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INSIDE THIS ISSUE

TIME TO TOP UP YOUR ISA?

If you're planning to save into your Individual Savings Account (ISA) this tax year, it's a good idea to put plans in place as early as possible. The longer your money is saved or invested, the more time it has to produce tax-free returns.

If you're thinking of putting your ISA subscription into the stock market, but are worried about the current volatility that stocks and shares are experiencing, then you can always choose to make regular contributions. This approach called 'pound-cost averaging' means that you don't have to worry about getting the timing of purchases exactly right, and there's no need to constantly watch markets to invest at the right moment.

What to do next

If you have cash that you don't need to access in the short term, and would like to start using this year's ISA allowance now, then please do get in touch. You only get one ISA allowance each year, so don't risk missing out on the valuable tax relief available. We can help you investigate the choices available and ensure you use your allowance wisely.

The value of investments and income from them may go down. You may not get back the original amount invested.

SCAMS – MORE STOLEN THAN FIRST THOUGHT

The introduction of pension freedoms has hailed a rise in scams across the UK. According to new figures from Financial Fraud Action UK[1], more than one million incidents of financial fraud occurred in the first six months of 2016 – a 53% increase compared to the same period last year, a much higher figure than had originally been feared. As a result, the government has announced moves to ban pension cold-calling.

Approaches by unscrupulous people claiming to be 'advisers' and 'pension experts' offering bogus or unsafe investment opportunities have been steadily on the rise. Here are some tips to help protect you and your pension from attacks by thieves.

Firstly, if you're offered a deal that sounds too good to be true, then the chances are it is. Don't be taken in by glossy brochures or slick websites that scammers often use to knock you off guard. Beware of investment opportunities that offer to put your money into unregulated overseas investments like vineyards or building projects. Visit the FCA's Scamsmart website where you'll see more information about known scams that are currently doing the rounds.

Don't be flattered into investing unwisely; scammers often say you have been handpicked to be offered an 'exclusive deal', you haven't and whatever he or she says, you never need to be hurried into any investment scheme, especially one that is fraudulent.

UNDER 55 SCAMS

One of the common scams being operated by thieves involves accessing your pension cash before you've reached 55. This is often referred to as 'pension liberation'. Victims are usually promised early cash, but what they don't realise is that this represents an unauthorised payment that attracts tax at 55% as well as the fees that the firm will charge you for their services. In some instances, those who have fallen for this ruse have found themselves left with little if any pension savings.

When it comes to pensions, it always pays to get advice from your adviser.

The value of investments and income from them may go down. You may not get back the original amount invested.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

[1]Financial Fraud Action UK, 2016

UNDERSTANDING INVESTMENT JARGON

Every industry has its own terminology which can seem baffling to the outsider. The investment world is no exception. If you choose to invest your money into stocks and shares, you will be confronted with a whole range of words and phrases which may be alien to you. Here we decipher some of the jargon.

VOLATILITY

Volatility refers to the rate at which the price of a stock or share moves up and down. If the price moves up and down rapidly over a short period of time, it is described as having high volatility. If the price remains relatively stable, it is said to be a low volatility stock.

RISK PROFILE

This refers to the amount of investment risk you are prepared to take with your money. Your adviser will ask you a series of questions to assess your profile so that they can recommend the right investments for your portfolio. Risk is closely related to reward, with riskier investments offering a greater chance of reward, but also the risk of greater losses. Your attitude to risk will probably change over time.

ASSET ALLOCATION

This is the process of deciding what proportion of your investment portfolio should be invested in different types of investment, such as cash, equities, bonds and property. The process of determining which mix of assets you should hold in your portfolio will depend largely on your time horizon and your attitude to risk. Asset allocation helps to spread risk through diversification, which basically means not putting all your eggs in one basket.

COLLECTIVE INVESTMENTS

Investing in collective investments, including Unit Trusts, Investment Trusts and Open-ended Investment Companies (OEICs), is a way of putting sums of money contributed by many investors into one large fund spread across a wide range of investments. The resulting fund is managed by a professional team. This type of vehicle represents a good way of diversifying your investments, and represents less of a risk than buying individual shares in just a few companies.

+The past is not a guide to future performance and past performance may not necessarily be repeated.

WILLS AND POWERS OF ATTORNEY – DON'T LEAVE IT TOO LATE

By 2025, the Alzheimer's Society[1] predicts that more than 1 million elderly people in the UK will suffer from some form of dementia. One in five people over 85 already suffer from it. The advice from charities caring for the elderly is that everyone should plan ahead for a time when they might not be in a position to handle their own financial affairs, or deal with decisions about their care.

PROTECTING YOUR WISHES

Lasting Powers of Attorney (LPAs) are becoming much more widely used. They can be written to cover both financial matters and health care provision and give you the satisfaction of knowing that plans are in place if you no longer have the capacity to deal with matters on your own behalf.

It's also important to have a valid Will in place, to ensure that after your death, your assets are distributed as you would wish. If you don't have a Will in place, then your estate will be distributed according to the laws of intestacy, and this could in some cases mean that those close to you, but not related, receive nothing while distant relatives you hardly know benefit in their place.

YOUR CHOICES

LPAs enable you to choose the person or people who would be in charge of making important decisions which affect you if you are not able to do this for yourself. Many people don't think about putting an LPA in place because they wrongly assume their loved ones could step in and would automatically be able to deal with banks and building societies or health authorities on their behalf.

However, if you lose mental capacity or become seriously ill and haven't made an LPA, a family member would have to apply to the Court of Protection to be appointed as your Deputy in order to deal with matters like these on your behalf. Obtaining Deputyship can often be a lengthy and expensive process.

You should seek independent legal advice.

[1]Alzheimer's Society, Dementia Report Statistics, 2014

GETTING THE UK "MATCH FIT" FOR BREXIT

In his first and last Autumn Statement, Philip Hammond announced his plan to ensure the UK economy is "match fit" for Brexit. In the shadow of slower growth forecasts, the Chancellor announced sizeable infrastructure and innovation investment, housing and additional funding measures. The government has no plans for further welfare savings measures in this parliament beyond those already announced, crucially protecting the triple lock arrangement.

In a move expected to benefit two million people, a new savings bond will be launched through National Savings and Investments in April. Open to those over 16 and with an interest rate of around 2.2%, the maximum investment limit is £3,000. The new product will be available for 12 months and savers must lock their cash away for three years.

The Chancellor announced that salary sacrifice would be taxed as normal from April, however pensions contributions, childcare vouchers, the cycle to work scheme and ultra-low emission company cars will be excluded from this. Items bought under the scheme, including gym membership, health screening and computers will be subject to tax from April.

In a measure scheduled to take effect from April 2017, the lower Money Purchase Annual Allowance for those who have accessed their pension savings will be reduced from £10,000 to £4,000 (the standard allowance remaining at £40,000, tapered for high earners). Contributions above the annual allowance to a money purchase (defined contribution) scheme will attract a tax charge at the individual's highest marginal rate. The government has estimated that the yield from this measure will be £70m in 2017–18, rising to £75m in 2021–22. The measure is intended to allow pension savers to access savings while preventing double pension relief and is set to affect individuals who enter into flexible access arrangements to draw funds from their pension savings and continue to make contributions to affected pension schemes. Further details will be provided by the government following consultation.

In an encouraging move the Chancellor confirmed that the income tax personal allowance will rise to £11,500 this April and then to £12,500 by 2020. In addition the higher rate threshold will rise to £50,000 by the end of this parliament. ^*

NEW TAXATION RULES ON BUY-TO-LET SET TO BITE

Data from the Nationwide Building Society[1] shows that the buy-to-let boom may be tailing off. Their figures show that they lent £2.8bn in the six months to September 2016, down from £2.9bn in the same period a year earlier.

From April 2017, landlords could find themselves paying tax at higher rates as a result of the new tax changes.

THE NEW TAXATION RULES

Currently, those with buy-to-let mortgages can deduct all finance costs (such as mortgage interest, interest on loans taken out to furnish the property, and fees) in arriving at their net rental income. From April this will no longer apply. Instead they will receive a basic rate reduction from their income tax liability for their finance costs.

However, the new rules won't be fully implemented until 2020 as the relief will be gradually tapered down. For example, in tax year 2017–18 the deduction from property income will be restricted to 75% of finance costs, with the remaining being available as a basic-rate reduction.

In addition, the 10% wear-and-tear allowance will go from April, and landlords will only be able to deduct costs they have actually incurred. More negative newsflow for landlords came in the Autumn Statement, by way of a ban on letting agent fees charged to tenants, passing the entire fee burden on to landlords, to be imposed following consultation.

AFFORDABILITY TESTS

The government is keen to level the playing field for first-time buyers, many of whom find they are competing with buy-to-let landlords for entry-level properties. The introduction of higher rates of stamp duty for second properties was the first step designed to stem the flow of landlords entering the market.

In line with the government's policy on the buy-to-let market, many lenders are now introducing new affordability tests for those looking to take out a buy-to-let mortgage. The introduction of these new rules together with the changes to tax relief may make it less likely that landlords will snap up properties.

In the light of these moves, some landlords will consider putting their rent up at the earliest opportunity, while others may leave the market altogether.

A mortgage is a loan secured against your property. Your property may be repossessed if you do not keep up the repayments on your mortgage or any other debt secured on it.

[1]Nationwide, Nov 2016

SPENDING PATTERNS IN RETIREMENT – HOW YOURS MAY CHANGE OVER TIME

In the UK, people aged over 65 spend in excess of £121bn per year, and those aged over 85 represent the fastest growing segment of the population. The welcome news is that longevity is increasing, and more people than ever before are set to spend more years in retirement than previous generations enjoyed.

However, all this means that it's more important than it has ever been to think carefully about your spending needs in retirement. The changes in pension legislation have given far greater freedom than ever before, but freedom brings with it greater individual responsibility. Low interest rates and periods of market volatility can make income planning for the future a difficult task.

THE U-SHAPED CURVE

A survey by Age UK[1] showed that generally people tend to spend more money in the early, more active years of retirement, with spending decreasing in the middle years and increasing again in their later years when additional care and medical expenses are more likely to be required.

A NEW RETIREMENT AGE

It wasn't so very long ago that working life was expected to come to an abrupt end around 65 for men and 60 for women. All this has changed. With many more people able to retire from 55, retirement could last 30 years, or even longer. Retirement is becoming a more fluid concept, often representing a time when people can choose to retire, stay in full-time employment, switch to part-time employment, do consultancy work or even start a completely new business or career.

PLANNING YOUR INCOME IN RETIREMENT

Mapping out your future expenditure is an important precursor to drawing up a budget for your retirement and assessing your likely income needs. There are various factors to take into account. You may have income from employment, equally you could choose to give up work altogether and fulfil all the items on your bucket list. You may decide to downsize from a family home to a smaller retirement apartment that is cheaper to run and means you can release some equity to bolster your income. You may want to help children or grandchildren financially by paying for school fees or helping them with a deposit for a home of their own. You will also have to plan for a time when you might need to pay for help around the house, and for the likelihood of needing medical and nursing care in your latter years. There's a lot to consider.

PROFESSIONAL ADVICE

It can be hard to work out how to manage your money through all the varying stages of what everyone hopes will be a long and happy retirement. Getting professional advice on retirement income planning has never been more important than it is today, and can help alleviate financial worries later on in life. It can help you understand what your expenditure pattern might look like, and give you a roadmap for the future.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

[1]Age UK, Financial resilience in later life, 2014

KEY POINTS FROM THE AUTUMN STATEMENT

- GDP growth forecast for 2017 slashed; 2019–20 budget surplus ruled out
- Tax-free personal allowance to rise to £11,500 in April and increase to £12,500 by the end of the parliament
- The higher rate threshold will rise to £50,000 by the end of the parliament
- From April, employers and employees using salary sacrifice schemes will pay the same tax as anyone else, with the exception of pension arrangements, childcare, ultra-low emission cars and cycle to work schemes
- Insurance premium tax to rise from 10% to 12% from June
- Government will stick to plans to cut corporation tax, currently 20%, to 17% in April 2020
- From April a new savings bond will be available for 12 months through National Savings and Investments, with an interest rate of around 2.2% and a term of three years, the maximum deposit will be £3,000
- Ban on letting agent fees to tenants, burden falls to landlords of the property
- Triple lock applied to any increase in the state pension will remain for this parliament
- Fuel duty rise will be frozen for the seventh year in succession
- Employee and employer National Insurance thresholds will be equalised at £157 per week
- £2.3bn housing infrastructure fund to deliver infrastructure for up to 100,000 new homes, a further £1.4bn for 40,000 additional affordable homes.

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