

## Our single-income moving dilemma

Couple want another child and a new home but can they manage it on one salary? **Marianne Curphey** reports

**K**ELLIE and Ben Ahl are enjoying family life with son Matthew and would love to have another child. But the reality of needing a bigger house and coping on one salary means they are stretched.

Mrs Ahl, 30, is a full-time mother to Matthew, 20 months, after giving up her £30,000-a-year fundraising job, although she sells some of her paintings. Mr Ahl, 33, an area manager for Neff, has a gross income of £25,000, but commission last year meant he earned £42,000.

Mrs Ahl says: "We would like another child and I don't want to work full time until the children are at school. Even then, I would like to work around school hours."

Short term, their aims are to buy a bigger house, sort out their debts and build up savings. Long term, they want to buy a holiday home, pay off their mortgage and enjoy an income from investments.

They receive child benefit of £68 per month, and pay £95 per month in childcare costs so Mrs Ahl can have a few hours to paint.

As for savings, each month Mr Ahl invests £125 into an individual savings account currently worth about £6,000.

The family home is a £240,000 two-bedroom cottage in Hertford but the Ahls hope to move to a three or four-bedroom house in the same area. Their mortgage, with Intelligent Finance, has an outstanding balance of £138,000, on which they pay an interest rate of 5.7pc variable. A bigger house will cost them about £300,000, for which they will need a mortgage of £190,000. They pay £1,011 a month on their mortgage and want advice on finding a better deal.

Mrs Ahl has a student loan of £3,000 on which she pays 2pc per annum interest, but her £100-a-year repayments are deferred so the interest is rolling up. Mr Ahl has an

overdraft of £1,500 but is moving this to a 0pc overdraft with Alliance & Leicester. He also has an RBS credit card on which he has a balance of £1,500 but moves the debt around to enjoy 0pc deals.

Mr Ahl pays £37.60 per month for life insurance linked to the mortgage, and has death-in-service benefit at work. His company is changing its pension scheme and Mr Ahl has to decide whether to transfer to another provider, or switch to a Section 32A buy-out plan – an individual pension based on a group stakeholder scheme. He has been paying in 3pc of his salary a year. He also has a Post Office pension he paid into for five years.

Mrs Ahl has two pensions to which she no longer contributes; a company pension scheme with a transfer value of £6,171 run by Legal & General, and a Scottish Widows personal pension with a transfer value of £6,594.

## What the experts say

**BABIES** bring their own blessings but if Mr and Mrs Ahl wish to have a bigger family they should think carefully before taking on more mortgage debt. For example, how reliable is their income and can their credit card debt be reduced?

### Mortgage

ANDREW Montlake, partner at independent mortgage broker Cobalt Capital, says the couple could certainly refinance to a better mortgage rate than the 5.7pc variable they pay. However, they should probably avoid taking on extra debt to buy a £300,000 property, even though some lenders would be willing to let them.

He says: "As well as the extra £52,000 they would need, there are other

substantial costs to moving home. Estate agents' fees and stamp duty alone could add £16,000 to their debts.

"One of the most important factors I would look at is Mr Ahl's commission. How long has he been earning this amount, is it likely to stay at the current level or could it rise? Was last year a good year or a bad year? This would give me a good idea of what they can really afford."

He suggests that, as an alternative, the family could look into adding space to their existing home, via a loft conversion or an extension. "This would cost about £25,000 to £30,000 – so would be less of a burden than relocating. The other option would be to buy a bigger house for a similar price to their existing home in an area that is less expensive."

### Protection

JENNIFER Storrow, managing director of financial planning firm Gee & Company, says life cover should be the couple's first priority.

"Mr Ahl would have severe difficulty in supporting his son, paying a mortgage and organising childcare if he were on his own.

"They should do this now, when a five-year renewable-term policy will be very cheap. Ring an adviser and do it on an execution-only basis where it will be quick, assuming that there are no health problems."

### Cashflow

PHILIP Pearson of P&P Invest in Southampton says the Ahls should make a note of every pound they spend next