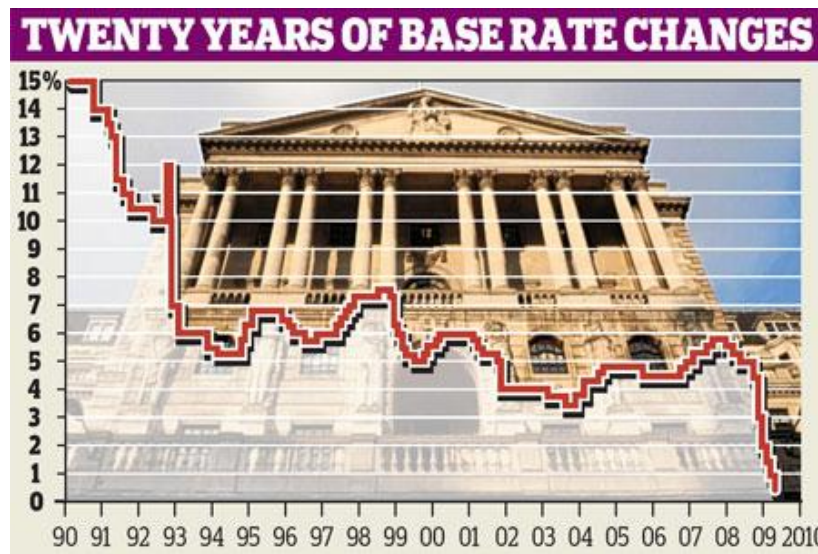


## Newsletter September 2010



This month the Bank of England kept the Base Rate at 0.50% for the 18<sup>th</sup> consecutive month. We are living in extraordinary times but borrowers shouldn't get too used to an exceptionally low Base Rate.

Andrew Lilico, chief economist at the Policy Exchange, has warned that interest rates could rise to 8% by 2012 if inflation gets out of control. In my opinion this outcome is as likely as Blackpool winning the Premier League but it goes to show that there are concerns about inflation impacting on interest rates.

The highest point the Base rate has reached in recent years is 5.75% in July 2007. In 1979 it reached 17%. The previous lowest rate in recent times was 3.50% in 2003.

While interest rates remain low and payments more affordable, I must re-iterate that this is a golden opportunity to **make mortgage overpayments to reduce your debt and save interest by shortening your mortgage term.**

Best wishes.

*Tony*  
Tony Leonard Cert PFS  
Director

## Inside this issue:

- Mortgage update
- Financial Planning Life Stages - parenthood
- News in brief

- Word count: 1035
- Time to read: 5 minutes
- Key messages in **bold**

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## Quote:

“If I had my way, I would write the word ‘insure’ upon the door of every cottage....because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever”

Winston Churchill

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## Mortgage update



The number of mortgages advanced in July increased by 7% on the previous month. It was also 6% up on the same month a year ago. However, **lending criteria remains very tight.**

First time buyers had to put down an average deposit of 24% in July. **Buy-to-let mortgages still come with big arrangement fees** of up to 3.50% of the loan size. **The number of mortgages offered to those with a 10% deposit remains small.**

There is yet to be any innovation for those who used to be called self-certified borrowers, able to afford the mortgage payments, having good equity yet being unable to prove their income for one reason or another. It could be a long while before a solution is found for this large market.

I have started to see **more competitive products available for borrowers with 20% of equity**, though 25% is still the market that lenders are aiming for.

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

**The FSA does not regulate some forms of Buy to Let mortgages**

**For mortgages we charge a fee, usually £299 or we can be paid by commission**

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## Financial Planning Life Stages – Parenthood



According to the Family and Parenting Institute, each child will cost their family an average of £200,000, or about £800 p.m. between birth and the age of 21. The case for financial planning is obvious, but what are the key things to consider?

1. **Claim any benefits.**
2. **Protect your life and income before saving.** This can be funded by child benefit and child tax credits.
3. **Consider regular savings** from these benefits to provide a lump sum at aged 18 or 21. You can also get a Child Trust Fund account for your child if their date of birth is between 1 September 2002 and 31 December 2010 and you are currently getting Child Benefit.

**A child also has tax allowances, like an adult. A personal allowance of £6,475 p.a. before any tax is due on income (interest) received and a Capital Gains Tax allowance of £10,100 p.a. However, if a child earns more than £100 p.a. in interest from money given by each parent then the whole lot, not just the amount over £100, is taxed at your marginal rate. This does not apply to money given from friends and relatives.**

### Bare essentials

- ✓ **Arrange life assurance as a priority**
- ✓ **Write or update your will** to reflect your new wishes
- ✓ **Start setting aside regular amounts for your child's future**
- ✓ **Explain the tax advantages to grandparents of cash gifts.**
- ✓ **Consider how you will help fund the rising costs of a university education**

## News in Brief

- **London marathon 2011 – running for charity.**

I've decided to run the London Marathon for the first time next year but haven't yet decided on a charity to run for. **Please let me know which charity you recommend and why. Thanks!**

- **Private medical insurance for £10 p.m.**

Pru Protect has evolved their life and serious illness insurance policy. Private medical insurance can now be added or included in the policy giving a saving of up to 25% from the stand alone policy. Premiums start from as little as £10 p.m. to pay for private treatment for 'heart and cancer' conditions.

- **Live chat – Website chat on my website**

If you're at your PC and looking for a quick answer to a financial question then you can use the live chat button at the top right of my website – [www.bestfs.co.uk](http://www.bestfs.co.uk). It works the same way as MSN Messenger so you can chat without breaking off from what you're doing.

- **According to Acadametrics, year-on-year house price growth slowed to 7.7%**

- **More insurers adding mastectomy cover as standard to critical illness cover.**

Friends Provident is the latest, paying out 20% of the sum assured or £15000 whichever is less in the event of a total mastectomy to treat a carcinoma in situ of the breast, whilst keeping your clients full sum assured intact in the event of a further claim.

- **FSA could kill off Interest Only mortgages**

The Council of Mortgage Lenders says the Financial Services Authority risks killing off interest-only mortgages if it goes through with the proposals in its Mortgage Market Review.