



## BUY TO LET INVESTING

Interest rate cut, a relaxation of lending rules, new opportunities within Self-invested Personal Pensions (SIPPS) from April next year; is it worth considering the advantages of including Buy to Let within your balanced investment portfolio?

Whilst the rules regarding the use of residential property within SIPPS are not yet finalised, it is expected there will be great benefits from including 'buy to let' property as part of ones retirement planning strategy; conversely though it may conspire that the use of buy to let within SIPPS is limited and investors should be aware if they move their existing buy to let property into a SIPP there are other potential issues, in particular with regard to Capital Gains Tax. Notwithstanding this investing in residential property has historically proven to be favourable in terms of an income generator and obtaining long-term capital growth as a hedge against inflation.

Ostensibly renting instead of buying property has become socially acceptable; new working practices have produced a change in social climate and there is a real need for choice in housing, for flexibility and mobility dictated by cost of housing and changing employment patterns. First time buyers are increasing finding themselves priced out of the market or are delaying their first steps onto the property market and are choosing to rent. These changes are not limited to just first time buyers. All age groups and economic classes have been affected, even those approaching retirement and for the retired, the renting evolution has made life simpler and home ownership is no longer the only acceptable form of occupancy.

So what steps should an inexperienced investor looking to purchase a buy to let property take? Firstly they should look to obtain expert advice across a variety of areas:

### Choice of Property

An important and vital first step; thorough research of the area you propose to purchase your property and the type of tenant you are seeking to attract is required. You should consider the demand and supply of your specific rented accommodation; seeking the help of a local specialist-letting agent will prove invaluable for this.

An experienced agent will know the local market; whether the demand is for one bedroomed accommodation or for executive style accommodation or for student accommodation and so on. The agent will also be able to advise on the standard of decoration and furnishing required to aid a successful and swift let.

### Legal

You will need to carefully research the various landlord and tenant laws, in addition to the usual legal transactions involved within a house purchase conveyance. It is worth noting there are specific rights tenants will enjoy which you would be well advised to understand and consider. Again consultation with a suitably qualified and experienced legal expert is wise.

### Taxation

There are many deductions against tax, which can be made, for example against the costs of maintenance. Although the initial costs of furnishing are not allowable subsequent replacements or wear and tear could prove to be tax deductible. Income tax, Stamp Duty and taxation on eventual sale of the property should all be taken into consideration when making your decision. Consultation with an accountant or taxation specialist for expert taxation advice is recommended.

### Property Management

Having a buy to let property is like running a business, and you will therefore need to manage it accordingly. You will need to be responsible for finding suitable tenants, collecting their rent, dealing with any issues they may have with the property, carry out repairs and so on. Again seeking help from a letting agent or specialist property management company will prove to be of assistance. It is worth considering that placing the demands of property management into the hands of a professional agent will enhance the creditworthiness of your buy to let proposition when you approach suitable mortgage lenders.

### Independent Financial Advice

Choosing the right buy to let mortgage deal for your circumstances from the plethora of mortgages currently available is a significant task. How much can you afford to pay? How will you pay? How much deposit should you provide? Should you choose an interest only or capital and interest loan? Should you go for a fix, cap, discount, tracker rate? Should you protect your mortgage? And what are the costs involved? Taking professional financial advice from an independent mortgage specialist is an absolute must.

If you would like to discuss buying to let please feel free to contact your IFA who is an approved member of the Whitechurch Network Ltd. As an independent advisor they provide a service that is based on the whole of the market place.

### The Financial Services Authority does not regulate Buy to Let Mortgages

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