

# Take cover when investing in property



According to our recent research,<sup>1</sup> despite the introduction of non-resident Capital Gains Tax (CGT), buying property is still one of the most important investments for British expatriates like you.

The favourite location for British expatriates' property purchases is back home in the UK, with two-thirds of respondents planning to purchase a property there.

British expatriates have historically been driven by keeping a personal foothold in the UK property market but, like many other expatriates, you may also be interested in investing in buy-to-let properties. This option may provide you with an attractive source of income and capital growth. UK rental income can also be tax free up to GBP11,850 for each individual for the tax year 2018/2019, as expatriates still qualify for the full UK personal income tax allowance.

Despite the introduction of non-resident CGT, UK property remains a key investment focus for UK expatriates.

<sup>1</sup> Independent research conducted by Insight Discovery in the United Arab Emirates, on behalf of Friends Provident International, November 2017.

## Protect your property investment and safeguard your lifestyle

When buying property, you may look for funding through a residential or buy-to-let mortgage. While you may be in a position to fund a purchase from cash, taking out a mortgage may suit your circumstances better. When taking out a mortgage or a series of mortgages, perhaps for hundreds of thousands of pounds or more, you should also consider taking out a life insurance plan. This could protect your property investment, if you become unable to meet the repayments in the event of:

- being diagnosed with a critical illness
- becoming permanently disabled
- premature death.

Most international lenders or specialist brokers that provide mortgages to expatriate customers insist on this level of protection insurance.

You will want to ensure that the right cover is in place to give you and your loved ones financial peace of mind in any event.

Our research suggests that expatriates typically earn more than four times the income they would in the UK.

### What the cost could look like

The selling price of an average detached house in England in June 2017 was **GBP 359,615** (an annual increase of 5.1%) and the average selling price of residential properties in Greater London was **GBP 481,556** (an annual increase of 2.9%).<sup>2</sup> Here are two examples of what life cover might cost you.

#### Example 1

For an average property in Greater London, life cover with a mortgage over 25 years:

House value: **GBP 481,556**

Deposit: **GBP 251,556**

Mortgage value: **GBP 230,000**

Life cover on a level basis, against the mortgage would cost you **GBP 34.39<sup>3</sup>** per month.

On a decreasing term basis, the monthly cost you could expect would be **GBP 20.24<sup>4</sup>**.

#### Example 2

For a property worth GBP 2 million, life cover with a mortgage over 25 years:

House value: **GBP 2 million**

Deposit: **GBP 1 million**

Mortgage value: **GBP 1 million**

Life cover on a level basis, against the mortgage would cost you **GBP 144.49<sup>3</sup>** per month.

On a decreasing term basis, the monthly cost you could expect would be **GBP 82.96<sup>4</sup>**.

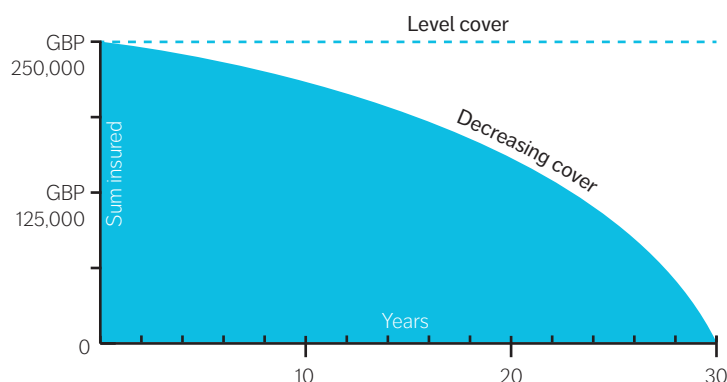
Your financial adviser will be able to provide guidance about the suitability and availability of decreasing term and level term assurance.

<sup>2</sup> Gov.uk House Price Index 3 January 2018.

<sup>3</sup> Premium based on providing level life cover for a 35-year-old British male expatriate, non-smoker, living in UAE, 25-year term.

<sup>4</sup> Premium based on providing decreasing term life cover for a 35-year-old British male expatriate, non-smoker, living in UAE, 25-year term, 7% interest rate.

## Mortgage cover terms explained



Level cover will pay out a fixed sum on death at any time during the term of the plan. Decreasing cover, which will generally cost less, will mirror your outstanding loan, meaning that the sum payable on death will reduce as your mortgage is repaid. Whichever cover option you choose, you and your lender will be reassured that you can repay the loan. And your family won't have to bear the burden of the mortgage repayments if you die prematurely.

## Enjoy comprehensive cover

While it's important to safeguard your home and mortgage, it's equally important to protect yourself, your family and your lifestyle.

Adding critical illness cover and/or total and permanent disability benefit to your life insurance plan will ensure that your mortgage is paid in the unfortunate event that you become seriously ill, or experience a life-changing accident.

## Protection at a glance

Cover type	What does this mean?	Benefits for you and your loved ones
<b>Life cover</b>	A cash lump sum will be paid to financially support your loved ones if you die.	Peace of mind that your loved ones could survive financially without you and security for them, knowing they won't have to worry about financial matters.
<b>Critical illness cover</b>	Pays a cash sum if you are diagnosed with one of a defined set of critical illnesses.	You can concentrate on recovering, rather than worrying about your finances as your plan will cover any liabilities.
<b>Life or earlier critical illness cover</b>	Pays a cash sum if you die or are diagnosed with one of a defined set of critical illnesses – whichever happens first.	Financial protection for both scenarios.
<b>Terminal illness benefit</b>	Pays a cash sum if you are diagnosed with a terminal illness.	You can spend quality time with your family, with the help of financial support.
<b>Total and permanent disability benefit</b>	An optional addition to life cover, paying a cash sum if you are diagnosed with a defined total and permanent disability.	You will receive financial support, if you are totally and permanently disabled.
<b>Single and joint life</b>	The plan can be set up on either a single or joint life basis.	Financial security that you or your spouse is covered.

It's worth investigating the different protection plan options, to make sure you're sufficiently covered. With the right plan, you can have confidence that your family, your home and other financial commitments are taken care of, wherever you choose to live and work.

As an expatriate, you will want your plan to be portable, so that it will continue to provide the cover you need if you decide to move to another country or return home to the UK. Domestic British insurers will normally only provide cover to people living in the UK, so may not offer you the cover and portability you need. It is likely that your needs can be met by an international protection plan.

Many financial providers offer a choice of either level or decreasing cover while you are repaying a loan.

We offer a range of financial planning solutions, designed with your specific needs in mind. These aim to help you protect your property investment portfolio.

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[www.fpinternational.com](http://www.fpinternational.com)

Visit our website to learn more about our range of flexible savings, investment and protection plans.

Speak to your financial adviser today to see how we could help you protect your property portfolio.

## About Friends Provident International

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