



# ROSE

Financial Planning

## **So you don't need a mortgage on your Spanish property – think again!**

A good percentage of people buying homes here in Spain are in the fortunate position of not having to borrow any money to do so. They have savings or have sold up in the UK or elsewhere to retire to the sun.

But, in using their own capital and buying outright, they are probably losing out on some, if not all, of the benefits that come from using the newer type of 'Interest Only' mortgage financing. And, worse still, they are actually putting themselves at a degree of financial risk in doing so.

Here are 7 good reasons why a mortgage should ALWAYS be considered irrespective of whether you NEED one or not! Add the benefits up over the long term and you are talking big money savings!

- 1) 'Interest Only' mortgages mean that you do not have to pay the capital back, at least not for a considerable number of years. That means that your monthly mortgage payments are perhaps half of what they would be if you have a 'normal' Repayment or capital and interest mortgage.
- 2) Euro interest rates are low, normally 5.7% today. That is an approximate 1% if not more less than in the UK. That makes borrowing cheap!
- 3) If your capital base is in £, investing this can produce a higher return with no risk, pay the Euro interest and still give you a return. For example, if you can earn 7% in £ and have to pay just 5.7% in Euros, you are 1.3% per annum better off. That adds up to an awful lot of the years! And, as a by product, remember that your capital is then accessible at any time; the same cannot be said if you invest in property!
- 4) Mortgage interest is normally allowable against Spanish income tax if you are a tax payer and Resident in Spain. This is no longer so in the UK. So, if you have Spanish taxable income, having a mortgage can help save on income tax payable.
- 5) Having a mortgage reduces the free equity in your home, and thus mitigates some if not all of your exposure to Inheritance Tax, a big concern for many here in Spain where the regime is far more punitive than in the UK where, ironically, it is viewed as weak!

IHT allowances here are very low in comparison to the UK which means that, often, exposure to the beneficiaries on the death of the property owner kicks it a surprisingly low level. By keeping the mortgage in place the tax will be reduced if not eliminated.

- 6) By offsetting your asset (your home) which is valued in Euros, against a mortgage also in Euros, you are mitigating against exchange rate movements.

7) By taking a long term 'Interest Only' mortgage and, in later years you want to sell your home, you can use the mortgage as a sales tool as, by passing it across to them, you will save them perhaps 3% of costs!

I think the case in favour of ALWAYS having a mortgage is proven, don't you?

**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 Association of Mortgage Intermediaries, the trade association for mortgage advisors in the UK with 20,000 members. See [www.rosefp.com](http://www.rosefp.com) or call 0034 677 874 948.**