Wise Words
the latest financial news from Aaron Tawny

Spring 2018: Aaron Tawny Team Update

Darren Ward has joined us recently as a Mortgage and Protection Adviser. He has many years of experience in the Financial Services industry and will work alongside Aaron Tawny's existing team of Financial Advisers to offer mortgage advice to both new and existing clients.

Darren is married with two young sons and has lived and worked locally all his life. He has settled in well as part of the team and has already worked closely with some of our existing clients.

Darren is also actively involved in updating our Facebook and Twitter pages.

He will be completing additional qualifications this year in order to offer our clients advice on various types of Equity Release schemes.

Also we would like to mention a couple of other recruits to the Administration element of Aaron Tawny, they are Beth Etheridge and Joanne McCleery. They join the existing Administration team Tanya Owen, Tracey Clutton, Clare Maddison and Gail Cowper.

Workplace Pension Contributions Increase

The earnings trigger remains at £10,000 for 2018/19. The qualifying earnings band for 2018/19 is £6,032 - £46,350. Minimum contribution rates increase from April 2018 (and again in April 2019) as shown below:

Timing	Percentage of your qualifying earnings to be contributed by YOU including tax relief	Minimum percentage of your qualifying earnings to be contributed by your EMPLOYER	Minimum percentage of your qualifying earnings to be contributed in TOTAL
Staging date to March 2018	1%	1%	2%
April 2018 to March 2019	3%	2%	5%
April 2019 onwards	5%	3%	8%

Endings and beginnings - planning around the tax years

In this article, we have summarised some of the principal financial planning issues to consider both in the run up to the end of the current tax year and the start of the new one. This year the last working day of the tax year is 5th April itself, which falls on a Thursday.

Pensions

Carry Forward

If an individual exceeds the standard Annual Allowance (AA) or their tapered annual allowance if applicable, it is possible, if eligible, to look back and consider whether there is any unused AA in the 3 previous tax years (up to £40,000 in each of 2014/15, 2015/16 and 2016/17). As long as an individual has been a member of a registered pension scheme at some point in each year being carried forward from, it doesn't matter whether they actually made any pension contributions in that tax year. Also, the person does not have to make contributions to the pension arrangement that they have been a member of in order to utilise carry forward - they can make contributions to a different pension arrangement. The ability to carry forward from 2014/15 will be lost after 5th April 2018.

Money Purchase Annual Allowance (MPAA)

Anyone subject to the MPAA for 2017/18 has a £4,000 annual allowance for money purchase contributions and this must be used by 5th April or it will be lost as unused MPAA can't be carried forward.

Lifetime Allowance

We haven't been able to say these words in a while - the lifetime allowance will increase on 6th April 2018 to £1,030,000, in line with the CPI increase. For anyone subject to the standard lifetime allowance, it may make sense to postpone any Benefit Crystallisation Events (BCEs) until the new tax year in order to use up a slightly smaller percentage of lifetime allowance, avoid an LTA charge and/or achieve a slightly higher tax-free cash figure.

Planning using Pension contributions

Consider whether there is any scope to make further contributions this tax year (and next) in order to reduce income so that:

- Income falls into a lower tax band
- The Personal Allowance remains available (ie. reduce adjusted net income to £100k or less to keep the full personal allowance or to below the age allowance limit in order to avoid the age-related personal allowance being reduced)
- Entitlement to child benefit remains fully or partially available
- If the income influencing the child benefit charge can be brought down to £50k pa or less then a full entitlement to child benefit is reinstated (ie. no charge will apply) and any reduction in income between £50k and £60k will reduce the charge payable
- The main methods for reducing income are via the making of pension contributions and the use of salary sacrifice. However, bear in mind that maximising contributions as soon as we hit the new tax year may not be the best course of action and a greater benefit might be obtained by staggering or postponing pension contributions, e.g.:

Those with income over £100k might consider staggering their pension contributions in order to bring income below £100k over a number of tax years in order to avoid the loss of the Personal Allowance (which means an effective tax rate of 60% on affected income)

Those with income over £50k (and especially £60k) again might consider staggering pension contributions over a number of tax years in order to avoid the effective loss (or reduction) in child benefit via the child benefit charge.

continued overleaf

Endings and beginnings - contd

Independent Taxation

That is, ensuring assets/income are split (where possible) between married couples and civil partners (and other couples where appropriate) in the most tax effective way to enable maximum use of personal allowances to reduce or eliminate child benefit charge and possibly to move income into a lower tax band (e.g. if one party pays tax at a lower rate than the other). Where assets are transferred, these should be outright and unconditional gifts to ensure HMRC view that there has been a genuine change of beneficial ownership as well as legal ownership.

Investments could be transferred to a spouse/civil partner on a no gain/no loss basis without triggering a Capital Gains Tax (CGT) disposal (subject to practical considerations and ensuring such transfers are outright and unconditional).

Marriage Allowance

Allows 10% of the personal allowance to be given by one spouse/civil partner to the other where the giver is a nontaxpayer and the receiver pays tax at no more than basic rate. The amount is £1,150 in 2017/18 and increases to £1,185 in 2018/19.

Dividend Allowance

Reduces from £5,000 to £2,000 on 6th April 2018.

Employers/Business owners

Could consider paying salary/bonuses/dividends before 6th April 2018 to use up any unused personal allowances, basic rate band or dividend allowances (particularly as the dividend allowance reduces from £5,000 to £2,000 from 6th April 2018); and/or using one of the share option schemes available. Alternatively, the employer could consider postponing payments of bonuses/dividends etc. until after 5th April 2018 if personal allowances, basic rate bands or dividend allowances have already been used up.

ISAs

Ensure your 2017/18 ISA allowance has been fully utilised (if appropriate) up to £20,000 (which can be fully invested in cash if required). On 6th April 2018 the new ISA year begins and a new annual subscription limit becomes available, again at £20,000. A Cash ISA can be transferred to a Stocks and Shares ISA and vice versa these days. Eligible investors aged 16 or 17 can invest £20,000 into a Cash ISA before 6th April 2018 and £20,000 in 2018/19.

Help-to-Buy ISAs

Those with adult children who are planning to buy a home might consider gifting funds to their children so that they can invest in a help-to-buy ISA. This ISA is available to First Time Buyers over the age of 16. Savings of up to £200 per month and a one-off £1,000 at the start (forming part of the £20k overall ISA subscription limit) attract a 25% tax-free bonus from the Government, providing £3,000 cashback on a maximum saving of £12,000.

Lifetime ISAs (LISAs)

Between the ages of 18 and 40, it is now possible to open a Lifetime ISA. This ISA enables you to save up to £4,000 each year (forming part of the £20k overall ISA subscription limit) and receive a Government bonus of 25% on any savings put in before your 50th birthday.

Capital Gains Tax (CGT)

Both husband and wife have their own CGT annual exempt amount of £11,300 per person this year, the figure for 2018/19 is £11,700. Ensure assets are held in such a way as to maximise use of both allowances and make maximum use of the basic rate

continued overleaf

Endings and beginnings - contd

band (meaning gains are taxed at 10% instead of 20% (18% and 28% for taxable gains on residential property). Assets can be transferred between spouses on a no-gain no-loss basis in order to make use of both exemptions/basic rate bands or to offset one spouse's loss against the other's gain (transfers must be outright and unconditional).

Make maximum use of IHT gifting (where appropriate) before the tax year end and in the new tax year. The £3,000 annual exemption can be carried forward one tax year if unused as long as the donor fully uses the current year's exemption first. Regular gifts out of surplus income can be established, perhaps by way of payment of premiums into a regular savings vehicle in trust. The £250 small gifts exemption can be made to an unlimited number of different people as long as no other gifts are made to the same people in the same tax year. All these exempt gifts are immediately outside the donor's estate for IHT purposes.

Investing for Children

Although it is no longer possible for new Child Trust Funds (CTF) to be set up, it is still possible for

payments to be made to existing CTF accounts. The maximum annual amount is £4,128 in 2017/18 and £4,260 in 2018/19. Accounts continue to benefit from tax free growth. The CTF was available to children born between 1st September 2002 and 2nd January 2011.

The Junior ISA is available to children under 18 who do not have a CTF account. The annual maximum subscription is the same as the CTF (£4,128 in 2017/18 and £4,260 in 2018/19) and funds grow in a tax-free environment. Transfers from CTFs to JISAs are allowable (since April 2015). The CTF must be closed and the funds transferred direct from the CTF provider to the JISA provider. This may offer a wider range of products.

£160 million paid out every day to UK customers

Last year a record £160 million was paid out every day by insurance and long term savings firms to customers according to latest industry data published today by the ABI.

ABI's Key Facts 2017 sets out the vital role that insurance and long-term savings is playing in helping households and firms cope with unexpected events and plan for the future, as well as contributing to the UK economy.

Be on your guard

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.

In the meantime, everyone needs to be aware of the signs to look out for. The Pensions Regulator urges savers to protect themselves against pension fraudsters in several ways. It recommends hanging up on anyone who calls out of the blue to discuss pension opportunities. They warn about the dangers of any firms that offer high guaranteed returns, especially on unregulated offshore investments, and recommend that they check that any companies they are thinking of dealing with 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. Be scam savvy don't let it happen to you

Auto Enrolment Review

Since its launch in 2012, automatic enrolment has transformed the way people save for retirement, with more than 9 million people now enrolled into a Workplace Pension, with a large number of new savers under the age of 30. However, the review estimates there are still around 12 million individuals under-saving for their retirement, representing 38% of the working age population. Of this 12 million, some 6 million are 'mild under-savers'.

The Government is committed to normalising pension saving among workers; helping lower earners build financial resilience for retirement; to supporting people, predominantly women, in multiple part-time jobs, and to simplifying automatic enrolment for employers.

The recommendations following the Government's review of auto enrolment are summarised below:

- Automatic enrolment duties will continue to apply to all employers, regardless of sector and size
- The auto enrolment age range will be widened to include young people from 18 years old (currently 22)
- Workplace Pension contributions will be calculated from the first pound earned, rather than from a lower earnings limit (currently £5,876 when contributions are based on qualifying earnings
- The earnings trigger will remain at £10,000 for 2018/19, subject to annual reviews
- Contribution levels will be reviewed after the implementation of the 8% contribution rate from April 2019

Ready to Invest?

Here's how to get started - We are here to help!

If you're looking to get a better return from your money than you can from your bank account, then the time might be right to think about investing for the future. Before you begin, here are some golden rules to consider.

Hold some cash

You'll need to have ready access to a cash fund to cover everyday living expenses and unforeseen expenditure. Obviously, there's no point rushing into investment if you've got substantial debts or if you know you're going to have to make major financial commitments that will take up all your spare cash.

Define your goals

You need to be clear why you're investing and what your goals are. The sort of life events that people often invest for include a child's education, a child's wedding, to repay a mortgage, retire at 55 – the list can be a long one. Knowing your time horizon helps ensure you put in place the right investment strategy for your needs.

Know your risk profile

You will need to establish how much risk you're comfortable with, and the impact that has on the rate of return you can realistically expect to earn. You should bear in mind that the level of return can vary from year to year, and that past performance is not a guide or a guarantee of future returns. The value of shares can go up and down.

Go for Diversity

A portfolio that includes a range of assets alongside shares, such as bonds, property, and cash, has been shown to perform better over the longer term than one that is only invested in one type of asset. This process is known as asset allocation and is almost always the starting point when deciding where to invest.

Getting investment advice makes sense

We will be able to help you in a variety of ways. Firstly, we can work with you to review and assess your current situation, any existing holdings you may have, your family circumstances and tax position. Drawing on our expertise and extensive knowledge of the market, we will recommend the asset allocation that will meet your requirements, together with the investment options that are suitable for you.

We want to schedule regular reviews with you so that your investments can, if necessary, be altered or rebalanced in response to economic and market forces.

ISA tax advantages to be extended to estate of deceased

The Individual Savings Account (Amendment No. 3) Regulations 2017 take effect from 6th April 2018 and apply to ISAs held by an individual who dies on or after that date.

What's changing?

Under these new regulations, investments held in an ISA after the death of the investor will be deemed to be 'administration-period investments' held in a 'continuing account of a deceased investor' until the earlier of:

- the completion of the administration of the deceased's estate
- the third anniversary of the account holder's death
- closure of the account on the withdrawal of all assets out of the ISA

During the 'administration period' described above the personal representatives and beneficiaries shouldn't face income tax or capital gains tax on the investments.

It isn't possible for new subscriptions to be added to the continuing account of a deceased investor after the death of the investor, and the ISA isn't able to be transferred between ISA providers other than in specified circumstances.

Stamp Duty Land Tax (SDLT) relief for First Time Buyers

First time buyers purchasing their first home for £300,000 or less will pay no SDLT. Where the purchase price is over £300,000 but does not exceed £500,000 they will pay 5% on the amount above £300,000. Where the property purchase is a joint one, each purchaser must be a First Time Buyer for the relief to apply.

Over £40m Stolen from Pensions

Police reports show that since the introduction of the Pension Freedoms, more than £43m in retirement savings has been lost to fraud. 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.

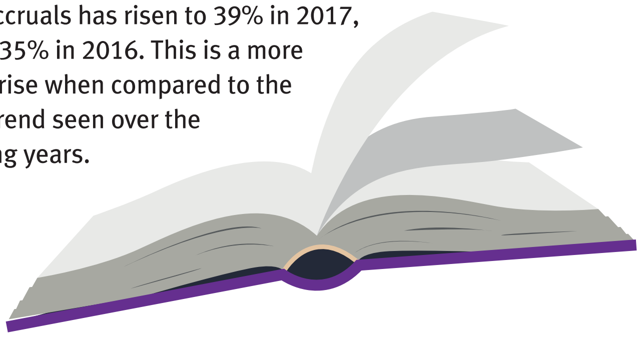
Research has shown that scammers frequently search for information in social media profiles, emails and texts, that can help them sound genuine and authentic when they cold-call their victims. Fraudsters gather their information from fake online forms, and phishing emails that fool recipients into giving away vital personal information. This means that when they call, they can sound very convincing.

The Purple Book published 2017

In its twelfth edition of the Purple Book, the Pension Protection Fund reveals that while the proportion of open DB schemes has remained relatively steady in the twelve months to March 2017, the number of schemes closed to future accruals has seen a marked increase.

The figures show 12% of DB pension schemes are currently open to new members, falling from 13% in 2016 and down from 43% in 2006 (when Purple Book records began).

Conversely, the number of schemes closed to future accruals has risen to 39% in 2017, up from 35% in 2016. This is a more notable rise when compared to the steady trend seen over the preceding years.



State Pension coffers 'will be empty' by 2033 without Government support

The latest Government Actuary's Department (GAD) projections suggest the National Insurance fund used to pay out the State Pension will be exhausted by 2033.

The projections in the report are based upon the assumption that National Insurance contribution rates and fund benefits remain as currently defined, subject to up-rating and re-rating policy.

Older workers facing the pressure of intergenerational needs

It's estimated that around 1.9m workers aged over 50 find themselves juggling the competing needs of the younger and older generations, sometimes overlooking their own financial planning requirements. As a result, many feel under pressure to go on working for longer; others sacrifice saving for their retirement to help other family members.

The problem is likely to intensify as the younger generation increasingly look to the 'Bank of Mum and Dad' to help with major expenditure such as house purchase. Elderly parents are living longer and need more care. This means that many over 50s are squeezed in the middle and find themselves taking the financial strain. Government statistics show a record number of over 50s remain in work, some from choice, others out of necessity.

Pension provision set aside

Worryingly, almost a quarter of over 50s with financial dependants admitted that they had sacrificed saving for a comfortable retirement to provide financial support for adult children, while a high proportion of respondents said they had stopped saving completely to support the children and parents who depend on them financially.

Government statistics show a record number of over 50s remain in work, some from choice, others out of necessity.

Getting the right advice

Whatever age they are, everyone should make provision for their later years. Even small sums saved regularly will go some way towards providing a pension income. Getting good advice will help you work out how much you will have available to live on in retirement, and how you can improve your pension outlook.

For more information
call us on 01536 512724

A Little Lite Relief

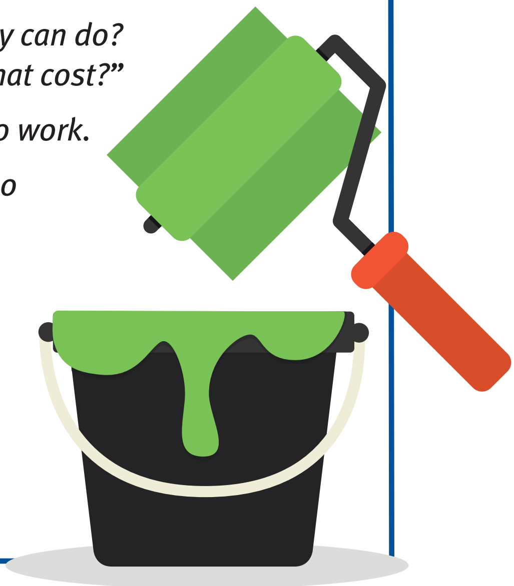
Two young friends decide to start a handyman service to make some extra money. After walking around a wealthy neighbourhood they walk up to the first house.

A man answers the door and they ask if there is anything they can do? He tells them "The porch needs painting, how much would that cost?"

They reply "How does £50 sound?" He agrees and they get to work.

When the man goes back into his house his wife asks him "Do they know the porch wraps around the house?" He tells her "They must do, they saw it."

About an hour later they come to the door to collect their money. They say "We had extra paint so we put on two coats." The man is really impressed and gives them the money. They thank him and say "And by the way, it's a BMW, not a porch."



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.

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

6 Market Place
Kettering
Northants
NN16 0AL
T: 01536 512724
F: 01536 312232
E: enquiries@atawny.co.uk
W: www.atawny.co.uk

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