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VIEWPOINT

WATSON PROPERTY FINANCE

If any of these articles pique your interest and you want to discuss more, please get in touch.

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How to protect your mortgage

Strengthening your ability to keep up with mortgage payments is important and will give you some peace of mind if your circumstances change.

Life insurance is the form of protection most of us would name as one that could pay down or pay off a mortgage. Yet there are other situations (apart from death) that could mean it's very difficult or even impossible to keep up with mortgage payments for an extended period – without the help from other types of coverage.

Here are some protection policies you might want to have in place (alongside life insurance) to give your mortgage some security if you are unable to keep up with mortgage payments. Your adviser can help you work out the best option for your situation.

Critical illness protection pays out a one-off, lump sum if you're diagnosed with a critical condition or disability that is covered by your policy. It can be offered when you buy for life insurance, as extra coverage.

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. Depending on the terms, you'll receive a regular income until you either return to paid work, retire, pass away or if the policy term comes to an end.

Mortgage payment protection insurance (MPPI) pays your monthly mortgage payments if you're unable to make them due to an accident or illness.

What's the difference between income protection and MPPI?

Income protection insurance is seen as more comprehensive than MPPI as it covers a proportion of your income and not just your monthly mortgage payments. It could also help to cover monthly bills aside from your mortgage. The period you're protected with income protection tends to be longer than MPPI, too.

Your adviser will help you find a policy that works for you and your needs, in terms of the length of cover you want and how much the premium might be. MPPI premiums could be lower than those for income protection and more affordable.

Our advisers are here to help if you're looking for ways to protect your mortgage.

Should I get an interest-only mortgage?

If you're about to come off a fixed rate mortgage, then you could be forgiven for wondering what's in store for you.

Until relatively recently, interest rates have been at near-historic lows for over a decade. In the last two years, though, they've rocketed. Higher interest rates, coupled with the cost-of-living crisis and high inflation levels not seen in almost 40 years, has created uncertainty for those whose fixed-rate deal is about to end.

Homeowners are keen to keep their repayments manageable and one option you may be considering is an interest-only mortgage.

What is an interest only mortgage?

An interest only mortgage means you only pay the interest each month, with the loan amount remaining the same. This means your mortgage payments could be cheaper on a monthly basis. But at the end of the term, the full amount you borrowed needs to be fully repaid.

Is an interest only mortgage the right option for you?

Any mortgage decision needs to be carefully considered, which is why we are on hand to provide you with the expert advice you need to make an informed choice. A lot will depend on your circumstances. Interest-only mortgages can cut the cost of your monthly payments, but you will need a credible repayment plan at the end of the term.

Maybe you have a separate investment vehicle to pay off the debt, or perhaps you've built up significant equity in your property and plan on down-sizing at the end of your mortgage term. If that's the case, then an interest-only mortgage could be an avenue that we can explore together.

What are the drawbacks of an interest only mortgage?

The interest-only option isn't for everyone and can be a route that is, ultimately, more expensive than remaining on a repayment mortgage. There's also a chance that the investment you have in place to pay off the debt doesn't work out – leaving you unable to afford the lump sum at the end of the term.

We're on hand to guide you through...

With its cheaper monthly payments, an interest-only mortgage, can be an effective way to keep your costs down and, in the immediate term, feel like an attractive option but you have to be certain you will be able to repay the loan when it comes to the end of the term.

Our experienced advisers will talk you through all the pros and cons of an interest-only mortgage, assess all your options and help you make the right choice for you and your individual circumstances.

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