



ROSE
Financial Planning

TOUGH TIMES CALL FOR CLEAR ACTION!

There is a lot of financial pain being suffered by many, and that can lead to personal and emotional pressures. The fall out can be severe!

For example, a couple of weeks ago this pressure manifested itself with some clients deciding, against my judgement I should add, to reduce the sale price of their home by an incredible 33% or €100,000 in the, perhaps, vain hope that that would prompt a fast sale to allow them to move back to the UK. But that wasn't necessary; they had options to ease the immediate pressure by simply borrowing a relatively small sum and then hold and sell when the market better suited. In the scheme of things a €30k mortgage, even if that was entirely spent over say 2 years, would still have saved them from giving so much equity away! And it would have eased their pain and stress immediately!

The 'pain' that many people in Spain are suffering at present seems to be due from 3 primary reasons, namely;

- 1) The strength of the Euro against the £ Sterling
- 2) The lack of what I call 'rainy day' money
- 3) The weakness of their investments viz the slide in markets

In most cases, where this financial pressure has an immediate effect and which tumbles down to impact the whole of life seemingly, there is nearly always a way out. But you need to be open minded when it comes to considering the alternatives. This is not the time to be blinkered and proud!

So let's take these 3 areas and see what can be done to address them!

Firstly, the weakness of the £ Sterling against the Euro! Frankly, if you rely solely on pension income as an example, there is little that you can do short term to squeeze that many more Euros out in any one month. Of course, longer term when (and I am pretty sure of this) the Euro weakens, you have the ability of booking your money forward at that time for a steadier rate. That could have a protective effect. But that is then and not now!

Actually, the solution for this issue is the same as the lack of 'rainy day' money; you will have to consider using equity in your property to give you a buffer today when you need it. There are those that are cautious, quite rightly, when it comes to this issue, but the bottom line for me is simply this; what is

the point of storing vast quantities of capital in a property and then suffering so much pain to struggle on a month to month basis. For whom are you doing this; your children? I suspect that if they knew the real truth of your struggle, the vast majority of kids would be deeply upset to find out that you are suffering simply to protect their inheritance! From my experience most children are better off than their parents anyway!

And then there is the 2nd thought i.e. I really do not want a mortgage (for that is what all solutions tend to be) in retirement. But, again, would you really prefer the worry and emotional strain at a time when you should be relaxed and enjoying life? Isn't the latter what you came to Spain for?

There are a significant number of mortgage products available now to ease this pain. Some require no monthly mortgage payment at all, this being either added to the mortgage capital or met via investment.

And there is another important point! Some products come with a 'no negative equity' guarantee; your home will never be compromised!

So, if you are one of the many now who are witnessing such financial difficulty, do not be too proud to, at the very least, find out what your options are. As I have said, chances are there is a solution!

And then we need to consider the 3rd item and the fall out from recent months of stock market turmoil. No doubt, this has also led to a great deal of concern and even a reduction in investment income upon which many people live.

The real issue here is simply; if you are invested into such volatile markets and you cannot afford the consequence of such mad moments when things can go against you, why are you invested in them?

The simple truth is that you should be invested into markets and products where the returns, and the capital, are more steady and solid. You may never, ever achieve fantastic returns in the way that the more volatile products can sometimes deliver, but you cannot afford to ride the roller coaster, so this should never be a consideration! Isn't it better to take an inflation-beating return of say 7 - 8%?

You see, as the old saying goes, 'you cannot have your cake and eat it!' That is you simply cannot achieve a high return on an investment that does not carry a degree of risk. If that were so, everyone would be doing the same!

So, if you a) are worrying about the effect of recent market movements and even b) have not reviewed the tax efficiency and status of your investments perhaps since coming to Spain, then now is the time!

Mark Mountney, the proprietor of Rose Financial Planning, 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

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