

# Financial Planning Report

Prepared for:

Mr & Mrs A Client



Prepared by:

**Independent Financial Adviser**

**PPOL**

Penylan Mill  
Coed-y-Go  
Oswestry  
Shropshire  
SY10 9AF

27/1/2014

# SUITABILITY REPORT

## Introduction and Basis of Advice

Your financial affairs have been analysed and my advice is set out below. I am authorised to provide advice on all areas addressed in this report. My recommendations that follow are based on my understanding of your current financial position and objectives. I would ask that you read the report carefully and check that it reflects your financial position, priorities, attitude to risk.

It is important that you understand my advice. You should read this report in conjunction with the relevant illustrations, remuneration disclosure and Key Features documents, which all provide important information about the recommendations contained within this report. I do stress that if you do not understand any of the information contained within the Key Features document or this report then please contact me as a matter of urgency.

You have also been provided with a copy of our Client Agreement. This explains my status, our terms of business, the services we offer and how we can be remunerated for these services.

Date of Client Agreement	Date of Identity Verification	Date of First Meeting	Date of Last Meeting
2/1/2014	27/1/2014	2/1/2014	27/1/2014

If you believe that the information in any of the documents provided is incorrect please let me know as soon as possible. I would also mention that if any information has not been disclosed, it is possible that my advice may not take account of all your personal requirements and could ultimately have been different. I cannot accept responsibility for any non-disclosed information which could have affected my advice. Nor can I accept any liability should you suffer any loss due to the non-disclosure of material facts which have not been brought to my attention.

## Summary of Current Position & Objectives

Please find below a summary of your current position:

Name	Mr A Client	Mrs A Client
Date of Birth	1/1/1970	1/1/1972
Marital Status	Married	Married
Number of Financial Dependants	2	
Occupation	Sales Director	Teacher
Employment Status	Employed	Employed
Tax Status	Higher Rate Tax Payer	Basic Rate Tax Payer
Monthly Net Income (£)	2,950	1,000
Monthly Expenditure (£)	3,100	Joint
Total Assets (£)	480,000	Joint
Total Liabilities (£)	240,000	Joint
Smoker	No	No
State of Health	Good	Good

You have requested a review of the interest rates applicable to both your residential mortgage and your buy to let mortgage (the former will soon be reverting to the lenders SVR). You would also like

to raise an additional £20k for home improvements on your main residence. Finally, a review of the premiums you are paying for your mortgage protection policies is required.

I have undertaken an analysis of your needs and requirements and have made a recommendation on the basis of the information you have provided. You have specifically requested that I focus my advice on the following:

- A review of your existing mortgage arrangements
- Securing a further advance on your main residence
- To ensure you have suitable protection in place to cover the financial consequences of your death

## **Attitude to Risk**

We discussed at some length your attitude to risk (ATR) and in particular the relationship between risk and reward. I can confirm the agreed risk profile for each area of financial planning discussed in this report is detailed below.

Your risk profile is summarised as follows:

Mortgage Attitude to Risk (Main Residence): **Cautious**

Ensuring that mortgage capital and interest are guaranteed to be repaid at the end of the term is important to you. You are not prepared to take risks with your mortgage.

Mortgage Attitude to Risk (Rental Property): **Balanced/Adventurous**

You understand that only the interest is being repaid on your mortgage and that the capital will need to be repaid at the end of the term. You understand that an investment backed repayment vehicle is required to repay the capital and that this may fluctuate to some extent. You are prepared to take some risk for potential return on investment.

Protection Attitude to Risk: **Guaranteed**

Premiums are set at the outset of the policy and will continue at that level throughout the term of the policy providing no subsequent changes are made to the policy.

If you feel that this does not accurately reflect your attitude to risk please contact me as a matter of urgency.

A full summary of my company's attitude to risk definitions can be found in the appendix of this report.

## Review of Mortgage Arrangements

Please find below a review of your existing mortgage arrangements. Further information can be found in the section *Notes on Financial Products* in the Appendix.

### Mortgage - Santander - Rental Property

Property	Rental Property
Mortgage Holder	Joint
Purpose	Buy To Let
Repayment Method	Interest Only
Repayment Vehicle	ISA Portfolio
Commencement Date	27/07/2012
Initial Loan Amount	£80000
Remaining Loan Amount	£80000
Loan To Value (LTV)	70%
Remaining Term	14.5 years
Current Interest Rate	4.49%
Monthly Repayment	£299.33

Exit Charges	
Discharge Fee	Early Repayment Charge
£150	3% of mortgage advance

### Benefits & Features

A summary of the benefits and features applicable to this mortgage are set out below:

See Notes on Financial Products in the Appendix for more details of these features.

- **Fixed Interest Rate** at 4.49% is guaranteed to remain unchanged for an introductory beneficial period. Please note once the introductory period ends your payments could rise significantly.
- **Beneficial Interest Rate Period** until 27/07/2015 after which the interest rate will usually change to the lender's standard variable rate prevailing at that time (currently 4.74%). Please note once this period has ended your payments could rise significantly.
- **Early Repayment Charge** of £2,400 or 3% of the mortgage balance is levied if you terminate the mortgage within the introductory beneficial period

The mortgaged property is a 2 bedroomed end terrace with a current rental income of £495 per month

I have recommended this mortgage be **retained** for the following reasons:

- Your mortgage providers product remains competitive within the current market place
- Your mortgage product continues to offer affordable repayments for the next 1.5 years
- There are redemption penalties applying which cannot be offset by any savings made by moving to another lender's mortgage product
- After reviewing your personal situation I can confirm we were unable to obtain a more beneficial mortgage product at this time

Please note, by retaining your existing mortgage provider and product you remain subject to its terms and conditions.

I confirm you understand that you will still owe the full amount borrowed at the end of the term of an interest only mortgage or part interest only mortgage. As such, an interest only mortgage carries greater risk than a repayment mortgage which guarantees to repay the mortgage in full at the end of the term. I would recommend that where you have not already done so, you effect a separate investment to repay the amount borrowed. You should also regularly review your investment to ensure it remains on course to repay your mortgage debt in full at the end of the term.

### Mortgage - Principality Building Society - Main Residence

Property	Main Residence
Mortgage Holder	Joint
Purpose	Residential
Repayment Method	Capital & Interest
Commencement Date	27/02/2007
Initial Loan Amount	£160000
Remaining Loan Amount	£140000
Loan To Value (LTV)	65%
Remaining Term	13 years 1 month
Current Interest Rate	3.59%
Monthly Repayment	£1,124

Exit Charges	
Discharge Fee	Early Repayment Charge
£125	3% of mortgage advance

### Benefits & Features

A summary of the benefits and features applicable to this mortgage are set out below:

- **Fixed Interest Rate** at 3.59% is guaranteed to remain unchanged for an introductory beneficial period. Please note once the introductory period ends your payments could rise significantly.
- **Beneficial Interest Rate Period** until 27/02/2014 after which the interest rate will usually change to the lender's standard variable rate prevailing at that time (currently 4.99%). Please note once this period has ended your payments could rise significantly.
- **Early Repayment Charge** of £4,800 or 3% of mortgage advance until 26th Feb 2014 is levied if you terminate the mortgage within the introductory beneficial period.

I have recommended that you should **re-mortgage** for the following reasons:

- You borrowing requirements have changed
- You have looked into a further advance of £20k with your existing lender but have been unable to secure the borrowing and repayment terms you require
- It is possible to obtain a more competitive interest rate
- The early repayment charge will expire in February 2014 therefore no repayment penalties would be incurred on changing your mortgage

## Mortgage Recommendations

My recommendations are subject to the following statements:

### *Service Disclosure*

- I provide impartial and independent mortgage advice. I have researched the whole of the relevant market to recommend the mortgage which best reflects your individual needs and circumstances.

### *Advice Restrictions*

- My advice is regulated by the Financial Conduct Authority (FCA) and unless stated otherwise will not cover 'direct only deals' with lenders
- My advice in this report assumes that you are not a high net worth mortgage customer & not a mortgage professional and that your borrowing requirements are not for business purposes as defined under the Mortgage Market Review (MMR) legislation effective from 26th April 2014

I confirm that I have provided you with the following guides & leaflets:

- Money Advice Service (MAS) - You can afford your mortgage now but what if...?
- Money Advice Service (MAS) - Take action with your interest only mortgage now

## Mortgage - Woolwich - Main Residence

Property	Main Residence
Mortgage Holder	Joint
Purpose	Residential
Repayment Method	Capital & Interest
Initial Loan Amount	£160,000
Loan To Value (LTV)	68%
Current Interest Rate	2.89%
Monthly Repayment	£1,232

Entry Charges			Exit Charges	
Arrangement Fee	Procurement Fee	Valuation Fee	Discharge Fee	Early Repayment Charge
£699	£670	£75	£130	£4,800 or 3% of the mortgage advance

I confirm that you have elected to pay any associated mortgage provider and product arrangement fees at the outset which will avoid any interest being added to the fees. A Key Features Illustration (KFI) has been provided to you with and without the fees being added to the loan.

**Capital & Interest** - Your monthly repayment to the lender includes an element of capital in addition to the interest due at the prevailing rate on the amount borrowed. The proportion of each will change throughout the period of the loan with the capital element increasing with each monthly payment. Provided the repayments due are met in full and on time the mortgage will be repaid in full at the end of the set term.

## Benefits & Features

A summary of the benefits and features applicable to this mortgage are set out below:

See Notes on Financial Products in the Appendix for more details of these features.

- **Capped Interest Rate** cannot go above the cap of 2.89% for the introductory period agreed. Please note once the introductory period ends your payments could rise significantly.
- **Beneficial Interest Rate Period** until 01/03/2017 after which the interest rate will usually change to the lender's standard variable rate prevailing at that time (currently 4.99%). Please note once this period has ended your payments could rise significantly.
- **Early Repayment Charge** of £4,800 or 3% of mortgage advance is levied if you terminate the mortgage within the introductory beneficial period.

I have recommended this mortgage provider for the following reasons:

- Woolwich is one of the largest providers of mortgages on the high street and is the mortgage arm of Barclays Bank. They are a long standing and multi-award winning mortgage provider
- The recommended lender is financially strong
- They have received numerous awards for their customer service

I have recommended this mortgage product for the following reasons:

- The terms offered were deemed the most competitive available
- The terms meet with your attitude to risk and reflect your repayment objectives
- The capped rate of interest will provide certainty of affairs and the ability to budget during the introductory period

**An early redemption penalty applies on the recommended mortgage. A charge will be applied if you redeem or transfer your mortgage to an alternative lender within the redemption period. I refer you to the charges section of the recommendation and your personal illustration for further information.**

**The interest rate on your mortgage will revert to the lender's current variable rate once your beneficial introductory rate expires. This could mean that your monthly payments increase substantially. Assuming interest rates remain unchanged, I believe the payments will still remain affordable to you. However I am unable to predict how interest rates and your circumstances may change in the future.**

### **Further Information and Risk Warnings**

Under the terms of the mortgage you must maintain suitable buildings insurance for a sum not less than that specified by the lender's valuer.

Full terms and conditions of your mortgage are contained within your mortgage offer letter issued by the lender. Please note that because the formal mortgage offer is subject to valuation and the production of satisfactory references, the mortgage illustration does not constitute the offer of a mortgage. On receipt of your mortgage offer letter please read it carefully and contact either your solicitor or myself if you have any queries.

Property values and prices may fluctuate according to market conditions, and the value of your property may go down as well as up. In the future, this could mean that your mortgage loan exceeds the property's current market value (i.e. a negative equity situation).

Further information concerning the above can be found in the Key Facts document provided and the Appendix of this report. A summary of the risk warnings associated with these recommendations can also be found in the Appendix of this report.

Finally, I have stressed the importance of not over-committing yourself in terms of your mortgage repayments and other expenses. I would like to take this opportunity to confirm that the above recommendation is affordable to you and you have sufficient regular income to cover the monthly repayment of your mortgage now and for the foreseeable future.

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



## Level Term Assurance Recommendation

I understand you have the following existing cover in place.

Policy Number	Company	Type	Monthly Premium	Life Cover	Critical Illness Cover	Remaining Term
445367HK	Bright Grey	Level Term	£12.75	£80,000	£0	13.5 years

Your existing contract includes the following additional features:

Feature	Included?
Waiver of Premium	Yes
Indexation	No
Buy Back Option	No
Convertible Option	No
Renewable Option	No

I have recommended that you discontinue the above and affect new cover for the following reasons:

- The overall cost of my new recommendation is lower than your existing arrangements

If the recommended alternative plan is established on any basis different to that of your existing cover the illustrated premiums will not act as a wholly fair comparison. You should also satisfy yourself that any additional benefits are no longer required before proceeding with my new recommendation. I do stress that you should not cancel your existing protection until we have received underwriting terms on the proposed new plan and it has been placed on risk.

You wish to establish suitable protection for the following reasons:

- You would like to ensure that your (rental property) mortgage balance would be repaid in the event of your death

To this end, I have recommended a level term assurance plan for the following reasons:

- The selected product best reflects your stated needs and objectives
- The amount of cover will remain the same throughout the term of the policy
- The plan will pay out an amount equal to the sum assured in the event of the death of either life assured within the agreed term

We agreed that the cover should run for a term of 13.5 years because:

- It will provide protection over the term of your mortgage

### Options Available

**Waiver of Premium** - Provides a means of insuring your life insurance monthly premiums. In the event that you are unable to work through ill health, payments are made until the end of the policy term, a specified age or until you are able to return to work. The payments are made after a set deferment period.

**Total Permanent Disability Benefit** - The inclusion of this option means that the recommended Insurance Company will pay out if you become totally and permanently disabled, and (depending on the definition included within the policy schedule) you are unable to carry out your own occupation, or perform a certain number of recognised activities of daily living.

**Critical Illness Protection** - Critical illness protection provides a tax-free payment in the event of a life assured being diagnosed with a pre-determined critical illness, within the agreed term of the policy.

I confirm you did not wish to include this feature due to the following reasons:

- The additional cost was prohibitive
- You did not feel this feature was necessary

### Summary of Recommendations

Having researched the market place, I have recommended the following:

Life Assured	Provider	Type of Premium	Monthly Premium	Total Premium Over Expected Term	Life Sum Assured	Payable	CIC Sum Assured
Joint Life	Legal & General	Guaranteed	£11.00	£1,782	£80,000	First Death	£0

*Please be aware in the event of a claim, the selected sum assured may not be sufficient to meet all of your financial requirements. However, I confirm that the highlighted level of cover was deemed acceptable at this time.*

I have recommended the above for the following reasons:

- Legal & General are a leading provider of risk, savings and investment management products in the UK. Established in 1836, they are now responsible for investing £440 billion worldwide (as at 30 June 2013) on behalf of investors, policyholders and shareholders. Their fund management arm, Legal & General Investment Management (LGIM) is one of Europe's largest institutional asset managers and a major global investor. They are financially strong, a fact which is reflected in the AA- credit rating they have been awarded by Standard & Poors, a leading independent ratings agency
- They offer a competitive premium for the policy required
- They have provided us and our clients with an excellent service in the past
- They are known for having a good claims history and paying claims quickly
- The level of cover has been selected to match your outstanding mortgage balance

Entry Charges	Ongoing Charges
Commission	Commission
£180.00 initially	£0.38 p.m. from year 2 onwards

In view of your circumstances and stated objectives I have not recommended that this policy be placed under trust at the current time. In the event of a claim, the proceeds will be paid into your estate and may be subject to inheritance tax.

## **Further Information and Risk Warnings**

Further information regarding the recommended product can be found in the Key Features Document provided and the Appendix of this report. A summary of the risk warnings associated with my recommendations can also be found in the Appendix of this report.

## **Alternative Products Considered But Discounted**

I confirm due consideration was given to a range of products, but the alternatives were subsequently discounted for the following reasons:

### *Family Income Benefit Plan*

- You preferred any benefit to be paid as a lump sum

### *Whole of Life Protection*

- You only required protection over a specific term

### *Decreasing Term Assurance*

- You required the amount of protection to remain level throughout the term of the policy

## Decreasing Term Assurance Recommendation

I understand you have the following existing cover in place

Policy Number	Company	Type	Monthly Premium	Life Cover	Critical Illness Cover	Remaining Term
254431TG	Bright Grey	Decreasing Term	£28.00	£140,000	£0	13 years 1 month

Your existing contract includes the following additional features:

Feature	Included?
Waiver of Premium	Yes
Indexation	No
Buy Back Option	No
Convertible Option	No
Renewable Option	No

I have recommended that you discontinue the above and affect new cover for the following reasons:

- The overall cost of my new recommendation is lower than your existing arrangements
- You wish to increase the level of cover and this is not possible under your current arrangement

If the recommended alternative plan is established on any basis different to that of your existing cover the illustrated premiums will not act as a wholly fair comparison. You should also satisfy yourself that any additional benefits are no longer required before proceeding with my new recommendation. I do stress that you should not cancel your existing protection until we have received underwriting terms on the proposed new plan and it has been placed on risk.

You wish to establish suitable protection for the following reasons:

- You would like to ensure that your (residential) mortgage balance would be repaid in the event of your death

To this end, I have recommended a decreasing term assurance plan for the following reasons:

- The cover provided will reduce each year over the specified term in line with the approximate amount owing on your mortgage. There will be sufficient cover as long as the average interest rate on your repayment mortgage does not exceed the interest rate outlined on your illustration
- The plan will pay out an amount equal to the then sum assured in the event of the death of either life assured within the agreed term
- It is the cheapest form of insurance which meets your stated needs and objectives

We agreed that the cover should run for a term of 13 years 1 month because:

- It will provide protection over the term of your mortgage

### Options Available

**Waiver of Premium** - Provides a means of insuring your life insurance monthly premiums. In the event that you are unable to work through ill health, payments are made until the end of the policy term, a specified age or until you are able to return to work. The payments are made after a set deferment period.

**Total Permanent Disability Benefit** - The inclusion of this option means that the recommended Insurance Company will pay out if you become totally and permanently disabled, and (depending on the definition included within the policy schedule) you are unable to carry out your own occupation, or perform a certain number of recognised activities of daily living.

**Critical Illness Protection** - Provides a tax-free payment in the event of a life assured being diagnosed with a pre-determined critical illness within the agreed term of the policy.

I confirm you did not wish to include this feature due to the following reasons:

- The additional cost was prohibitive
- You did not feel this feature was necessary

### Summary of Recommendations

Having researched the market place, I have recommended the following:

Life Assured	Provider	Type of Premium	Monthly Premium	Total Premium Over Expected Term	Life Sum Assured	Payable	CIC Sum Assured
Joint Life	Scottish Provident	Guaranteed	£26.30	£4,129	£160,000	First Death	£0

*Please be aware in the event of a claim the selected sum assured may not be sufficient to meet all of your financial requirements. However, I confirm that the highlighted level of cover was deemed acceptable at this time.*

I have recommended the above for the following reasons:

- Scottish Provident is one of the leading providers of life, critical illness, income protection and unemployment cover. Recognised by the industry with many awards, Scottish Provident has a wealth of experience and expertise and a flexible product range to suit everyone. Scottish Provident was acquired by The Royal London Group with effect from 29th December 2008 however the Scottish Provident brand remains. The Royal London Group is financially strong, a fact which is reflected in their 'A-' (Strong) financial strength rating awarded by Standard & Poors, a leading independent ratings agency. The Royal London Group has £48.7 billion funds under management as at 30 September 2011
- They offer a competitive premium for the policy required
- Although the quoted premium is not the most competitive currently available in the market place, the critical illness definitions under which you are covered are more comprehensive
- The research tool I have used to review the market place showed them to be offering the most suitable and competitive product to meet your needs and objectives
- They are well established and financially strong
- They have provided us and our clients with an excellent service in the past
- They are known for having a good claims history and paying claims quickly

- The level of cover recommended has been derived as a result of the information that we have entered within a protection shortfall calculator regarding your current position and future objectives
- This is the maximum cover available for your budget
- I have calculated the level of cover you required based on your financial circumstances and we agreed the premium is affordable
- The level of cover has been selected to match your outstanding mortgage balance

Entry Charges	Ongoing Charges
Commission	Commission
£275.00 initially	£0.70 p.m. from year 2 onwards

In view of your circumstances and stated objectives I have not recommended that this policy be placed under trust at the current time. In the event of a claim, the proceeds will be paid into your estate and may be subject to inheritance tax.

### **Further Information and Risk Warnings**

Further information regarding the recommended product can be found in the Key Features Document provided and the Appendix of this report. A summary of the risk warnings associated with my recommendations can also be found in the Appendix of this report.

### **Alternative Products Considered But Discounted**

I confirm due consideration was given to a range of products, but the alternatives were subsequently discounted for the following reasons:

#### *Family Income Benefit Plan*

- You preferred any benefit to be paid as a lump sum

#### *Whole of Life protection*

- You only required protection over a specific term

#### *Level Term Assurance*

- You required the amount of protection to reduce throughout the term of the policy

# Important Information

## Cost of Services

There are various ways I can be remunerated for my advice and the provision of my services. A summary of the options can be found in our Tariff of Charges document, Services and Costs Disclosure Document (SCDD) or Combined Initial Disclosure Document (CIDD) provided.

A detailed summary of all the charges associated with the advice provided in this report can be found below:

## Charges Summary

Mortgage Charges Santander 28965768-826

Exit Charges	
Discharge Fee	Early Repayment Charge
£150	3% of mortgage advance

Mortgage Charges Principality Building Society 67543-273PB

Exit Charges	
Discharge Fee	Early Repayment Charge
£125	3% of mortgage balance

Proposed Mortgage Charges Woolwich Main Residence

Entry Charges		Exit Charges	
Arrangement Fee	Valuation Fee	Discharge Fee	Early Repayment Charge
£699	£75	£130	£4,800 or 3% of the mortgage balance

Level Term Assurance Charges Legal & General

Entry Charges	Ongoing Charges
Commission	Commission
£180.00 initially	£0.38 p.m. from year 2 onwards

Decreasing Term Assurance Charges Scottish Provident

Entry Charges	Ongoing Charges
Commission	Commission
£275.00 initially	£0.70 p.m. from year 2 onwards

**Entry Charges:** One off charges taken before or on investment.

- Procuration Fee: A payment made directly to the adviser by the recommended mortgage product provider.
- Commission: A payment made directly to the adviser by the recommended product provider.

- **Arrangement Fee:** A fee payable for the arrangement of a mortgage loan or an annuity.
- **Valuation Fee:** A charge to evaluate the worth of a property.

**Ongoing Charges:** Regular charges, typically taken over a year.

- **Commission:** Continuing payments made directly to the adviser by the recommended product provider.

**Exit Charges:** One off fees taken on termination.

- **Discharge Fee:** A charge levied by a lender on repayment of the mortgage debt.
- **Early Repayment Charge:** A fee that may be levied if part or all of a mortgage or loan is repaid before the end of the agreed term.

### **Cancellation Notice**

Once your plan or contract is set up you have a legal right to cancel it (excluding mortgages unless concluded at a distance). A 'Cancellation Notice' will be sent to you detailing how to cancel should you change your mind. You normally have 30 days (which may reduce to 14 days for ISA and Unit Trust investments) in which to cancel. The amount you get back will be reduced by any market loss incurred between making your initial investment and up until your investment is sold. Any contract arranged at your explicit consent (normally referred to as "execution only") does not provide you with cancellation rights.

### **Affordability & Emergency Fund**

You should keep some money immediately accessible to cover any unforeseen emergency expenditure that may arise. I would normally recommend that you retain an emergency fund equal to three month's expenditure within an immediate access deposit account as a bare minimum. I confirm you are happy with the level of your emergency reserve. I would also like to take this opportunity to confirm that the above recommendations are affordable to you.

### **Our Service Proposition**

My company offers a number of service propositions which govern the type of service and the regularity of contact and reviews you will experience as well as any on-going costs you can expect to incur. Full details of these propositions have already been discussed and provided. I confirm that you have elected for the following service:

- A focused and limited advice transaction service instigated by client request.

### **Financial Services Compensation Scheme ('FSCS')**

The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FCA authorised firms and covers deposits, insurance and investments. The scheme can pay compensation to clients who have lost money as a result of their dealings with FCA authorised firms that are unable to pay claims against them, usually because they are insolvent or have stopped trading.



The limit of protection varies between different types of products. For life assurance and non-compulsory insurance (e.g. home and general) the compensation level is 90% of the claim with no upper limit. For investments and mortgages the limit is £50,000 per person per firm. The maximum level of compensation on deposit based accounts increased to £85,000 per person per firm from 31st December 2010.

### **Aspects of Your Financial Affairs Not Addressed But Deemed Important**

I practice a comprehensive approach to financial planning. To this end, I would like to draw your attention to the following. If on further consideration you wish to discuss any of the below in more detail please do not hesitate to contact me.

#### *Inheritance Tax Planning*

- There would be no inheritance tax liability incurred on your estate at the current time

#### *Retirement Planning*

- You did not consider this a priority at the current time

#### *Income Protection*

- It was agreed that we would address this issue at a later date

#### *Private Medical Insurance*

- You are happy with your existing private medical insurance arrangements

#### *Wills and Lasting Power of Attorney*

- I understand you have made a Will. I do stress the importance of keeping your Will up to date, thereby ensuring your estate passes in accordance with your wishes.
- I have recommended that you affect a Lasting Power of Attorney (LPA). This will ensure your financial affairs will be looked after by someone you trust if you cannot do so yourself. Having a LPA in place avoids the significant cost and delays associated with applying to the Office of the Public Guardian.

#### *Savings and Investment*

- You are happy with your existing investment and savings arrangements at this time

## Confirmation

I have identified your objectives and I hope you agree that the recommendations made correspond to your current needs and future requirements. If you have any queries concerning the content of this report, or should you feel the recommendations are in any way an inaccurate reflection of your circumstances and future objectives please contact me immediately.

Report written by

Signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

We the undersigned have received this report. We acknowledge this is a fair reflection of our conversation and confirm we have received all supporting literature including Key Features Documents, fund fact sheets and illustrations.

Accepted by **Mr A Client and Mrs A Client**

Signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

# APPENDIX

## Attitude to Risk

My company classifies **Mortgage Attitude to Risk** as follows:

### Cautious

Ensuring that mortgage capital and interest are guaranteed to be repaid at the end of the term is important to you. You are not prepared to take risks with your mortgage.

### Balanced

Part capital repayment and part interest-only. You understand that a percentage of the mortgage is guaranteed to be repaid at the end of the term (the capital repayment percentage). However, part of the mortgage is interest-only and the capital aspect of this part will need to be repaid at the end of the term. You understand that an investment-backed repayment vehicle is required to repay the capital and that this may fluctuate to some extent. You are prepared to take some risk for potential return on investment.

### Balanced/Adventurous

You understand that only the interest is being repaid on your mortgage and that the capital will need to be repaid at the end of the term. You understand that an investment backed repayment vehicle is required to repay the capital and that this may fluctuate to some extent. You are prepared to take some risk for potential return on investment.

### Adventurous

You understand that at the end of the mortgage period the lender will require the repayment of the loan in full and unless you have sufficient capital available from elsewhere you would either have to sell the property to repay the loan or the lender would repossess it.

My company classifies **Protection Attitude to Risk** as follows:

### Guaranteed

Premiums are set at the outset of the policy and will continue at that level throughout the term of the policy providing no subsequent changes are made to the policy.

### Reviewable

Premiums may be reviewed by the insurer at specific stages throughout the policy and may be increased or decreased to maintain the same level of cover.

## **Risk Warnings – Decreasing Term Assurance**

In addition to the risks shown below, I recommend you read carefully the section entitled “risk factors” in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

- For a full explanation of the features of this plan, please refer to the personalised illustration and Key Features documentation supplied by the product provider.
- At no time during or at the end of the term does this policy provide a surrender or encashment value. If you stop paying premiums the cover will cease. If the policy pays out cover will cease.
- The recommendations are based on current taxation, law and practice and the current legal and administrative framework and are based on my current interpretation and understanding of those, all of which may be subject to change.
- If the interest rises above the selected rate, the lump sum benefit may not be enough to repay your mortgage.
- Your final premium will be subject to underwriting.
- The Insurance Company will not pay out if you do not provide them with any information they request, or if the information you do provide is incorrect.
- During the term of the policy you may suffer an illness which affects your future insurability. If you survive the policy's full term, the cover will lapse and you may not be able to obtain further cover at acceptable rates.
- Where Waiver of Premium protection has not been included, the inability to continue premium payments after suffering an accident or illness may be experienced.
- Where selected, The Insurance Company will only pay out if you are diagnosed as suffering from a critical illness which is covered by their highlighted descriptions. For further information, I refer you to the key features document.
- Where Critical Illness benefit is integrated into the life assurance policy rather than additional to any life assurance cover the provider will only pay out the sum assured on the first valid claim for either Critical Illness or Death. The policy will then cease.

## Risk Warnings - Level Term Assurance

In addition to the risks shown below, I recommend you read carefully the section entitled “risk factors” in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

- For a full explanation of the features of this plan please refer to the personalised illustration and Key Features documentation supplied by the product provider.
- The figures on any quotations provided are for illustration purposes only and are not guaranteed.
- At no time during or at the end of the term does this policy provide a surrender or encashment value. If you stop paying premiums the cover will cease. If the policy pays out cover will cease.
- The recommendations are based on current taxation, law and practice and the current legal and administrative framework and are based on my current interpretation and understanding of those, all of which may be subject to change.
- Your final premium will be subject to underwriting.
- The Insurance Company will not pay out if you do not provide them with any information they request, or if the information you do provide is incorrect.
- During the term of the policy you may suffer an illness which affects your future insurability. If you survive the policy's full term, the cover will lapse and you may not be able to obtain further cover at acceptable rates.
- Where Waiver of Premium protection has not been included, the inability to continue premium payments after suffering an accident or illness may be experienced.
- Where no escalation has been selected. You should be aware the effects of inflation may erode the benefits assured over time.
- Where selected, the Insurance Company will only pay out if you are diagnosed as suffering from a critical illness which is covered by their highlighted descriptions. For further information, I refer you to the key features document.
- Where Critical Illness benefit is integrated into the life assurance policy rather than additional to any life assurance cover the provider will only pay out the sum assured on the first valid claim for either Critical Illness or Death. The policy will then cease.

## Risk Warnings - Mortgages

In addition to the risks shown below, I recommend you read carefully the section entitled "risk factors" in the lender's product information which highlights any possible disadvantages.

- It is a legal requirement to provide you with a key facts document where advice has been provided, but the document is not a legally binding contract and does not oblige the provider to provide you with the mortgage described. It is strongly recommend that you do not enter into any binding agreement or commit yourself to any financial undertakings until you have received, read and understood a satisfactory offer letter.
- The assessment of appropriateness to the recommended mortgage provider and product is based on your current circumstances and reasonably foreseeable changes to those.
- The eligibility criteria to the recommended mortgage product has been verified by my firm, but this does not guarantee acceptance as the recommended lender themselves retain ultimate responsibility over affordability of the immediate and future repayments.
- Your monthly repayments could be considerably different should interest rates change.
- Past levels of interest rates are no guarantee of future rates.
- You may have to pay other fees or taxes in addition to those illustrated in my report.
- Your home may be repossessed if you do not keep up the repayments on your mortgage.
- You may need to demonstrate to the lender both now and again during the mortgage term that you have in place a clearly understood and credible repayment strategy for an interest-only mortgage.
- The suitability of your interest only repayment vehicle is not part of my advice in this report.
- The recommendations are based on current taxation, law and practice and the current legal and administrative framework and are based on my current interpretation and understanding of those, all of which may be subject to change.
- The value of your property is based on the valuer's opinion rather than fact. If the value of your property drops, the loan amount may be greater than the property's value. You should also be aware property and land can be difficult to sell, so you may not be able to sell the property when you want to.
- If details are given incorrectly, withheld, or are false in any way, then the lender will almost certainly reject your application. This will make it much more difficult, or even impossible to apply to another lender.

# Technical Notes – Mortgages

## Mortgage Market Review (MMR)

The Mortgage Market Review (MMR) reforms to be implemented on 26th April 2014 have been introduced to help prevent a recurrence of past irresponsible lending during the boom period of 2005 to 2007. The MMR has two broad aims:

- To have a mortgage market that is sustainable for all participants
- To have a flexible market that works better for consumers

The Financial Conduct Authority (FCA) reviewed all aspects of the mortgage market regulations and as a result made a number of changes. These include:

### Responsible Lending

- *The Affordability Assessment* - Lenders must verify income and demonstrate the mortgage is affordable for the borrower and take full responsibility for this. They must take into account the borrower's net income and basic committed and household expenditure including any known future changes to both.
- *The Interest Rate Stress Test* - Lenders must take into account market expectations of possible future interest rate increases and customers must satisfy lenders that they can afford the mortgage providing evidence of income in all cases.
- *The Interest Only Rules* - Lenders must assess affordability on a capital and interest basis unless there is a credible capital repayment strategy, in which case lenders must contact borrowers at least once during the mortgage term to check on the status of the repayment strategy.

### Distribution

- *Advice* - Most interactive sales (for example face to face and telephone) must be advised unless the customer is a mortgage professional, a high net worth mortgage customer or a business borrower.
- *Non-advised Sales* - are not allowed, but execution-only sales are allowed in certain circumstances.
- *Execution-Only* - Consumers can reject advice (except in sale and rent back sales) and purchase on an execution-only (non-interactive) basis (eg via the internet). Consumers must know precise details of the product and the loan they require in order to proceed. Execution-only can also be used for certain post-sale contract variations.
- *Vulnerable Consumer Groups* - for example those purchasing equity release, right-to-buy, sale and rent back and those consolidating debt, must get advice.
- *Approved Persons* - Mortgage advisers and those who arrange mortgage sales will be individually held accountable and required to demonstrate they are 'fit and proper'.

### Disclosure

- *Service Disclosure* - Mortgage intermediaries must explain whether there are any limitations in the product range their firm can provide and how they will be remunerated.
- *Product Disclosure* - The Key Facts Illustration (KFI) does not need to be produced until the mortgage product has been recommended to, or chosen by, the consumer - unless they make a prior request.



## **Arrears Management**

- *Arrears Charges* - Lenders must not attempt to collect more than two direct debits in a month and their arrears charges must be clear and based on reasonable calculations. A charge must not be applied where an agreement is already in place to repay the arrears.
- *Concessionary Rates* - Lenders must not remove borrowers from concessionary interest rates if they have difficulties meeting their mortgage payments.

## **Transitional Arrangements**

These are designed to mitigate the impact of the MMR new responsible lending rules on existing borrowers who cannot demonstrate affordability or do not have an acceptable repayment strategy. Participating mortgage lenders will have new discretionary powers to help so-called 'mortgage prisoners' who find themselves trapped in an uncompetitive or otherwise disadvantageous mortgage deal, either with the same or a different lender. The participating lender can waive certain lending checks such as affordability and capital repayment strategy if they have a sound rationale for believing that the customer's interests would be best served by exiting from their current mortgage and taking out a new mortgage. The customer must meet a number of eligibility criteria.

- Firstly, their existing mortgage must have been taken out before the MMR rules came into force.
- Secondly, there must be no increase in total borrowing other than product and arrangement fees associated with the new loan, and no increase in monthly payments.
- Finally, there must be no material change to the deal such as an increase in the loan term or adding or removing parties to the mortgage.

# Notes on Financial Products

## Decreasing Term Assurance

Term assurance offers a cost effective means of obtaining life and / or critical illness cover over a specified term. The sum assured is paid out if the life assured was to pass away, or be diagnosed with a predetermined critical illness (if included) within the set term. However, unlike level term, the level of cover reduces over the term of the contract.

This form of insurance is often taken out in conjunction with a repayment mortgage. During the term of the mortgage the total amount owed to the lender decreases as capital is repaid. The decreasing term assurance sum assured decreases in line with the amount owing. This is generally cheaper than its level term assurance equivalent.

## EU Gender Directive

From the 21st December 2012, as a result of the EU Gender Directive, men and women must pay the same basic premiums known as 'gender neutral' pricing. Although life and critical illness cover has traditionally been less expensive for women, prices are no longer subject to gender specific pricing. For any existing reviewable premium policies in force before this date, changes in future premiums can continue to be considered on a gender specific basis.

## Level Term Assurance

Term assurance offers a cost effective means of obtaining life and / or critical illness cover over a specified term. The sum assured is paid out if the life assured was to pass away or be diagnosed with a predetermined critical illness (if included) within the set term. The cover can remain level or you can choose an option before the policy starts for the sum assured to increase at regular intervals throughout the term. This is a useful option if the level of cover needs to keep pace with the effects of inflation.

## EU Gender Directive

From the 21st December 2012, as a result of the EU Gender Directive, men and women must pay the same basic premiums known as 'gender neutral' pricing. Although life and critical illness cover has traditionally been less expensive for women, prices are no longer subject to gender specific pricing. For any existing reviewable premium policies in force before this date, changes in future premiums can continue to be considered on a gender specific basis.

## Mortgage

A mortgage is a loan secured against a property. 'Secured' means that if you do not keep up the payments, the lender can sell your home to get its money back.

## Repayments Options

*Interest Only* - The monthly payments cover only the interest on the loan. They do not pay off any of the capital. It is imperative that a separate savings or investment vehicle is set up to build up a lump sum to pay off the mortgage at the end of the term. It is the borrower's responsibility to ensure they have enough money to repay the mortgage.

*Repayment Mortgage or Capital and Interest Loan* - The repayments are designed to gradually pay off the amount owed as well as paying the interest charged on the loan. Providing all the agreed repayments are met, the loan will be fully paid off at the end of the mortgage term.

### **Interest Rate Variables**

*Discounted Interest Rate* - The interest rate will be set at a discount to the recommended lender's standard variable rate and will apply for a pre-determined period. The rate payable may increase or decrease as the lender's standard variable rate itself increases or decreases.

*Tracker Interest Rate* - The interest rate will be set at a rate a fixed percentage above the Bank of England Base Rate and so may rise or fall in line with the Base Rate.

*Capped Interest Rate* - The interest rate will be capped meaning the interest rate you pay cannot go higher than the set capped rate. This ensures you know the maximum amount your monthly repayments could rise to. Any fall in the basic rate of interest below the capped rate will still entitle you to a corresponding fall in your monthly repayments.

*Capped and Collared Interest Rate* - The interest rate will be linked to the recommended lender's standard variable rate but with a guarantee that it won't go above a set level or 'cap' but equally won't go below a set level or 'collar'.

*Fixed Interest Rate* - The interest rate is guaranteed to remain unchanged for a pre-determined period. On expiry of the fixed rate period, the interest rate will usually change to the lender's standard variable rate prevailing at that time.

*Variable Interest Rate* - The interest rate will vary in line with the standard interest charged by the recommended lender, meaning the interest rate payable can go up and down at the lender's discretion and your repayments will change accordingly.

*Deferred interest rate* - The interest rate payable is less than the standard rate and the difference between the amount that would have been paid and the amount actually paid is added to the original amount of the loan. A deferral period is agreed and your repayments will increase on the expiry of this period so as to repay the interest due on the original loan, plus the unpaid interest accrued during the deferral period.

### **Mortgage Types**

*Residential Mortgage* - A standard or conventional mortgage whereby the lender provides a loan on an agreed term and repayment basis and is secured on a residential property in which you intend to live as your main residence, often referred to as 'owner occupied' mortgages.

*Self-Build Mortgage* - Arranged for the specific purpose of building a new house and as such offers a staged payment facility so as work progresses funds are released on pre-agreed terms to continue the build until completion. Thereafter standard mortgage terms were agreed on the finished property and valuation.

*Buy to Let Mortgage* - Arranged to buy property that you intended to let in return for a rental income. It differs from a residential mortgage in that the mortgage terms take into consideration the income the property will produce in deciding how much to lend.

*Bridging Loan* - A short-term loan to fund personal obligations until permanent financing is secured. The loan typically has a period of 12 months or less with relatively high interest rates and lending is backed by some form of collateral such as real estate.

*Islamic Mortgages* - A number of mortgage structures exist for the borrower to avoid paying interest and therefore avoid any infringement of Shariah Law by either party. They are as follows:

- *Ijara* - The mortgage provider negotiates a 'Promise to Purchase' agreement with their client and purchases the property at the agreed price on behalf of their client. Coupled with the 'Promise to Purchase' agreement is a lease agreement that defines the occupancy rights for the property. The Islamic mortgage provider's client (i.e. the purchaser in normal parlance) makes regular repayments to the financial institution that incorporates two elements – payment of rent and partial repayment of capital. When the purchase price has been paid back in full, rental payments cease and title to the property is passed from the financial institution to the occupier.
- *Musharaka* - The mortgage provider purchases the property on behalf of their client. Under this agreement, the client's first capital repayment (as part of the regular monthly repayments) to the Islamic mortgage provider becomes their first share (albeit small) in the property. As repayments continue the proportion of the property owned by the client increases over time through the mortgage term. After the mortgage has been repaid in full, total ownership of the property passes to the client.
- *Murabaha* - The mortgage provider purchases the property on their client's behalf. Once this property purchase has been completed, the financial institution sells on the property to their client at a higher price (at cost price plus agreed profit). Usually a large deposit is required to be paid by the client.

## **Mortgage Styles**

*Flexible Mortgage* - This style of mortgage has advantages over other types of mortgages. The interest rate applied is variable and calculated daily instead of annually which means any capital repayment of the loan will immediately affect the interest charged on the outstanding balance. Regular overpayments or payment holidays are allowable and additional funds can be drawn from the account up to the original mortgage balance.

*Current Account Facility* - The mortgage operates through a current account and so your normal cash flow will alter the outstanding amount which may save some interest.

*Offset Mortgage* - The mortgage allows the balances of linked savings & current accounts to be offset against the outstanding loan reducing the interest amount.

## **Other Mortgage Terminology**

*APR* - The Annual Percentage Rate is a term defined in consumer credit legislation with the intention of providing a standard basis for comparing different forms of credit with all costs included.

*Arrangement Fee* - This is a fee paid to the lender in connection with certain types of mortgages. It is usually paid on completion, but sometimes with the application.

*Cash Back* - A payment you receive from the lender when you take out a mortgage.

*Conveyance* - This is the deed by which a freehold unregistered title changes hands. If the property is leasehold and unregistered it is called an assignment. If the title is registered the deed is called a transfer.

*Early Redemption Charges* - This is a fee charged by a lender if you repay part, or all, of your mortgage or move your mortgage to another lender before the agreed date.

*High Lending Charge* - This is a fee levied by the mortgage lender if you borrow more than a given amount. Many mortgage lenders will lend up to 90% of the value of a property without charging this fee.

*LTV* - The loan to value refers to the size of the mortgage as a percentage of the value of the property (eg a £90,000 mortgage on a house valued at £100,000 has an LTV of 90%).

*Mortgage Payment Protection* - If you cannot work due to an accident or sickness or are made redundant this policy will pay your mortgage for you.

*Portability* - A term used to describe a mortgage product that can be transferred between properties when you move house.

*Re-mortgage* - This is the act of switching a mortgage to a new lender.

*Valuation Fee* - A fee payable to the lender to check what a property is worth and if it is suitable to lend a mortgage on.