

Title:

Commercial Endowment - Your Options

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450

Summary:

Property development is big business. The rash of TV programmes about home makeovers and renovations reflects our current obsession with property as a way to make big bucks, quickly.

Keywords:

endowment, loans, investments, invest, property, development, business

Article Body:

Property development is big business. The rash of TV programmes about home makeovers and renovations reflects our current obsession with property as a way to make big bucks, quickly. It may seem a failsafe way to make a killing - buy a shabby house, paint the place magnolia, add laminate flooring, and bingo!

In reality, of course, property development means a lot of hard work, and involves a certain degree of risk. Many developers will have more than one property on the go at once - and to cover repayments can end up being an expensive business. If you factor in the time it takes to renovate a property, then advertise and sell it, it adds up to several months when you will have to be paying out on a mortgage. Not only that, but the fact that rates for commercial property are generally higher than for residential mortgages, and it can be a costly period indeed. Other reasons you may require a commercial mortgage is if you are buying business premises or buy to let property. For all of these needs, you will want to keep your monthly outgoings as low as possible.

One solution is taking out an interest only mortgage, such as an endowment mortgage. This will minimise your monthly repayments, and the extra security provided by the endowment policy could result in the lender offering a better interest rate for your mortgage. You will be paying interest instalments, plus separate amounts into an endowment policy. The payment of the capital, or principal will come from the proceeds of the endowment policy. (Bear in mind that the tax benefits have changed since endowments had their heyday in the 80s and 90s.)

Endowments - The Bad Press

In recent years there have been scandalous reports about endowment policies being mis-sold - thousands of people lost out when their policies failed to produce the lump sum needed to pay off the capital. The FSA, after investigating, reported that the problem had been exaggerated - most people with endowment policies are as well off as those with other types of mortgage. However, endowments are investments linked to the stock market, and as such do represent a financial risk. Insurance companies were forced to pay compensation to some investors who had received bad advice when they took out an endowment policy.

If you end up with an endowment policy that has not produced the money to pay off your capital, you may be entitled to compensation if the advice you received was not sufficient to make you aware of the risk involved. You can also consider selling your endowment in the traded endowments market, which could make you more than surrendering it to the insurance company.