

Wise Words

the latest financial news from Aaron Tawny

Season's Greetings
from Aaron Tawny



New Starters & Changes within the Team

Abbie Massaro has joined us recently as a Mortgage and Protection Adviser. After graduating in 2017 with a First-Class Honours degree in Psychology, Abbie entered the world of Financial Services and will now be working alongside the team at Aaron Tawny, offering mortgage advice to both new and existing clients.

Abbie will also be completing additional qualifications in the coming months, in order to offer our clients advice on various types of Equity Release schemes.

We would also like to welcome Pauline Morrison to the team, she will be working as an Administrator. Pauline has worked with young children for many years and has decided to head into a different direction

and we have been lucky enough that it's our direction, as we know she will be an asset to the team.

Darren Ward who joined us at the end of 2017 has been working as a Mortgage Adviser since joining and then gained his qualifications to be able to advise on Equity Releases. He has also been studying hard over the last year or so to obtain the necessary qualifications to become an Independent Financial Adviser and we are very pleased to congratulate him on passing his Diploma for Financial Advisors via London Institute of Banking & Finance.

Darren will therefore now be able to offer full independent advice on all types of investments and pensions.

Investments Seminar

On Wednesday 2nd October, as some of you may already be aware we organised a seminar for our clients to attend regarding 'Your investments – What could the future hold'?

Firstly we would like to thank all our clients that attended the seminar and we hope that you found it informative and interesting.

Joining us on the day were James Hall from Cazenove, talking about what sort of impact will Brexit have on financial markets. We then had Tom Santa-Olalla from Close Brothers Group giving an overview on investing in socially responsible investment portfolios and lastly Jerry Price from Blackfinch Investments Ltd providing an insight into protecting your wealth from Inheritance Tax.

One of our clients commented that *"I found all your speakers opened my eyes to all sorts of possible investment"*.

For any clients that couldn't attend, we will be holding another seminar in October next year.





Nest introduces discretionary payment option for death benefits




Nest is at last introducing a new option to give its members greater choice about their death benefits which will allow for the Inheritance Tax freedoms that most other pensions receive.

Nest members can now either nominate a beneficiary or opt into discretionary decision-making by completing an Expression of Wish form.

Under the Expression of Wish option, Nest members can opt into discretionary decision-making by completing a simple form indicating

who they would like their pension paid to after their death. Following their death, Nest will then decide whether or not to pay their pension pot to the beneficiaries listed on their form - taking changes to the members' personal circumstances into consideration. If Nest decides not to pay to those beneficiaries, the pot will usually be paid to the member's estate. This exercise of discretion means the member's pension pot will not usually be considered part of their estate for Inheritance Tax purposes.






Renting is on the up



House prices in UK cities have outpaced earnings growth by 11 per cent, as affordability reaches its lowest level since the global financial crisis. This puts home ownership out of reach for a growing number of people in the UK, meaning more and more households in the UK are now renting.

The rental market

- The UK's private rented sector increased by 1.7 million households between 2007 and 2017
 - It's predicted that 1 in 4 households will be renting privately by the end of 2023.
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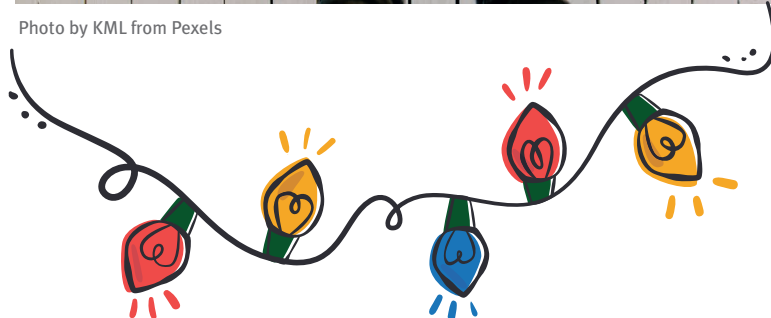
Without sufficient financial protection in place, many renters could find themselves losing the roof over their head if the worst was to happen or if they are unable to work due to sickness or injury. And when you consider renters spend 40% of their income into covering household costs, double what owner-occupiers would pay (19%), having protection in place is more important than ever.

How can we help the rental market?

A Rental Protection Plan covers the cost of the tenants rent if they become ill or injured and were unable to work, or if they suffer a specified critical illness or were to die during the length of the plan. To learn more about a rental protection plan, please do not hesitate to contact us.



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Equity Release - why it may be considered

2019 has seen interest rates drop well below 3%, and with rates this low, there has never been a better time to consider a lifetime mortgage or moving an older lifetime mortgage currently on an uncompetitive rate.

Some of the obvious reasons for growth in this sector of the market include a lack of adequate pension provision, buying a new home, the need to clear mortgage and personal debt, home improvements and supporting family members to get onto the housing ladder. With property being one of their most valuable assets, more and more clients are using this as a way of funding and enjoying their retirement.

How does it work? – you borrow some of your property value, with an option to take the entire loan amount in a lump sum or as a smaller initial amount with the remaining held in a reserve account that can be drawn down at a time you may need it. Any initial amount taken is at a fixed interest rate for life with the option to make regular payments back, should you wish, or allow the interest to roll up and be cleared on the sale of your property. Because there are no requirements to pay the mortgage back during the term, there are no affordability assessments to undertake.

If you took out a lifetime mortgage many years ago, is there anything you should consider? As with any mortgage, there may be costs involved in moving your mortgage, but with rates at their current low levels and new schemes offering additional features



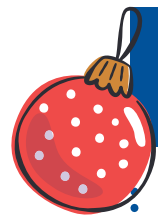
Photo by Suzy Hazelwood from Pexels

With property being one of their most valuable assets, more and more clients are using this as a way of funding and enjoying their retirement.

and choices for clients, there is likely to be a financial benefit of reducing the amount of interest incurred over the long term, by moving to a new lower mortgage rate.

Interest rates are at an all time low currently, but how long will it last? It's difficult to predict the market over the medium to long term, and it may be that in the future, this current period will be regarded as the point at which rates reached there all time low.

If you are considering a lifetime mortgage with an interest rate that is fixed for life, there may never be a better time.



FCA proposes increase to FOS award limit

The FCA proposes to increase the Financial Ombudsman Service (FOS) award to:

- £350,000 for complaints about acts or omissions by firms on or after 1 April 2019, and
- £160,000 for complaints about acts or omissions by firms before 1 April 2019 which are referred to the FOS after that date.

It also proposes that from 2020 onwards, award limits are automatically increased on 1 April each year in line with the Consumer Price Index (CPI).

The current award limit of £150,000 will remain for any complaints referred to the FOS before 1 April 2019.






State pension and lifetime allowance increases for 2020/21

Many rates and benefits increase each April based on the annual rate of CPI to the previous September. This rate has now been announced as from September 2019 as 1.7%.



The new state pension and the basic state pension element of the old state pension are currently subject to increases under the 'triple lock' guarantee meaning that the annual increase rate is the higher of this CPI figure, the average earnings increase in the three months to July and 2.5%. As the average earnings increase was the highest of these figures, at 3.9%, this will be the figure used for these state pension increases next April (the additional state pension under the old system and any protected payment under the new system increase with CPI rather than under the triple lock, so these elements will increase by 1.7% in April).




As a result, the basic state pension under the old system will increase by £5.05 a week to £134.25, while the new state pension will increase by £6.60 a week to £175.20.

The lifetime allowance for pension savings, if rounded up to the next £1,000 would increase to £1,073,000 from April or if rounded up to the next £5,000 would increase to £1,075,000.

The Regulations state that the previous Lifetime Allowance, after applying the CPI increase, will (if not already a multiple of £100), be rounded up to the nearest £100. However, last year the government chose to round up to a higher figure, i.e applying the CPI rate from September 2018 of 2.4% to the 2018/19 LTA of £1.03m gave a figure of £1,054,720 so rounding up to the next £100 would have given an LTA of £1,054,800 but the government actually increased the LTA to £1,055,000 (which is both a rounding up to the next £1,000 and the next £5,000).



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Ever thought about buying a holiday home?

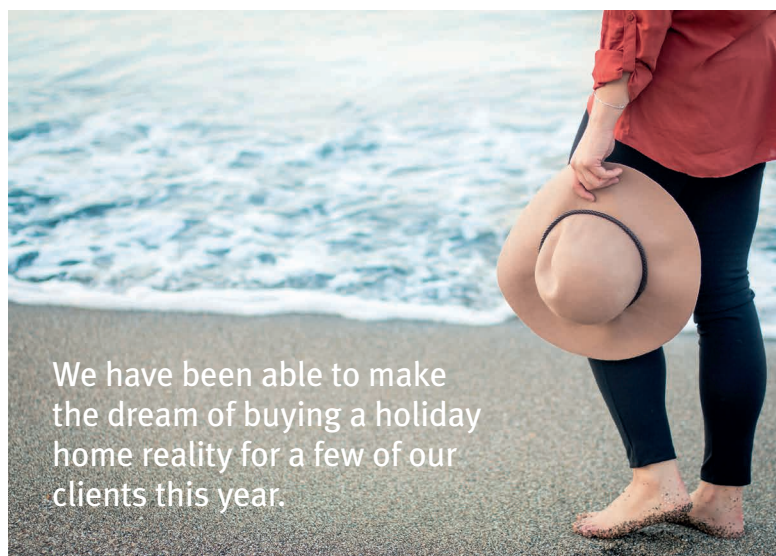


Many of us when on holiday have a look in the estate agents window and dream that one day we might be able to live there for one long holiday. For those up with technology maybe you just check rightmove on your phone! Sometimes it makes you think how much you are paying for a holiday compared to a monthly mortgage payment if you owned it.

We have been able to make the dream of buying a holiday home reality for a few of our clients this year.

There are a few lenders who will allow you to buy a second home, if it is to rent out they will take into account the likely rent that you will receive to help towards proving the mortgage is affordable. Most lenders will only lend 75% maximum of the value of the property, so you would need to find a quarter of the price to put down yourself. Although there is a possibility, if you have equity in your current home, you could increase that mortgage to provide the deposit amount.

As the mortgage is for a holiday let, interest rates are not quite as competitive as those for mortgages for homes that you live in yourself. We have secured rates at 2.99% – 3.5%. The mortgage can be arranged on an interest only or a repayment basis. There are also fees that apply and don't forget you will be paying the higher rate of stamp duty as well as solicitors costs.



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Photo by Adrianna Calvo from Pexels

Some lenders base their calculation on the maximum they will lend based on the average rent in low, medium and high rent weeks. They assume it could be rented for 40 weeks of the year and make a calculation based on that.

So if you dream of buying a place by the sea, or in your favourite holiday destination we may be able to help. Why not give us a call?

Call us on 01536 512724

IHT will apply to the pension death benefit

A pension scheme transfer by the late Mrs RF Staveley just before her death, and her refusal to take any income from the fund after the transfer, constituted a disposition that was a taxable 'transfer of value' in favour of her sons, who were to be the beneficiaries of the death benefit.

The ruling of the England and Wales Court of Appeal in HMRC v Parry (2018 EWCA Civ 2266) overturns the Upper Tax Tribunal's ruling that the purchase exemption applied to the transfer.

Initially HMRC had decided IHT was payable, but then the First-tier tribunal and then the Upper tribunal said it wasn't. Now the Court of Appeal have decided it is.

This certainly demonstrates just how complex the interpretation of what constitutes a 'transfer of value' can be...



Electronic execution of documents

The Law Commission has issued a consultation document on the electronic execution of documents.

Electronic signatures are used validly instead of handwritten signatures in transactions every day. However, the law subjects particular types of documents to certain procedures such as signing or witnessing.

The Law Commission has been told that issues, including uncertainty around the legal status of electronic signatures, are inhibiting the use of new technology where legislation requires a document to be 'signed' or executed as a deed. They intend to address this, ensuring the law governing these formalities is sufficiently certain and flexible to remain competitive in a post-Brexit environment.

The Law Commission now seeks views on whether:

- The government should set up a group of industry experts to monitor the use of electronic signatures and advise on potential changes to help businesses as new technologies emerge.
- Webcam or video links could be used instead of a physical witness for documents which require witnessed signatures.

The law subjects particular types of documents to certain procedures such as signing or witnessing.



Photo by Porapak Apichodilok from Pexels

- Traditional witnessing in person could be replaced by:

A signing platform, where the signatory and witness are logged onto the same programme from different locations; or

The ability of a person to 'acknowledge' that they applied an electronic signature to a witness after the event.

- There should be a further project on whether the concept of deeds is fit for purpose in the 21st century.



Net pay tax disadvantage 1.2 million people are missing out

HMRC had said it was exploring 'opportunities' to address the tax relief disadvantages of the 'net pay' method of pension tax relief for lower earners, compared to the 'relief at source method'.

Under the current net pay system non-taxpayers, or those whose gross pension contribution exceeds the taxable element of their income, lose some, or all, of the 20% tax relief that would automatically be given if they were members of a relief at source scheme.



This position has worsened as a result of auto enrolment as many of the largest master trust schemes used for auto enrolment operate the net pay method.

Although the issue wasn't addressed in the Budget, let's hope changes will be made sooner rather than later.



Lite Relief

An American over in the UK on holiday calls into a Golf Club to see if he could have a game with a member on Monday, Tuesday and Wednesday morning before he flies back home. The secretary says that George plays every morning between 9am and 9.30am and he is always looking for someone to join him for a round of golf.

The American turns up at 9am on Monday morning and meets George. They both enjoyed a good game of golf. After the game the American checks with George if he is still ok for Tuesday morning. George says he is but may be half an hour late.

The American turns up at 9am on Tuesday morning and George is there waiting for him. They both enjoyed a good game of golf but the American noticed that this time George played with a left hand set of clubs.

After the game the American checks with George if he is still ok for Wednesday morning and asks George which set of clubs he will be playing with.

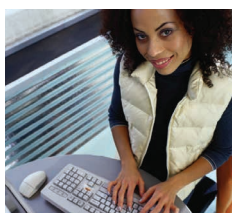
George says he won't know until he wakes up in the morning. How will you decide then asks the American?

Well, says George, if my wife is laying on her left hand side I will bring the left handed set of clubs, if however she is laying on her right side I will bring the right hand set of clubs.

What if she is laying on her back ask the American. George smiles and says I might be half an hour late !!



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



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



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