

Property & Investment Advice from Louis Letourneau.
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The recent fall in stocks and shares have left investments insecure. Is buying property to let a better investment option? Louis Letourneau provides the answers.

Is property still a good investment, or will the bubble burst soon? Will interest rates stay low, or will they start going up soon? The picture is unclear. There isn't simply one housing market in the UK, but hundreds of local markets. So if you are thinking of buying a property to let, you should research the local market carefully. If you are depending on the rental income to pay a mortgage, think about what would happen if interest rates went up, or the property were untenanted for a spell, or the market tightened and you had to drop the rent to get a tenant.

Sometimes, there is a deliberate decision to buy a property to rent, usually done with the aid of a "buy-to-let" mortgage. Often it happens almost by accident, for example, when two guys move in together and one of them decides to rent out his 'old' place.

There are always tax implications, of course. If you receive rental income, you should inform the Inland Revenue. The tax bill may not be as bad as you expect, as there are a number of expenses you are allowed to deduct from the rents, in order to arrive at the taxable profit. For example, you can deduct mortgage interest and costs such as insurance and repairs. If you let the property furnished, you can also deduct 10 per cent of the rental income, to cover 'wear and tear' of furniture and fittings.

However, more serious, in these days of house price inflation; is the impact of capital gains tax when you sell the property.

There are many ways to reduce this gain, and careful tax planning is very important. You should take into account any potential taper relief, personal exemption, or whether you may have lived in the property as your main residence or not, etc.

For a change, gay couples have an advantage here. Whereas married couples can have only one residence between them which qualifies for exemption at any one time, we can each have our own qualifying property! So Mr and Mrs Smith, if they own two homes, will have to elect which one of those is to be treated as their main residence for Capital Gains Tax, while a gay couple is entitled to one exempt residence each. Of course, this does not make up for the massive discrimination we face in the tax system by not being able to transfer assets between partners free of tax, but it is something that can be used in tax planning.

The fact that gay partners cannot transfer assets to each other without tax consequences is a Capital Gains Tax problem but is also, more importantly, a massive inheritance tax problem. Property prices have risen to such an extent in the last decade, especially in London and the South-East, that people who would otherwise be comfortably within the Inheritance Tax 'nil rate band' (currently £255,000) are being caught in the Inheritance Tax net. In those circumstances, the survivor would have little option but to sell the house to pay the taxman.

This couldn't happen to a married couple, as any transfers between them are exempt- which means they can leave millions to each other, without paying a penny of Inheritance Tax on the first death! Let us hope that the government will soon remedy this injustice and give us equality - it's long overdue.

The recent budget was neutral for property. The Chancellor didn't increase Stamp Duty and, by announcing that he wanted to encourage people away from the traditional variable-rate mortgage and towards European-style long-term fixed-rate loans, indicated that he wants to try to reduce the volatility that has plagued our housing market in the past. As for interest rates, these are lower than they've been in 30 years, and could go lower still if we join the Eurozone.

If you are arranging a mortgage to buy a property, you should not apply for life insurance without consulting a broker who is a specialist in the gay market. Every week, we get calls from guys who have landed in difficulties that would never have arisen *if they'd called us first!*

But remember: no investment can be guaranteed to make money. The property market, like the stock market; can crash. The safest way of investing is diversify - have some money in stocks and shares, some in property, some in bonds and some in cash. You should then sleep better at night.

Louis Letourneau is a Director of Isis Financial Planners Limited. Isis offers independent specialist advice to the gay community and can be contacted on 0845 1300 778 and email postbox@gayfinance.info . You can also visit the new 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 **Pensions, Life Assurance, Investments and Tax** contact Isis Financial Planners:

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