



ROSE

Financial Planning

EX PATS – YOU ARE IN THE UK’S NEWS HEADLINES!

WHY? BECAUSE OF THE PAIN YOU ARE SUFFERING!

Most people in the developed world are suffering in pretty much the same due to the fall out from the ‘Credit Crunch’ and the demise of the international economy; increasing costs, rising unemployment, higher mortgage costs and falling property values. BUT not all are suffering in such a direct manner as Ex Pats abroad who rely on income from an ever weakening Sterling £. The extent of that pain has now even made the national news headlines in the UK!

I have based the following example, who I will call Mr & Mrs Average, on my personal life and professional experience in Spain over the last 4 years.

- 1) Cost of Living. This is not simply the affect of inflation; the latter measures a number of goods that are not ‘core’ to day to day life. Some foodstuffs have increased by 50% in the last year alone and I would suggest that my own spend has increased by 50% in total over the 4 years I have been here.
- 2) Unemployment. Mr & Mrs Average are not employed but retired. They are both aged 66.
- 3) Mortgage costs. Mr & Mrs Average do not have any mortgage or any debt having purchased for ‘cash’ several years ago. In 2001 the average mortgage rate was a mere 3%. Until recently, at the peak of the cost of borrowing, this rate would have increased to 6.5%; an increase of over 100%. In very recent weeks, following the stabilization of the money markets post the interference of the world’s central banks, the rate has fallen back to circa 5%.
- 4) Property value. Mr & Mrs Average’s villa has reduced in value from a peak of €300,000 2 years ago to circa €200,000 today.
- 5) Income. The State and small Private Pensions that Mr & Mrs Average rely upon, being paid in £, now nets only Euros 1,500 a month as opposed to the Euros 2,000 that they enjoyed when they first moved here in 2005, 3 years ago. A fall of some 25%.

If we try to look at this as simply as we can, by using the combination of 1) the Cost of Living and 5) their net income, the effect on real spending power is down by approximately 50%, an astonishing number!

No wonder then that so many Mr & Mrs Average’s are therefore struggling ... seriously so! And no wonder that so many are looking at their options, considering even to leave Spain and to move back to the UK.

But even that drastic action will not help; the Cost Of Living is the same if not worse in the UK and just what would the sale proceeds of the Spanish property get them, if anything!

The reality is that Mr & Mrs Average do NOT want to go back to the UK; to leave Spain! They moved here for all the right reasons (the weather, the lifestyle) and these are still there albeit some changes need to be made ... and here is the CRUNCH!

A single question has to be answered; who are they leaving their Spanish property to and, as an extension of that, is it necessary to leave 100% of the value to their end beneficiaries!

For, you see, Mr & Mrs Average have a vast pool of capital (savings, if you like) that is all locked into their property. They can only use that if they release part via a mortgage of some degree but (and this is important) even that can be structured so that there is no monthly mortgage payment for them to meet!

For example, if the Average's were to release say Euro 50,000, that would have a massive impact on their lifestyle for a good number of years, say 5. At that point, is it likely that their villa would have increased in value again, perhaps even back to the original €300,000? I would suggest at least €250,000 i.e. that the €50,000 that they have drawn and spent has made no difference to the net value of the equity .. and they have survived comfortably, financially that is, during those years!

This is a key mindset issue but THE saving grace for all of those Mr & Mrs Averages that live here in Spain! No need to sell their dream home and no need to struggle along!

For your options in this respect simply call the number as below.

Mark Mounthey of Rose Financial Planning, (see www.rosefp.com), 0034 677 874 948 is a specialist mortgage brokerage and Independent Financial Advisor. He is a fully qualified mortgage and financial adviser in the UK with some 10 years experience in managing his own firm. Mark was also a founder of The Association of Mortgage Intermediaries, the trade association for mortgage advisors in the UK with 20,000 members.