

Stonebridge Articles February 2023



Supporting you in 2023 and beyond

We've made it to 2023 after what has proved to be another difficult year. The cost-of-living crisis, rising mortgage rates and ongoing economic turbulence resulted in a challenging 2022 for many of us.

No matter what 2023 has in store, we're here to help keep your finances on track.

Navigating a cooling housing market

With house prices predicted to drop by between 5% and 12% this year¹ and two-year fixed mortgage rates now averaging over 5%², conditions are likely to be more challenging for homeowners looking to sell or remortgage their property. Those remortgaging after the end of a previous fixed-rate deal may see an unwelcome increase in their monthly repayments.

For those looking to buy, the outlook is more positive, with falling house prices potentially reducing or negating the impact of higher mortgage rates.

Whatever your situation, you can rest assured I'll be here to help with expert advice, ensuring you have all the information you need to make clear decisions about your finances. I can search the market for the best mortgage products for your circumstances, advise on the pros and cons of different mortgage types, and help you navigate any challenges that lay ahead.

Don't neglect protection

With so many people feeling the pinch, it may feel tempting to cut back by reducing or cancelling your protection cover. According to Vitality³, one in seven UK adults are currently thinking about cancelling their life insurance cover to save cash. Concerningly, just three in 10 of respondents saw it as a non-negotiable financial priority.

In fact, it is during times of economic uncertainty that we most need protection insurance. When our financial resilience is low, we're much less likely to be able to weather financial shocks such as losing a job, unexpected expenses and, of course, being unable to work due to illness or injury.

The cost of protection insurance also increases as you get older – so if you cancel now, you may face having to pay a much higher rate should you decide to take out another policy later in life. According to LifeSearch⁴, the average monthly cost of income protection cover when you are 25 is just £8.77 per month, whereas a 55-year-old pays £34.02 on average.

Don't forget that we're always here to help you organise your finances so that you have the budget to keep up your premiums.

And, if you're taking out insurance for the first time, we can assess your circumstances and provide advice on the most suitable type of protection insurance for you.

Whatever your goals for 2023, let's achieve them together.

Your home may be repossessed if you do not keep up repayments on your mortgage. As with all insurance policies, conditions and exclusions will apply.

¹ [The Guardian, 2022](#)

² [Uswitch, 2023](#)

³ [Vitality, 2022](#)

⁴ [LifeSearch, 2022](#)

Could you survive financially?

Nearly half (45%) of adults between the ages of 25 and 44 who don't have a protection policy aren't sure they could cope financially if they were too ill to work.

Worrying research from LV= suggests that a large minority of working adults could be in significant danger of financial distress if they fell ill. And, whilst nobody ever expects to be ill enough to be absent from work long-term, LV='s statistics suggest that it is more common than you might think.

In fact, the provider paid out over £20m in critical illness claims between January and September 2022, including 14 child critical illness claims totalling £360,000.

Protection – more important than ever

At a time when households across the UK are tightening their belts to cope with rising prices, protection insurance has never been more important. With three in 10 adults living from pay day to pay day² and nearly a quarter (23%) dipping into their savings at least every one to three months due to the cost-of-living crisis³, many of us are less resilient to financial shocks than we used to be.

Mike Farrell, LV='s Protection Sales Director, said, *"The cost-of-living crisis will continue to be a challenge that many of us face for some time to come as the UK navigates through difficult economic conditions. Our research shows that three in five people without a protection product would feel more financially resilient if they had a policy that paid if they were unable to work due to illness or injury."*

Assessing your financial resilience

Unsure if you need a protection policy? The following questions should help you assess your financial resilience.

- 1) How long could you continue to pay your mortgage/rent and other essential expenses if you lost your income?
- 2) If you were unable to work, would you be concerned about your ability to make debt repayments on time (e.g., credit cards, loans, car finance etc.)?
- 3) Would you find it difficult to pay an unexpected bill?
- 4) Do you have any money left over for savings at the end of the month?
- 5) How would you and your family's lifestyle have to change if you couldn't work?

If, after thinking through these scenarios, you do have concerns about your ability to pay essential expenses and debts if you couldn't work, then it is highly advisable to have a protection policy in place.

The value of financial advice

If you are concerned about your ability to budget for protection insurance premiums, then please get in touch – professional financial advice could really help. I can help you organise your finances and identify any areas where you might be able to economise.

As with all insurance policies, conditions and exclusions will apply.

¹ [LV=, 2022](#)

² [Money.co.uk, 2022](#)

³ Moneybox, 2022

Mortgage lenders pledge cost-of-living help

Many mortgage holders have seen their monthly payments soar in the past year. Alongside other cost-of-living pressures, the rise in this large monthly outgoing can be a major cause of stress.

A meeting on 7 December 2022 provided some clarity and comfort. Chancellor Jeremy Hunt and the Chair of the Financial Conduct Authority (FCA) met with mortgage lenders to agree measures to help struggling borrowers.

Payment respite

Lenders acknowledged the difficulties many borrowers are facing and agreed to offer tailored financial support to anyone finding it hard to make payments. This could be in the form of:

- Extensions to mortgage terms to lower monthly payments
- Short-term reductions in monthly payments
- Interest-only payments for a limited period.

Lenders also pledged to provide well-timed information to help customers plan ahead. Those who are up to date with payments could also be allowed to switch to a new mortgage deal without another affordability test.

Don't suffer in silence

Mortgage rates have calmed since September but remain significantly higher than at the start of last year. If you are struggling to make payments on your mortgage, we're always here to discuss the best options available to you.

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

Possibilities abound for FTBs in 2023

It's fair to say that there's a lot of gloom around the housing market right now. But 2023 could provide ideal opportunities for first-time buyers (FTBs) to get on the housing ladder.

Buyers' market

Most experts are predicting significant price falls in 2023, which would be the first time that house values have dropped for many years. The biggest slumps are expected in the south of England, where prices are higher.

With a downturn on the horizon, sellers have already started accepting offers on average 4% below asking price¹. Doing so could save the average buyer roughly £10,500.

Flats provide value

Another opportunity for FTBs is the comparative value of flats. For those looking to purchase their first home, flats often offer the best value for money – and the price differential between houses and flats is now at its highest for 20 years across most of the UK.

In London, for example, the average house costs 1.7 times more than the average flat, compared to 1.4 times a decade ago.

Play to your strengths

As a first-time buyer, you have the advantage of flexibility. From the seller's view, the lack of an onward chain and the ability to progress quickly mean that FTBs make appealing buyers, especially in a softening market.

If you're looking to buy in 2023, we're here to help!

¹ [Zoopla](#)

Extension to Mortgage Guarantee Scheme

The government has confirmed that the mortgage guarantee scheme will run for another year to offer more support to first-time buyers.

The scheme was introduced in April 2021 to increase the availability of 95% loan-to-value mortgages after they were withdrawn during the pandemic. The scheme offers lenders the financial guarantees they need to provide mortgages that cover the other 95%, subject to the usual affordability checks, on a house worth up to £600,000.

As of November 2022, the scheme had helped over 24,000 households and the value of mortgage completions was estimated at around £4.4bn. It was originally planned to close at the end of 2022 but will now be extended until the end of 2023.

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Equity release used for gifted deposits

It's estimated that first-time buyers (FTB) using a gifted deposit can get onto the property ladder up to 11 years faster than prospective buyers consistently saving.

The research¹ found that a UK household saving £180 a month would take 10.9 years to reach the average £23,549 deposit needed by first-time buyers in England.

In contrast, a gift could get FTBs onto the ladder much faster. The average sum² raised by equity release for use as a gifted deposit in the UK is £61,596 – far above the average deposit for a FTB.

Your home may be repossessed if you do not keep up repayments on your mortgage. A lifetime mortgage is a long-term commitment which could accumulate interest and is secured against your home. Equity release is not right for everyone and may reduce the value of your estate

¹[more2life](#) ²Key Market Monitor

House price growth slows, demand falls

According to Zoopla's House Price Index, annual house price growth in the UK dropped to 7.2% in December.

The index also showed that quarterly house price inflation slowed from over 2% in the summer to just 0.3% in the last three months of 2022. This makes an annualised growth rate of just 1.4%. Experts at Zoopla expect this to turn negative by mid-2023.

Demand has been weakened across all regions of the UK due to higher mortgage rates, cost-of-living pressures and low consumer confidence. Sellers are accepting larger discounts to asking prices to achieve sales. The gap between asking price and sale price grew to 4% in December, from 0% in early October and it is expected that discounts will widen further in 2023.

Urban areas are likely to fare better in 2023 as workers return to cities.

Let's talk about your protection

The cost-of-living crisis is taking its toll and many UK consumers are looking to reduce their outgoings. Before you consider cancelling your protection policy speak to me first.

If affordability is a concern, you could reduce the amount of cover or remove additional benefits. Or in the case of income protection, you could consider increasing the deferred period.

When assessing your finances, it is important to think carefully about your decisions. As well as leaving you and your loved ones without essential cover, if you cancel your protection now then take out a new policy in the future, it will more likely than not end up costing you more. Think about any other spending that could be cancelled first. Remember that cancelling protection can undermine a carefully constructed plan.