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Independent Financial Advice

NEWS AND ADVICE FROM BIRKETT LONG

Five reasons why you may need life assurance

Our circumstances change and none of us can predict the future.

Could equity release be the answer?

A way of releasing money from your home, without having to move or sell your property.

Don't put up with low savings rates

Alternatives to the bank and building society savings account.

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Five reasons why you may need life assurance

As we go through life, our circumstances change and none of us can predict the future. Below are five reasons why you should make life assurance, commonly referred to as life insurance, a priority:-

1 When you start a family
When children arrive there is the sudden realisation that a new addition is completely dependent upon us, for a very long time. If a parent dies, there would be a huge financial burden on the surviving parent, as well as the emotional turmoil of losing a loved one. Life assurance can at least alleviate this burden and help a family to maintain the life style which they have previously enjoyed.

2 When you want the best for your children
We all want our children to do well in life, taking out life assurance can ensure that funds would be available to them if you were no longer there to provide for them; this could help with education costs, or getting their foot on the property ladder.

3 When you rely on two incomes
When we share our life with someone many of us depend upon two incomes, or on one if a parent is staying at home to look after children. If one of you were to die, life would be very difficult for the surviving partner emotionally and financially. It is also often a misconception that a stay at home parent does not need life assurance. Research carried out by Legal & General in 2015 estimated the "value of a parent" to be between £21,601 and £29,535 per year. This included covering the cost of child care, cleaning, the weekly shop, and taxi service; All things carried out by a stay at home parent and would be a cost, if we had to employ someone else to do them.

4 When you buy a house
For most people, buying a new house entails taking out a mortgage. Research carried out by Scottish Widows using YouGov in 2018 found that 50% of people in the UK with a mortgage do not have a life assurance policy in place. Could your family maintain the mortgage repayments and family living expenses without you? By taking out life assurance and/or critical illness cover this would ensure that your family is not exposed to the financial burden of a mortgage if you were to die or become critically ill.

5 Getting divorced
Divorce doesn't necessarily mean that

Equity release is a way of releasing money from your home, without having to move or sell your property. It has often been considered the product of last resort, but times have changed and many people are now looking to unlock funds from their home.

Could equity release be the answer?

There are two main types of equity release:-

Home reversion plan – funds are raised by selling all or part of your property at less than its market value, whilst you continue to live in your home, as a tenant, without paying rent, until you die or move into permanent residential care.

Lifetime mortgage - money is borrowed against the security of your home, by way of a mortgage, which is usually repaid from the sale of your home

financial commitments come to an end. Maintenance payments are often made for children or to a former spouse. If the person paying the maintenance were to die, the payments would stop. It is possible to protect these payments with a form of life cover, arranged on the life of the person paying the maintenance with the policy owner being the recipient of the payments, thereby providing financial security for the recipient.

Unfortunately none of us knows what is around the corner; however we can plan to ensure that your family is financially protected if the worse were to happen.

If you would like more information or to find out which type of life assurance and/or critical illness cover is best for you, please contact Joe McArdle or Nicola Ward at Birkett Long IFA LLP.

Nicola Ward
01206 217309
nicola.ward@birkettlong.co.uk

when you die or if you have to move permanently into residential care.

There are factors which will influence the amount you can release, such as age - the older you are, the more you are able to release. The funds are tax free and can be used for various purposes including a holiday of a lifetime, a new car, home improvements or to pay for medical costs.

Lifetime mortgages tend to be the most common type of arrangement. Unlike conventional mortgages, you do not make monthly repayments. The interest is added to the loan, therefore increasing the debt, and repaid usually upon death or moving into residential care; as the name suggests, it is a mortgage for life.

They are now far more flexible and can include different types of benefits, for example, you can borrow funds for your immediate needs and also build in a reserve facility in case further funds are required at a later date. Interest is only charged on the funds which are released for your immediate needs and not on the funds held in the reserve facility.

There are many older homeowners grappling with financial challenges, having to work beyond age 65 and who also own their own homes; consequently they are asset rich but cash poor. Many of these people are using their home as a solution to finance and enjoy their retirement.

Equity release is not for everybody and before considering this route you should consult with an independent financial adviser who holds the appropriate qualifications and is authorised by the Financial Conduct Authority (FCA). This adviser will explore the alternatives to equity release, your full financial position, and consider any State Benefits you receive to ensure that these are not affected by equity release. For more information and to see if you are eligible, please contact me.

Nicola Ward
01206 217309
nicola.ward@birkettlong.co.uk

Don't put up with low savings rates

With bank and building society savings account interest rates providing minimal returns, cash savings for investors remain unattractive.

Currently, investors are typically receiving interest rates of between 0.5% and 1.6% per annum on their savings. Whether on a variable rate or fixed rate, this will result in a loss, in real terms, as the low interest rates are below the current rate of inflation, which is in the region of 2.5% per annum.

There are also accounts and investments where a very attractive introductory bonus rate is applied for an initial period of 6 or 12 months. Once this initial period has elapsed the rate can drop substantially.

Fortunately there are other alternatives available. Deposit based structured products are being used as an attractive, lower risk investment option. These plans are available as an ordinary investment, i.e. with the returns being subject to income tax liability, or as an Individual Savings Account (ISA), where it is also possible to effect an ISA transfer. They offer an individual, or couple, the opportunity of an investment protected by the Government's Financial Services Compensation Scheme (FSCS), up to £85,000 per individual or £170,000 jointly.

The returns on deposit plans are potentially more attractive and could produce, for example, 4.5-6% per annum.

Deposit plans are designed to pay out the full maturity value, subject to the Index it tracks being higher at maturity, i.e. some structured deposits track the FTSE 100 Index and only require the Index to be 1 point higher at maturity. More recently, some structured deposit plans have also included a 'defensive option', whereby the full maturity value will be paid out even if the Index level is lower at the point of maturity than the Initial Index level at the start of the plan, for example by as much as 15%.

If the plan runs to full maturity and does not exceed the Index level required, the original investment will be returned with no return, which would result in the inflation adjusted value being less.

In addition, many structured deposit plans have a 'kick-out' facility providing up to 4 opportunities at which the plan can pay out/mature early subject to the Index being at a certain level.

Typically, the term for a structured deposit plan is between 3-6 years, with the plans having the chance to 'kick-out' early from year 3 onwards. There is no control if a plan 'kicks-out' or when. This can also be an advantage and provides flexibility to consider re-investment options or whether the funds are required at that time.

If you wish to discuss deposit based structured investments or require any other financial advice please contact me.

Joe McArdle
01206 217375
joe.mcardle@birkettlong.co.uk

Important

It has been brought to our attention that Birkett Long has an impersonator – Joseph Ramdath. Joseph has been contacting various people via email claiming that he is a sole legal attorney of a family member (usually 'Ken D Your surname) who has recently passed away. He is asking for you to get in touch regarding the deceased's abandoned investment.

If you receive an email from a Joseph Ramdath it is not legitimate. You can safely ignore and delete any emails that come from either Joseph Ramdath or an email address including birkettlongllpsolicitors, boydfrank98, josephramdath.esq or similar.

We are currently talking to the relevant organisations about his impersonation of Birkett Long, but if you are concerned about an email you have received, please do contact us on 01206 217605.

BIRKETT LONG IFA LLP

PHOENIX HOUSE
CHRISTOPHER MARTIN ROAD
BASILDON SS14 3EZ
T 01268 244144

1 AMPHORA PLACE
SHEEPEN ROAD
COLCHESTER CO3 3WG
T 01206 217309

FAVIELL HOUSE
1 COVAL WELLS
CHELMSFORD CM1 1WZ
T 01245 453800

E FINANCIALADVICE@BIRKETTLONG.CO.UK
WWW.BIRKETTLONGIFA.CO.UK
TWITTER: @PAULCHILVERIFA

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