

THE ADVISER.

News Letter Autumn 2009

Alpha Independent Mortgages welcome you to our update on developments in the world of financial services.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Pay off your mortgage early

One of the most effective ways to make savings on the interest on your mortgage is to pay it off early. Paying off the average 25-year loan can feel like a long haul but if you pay just a little bit more every month, it could save money in interest and might even cut years off the term of the loan.

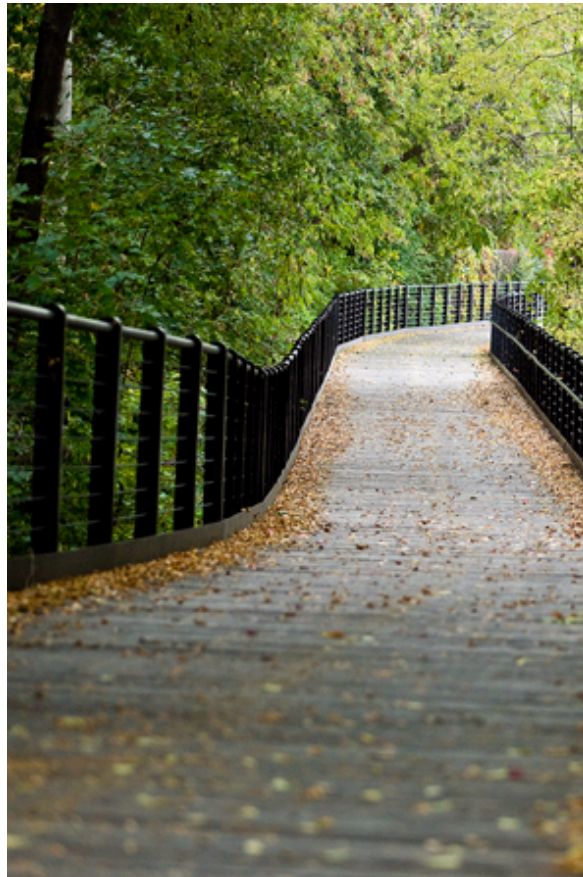
However, there are a few things to consider. If you do not have a flexible mortgage, your lender might limit the amount you can repay before you incur charges.

On the other hand, they might calculate interest annually – for example, if the calculation is based on the value at the end of December, then an overpayment in March will not take effect for nine months. In these circumstances, you might be better off leaving your money in a savings account for those nine months to earn a little interest first. Alternatively, if your lender does not actually allow overpayments, you might be able to reduce the term instead, which would increase your monthly payment, achieving the same result. However, this would be a permanent change so make sure you are happy to keep the higher payments going for the long term – and watch out for any hidden fees.

Alternatively, if you are happy with your mortgage or are still benefiting from a discounted or fixed-rate deal, put your spare money in a savings account and build up a lump sum instead. Alternatively, if savings rates are low, you could consider a remortgage. Another lender might offer a better deal, and some might even help towards legal costs.

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Still a good buy?

If you are considering buying a second property to let out, the uncertain outlook for the property market means caution is necessary. Some parts of the UK are experiencing over-supply in the rental market and landlords with mortgages could struggle to pay these if their property remains un-let or if the rental income achieved is less than expected. Most experts see the property market as having further growth potential, but believe returns will be lower in the future. With migration into the UK expanding and pressures on new build homes growing, there are persuasive reasons why property will remain a good long-term investment, but prices appear high in the short-term.

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INDEPENDENT MORTGAGES

Introducing income protection

Income protection is an insurance policy that provides you with a monthly tax-free income if you are unable to work as a result of accident or illness. Most policies pay a regular monthly amount until a full recovery is made although shorter-term plans are also available.

Income protection can be useful as a supplement to state benefits, such as statutory sick pay, as these could prove insufficient to maintain your lifestyle compared with what you may currently be earning. It is traditionally used to cover your salary and the maximum amount you can earn will enable you to broadly match the after-tax earnings you would lose.

Costs vary depending on your circumstances, your medical history, the time for which you defer payments but also on the provider. The more you are covered for, the higher the premium. However, cheaper is not necessarily better and therefore, as with all forms of insurance and protection, it is imperative you read the small print on your income protection policy to ensure you know what is covered.

Finally, it is also essential that you are open about any previous medical conditions, regardless of whether or not you think they are significant. Non-disclosure remains one of the most common reasons for claims being declined by providers and come right at the moment you need the money. Financial advice is therefore highly recommended to help ensure you find the plan most suitable for you.



A good investment?

After rising strongly for several years, UK house prices peaked in the latter half of 2007. Property prices in many parts of Britain had grown at an impressive rate, and some had more than doubled in value over the medium term. Since those heady days though, the UK housing market has slumped, proving that an investment in property is not a "get-rich-quick" strategy. Nevertheless, property remains a sensible long-term investment if certain rules are followed and, in particular, expectations about possible profits are realistic.

In a slower market, it is even more important to choose property in a strong location and to manage your budget carefully. Choosing the right mortgage is essential, and an adviser can help to assess your individual circumstances and recommend a mortgage that offers sustained value for the long term. Aside from your own house, the buy-to-let market is also a possibility. However, rising defaults amongst buy-to-let borrowers have made it much harder to find a buy-to-let mortgage, and lenders now insist on a deposit of at least 25%.

Most experts believe the property market still offers long-term growth potential, whilst accepting future returns are likely to be lower than before. Nevertheless, as demand for housing continues to grow and migration into the UK expands, there are compelling reasons for property as an attractive long-term investment. The challenge is to make sure that your repayments are affordable so that, if interest rates do rise, you are still able to meet your monthly mortgage payments.

For mortgages you can choose how we are paid: pay a fee, usually 0.75% of the loan amount or we can accept commission from the lender. When we start to advise you, we will discuss the options with you.

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The benefit of advice

The mortgage market is highly competitive and lenders constantly bring out new deals. They are required to provide Key Facts and illustrations, but many can only provide information – they cannot give advice on whether their loan or another provider's is best for you. In the UK, residential mortgage advice is regulated by the Financial Services Authority. Advisers use their research skills and sourcing systems to keep up to date with details of all the latest mortgage products so they can find the best rates and deals - and explain which one will best suit your requirements. So, if you want someone to do the hard work, then see an expert.

