

A YOUNG COUPLE WORKING TOWARDS THEIR FIRST MORTGAGE



Emma and James, both in their late 20s, live in a rented flat in Bristol. They had set a goal to buy their first house together but were unsure of how they would achieve this.

Emma is a graphic designer and earns a stable income of £28,000 per year, while James is a software developer with an annual income of £45,000. They have managed to save a combined total of £20,000, which they plan to use as a deposit for their future home. However, they are uncertain about how much they need to save, the best ways to invest their savings, and how to secure an affordable mortgage.

Seeking Professional Financial Advice

Recognising the complexities of savings and investments as well as the mortgage and property purchase processes, Emma and James came to Goodwill Financial Services after a recommendation from Emma's parents. During the initial consultation, we gather detailed information about their financial situation, including income, expenses, and existing debts.

Assessing the Financial Situation



After carefully analysing Emma and James' financial data, we start by looking at what type of property they hope to buy. This allows us to have an idea of what they might require as a deposit. We then identify areas where they can make improvements to accelerate their savings and increase their chances of securing a favourable mortgage. This includes an affordability assessment, considering

factors such as income, expenses, and creditworthiness, to determine the maximum mortgage amount they can afford.

Creating a Budget and Saving Plan

We then help Emma and James create a personalised budget that aligns with their financial goals. One aspect of this is reassessing discretionary expenses and reallocating the saved funds towards their deposit savings. By implementing this strategy, they can increase their monthly savings from £1,000 to £1,500, accelerating their progress towards the target amount. We use cashflow modelling to demonstrate to them how their savings might grow. We always explain that this is only a guide as past performance is not a guarantee of future performance.

Investment Options for Deposit Savings



Knowing that Emma and James have a short to medium-term goal of purchasing a property within the next four years, we recommend investing their deposit savings in low-risk options. We explain the pros and cons of various investment vehicles, such as high-interest savings accounts, fixed-term bonds, and equity investments. Together, we choose a combination of a high-interest savings account and fixed-term bonds to ensure both accessibility and stability of their funds. We also recommend that they each take advantage of Lifetime ISAs for their savings. They can add £4,000 a year and the Government tops this up with another £1,000. For the other savings we recommend ISAs to make sure their savings are tax efficient.

This money is then moved from the ISAs into the Lifetime ISA each year.

Preparing for the Mortgage Application

As the couple's savings grow, we guide them through the process of preparing for a mortgage application. We explain the importance of a good credit score and advise them to obtain their credit reports from the major credit reference agencies, which can be done free of charge. We look at how Emma and James can improve their credit scores, such as by paying bills on time, keeping credit card balances low, and avoiding new debts.

Understanding Mortgage Options



We assist Emma and James in understanding different mortgage options available to them and explain the differences between fixed-rate and variable-rate mortgages, as well as the advantages and risks associated with each option. Together, we assess their risk tolerance, long-term plans, and financial stability to determine the most suitable mortgage product for their situation.

Choosing a Lender and Applying for a Mortgage

We recommend two potential lenders and help Emma and James compare their offerings, interest rates, and terms. Once the best offer is selected, we guide them through the mortgage application process, ensuring they provide all necessary documents and meet the lender's requirements. We advise them on the importance of transparency and accuracy during the application process.

Securing the Mortgage and Celebrating Success



After a thorough evaluation of their finances, completion of the mortgage application process, and approval from the lender, Emma and James successfully secure a mortgage loan for their first home. They now have the peace of mind that comes with owning their own home and having a trusted relationship with professionals that can help them throughout their lives.

Conclusion

This case study highlights the financial journey of Emma and James as they sought professional advice to save for their first property purchase and navigate the mortgage process. With the assistance of knowledgeable financial advice, they were able to develop a sound savings plan, invest wisely, and successfully secure a mortgage, achieving their dream of homeownership. The case study emphasises the importance of seeking professional advice and following a well-structured financial plan to increase the chances of a successful property purchase and mortgage acquisition.