the loft or garage – is it still worth keeping?

8. LOOK AROUND YOU

Finally, it is believed that our homes have the power to physically affect both our health and well-being. Home should be a place that restores, rejuvenates and replenishes, but so often it is not because of clutter. In short, if you want positive change to your well-being, it pays to address your environment. So stay inspired by staying mindful of the decluttering objective: to be happy at home! ■

‘NO, THANKS’ TO DOWNSIZING

More baby boomers plan to stay in their own home



A growing number of ageing baby boomers are saying, 'No, thanks' to downsizing, choosing instead to remain in the same house in which they raised their family and created lifelong memories.

Over two thirds of people say they plan to stay in their own home during their retirement, according to new research[1]. The findings suggest nearly 14 million people plan to remain in their current home when they retire. Typically, people look to downsize or move to retirement housing following a negative event, such as health issues or the death of a spouse.

GENERATING INCOME THROUGH EQUITY RELEASE

Of those who say they will stay, an increasing percentage will use their property to generate income through equity release. The research highlights that 69% of adults say they will remain in their current home in old age when asked what they are most likely to do with their main property in retirement.

There has been a 5% increase in three years, compared to when the survey was last carried out in 2016. The second most popular option was downsizing at 24%, with less than 4% of those surveyed saying they would sell or rent their house when they retire.

PEOPLE WHO WANT TO GROW OLDER IN THEIR HOMES

Of the respondents who said they would remain in their home, 6% plan to release cash from the property, up from 5% in 2016. This increase is in line with the growing popularity of equity release options, which includes lifetime mortgages.

The latest figures from the Equity Release Council[2] reveal that in the first two quarters of 2019, £1.85 billion was lent to customers using equity release, more than double the amount in the first two quarters of 2016 at £908 million. Equity release may be an option to consider for some people who want to grow older in their homes and need to make improvements to make life more comfortable and their property more accessible.

OVER TWO THIRDS OF PEOPLE SAY THEY PLAN TO STAY IN THEIR OWN HOME DURING THEIR RETIREMENT, ACCORDING TO NEW RESEARCH[1]. THE FINDINGS SUGGEST NEARLY 14 MILLION PEOPLE PLAN TO REMAIN IN THEIR CURRENT HOME WHEN THEY RETIRE. TYPICALLY, PEOPLE LOOK TO DOWNSIZE OR MOVE TO RETIREMENT HOUSING FOLLOWING A NEGATIVE EVENT, SUCH AS HEALTH ISSUES OR THE DEATH OF A SPOUSE.

AN INCREASINGLY POPULAR FORM OF EQUITY RELEASE

Lifetime mortgages are an increasingly popular form of equity release because, for many people, a large proportion of their wealth is tied up in the value of their home. A lifetime mortgage involves taking a type of mortgage that does not require monthly repayments. However, with some plans, rather than rolling up the interest, you can opt to make monthly repayments if you wish.

You retain ownership of your home, and interest on the loan is rolled up (compounded). The loan and the rolled-up interest is repaid by your estate when you either die or move into long-term care. If you are part of a couple, the repayment is not made until the last remaining person living in the home either dies or moves into care, meaning that both you and your partner are free to live in your home for the rest of your lives.

IT'S GOOD TO TALK

The reality is that increasingly fewer people are budging in retirement. Instead, they are ageing in place, preferring to remain in their own homes for as long as possible, whether to keep the family home, stay close to friends or remain in comfortable and familiar surroundings. To discuss your situation, please speak to us for further information.

Source data:

[1] *Canada Life 08 October 2019*

[2] *The latest edition was produced in Autumn 2019 using data from new plans taken out in the first half of 2019, alongside historic data and external sources as indicated in the report. All figures quoted are aggregated for the whole market and do not represent the business of individual member firms.*

EQUITY RELEASE MAY INVOLVE A HOME REVERSION PLAN OR LIFETIME MORTGAGE WHICH IS SECURED AGAINST YOUR PROPERTY.

TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.

EQUITY RELEASE REQUIRES PAYING OFF ANY EXISTING MORTGAGE. ANY MONEY RELEASED, PLUS ACCRUED INTEREST, TO BE REPAYED UPON DEATH OR WHEN MOVING INTO LONG-TERM CARE.

EQUITY RELEASE WILL AFFECT POTENTIAL INHERITANCE AND YOUR ENTITLEMENT TO MEANS-TESTED BENEFITS BOTH NOW AND IN THE FUTURE.



GRANGE

LETTINGS

Boutique letting agent Grange Lettings are offering an exceptional welcome to all new Landlords – a reduced management fee of just 8% plus VAT, and the first 2 months management fee free!

To find out more about this great offer, or to be sent a copy of our landlord information guide which contains lots of useful hints and tips, especially for first time landlords, please call us on **0131 346 4646** or email **info@grangelettings.com**.

Established over 12 years, Grange Lettings cover all of Edinburgh and are guaranteed to look after your property as if it were our own.

www.grangelettings.com