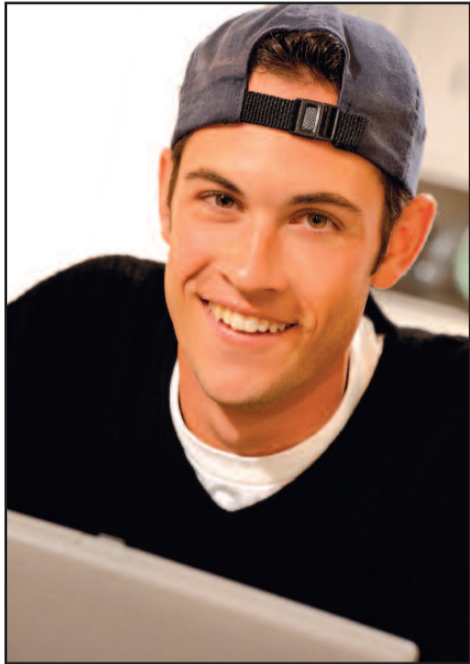


# Finance focus

South Africans face unique issues when living in the UK, which are compounded when they face the decision to go home, or simply have no choice but to go home. Sable and the SA Times will run a series of case studies that may provide the solutions to the most often-asked questions or the most common challenges faced by South Africans.



## Stepping into the UK Property Market requires careful planning

Jannie Du Preez is a South African and has been working in London for the past 3 years. The large consulting firm he works for have sponsored his UK work permit (for the next 2 years) and he plans to make the most of the UK work opportunity for at least the next four years. Like many young professionals Jannie can see the value in owning rather than renting. He has earned well during his three years in London and has managed to save up approx. £20,000. He expects his salary to be around £70,000 this year. After reading the financial press he concluded that he should be maximizing the interest he receives and consequently deposited his cash savings in an Egg savings account. Having done some preliminary research Jannie was keen to buy a two bedroom flat in the Southfields area and found one for £ 255,000. Jannie then noticed a good looking 2 year fixed mortgage product in the window of a large well-known building society. On making an application he was very surprised to learn that his application was declined as not being suitable for their criteria.

**When Jannie was declined by the lender he was referred to Sable and has now completed on his first UK property purchase.**

**Make sure you have saved up enough and fully understand all the costs beforehand....**

**Andrew (*Sable Private Wealth Management*) and Mike (*Sable Property*) look back and discuss Jannie's case...**



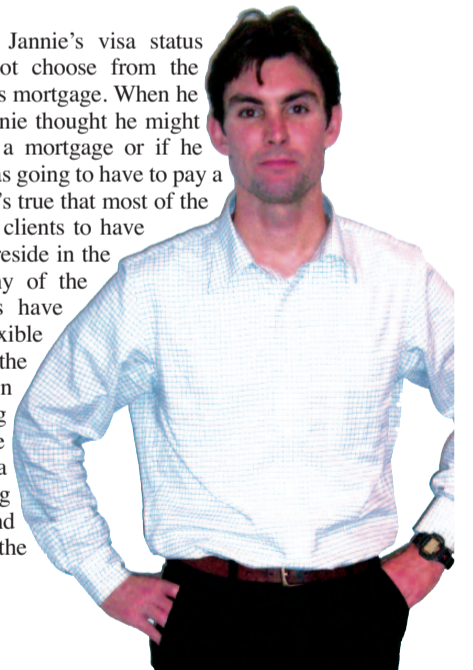
**“ Mike:** Jannie made a good decision by choosing to buy a main residence property. The growth on this property will not be taxable as it's his Principle Private Residence and by effectively gearing the purchase he will now create a good non-taxable return. Jannie needed to get familiar with all the costs and the legal side of the transaction.

**Andrew:** Agreed. There are many one off costs involved in a property purchase, which quickly stack up. For starters, for a property costing less than £250,000, the stamp duty charge is 1%. This jumps to 3% over £ 250 000. Even though Jannie could afford the mortgage for a property over £ 250 000 he quickly decided not to pay the extra tax charge and rather buy the cheaper property. In the end he found a very similar property for £ 245 000. He was also not aware that although the solicitors fee was only £ 750 once the disbursements and other charges were added the bill came to over £ 1000.

**Mike:** Jannie's first job was to work out, after all his other living costs, what he could actually afford in monthly mortgage payments. By knowing which lenders would actually do the mortgage with his visa situation, I was able to shortlist the appropriate products and work backwards and calculate how much he can borrow. In the beginning Jannie was keen to put down a 15% deposit but when he realized that his borrowing rate on the mortgage was going to be lower than his tax free savings in the offshore account he agreed that 10% was the best gearing level. As a broker I was able to show him how the mortgage rates did not in his case improve with the additional 5% deposit. Above a 10% deposit he was going to have to pay a higher lending charge and a higher rate which was expensive and not advisable.

**Andrew:** Yes, Jannie was not the first client we have seen to be surprised that by saving offshore as a non-domiciled South African he would not have to pay tax on the interest or capital gains. By opening an offshore bank account for him we helped him earn a much better net rate than he was getting on his Egg onshore UK savings account. We also had to ensure that the offshore account was correctly structured so that he doesn't unwittingly create a tax liability when he uses the savings for a deposit.

**Mike:** In the end Jannie's visa status meant we could not choose from the whole market for his mortgage. When he first came to us Jannie thought he might not be able to get a mortgage or if he could get one, he was going to have to pay a much higher rate. It's true that most of the UK lenders require clients to have permanent right to reside in the UK. However many of the mainstream lenders have developed more flexible rules to cater for the millions of foreign nationals earning good money while on visa's. It's just a case of knowing these lender rules and using them to get the best deal.



Next month, Jannie asks how to plan for a property purchase. Sable is a financial services firm focused specifically on South Africans based in the UK. Go to [www.sablewealth.com](http://www.sablewealth.com) for more information, ask your question and we'll publish it. Send a quick overview of yourself and your question to SA Times at [enquiries@satimes.co.uk](mailto:enquiries@satimes.co.uk).

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