



ROSE
Financial Planning

**ASSET RICH AND CASH POOR?
TOUGH TIMES CALL FOR FIRM ACTION!**

Not a day passes without our advisors seeing a new face but suffering similar pain!

The demise of the £ Sterling against the Euro has led to a reduced income of 20% in recent months, and that is often on an income which was barely enough when the exchange rate was more beneficial!

That fall in income has led to depleting reserves (if there were any in the first place) and many, many people here now are suffering badly. In fact, so tough is their situation that irrational decisions are being made from emotions that have gone AWOL from the financial pressure!

Take some clients I spoke to several weeks ago! They had cut the sale price of their home from Euros 300,000 to just 200,000 to get a quick sale. They were willing to throw a significant part of a long term asset away to ease their immediate problems.

And yet I could have resolved it at a fraction of the cost and probably far quicker!

You see, the strangely quirky 'Englishness' of retiring to the sun, of buying for cash and (worse) not keeping a reserve supply of 'rainy day' money back fires when such bad times arrive! And yet, with a little forward planning, providing that 'safety net' at outset would have taken the pressure away!

So what can be done now to reverse the above and ease the pain?

The answer is obvious enough; to release part of the capital locked into the home!

All the generic options available are mortgages of one type or another so let's not try to disguise that fact in elaborate wording. But that is not really a negative with most in that the ownership of the property always remains with you. You are merely borrowing a sum which must be paid back at some time, if not by you, then by your eventual beneficiaries.

There are 4 options open to you;

- 1) A regular mortgage. The negative is the monthly payment BUT this can be heavily reduced (certainly by only borrowing on an 'interest only' basis) with the investment of part of the monies released.
- 2) A 'lifetime' mortgage. A normal mortgage but with no repayments; the interest being added to the mortgage balance.
- 3) A 'reversion'. This is an effective 'sale' but with lifetime tenancy. The only negative to be wary of is the end percentage that your beneficiaries eventually receive so caution there!
- 4) An 'Equity Release' scheme. This is a mortgage combined with a mandatory investment. Caution is needed as the mortgage tends to be fairly high to make it work and, frankly, this option is only for the more understanding of home owner.

To get back to the clients that thought they had to sell their home at a massive discount. The reality was that they did not want to leave Spain; they thought they had no option! But, in their case, a small and simple mortgage, or perhaps a 'lifetime' mortgage, was all that was necessary to give them several years of breathing space.

If they had borrowed say Euros 50,000, that would have lasted them some years when, if they then still wanted to sell (moving back to the UK or down market here), the property surely would have sold closer to, if not more than, the real current value of 300,000.

No matter what your situation, and no matter how hopeless you think it might be, understand that there is normally a way out that you might not have thought of! So pick up the phone and speak to a reputable and able adviser.

See www.rosefp.com or call 0034 677 874 948.