Questions from the Mailbag...

DM writes: “I am enquiring on behalf of my parents who are aged 79 and 77. They are looking to downsize their house, which has been valued at c€280,000 and move to a more suitable bungalow. The new property is selling for €140,000 and needs around €30,000 of work. They have savings of €80,000 and my father’s pension is approximately €70,000 per annum. The stumbling block is that they will need to access €90,000 worth of bridging finance to purchase the new house. What are their chances of doing this? Could they sign the deeds of their house to a bank as security?”

Jill replies: I asked Karl Deeter of Irish Mortgage Brokers in Dublin for his opinion and he told me that mostly due to your father’s age, a bridging loan is unlikely. Most banks tend not lend to over-70s. He suggests (1) Finding an investor to buy their existing home who would agree to let them rent it back until their new property was ready to move into; (2) Hope to find a buyer who is also not quite ready to move in right away and pay that person rent, or (3) rent a bungalow themselves until their existing house sells and hope the one they want is still on the market when they finally have the full cash proceeds of the sale.

Renting may not be the happiest solution, but the cost of it and storing their furniture and household goods will be affordable with current income and savings.

JL writes: “I have a €125,000 term life insurance policy with Irish Life that I took out five years ago when I was 58 and matures in 2033. In light of how expensive the indexed premiums have become I wonder if I could get better value with a different company?”

Jill replies: Buying life insurance in your late 50s is very expensive. The indexation has resulted in the policy (plus the 1% government levy) costing you nearly €160 a month. The premium (and the value of the policy) will keep going up by 3% and this exponential growth will be very, very expensive by the time you hit age 78. A good discount broker – I suggest John Geraghty of www.labrokers.ie – can search for a better quote for you, but he’s just as likely to ask you if you really to keep indexing the premiums. The value of the policy has already risen to over €133,000. With practically zero official inflation, you might want to reconsider whether it will be enough to satisfy your beneficiary and cancel the indexing.

GB writes: “We took out a UK mortgage and endowment policy in March 1991. When we returned to Ireland we continued with the endowment which is shortly due to mature. I believe that the money is tax free in the UK as it is a “qualifying policy”. Are we liable to tax here in Ireland and would the liability only arise if we brought the money back here?”

Jill replies: Proceeds of UK endowment policies taken out since 2001 are subject to 40% Irish income tax here, so you are unlikely to face any liability if you bring home the proceeds of your UK account. But this tax question is one that keeps producing different answers from the Revenue, so you should contact your Inspector of Taxes (in your local tax office) for the decisive answer. If you decide to leave your proceeds in the UK, you will have to declare and pay any interest you earn on this money in an annual Irish pay and file tax return, which is due at the end of October.”

FM writes: “I would like to know what happens to my husband’s occupational pension if he predeceases me?”

Jill replies: Most employees are usually asked by their company pension trustees to name their beneficiary in the event that they die in service. Usually it is a spouse if they are married. The rules of the scheme will determine what happens to the employee’s pension fund, but it can either be paid out to the widow(er) tax-free or be used to produce a pension for the widow(er) or dependent children. The actual amount of the pension income (if a pension annuity is purchased) will, however, depend on the widow’s age and the younger they are, the lower the pension value. Some older schemes have been known to only pay the employee’s contributions plus interest so you husband should request a copy of his schemes rule to be certain of the exact benefits to you.

More of your letters next week...

Do you have a personal finance question for Jill? Please write
to The Munster Express 37, The Quay, Waterford or by email to jill@jillkerby.ie