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WEALTH KNOWLEDGE

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Fixed-rate mortgage prices and product fees in year-on-year fall

A fixed-rate war between mortgage lenders is driving prices for decade-long products to enticing lows, Moneyfacts has said.

At the start of last month, homeowners could take advantage of 62 ten-year fixed-rate mortgages on the market.

These products freeze mortgage repayments for a decade at a pre-agreed figure, regardless of fluctuating interest rates.

They are popular with borrowers who like to know what they will be repaying over longer periods as it enables them to budget.

The only drawback is that homeowners face repaying more should interest rates drop during the term of their mortgage.

The average product fee involved with the latest fixed-rate deals fell from £1,047 in December 2018 to £1,022 in December 2019.

Deals charging no product fees decreased, from 1,817 to 1,715, while deals offering free or refunded legal fees also decreased from 2,167 to 2,078 over the same time.

Rachel Springall, finance expert at Moneyfacts.co.uk, said:

"Weighing up the overall true cost of a mortgage is essential, as the right deal depends on how much someone is looking to borrow and for how long.

Help-to-buy ISA closure opens the door for surge in lifetime ISAs

First-time buyers have just the one government-backed scheme to help them save for a deposit to secure their first mortgage.

The lifetime ISA enables under-40s to open an account and save up to £4,000 a year towards buying a home or retirement.

The government adds a 25% annual bonus – up to £1,000 a year before any interest is applied – on top of the amount saved.

Unless funds are withdrawn to buy a home or from the age of 60, a 25% penalty applies for accessing savings before that point.

The lifetime ISA is the only government-backed savings vehicle in place in January 2020, after the help-to-buy ISA stopped accepting new applications late last year.

Despite the closure of the help-to-buy ISA on 30 November 2019, existing savers can still put money in until 30 November 2029.

The help-to-buy ISA allowed first-time buyers to deposit up to £1,200 and save up to £200 a month thereafter.

Existing savers get a 25% government bonus of up to £3,000 once a mortgage provider has supplied them with a loan to take their first steps on the property ladder.

The government had stumped up more than £320 million by the end of June 2019, and the proceeds went towards buying £44.5 billion worth of properties.

Help-to-buy ISA providers had reported a last-minute surge in applicants before the deadline, while many of those providers do not currently offer lifetime ISAs.

Political stability could provide opportunities for growth

The new government's majority could provide investors with opportunities for growth early this year.

For the first time since 2001, the government has a big majority and clear mandate shortly after the economy ground to a halt.

In the three months to 31 October 2019, the latest GDP figures from the Office for National Statistics showed 0.3% growth.

That followed a 0.2% economic contraction during the three months to 30 June 2019.

Brexit, divided politics, global trade wars and UK businesses reining in their spending plans all pointed towards the UK sliding into recession.

Two consecutive quarters of negative growth would have seen the UK back in a recession for the first time since 2009.

While that may still come to fruition, the threat seems to have eased after the FTSE 250 share index closed 3.4% up immediately following the result of last month's election.

The value of the pound also increased to suggest that foreign investors already see an economic recovery for the UK and for UK asset prices if an orderly Brexit is secured.

However, any post-election surge in sterling and UK share indexes were tempered before Christmas by fresh concerns over a no-deal Brexit.

Investors need to consider Brexit, the government's public spending promises and the private sector in the first three months of 2020.

Savers who took expert advice are £47,000 better off over ten years

Savers who received financial advice in the early 2000s are considerably wealthier a decade later, according to research.

Those who took advice between 2001 and 2006 boosted their pension wealth by £31,000, and also benefited from a £16,000 uplift in other aspects of their affluence.

The claim comes from a joint study by Royal London and the International Longevity Centre, which compared those figures with ones from 2014 to 2016.

Interestingly, expert financial advice had a greater impact on those with modest wealth rather than affluent individuals.

The uplift in financial wealth – such as shares, ISAs and bank accounts – for the non-affluent was 35% over that ten-year period, compared to 24% for the affluent.

That overall trend extended to pension wealth, which increased by 24% for non-affluent individuals and 11% for affluent people.

Receiving advice between 2001 and 2006 resulted in a total average boost to wealth of £47,706 in 2014 to 2016.

Steve Webb, director of policy at Royal London, said:

"Many of those who receive financial advice can testify to its value, but it has always been difficult to quantify.

"This research uses the latest statistical methods to identify a pure 'advice effect' and it is strikingly large.

"If financial advice can add £40,000 to your wealth over a decade, compared with not taking advice, more needs to promote the benefits of advice."

The findings build on previous research carried out in 2017 and this corroborates the positive impact financial advice is having on people's overall wealth.