

News from Louis Letourneau.
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Property seemed such a good investment a few years ago. [Louis Letourneau](#) looks at ways of staying safe if times get shaky.

Many of us have one. If we don't, we want one. Some of us even have two or three. What am I talking about? – why, investment properties, of course. Heterosexuals have their children, lesbians have their cats (and their children) and gay men have their buy-to-let [mortgages](#). And over the last few years, property has proved a tremendous [investment](#). So many people are frightened of putting their money into pensions or into shares, and they think that property is safe as, well, houses. The trouble is some people have jumped from one bubble (the technology craze of the late 90s) into today's property bubble.

No investment is *that* safe. You may have forgotten, or you may be too young to remember, the last property crash, in the late 80s. Interest rates went up, unemployment went up and property came down. It took the market years to recover. And there are signs that it could happen again. Interest rates are on their way up and who knows where they'll stop? The [Bank of England's](#) Monetary Policy Group sets interest rates each month. Their job is to control inflation. If they think that inflation may rise, they will put up rates. And inflation will rise if oil prices spirals out of control. And with the unsettled situation in Iraq and the demand from China for more and more oil to fuel its economy, the prospects don't look good.

And it's not just the Bank of England that's concerned. The [IMF](#) has recently said that Britain's housing boom looks unsustainable. The [OECD](#) is also worried. And hardly a week goes by without some economist or other writing in the papers about the coming crash. Indeed, all these articles (including this one!) could help cause a crash by persuading jittery landlords to sell up.

So what should you do? It depends on how exposed you are. If you have at least 25% equity in your investment property and could weather a hike in interest rates and a drop in rental income, you may just decide to batten down the hatches and weather the storm. If you feel that property's a good investment over the longer term – and I'm talking 20 or 30 years - you may not be too concerned if there's a drop in values now.

But if you've recently come into the market and would have a problem paying the mortgage if rates rose or you didn't have a tenant for a few months, you may want to think seriously about taking a profit and moving on. The people in most danger are those who have several investment properties and who have re-mortgaged one in order to release the equity to put down as a deposit on the next one. If something goes wrong, the whole thing could come tumbling down.

While most of the experts expect a crash to come, they may still be proved wrong by the enduring British love affair with property. The market may continue to defy the laws of gravity and just keep going up. But it may not – the bubble may burst, instead. Given this uncertainty, does it really make sense to invest all your resources in one type of asset – property? Wouldn't it be a better idea to move some money into shares and bonds and to fund a pension? The equities markets seem over the worst and you can get money back from the tax-man for pension contributions. With interest rates rising, you may even get a half-decent return on cash one of these days (although cash isn't the best investment if inflation starts to take off).

But if you will insist on sticking with property, you should look around to see if you've got the best mortgage deal. With interest rates rising, this is a good time to fix your rate for the next few years. You should also try to build up a cash sum in an instant access account – enough to pay the mortgage and other bills for six months if you didn't have a tenant. And if you are in the position of having a mortgage on your home, but not on your rental property, you might want to move the mortgage to the investment property, as you can deduct the loan interest from your profits to reduce your [tax](#) bill.

Louis Letourneau is a Director of Isis Financial Planners Limited. Isis offers truly independent specialist advice to the gay community and can be contacted on 0845 1300 778 and email postbox@gayfinance.info . You can also visit our website at www.gayfinance.info

Louis Letourneau, MA is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

For further advice on [Wills](#), [Life Assurance](#), [Tax](#), [Investments](#) and [Pensions](#), contact Isis Financial Planners:

Freephone Number: **08000 1960 69**

or email us on postbox@gayfinance.info website: www.gayfinance.info