Wise Words

the latest financial news
from Aaron Tawny

Wishing you a very Merry Christmas and a Prosperous 2017

Everyone at Aaron Tawny would like to say a huge thank you for your continued support as 2016 comes to an end and we complete our 16th year in business. All of Aaron Tawny's little helpers are pictured on our website under 'Meet the Team'.

We would like to wish you all a very Merry Christmas and a Prosperous New Year.

In replacement of sending Christmas cards, this year's nominated charities are Alzheimer's Society and Northamptonshire Country Centre who help adults with learning difficulties to work, learn, make friends, and gain experience in horticulture and agriculture.

Lee Maddock a Defined Benefits specialist joins the Aaron Tawny Team

Lee Maddock has joined the Aaron Tawny team to provide specialist advice for our clients with paid up Defined Benefit (DB) Pension schemes. Lee has 24 years' experience in the Financial services industry and joins the team due to increased questions and concerns being raised by our clients with DB Pension schemes.

Transfer values from DB Pension schemes have been hitting historic highs following further reduction in gilt yields over much of this year, resulting in our clients wanting to explore all their options - including whether transferring a final salary scheme may be beneficial to their long-term planning.

A Final Salary Pension scheme has long been regarded as the golden route to a comfortable retirement and for most this is still very much the case. Some deferred scheme members of traditional Final Salary Pension schemes have been offered by the existing DB scheme an opportunity to transfer funds to more flexible Pension arrangements at more favourable rates. This is due to falling gilt yields and UK interest rates being low. Also the increased costs for the DB scheme of providing the benefits to existing members is also prompting them to offer improved transfer values.

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Swapping a guaranteed Pension income for life for an invested Personal Pension account will not be the right decision for too many people. Often, it will still be right for the individual to remain in the scheme, but there are compelling reasons to at least consider a transfer.

For some, a transfer will make a lot of sense - effectively giving control of what is a significant asset. With the advent of Pension freedoms, whereby a Pension holder and ultimately their beneficiaries can freely access their Pension funds, has seen a surge in those considering this option.

This is particularly the case for those with some element of guaranteed income who would like to take advantage of the new rules for some of their other Pensions."

The six most common reasons to consider a transfer are:

1. HEALTH CONCERNS: It could take 20 years or more to receive the transfer value in equivalent income.

2. DEATH BENEFITS: Transferred funds are likely to offer much better income to spouses as they will not see income automatically reduced. "Generally, with a DB scheme, no benefit is left for future generations who can again benefit from transferred funds."

3. ACCESS: Full access is available to the fund at any time and for some, the ability to choose when to take income, can have tax planning benefits.

4. INHERITANCE TAX (IHT): For some the fund can be left untouched as a very efficient IHT vehicle.

5. TAX-FREE CASH: Tax-free cash amounts can be higher.

6. INVESTMENT ENVIRONMENT: Investment returns required to replicate the guaranteed income foregone have often fallen to acceptable levels as transfer values have increased.

Lee will be able to provide the Aaron Tawny team with specific guidance in report format, allowing us to discuss with our clients the following:

- Retained benefits held within their DB Pension scheme
- The advantages and disadvantages of their DB Pension scheme
- Comparison with a transfer to a Personal Pension
- Fees and or associated costs

This will allow our clients to make an informed decision based on their individual circumstances to remain with the DB Pension scheme or consider a transfer.

Andy Beresford of Aaron Tawny wins the mystery shopper award run by the Financial Adviser Publication

Each week a mystery shopper seeks independent and tied financial advice in the UK. The aim is to find out whether Advisers are delivering the goods when it comes to the all important initial telephone contact between client and Adviser.

The company/Adviser are scored in the following areas:

- Speed of response
- Telephone manner
- Relevant qualifications
- Payment method for the advice
- Knowledge
- Email/web presence
- Finally, the mystery shoppers verdict

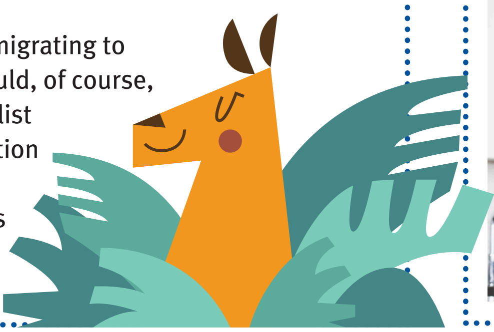
Andy scored 34 out of a possible 35 and the verdict from the mystery shopper was as follows. "The Adviser took a particular interest in the shopper's circumstances and provided detailed and helpful advice."

WELL DONE ANDY!

Australian Pension changes and effect on expats

The Australian Government is to introduce new legislation that makes clear that the objective of Pension saving is to provide an income in retirement and not for tax minimisation or estate planning purposes. The legislation includes amended caps on annual and lifetime contributions which may have a knock-on effect on British expats wishing to transfer UK pensions to Australia.

Any clients emigrating to Australia should, of course, obtain specialist advice in relation to their UK Pension funds and other assets.



Brian Juffkins of Aaron Tawny is nominated for a Northamptonshire Sports Award

Brian, who is an integral part of Aaron Tawny, was recently been nominated and shortlisted for the "Long Time Commitment to Sport" award held in the Guildhall in Northampton. Brian has been involved in the Old Northamptonians Rugby club in Northampton as a player, a volunteer, and a coach for the past 34 years. The past 8 years he has been the driving force in setting up the girls and ladies section which has become a great success with over 100 girls from 11 upwards and ladies playing rugby regularly. Many of whom have gone on to representative rugby with Midlands and England. Brian said "It was a great honour to have been nominated by the players for this award as it recognises the hard work that has gone into setting up the section, recruiting players and making it a success".

CONGRATULATIONS BRIAN ON ALL YOUR HARD WORK AND DEDICATION!

Help 2 Buy Mortgage Guarantee Scheme – *the end is near!*

The Government's Help 2 Buy Mortgage Guarantee scheme is finishing on the 31.12.16 and your mortgage deal must complete by 31.05.17. As a reminder, this element of the scheme requires a borrower to have at least a 5% deposit and they would then take a 95% loan with a mortgage lender.

The Government sits silently in the background acting as a 'guarantor' giving the lender comfort and peace of mind. It can be applied to any property, not just new builds. Phase 1 of the scheme which is aimed at new build properties only will remain in place until 2021.

Some snippets from the 2016 Autumn Statement

Starting rate for savings

The band of savings income that is subject to the 0% starting rate will remain at its current level of £5,000 for 2017/18.

Money Purchase Annual Allowance

The money purchase annual allowance (MPAA) applies to individuals who have drawn any income benefits under the current Pension flexibility rules. It was designed to limit Pension income being recycled as fresh, tax-relieved Pension contributions. The MPAA was initially set at £10,000 and will be reduced to £4,000 from April 2017, but there may be some exemptions following consultation.

National Savings and Investments (NS&I) bond

For one year from April 2017, NS&I will offer a new 'market leading' three-year savings bond. The indicative rate is 2.2% but this may be adjusted to reflect market conditions at launch. The bond will be open to people aged 16 and over, subject to a minimum investment of £100 and a maximum of £3,000.

ISA, Junior ISA and Child Trust Funds

The annual subscription limit for Junior ISAs and Child Trust Funds will increase to £4,128 and the main ISA subscription limit will increase to £20,000 from April 2017.

Personal Allowance and Higher Rate Threshold

The personal allowance will rise to £11,500 and the higher rate threshold to £45,000 for 2017/18. The higher rate threshold is likely to be lower for Scottish taxpayers because the Scottish Government has said that it intends to increase it by no more than the rate of inflation.

Salary sacrifice

The tax and NIC advantages of salary sacrifice schemes will be removed from April 2017, except for arrangements relating to Pensions (including advice), childcare, cycle to work schemes and ultra-low emission cars. Arrangements in place before April 2017 will be protected until April 2018, and arrangements for cars, accommodation and school fees will be protected until April 2021.

New tax allowances for property and trading income

From April 2017 two new income tax allowances of £1,000 each will cover trading income and property income, as announced in the 2016 Budget. Individuals with trading or property income below the allowance, will not need to declare or pay tax on that income. The trading income allowance will now be extended to apply to certain miscellaneous income from providing assets or services.

Also from April 2017, inheritance tax will be charged on UK residential property when it is held indirectly by a non-domiciled individual through an offshore structure, such as a company or a Trust. The new rules were announced previously.

Corporation Tax rates

The Chancellor reconfirmed the planned reductions in the rate of Corporation Tax to 17% in 2020. The rate of Corporation Tax from 1 April 2017 will be 19%.

Business Rates

The rural rate relief will be doubled to 100% from 1 April 2017 in order to remove the inconsistency between rural rate relief and small business rate relief.

Insurance Premium Tax (IPT)

The standard rate of Insurance Premium Tax will rise from 10% to 12% from 1 June 2017.

Pay to Stay - Government policy

The Government has decided not to implement the Pay to Stay scheme as recently announced. Local Authority tenants with taxable incomes over £31,000 (or £40,000 in London) would have been required to pay a market rent, or near market rent.

VAT flat rate scheme

A new 16.5% rate will be available from 1 April 2017 for businesses with limited costs, such as many labour-only businesses. Guidance with the force of law was published on 23 November.

Landlords taxation-it's all change!

At the moment, landlords can offset the cost of the mortgage interest from the rental income when they calculate their profits. So, if a landlord collects rental income of £10,000 a year, but pays mortgage interest of £9,000, the profit is the difference between the two i.e. £1,000, in this example.

Landlords pay tax on their profits according to their income tax band. So, in this simplified example, a basic-rate taxpayer would pay 20% tax on £1,000, or £200, and keep £800. The tax bill for a 40% taxpayer would be £400, leaving £600, or £450 for a taxpayer at the 45% additional rate, leaving £550.

The tax liability of a basic-rate taxpayer is unchanged. However, the new profit calculation could push a basic-rate taxpayer into a higher tax band. From April 2016, landlords will no longer be able to automatically deduct 10% of their rental profits as notional wear and tear. They will be able to claim tax relief only on costs they have incurred, such as if they have bought a new sofa or bed for the property.

They will also have to keep receipts. Previously, landlords could write off the 10% even if they had not spent a single penny on repairs or replacements.

Moving forwards, landlords will no longer be able to deduct all their mortgage interest when they work out their profits as mortgage interest tax relief will gradually be cut back to 20% between 2017 and 2020.

Investment saves £224,000 in Inheritance Tax

We have recently helped a family reduce their Inheritance Tax bill by over £200,000 by using investments that only needed to be held for 2 years in order to avoid an IHT Liability.

The parents were in their 70's and not in the best of health, and due to their net worth we were asked to provide some IHT planning advice. It transpired that their wealth stood at over £1.5 million. They could each gift up to £325,000 of assets before Inheritance Tax is liable making £650,000 in total, anything over that is taxable at 40%. Therefore the potential Inheritance Tax bill on their premature death would be £340,000.

Our IHT planning advice was to use some investments that utilise the tax advantages offered by Business Property Relief. In this way, as long as the investments are held for two years and are still in place at the time of death, any monies held in the investments are free of Inheritance Tax. In just over two years the £500,000 invested had increased to £560,000 therefore saving about £224,000 in Inheritance Tax. Unfortunately, the couple have both now passed away, although they did make it through the two year barrier and the family are delighted to inherit the extra money rather than paying it in tax.

The Family Springboard Mortgage is now available for clients with a 0% deposit

- Deposits available from 0% - 9.9%
- 5.5X income multiples for applicants earning more than £50k
- The Helper(s) receive credit interest at 1.5% over the Bank of England Base Rate
- Available for First-Time Buyers or Home Movers
- Term available from 5 – 25 years
- Fixed rates available

Extra support for Armed Forces spouses to help protect their State Pension

A new Armed Forces National Insurance (NI) credit is available for spouses and civil partners who joined their partners on overseas postings. This will avoid loss of qualifying years to count towards the new State Pension.

Making a Will: Sharp rise for intestate queries

The number of enquiries about people who have died without making a Will has more than doubled over the past five years according to Citizens Advice.

The charity confirmed it had 1,522 such queries in 2011, rising to 3,747 in 2015, along with a rise in queries about problems executing Wills.

According to a YouGov survey, nearly two thirds of the British adult population do not have a Will. Lawyers say not leaving one can cause financial stress for loved ones.

It emerged that the musician Prince died without a Will - a situation known as intestacy. A bank was brought in to manage his assets, worth hundreds of millions of dollars.

Keeping it lite

Half way through !!!

An accountant mentioned to me that a balance sheet is like a bikini. What it shows is interesting, what it hides is essential !!!!!!

‘No excuses’ for Auto Enrolment mistakes say TPR

The Pensions Regulator (TPR) is reminding Employers and their Advisers, that they need to comply with their Auto Enrolment (AE) duties or face penalties:

‘Being ill or short-staffed isn’t a good enough excuse for Employers failing to comply with their legal duties. The latest compliance and enforcement report shows that the number of small and micro employers receiving fines has risen after tribunal judges rejected what the Employers claimed were ‘reasonable excuses.

As with any other business activity, if an Employer is too unwell to complete their AE duties, they’ll need to find someone else who can. AE is ultimately the Employer’s legal responsibility, so whether it’s due to Pension provider failings or illness, a judge won’t consider an excuse to be ‘reasonable’, if there’s something they or someone else could have done to remedy the situation in time.’

TPR’s latest ‘Compliance and enforcement Quarterly bulletin’ reports that instances of penalties have risen but so have the amount of Employers who are ‘staging’ for Auto Enrolment.

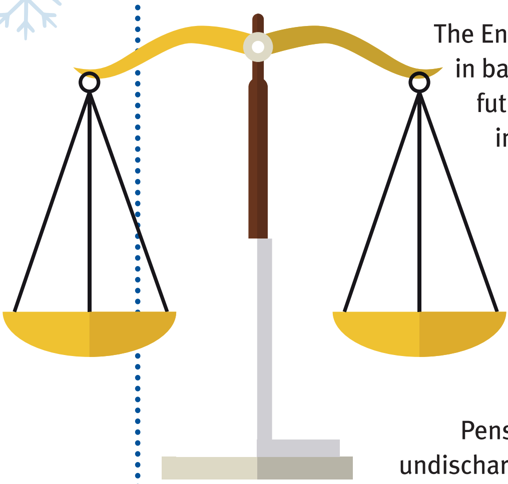
They have also sent over 6,000 letters to Employers reminding them that their deadline for compliance is 31 December 2016.

Government cancels plans to create secondary Annuity market

The Economic Secretary to the Treasury, Simon Kirby, said: Allowing consumers to sell on their Annuity income was always dependent on balancing the creation of an effective market with making sure consumers are properly protected.

It has become clear that we cannot guarantee consumers will get good value for money in a market that is likely to be small and limited. Pursuing this policy in these circumstances would put consumers at risk – this is something that the Government are not prepared to do. They have always been clear that for the majority of people, keeping their Annuity incomes will be their best option, estimating that only 5% of people who currently hold an Annuity would take advantage of this reform.

Creditors cannot access bankrupt's Pension funds before they come into payment



The England and Wales Court of Appeal has refused to grant a Trustee in bankruptcy an order against any income or lump sum that might in future be withdrawn from the bankrupt's Personal Pension policies. The important decision in Horton v Henry (2016) EWCA Civ 989 will have an impact in financial remedies proceedings involving undischarged bankruptcy. Most practitioners have previously assumed that an approved pension not in payment is safe from the clutches of a Trustee in bankruptcy and that it is thus available for distribution between the parties. That assumption is now upheld.

The decision has even greater importance following Pension Freedoms which allow many individuals to withdraw their entire Pension pot as soon as they reach age 55. If Horton had succeeded, an undischarged bankrupt aged 55 plus could suddenly have found himself forced to draw substantially on his Pension assets for the benefits of his creditors.

Keeping it lite! - Oops the wrong e-mail address!!!!!!!!!!!!

A British couple decided to go to Florida to thaw out during a particularly icy winter. They planned to stay at the same hotel where they spent their honeymoon 20 years earlier.

Because of hectic schedules, it was difficult to coordinate their travel schedules. So, the husband left London and flew to Florida on Thursday, with his wife flying out the following day.

The husband checked into the hotel. There was a computer in his room, so he decided to send an email to his wife. However, he accidentally left out one letter in her email address, and without realizing his error, sent the e-mail to the wrong person.

Meanwhile, somewhere in the UK, a widow had just returned home from her husband's funeral. He was a Baptist minister who had sadly suffered a premature death following a heart attack.

The widow decided to check her e-mail expecting messages from relatives and friends. After reading the first message, she screamed and fainted.

The widow's son rushed into the room, found his mother on the floor, and saw the computer screen which read:

To: My Loving Wife Subject: I've Arrived Date: 21/03/2016 I know you're surprised to hear from me. They have computers here now and you are allowed to send emails to your loved ones. I've just arrived and have been checked in. I've seen that everything has been prepared for your arrival tomorrow. Looking forward to seeing you then! Hope your journey is as uneventful as mine was.

P. S. Sure is freaking hot down here!!

If you would like to receive the newsletter via email, please email us at: enquiries@atawny.co.uk

We hope you find this a useful and informative read. With our constant strive for excellence in customer service we always appreciate to hear your feedback, whether good or bad.

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If you would like more information on any of the following areas, please tick the relevant section, fill in your details and send this back to us at:

Aaron Tawny Ltd. 6 Market Place, Kettering, Northants, NN16 0AL

- ☐ Mortgages
- ☐ Defined Benefit Schemes
- ☐ Budget snippets
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- ☐ Auto Enrolment
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