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INSIDE THIS ISSUE

HIGHLIGHTS FROM THE AUTUMN BUDGET

- Stamp duty abolished immediately for first-time buyers purchasing properties worth up to £300,000
- To help those in expensive areas, the first £300,000 of the cost of a maximum £500,000 purchase will be exempt from stamp duty, with the excess of up to £200,000 incurring 5% duty
- Not applicable in Scotland unless Scottish government decides to follow suit
- Pension lifetime allowance to increase in April 2018 to £1,030,000
- Higher-rate tax threshold to increase to £46,350 from April 2018 (Scotland may differ)
- ISA limit for 2018/19 to remain at £20,000
- JISA and CTF allowance will be uprated in line with CPI to £4,260 in 2018/19
- The National Living Wage and the National Minimum Wage will increase from April 2018
- The tax-free personal allowance will rise with inflation to £11,850 from April 2018
- An extra £3 billion to prepare for Brexit over the next two years
- £6.3 billion of new funding for the NHS in England
- Fuel duty will remain frozen for an eighth year
- A new railcard for those aged 26 to 30
- Business rates will switch to being increased by the Consumer Prices Index (CPI) two years earlier than planned
- Capital gains tax relief for overseas buyers of UK commercial property to be phased out

INHERITANCE TAX: GOVERNMENT RECEIPTS REACH RECORD HIGHS

Inheritance Tax receipts pulled in a staggering £4.9 billion for the taxman in the 2016–17 tax year. In the current tax year, receipts have already increased by 22%, and it is widely predicted that the final figure for the year is likely to reach a new high.

Controversially, the threshold at which Inheritance Tax (IHT) applies has been fixed at £325,000 for eight years now. Meanwhile, stock market investments, cash savings, inflation and crucially house prices, have continued to rise sharply, meaning that more families than ever before have found themselves liable to IHT.

RESIDENTIAL NIL RATE BAND

From April 2017, a new allowance was introduced that will come to the aid of homeowners. This additional allowance can now be used to reduce the IHT paid on a main home, enabling homeowners to pass on more wealth to their direct descendants. Referred to as the 'main residence nil rate band', it is being introduced in stages over four years, with a limit of £100,000 applying from April 2017, rising each tax year until it reaches £175,000 per person in 2020. This is in addition to the individual allowance for IHT of £325,000. Whilst the introduction of the RNRB is obviously good news for many families, if the net value of the deceased's estate (after liabilities have been deducted but before reliefs and deductions are applied) is above £2m, the RNRB is subject to tapering at the rate of £1 for every £2 by which the net value exceeds this amount.

MAKING USE OF YOUR ANNUAL ALLOWANCES

Don't forget that each financial year you can make use of your IHT exemption limits. So, you can make gifts of up to £3,000 (in total, not per recipient) and if you don't use this in one tax year, but not beyond, you can carry it over to the next year, which means you could give away £6,000.

Gifts of £250 per recipient per tax year to any number of people are exempt. Each parent of a bride or groom can give up to £5,000; grandparents or other relatives can give up to £2,500 and any well-wisher can give £1,000. Gifts to registered charities and political parties are also exempt.

Every family's circumstances are different, so taking bespoke professional advice is essential in planning your estate.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation, are subject to change.

DIVIDEND ALLOWANCE REDUCTION REMINDER

After a bit of to-ing and fro-ing, the reduction of the tax-free allowance for dividend income from £5,000 to £2,000 will commence from April 2018, and is expected to raise up to £900m per year for the Treasury. Despite being dropped from the Finance Bill 2017 because of the General Election, it was re-introduced into a second Finance Bill, which received Royal Assent in November.

The reduction will affect individuals with non-ISA dividend income in excess of £2,000. The government estimate two thirds of people with dividend income will not be affected, but of the 2.27 million individuals who are, they can expect an average loss of around £315 in tax year 2018–19.

Since the new rules surrounding taxation of dividends came into effect in April 2016, dividends in excess of the allowance, are subject to new tax rates – basic rate 7.5%, higher rate 32.5% and 38.1% for additional rate. The whole concept was introduced in an attempt to incentivise more people to reinvest their dividend income and to deter tax-minimising strategies.

Among those hardest hit will be small business owners. The reform in 2016 and imminent further reduction in the allowance have placed a significant impact on these owners who are basic-rate taxpayers and take a large portion of their annual remuneration as dividends.

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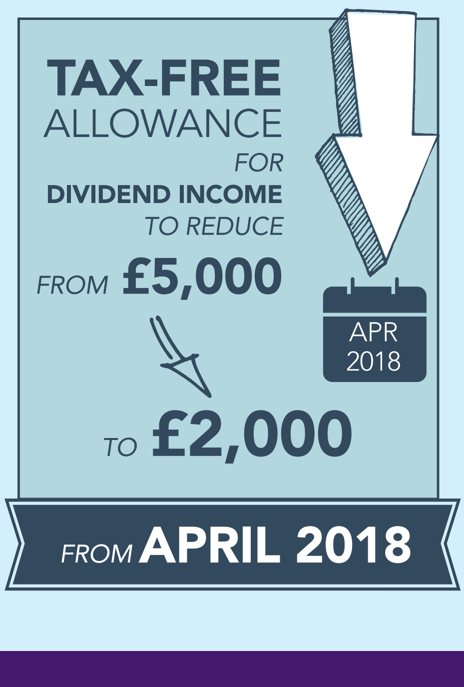

THE EQUITY RELEASE MARKET TODAY

The Equity Release market is growing, with over 27,000 new customers releasing over £2bn in 2016. The sector has come a long way since it started in 1965 and is safe and regulated. As well as lenders and advisers being regulated by the FCA, the trade body, the Equity Release Council, provides valuable protection for customers. In a nutshell equity release is usually a special type of mortgage.

SAFEGUARDS FROM PLANS WITH EQUITY RELEASE COUNCIL MEMBERS

- The right to live in the property for life.
- There are no compulsory repayments so the normal repossession risks do not apply.
- The interest rate is fixed or capped for life.
- 'No negative equity' guarantee – the mortgage cannot be more than the property value at the end of the term.
- Portability – you can move house and take the mortgage terms and conditions with you, subject to the new property being acceptable to the lender.
- Independent legal advice – your solicitor represents only you and not the lender.

DRAWDOWN PLANS

The most popular type of plan enables you to drawdown funds as when you need them.

You are only charged interest on what you have borrowed so it can save a substantial amount of interest compared with a lump sum.

There are usually no fees when you drawdown further funds and the process is much quicker as you don't need to see an adviser or solicitor and your house does not need to be revalued to release further funds from the drawdown facility.

Some people use the reserve as a regular income to boost their pension. Others use it as and when they require it, for holidays, to replace the car or for emergencies.

The interest rate is typically fixed for life and, at the time of writing, rates start from under 4%.

Some plans allow you to make repayments of up to 10% of the original loan each year. This means it can effectively be an interest only or repayment mortgage if you want to and can afford to do so. Not everyone wants a mortgage with compound interest rolling up. This is a flexible option; you do not have to commit to making repayments and can vary or end them if your circumstances change.

If you want to guarantee you leave something behind for your family, the 'Protected Equity Guarantee' available on some plans will ensure that a portion of the value of your home is protected either for use in later life or for your family as an inheritance. Other equity release plans allow you to release high amounts of equity based on your health or lifestyle.

POPULAR REASONS FOR TAKING EQUITY RELEASE

The most common reasons that people take out an equity release plan very from making home and garden improvements, helping family either buying their first house or moving up the property ladder, or releasing funds to the family as part of an Inheritance Tax planning strategy.

For those that have a lifetime mortgage, you may be able to switch it to a different plan with another provider. This could be to obtain better terms such as lower interest rate, more flexible features or to release more capital.

AN ISA MILLIONAIRE – COULD YOU MAKE IT TO £1M?

The odds on becoming a millionaire through winning the lottery or scooping the Premium Bond jackpot are slim at best. However, with planning, patience and sufficient money available to invest in stocks and shares, by reinvesting all your dividends, and making maximum use of your tax-efficient allowance, it is perfectly possible to become an ISA (individual savings account) millionaire. In fact, hundreds of investors, including many who started to build their tax-efficient portfolios in the 1980s through Personal Equity Plans, have done just that since the ISA scheme was launched in 1999.

ISAs are a great way to invest tax-efficiently, and over the last few years the amount you can save tax-free each year has risen substantially.

The allowance for the 2017-18 tax year is set at £20,000, meaning that couples can put away up to £40,000, divided between their respective ISA accounts. Sadly, it seems that the ISA message hasn't got through to everyone. HMRC has produced data that shows only two thirds of those earning more than £150,000 a year use up their ISA allowance each year.

With pension contributions subject to annual and lifetime limits, ISAs represent an excellent way of topping up retirement income, although the cash or shares could be subject to inheritance tax on death, whereas defined contribution pensions can, in many cases, be passed on to beneficiaries more tax-efficiently.

MAKING THE MOST OF YOUR ANNUAL ALLOWANCE

If you were able to invest your full ISA allowance in a stocks and shares ISA every year, and the ISA limit increased by around 2% each year, and your investments made an annualised return of 5% after fees, you too could join the elite band of ISA millionaires in around 22 years. Of course, we must underline that this is not guaranteed, because stock markets can and do go down as well as up.

HOW WE CAN HELP

ISAs have encouraged more people to save for the future, largely because they are simple, flexible and provide an effective tax shelter. If you're planning to invest this tax year, it's a good idea to put plans in place as early as possible. The longer your money is invested, the more time it has to produce tax-free returns. Don't risk losing out on the valuable tax breaks available; remember you can't carry any unused ISA allowance into the next tax year. We can help you investigate the choices available, and ensure you invest your allowance wisely.

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

HOW TO MANAGE DRAWDOWN

A drawdown pension is basically a product that allows you to continue to keep your pension invested in the stock market after you have retired, but gives you the ability to withdraw money from it when you need to.

According to information from the Financial Conduct Authority, before the introduction of the pension freedoms, 5% of drawdown plans were bought without seeking advice, but since the introduction of the new rules, this figure has risen to 30%.

Drawdown can be complex in its operation, so taking advice that takes full account of your financial circumstances can help ensure that you make the right decisions about your retirement income. After all, today's pensioners can look forward to several decades in retirement, and no-one wants to face the prospect of running out of money later in life.

STRIKING THE RIGHT BALANCE

One of the main issues faced by those in drawdown is that there is always the chance that stock markets can fall and reduce the amount of capital they have. Then you need to decide how much money you can safely withdraw without depleting your capital. It's decisions like this that we can help you resolve. Our advice will help you decide the appropriate level of withdrawals and ensure the remaining assets are invested and managed properly.

Some retirees choose to opt for a mix-and-match approach to their pensions. This could involve using some of your fund to buy an annuity to cover your fixed living costs, whilst leaving the rest invested. Or you could decide to buy an annuity later, as rates improve as you get older, though such improvement may be undermined if interest rates generally are on a sharply declining trend at the time (as they were during and after 2007).

One course of action to avoid is taking too much from your drawdown fund and putting it into a bank or building society account. This will mean that your money will be eroded by inflation, and with interest rates low, you are likely to get a poor return.

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.

WILL YOUR PENSION GO TO THE RIGHT PERSON ON YOUR DEATH?

One of the most important changes arising from the pension freedoms that came into operation in April 2015 was the treatment of pension funds on death. If you die before the age of 75, you can now pass your pension fund on to any nominated beneficiary(ies) free of tax. Even after age 75, the death benefit rules are more generous than they were previously, with income tax only becoming payable when your beneficiaries start to withdraw the money.

EXPRESSING YOUR WISHES

This means that it is very important for pension policyholders to ensure that they have nominated the right person(s) to receive their pension benefits. Who gets your pension savings depends on who you nominated when you were asked to complete an 'expression of wishes' form by your pension provider. The form can be updated at any time.

An expression of wishes form, although not binding on the pension scheme administrator, helps guide them when deciding who should receive the benefits. As it isn't compulsory to provide beneficiary details and return the form, some people can overlook this important step. Without this key document in place, there can sometimes be a considerable delay in the payment of pension benefits to dependants.

It's important to be aware that problems could arise if, for instance, you nominated a previous spouse to receive your pension benefits but subsequently remarried and didn't update the form. This could mean that your ex-spouse would receive the benefits under your pension, and that any children and stepchildren might not be provided for.

LEAVING CLEAR INSTRUCTIONS

When completing the nomination form, it's a good idea to provide the full names of all your beneficiaries. Rather than just nominating 'your children', for example, it makes sense to name each one individually.

If your circumstances have changed, you may want to update your nomination form, and keep a copy with your will and other important documents.

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APPROACH WITH CAUTION – SCAMS AN INCREASING CONCERN

Scammers are relentless in their efforts to trick savers out of their pension cash, and it's recently emerged that their tactics are continuing to increase in sophistication. Thieves are increasingly exploiting grey areas of the law and encouraging people to move their pension funds into investments that are completely legal, but totally inappropriate.

These investments often have high charges, are dangerously risky, or incapable of providing the level of income they claim to be able to deliver.

PLANS TO CRACK DOWN

Over £43m in retirement savings has been lost to fraud since the introduction of pension freedoms. Concerns have been raised in parliament, and the Work and Pensions Committee has held an inquiry that, amongst other things, heard evidence as to what might be done to prevent these potentially devastating losses. The Financial Conduct Authority has promised to publish a strategy to tackle the problem.

The much-anticipated ban on pensions cold-calling that will also include texts and emails is likely to go before parliament in the first half of 2018. Companies that do not have prior permission to contact consumers, or do not have an existing client relationship with them, will face fines of up to £500,000.

SIGNS TO LOOK OUT FOR

In the meantime, everyone needs to be aware of the signs to be aware of. The Pensions Regulator's advice is to hang up on anyone who calls out of the blue to discuss pension opportunities, and recommends that savers who are thinking of dealing with any pension organisation should check that they are regulated by the Financial Conduct Authority.

Signs that a cold-caller could be part of a scam and trying to trick consumers out of their pension savings include suggesting that what is on offer is only available to sophisticated investors, and will only be available for a short period of time, meaning that decisions must be taken quickly. It could happen to you, so equip yourself with the knowledge – be scam savvy.