

# UNISONMONEYTALK

The personal finance newsletter for members of UNISON published by Lighthouse Financial Advice

April 2019



## How to make your savings work harder

Whatever you are saving for – the deposit on your first home, your wedding or to help your children through university – it is important to put your money in a plan that gives it the potential to grow.

It's all very well putting money aside, but where precisely are you going to put it? A standard deposit account may seem like the safe option, but with interest rates at all-time lows, your money will grow painfully slowly and could end up being worth less in real terms once you take inflation into account. Here we explain how you can make your savings work hard for you.

The whole point of saving money is to make it work hard for you, so that even a small amount each month has the chance to grow into a sizeable amount over time, so you can make your dream come true.

With money on standard cash account still lower than inflation, unless you take action your savings will end up shrinking in real terms. Assuming this trend continues, you will be able to buy less with your savings in, say, seven years' time than you can now.

### Giving your savings the potential to grow

Putting your savings into stock market investments is more likely to be a sensible choice if you are saving for the longer term, for instance five or more years, and gives you the potential for capital growth and income or interest. However, unless you have plenty of spare time and the detailed knowledge required to research appropriate investments, you should ask a professional financial adviser to recommend suitable funds.

### Reducing risk

Stock market investments are inherently risky – the value of stocks, shares and funds can



go down as well as up – but there are ways of reducing risk.

One is by not buying individual stocks, shares, bonds or other types of investments directly. Most people put their money into one or more investment funds that then invest the pool of investors' money across a broad range of types of investments. This ensures that you do not have all your eggs in one basket.

Another is by choosing investment funds that are managed in a way that suits your attitude to risk. Some people are more willing or can afford to take more risk than others. Your financial adviser will help you work out your risk profile and can then recommend investment funds that match it. Your risk profile may change with your age and circumstances. Your financial adviser will review it with you regularly.

The value of your investments, and the income you receive from them, can go down as well as up and you may get back less than you put in.

Lighthouse Financial Advice Limited is an appointed representative of Lighthouse Advisory Services Limited, which is authorised and regulated by the Financial Conduct Authority. While Lighthouse Financial Advice endeavours to provide correct information, it cannot guarantee the accuracy of any information contained in this newsletter and no action should be taken or not taken solely based on the information contained in it. You should take professional financial advice before taking any action. Threshold, percentages, rates and tax legislation may change in the future.

Registered in England No. 04795080. Registered Office: 26 Throgmorton Street, London, EC2N 2AN. Lighthouse Financial Advice Limited and Lighthouse Advisory Services Limited are both wholly-owned subsidiaries of Lighthouse Group plc.  
For details of how we use your personal information please read our privacy policy at [www.lighthousegroup.plc.uk/privacy-policy](http://www.lighthousegroup.plc.uk/privacy-policy)

2019-03-12 | 19.0657 | EXP 29/2/20

[www.lighthousegroup.plc.uk](http://www.lighthousegroup.plc.uk)

### Also in this issue

How we helped the Hardys find a better mortgage 2

Things to think about before you retire 3

Life-changing events and your finances 4

Helping UNISON members secure their financial future 4

### Make your savings work harder

We are offering all UNISON members a complimentary initial consultation with one of our professional financial advisers.

Call 08000 85 85 90 or email [appointments@lighthousefa.co.uk](mailto:appointments@lighthousefa.co.uk)

or contact your usual Lighthouse Financial Adviser.

# How we helped the Hardys find a better mortgage

When Mark and Mandy Hardy wanted to move to a bigger house, it seemed to them that their current lender wasn't competitive, so they asked us to find a more suitable deal.

Mandy, who works as a care assistance in an NHS hospital, and Mark, who is a teacher, have three children, aged two, six and eight. With the children growing up, they decided to move to a bigger house so that each child could have their own bedroom and, importantly, they would have a large, ensuite guest bedroom where grandparents could stay in comfort.

#### **Higher interest rate and set-up fees**

Their current home was on the market for £325,000 and their mortgage of £250,000 was about to come to the end of its fixed-rate term.

Mandy and Mark found their ideal house for £460,000. Luckily, the same week they received a reasonable offer for their current home.

When they approached their current lender to see what mortgage were available, they were surprised to discover that the five-year fixed rate mortgage they were offered was 1.5% higher than their current mortgage. Also, as they wanted to borrow enough to cover the costs of the move, including legal fees and stamp duty, they were over the 80% loan-to-value requirements for that particular mortgage. Plus they found the set-up fees of just over £1,000 for the mortgage excessive compared to what they have paid previously.

#### **Independent advice**

They felt that they could find a better deal, especially as they were both earning considerably more now than when they bought their house and they knew that they could comfortably afford the repayments. They had the impression that their current lender didn't value their custom and decided to look elsewhere.

Mandy remembered seeing our offer of a complimentary mortgage review on the UNISON Living website and they got in touch. Alan, their adviser, explained that they did need to review their expectations in terms of interest rates,

which have gone up since they took out their previous mortgage.

He also explained that, irrespective of the lender they used, they would both have to provide details of their income and of the family's expenditure, as required under recent mortgage regulations.

The good news was that he expected to be able to find them a more competitive deal than the one their current lender was offering. He also hoped to find a lender who accepted higher loan-to-value applications, and he confirmed that their finances demonstrated that could easily afford the repayments on the amount they wanted to borrow.

#### **Reduced fee available to UNISON members**

They were pleased to hear that, as theirs was a standard application, he would reduce his usual fee of £495 per mortgage if they went ahead with his recommendation to just £249. If they didn't go ahead no fee would be due. This special offer is available to UNISON members on standard applications.

#### **Helping them through the application process**

As busy working parents, they were delighted to discover that his service included helping them through the entire application process, checking that they had supplied all the information required and that the figures stacked up.

#### **Cheaper all round**

Sure enough, Alan found Mandy and Mark a five-year fixed rate mortgage at a slightly lower rate than the one proposed by their current lender and with a set-up fee 50% lower. They then spent an couple of hours with him making sure that all the paperwork was in order. Alan kept them updated with progress and, given his attention to detail, they were not surprised when it sailed through without a glitch.



## **Book a mortgage review**

**Whether or not you are moving home, if your fixed term mortgage is coming to an end you should book a mortgage review.**

**With our help, you could end up saving hundreds or even thousands of pounds in mortgage repayments.**

**Call 08000 85 85 90 or email [enquiries@lighthousemps.co.uk](mailto:enquiries@lighthousemps.co.uk)**

We may be paid commission by the lender, usually 0.2%-0.4% of the mortgage. For a £100,000 mortgage we would receive between £200-£400. Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured on it.

Lighthouse Mortgage and Protection Solutions is a trading style of Lighthouse Advisory Services Limited, which is authorised and regulated by the Financial Conduct Authority.

# Things to think about before you retire

Here are a few of the things you should think about if you are hoping to retire within the next five years and want to live the rest of your life free of financial worries.

## **Are you ready to stop working?**

Some people can't wait to retire, while others are unsure how they will use their time. It is important to think through how you want to retire – would you like to retire early? Or work for beyond your official retirement age? Or maybe reduce your hours gradually? It is important to understand the financial implications of your options. Your choice may depend on how much pension and any other income you have accumulated.

## **What will you do when you retire?**

Our expectations of retirement have changed. Many people now want to travel and pursue their interests and hobbies – both of which come at a cost. It is important to think through the lifestyle you envisage having when you retire, and working out how much this will cost. Will you be able to afford it, and if not, can you save more?

## **How much income are you likely to have?**

Do you know how much income you could receive from your pensions, including your state pension? Do you understand your options as to how and when you start drawing your pension?

Can you phase in how you take them, perhaps because you will continue to work part-time and therefore won't need all the income straight away? If so, would you get a higher income later?

Are you entitled to a tax-free lump sum? If you are, and you take it (there is no obligation to do so) you are likely to receive a lower regular income than if you don't take the tax-free cash.

Do you have other savings, for instance in ISAs, which could boost your income?

## **Do you have a mortgage?**

If you will still have a mortgage when you retire, have you thought about whether you will still be able to afford the repayments on what is likely to be a lower income than when you were working?

It is worth checking now whether you are on

an advantageous deal. If you are on your lender's standard variable rate and you still have a number of years to go on your mortgage you should certainly consider moving to a cheaper rate.

As older people generally find that it is difficult to get a mortgage, it is worth talking to an independent mortgage adviser who knows which lenders are likely to offer you a competitive deal.

## **Planning on down-sizing?**

Maybe you are planning on moving to a smaller home when you retire. As well as reducing your regular expenditure, with lower utility bills and maintenance costs, you can use the money left over to pay off your mortgage or invest it to produce additional income.

While down-sizing does often make financial sense, make sure that your calculations are correct and that you have factored in all the costs of moving. These usually include estate agent's fees, stamp duty, legal fees and the removal company. Also, if you will still have a mortgage there will be mortgage fees to pay.

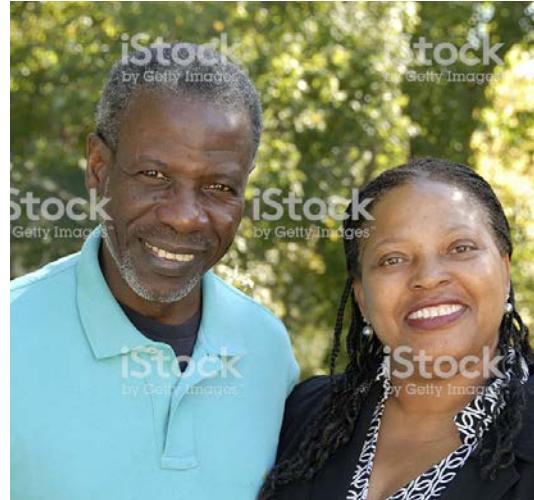
If you hope to retire within the next five years, get ahead of the game and start planning now.

## **Book your complimentary initial consultation**

We are offering all UNISON members a complimentary initial retirement planning consultation with one of our professional financial advisers.

**Call 08000 85 85 90 or email [appointments@lighthousefa.co.uk](mailto:appointments@lighthousefa.co.uk)**

or contact your usual Lighthouse Financial Adviser.



## **Everything in order?**

**Do you have a Will?**  
If not, make one this month – not matter how young you are. Use a professional Will writer to make sure that it is valid and really does reflect your wishes.

You may be in the best of health, but what if that proverbial bus comes along when you aren't looking? And while you are about it, make a list of all your bank, savings and investment accounts and assets and place them in a safe deposit box with a solicitor or bank.

If you already have a Will, review it. It is surprising how quickly it can get out of date.

# Life-changing events and your finances

We know it's a cliché but life is a journey. When you are starting out in working life in your 20s you may well have little idea about what you will want from life as you get older and where you will end up. Even if you do, your priorities are likely to change as your life evolves.

**Y**ou will probably go through a number of life-changing events over the years, hopefully mostly for the better, although few of us get through without some unhappy ones.

We inevitably get caught up in the emotions and practical issues these events throw at us. But major changes tend to have financial consequences. So when something significant happens, make sure you check your finances and make any adjustments required.

## Getting married or living together

The good news is that living together is generally cheaper than living alone. Things to review at this exciting time include your Will, pension arrangements and investments, together with life and critical illness insurance. Review your joint income and expenditure and agree a plan. You may find that jointly you have more spare cash. Time to start planning to make your dreams happen!

## Bringing up children

Your income may fall and your outgoings will certainly increase – for around 18 years or so. You will want to provide your family with financial security so it is important to review your Will, make sure you have enough life assurance to protect the family's finances and maybe start

saving for school or university fees.

## Death of a partner or parent

This is a difficult time, when it is important to consider the financial impact of the death on remaining family members, ensuring they are financially secure and that money is invested appropriately and tax-efficiently.

## Promotion or changing jobs

You should check whether your pension contributions, income protection insurance, death-in-service and other employee benefits have changed and are still adequate. If they are not you may want to take out personal policies to replace them.

## Retiring or starting to use your pension fund:

If you are a member of a defined benefit scheme you should probably accept the pension you are offered. However, if you are a member of a defined contribution scheme, you need to consider your options. Should you take a tax-free lump sum? Should you buy an annuity or keep your pension invested in a way that generates the income you require? What will happen to your pension when you die? You may want to generate additional income from your investments. This is also a good time to sort out inheritance tax planning, so that as much of your hard-earned money as possible goes to your loved one.



## Get in touch

If your life has changed in any way recently get in touch now.

Call 08000 85 85 90 or email [appointments@lighthousefa.co.uk](mailto:appointments@lighthousefa.co.uk)

or contact your usual Lighthouse Financial Adviser.

The value of your investments, and the income you receive from them, can go down as well as up. A pension is a long-term investment and inflation will reduce how much your income is worth over the years. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

1. Source: [www.in2013dollars.com/2008-GBP-in-2018](http://www.in2013dollars.com/2008-GBP-in-2018).

2. Source: [www.forecast-chart.com/historical-ftse-100.html](http://www.forecast-chart.com/historical-ftse-100.html).

## Helping UNISON members secure their financial futures

Each year we run hundreds of seminars on topics ranging from redundancy to retirement that give UNISON members practical help with securing their financial future.

To find out about arranging

a seminar or surgery for UNISON members at your place of work please contact one of our regional representatives:

**London, the South & South Wales:**  
Helen Andrews

Tel: 07771 804658  
Email: [helen.andrews@lighthousefa.co.uk](mailto:helen.andrews@lighthousefa.co.uk)

**The Midlands, the North West & North Wales:**  
John Duffy  
Tel: 07535 991722  
Email: [john.duffy@lighthousefa.co.uk](mailto:john.duffy@lighthousefa.co.uk)

[lighthousefa.co.uk](http://lighthousefa.co.uk)

**The North East, Scotland & Northern Ireland**  
Gillian McGrath  
Tel: 07887 788935  
Email: [gillian.mcgrath@lighthousefa.co.uk](mailto:gillian.mcgrath@lighthousefa.co.uk)