

Wise Words

the latest financial news from Aaron Tawny

New ISA Rules to make tax-free SME investments easier

The government has announced new ISA rules that will make it easier for people to invest directly into small businesses. The changes, due to come into force in the autumn, will simplify direct ISA investment in small and medium sized businesses (SMEs) and provide savers with a tax efficient way to hold shares traded on SME markets.

More than one thousand companies listed on the Alternative Investment Market (AIM) will now be eligible for direct ISA investment.

Currently, ISA investors have only been allowed to directly invest in shares listed on recognised stock exchanges.

Widening the range of eligible shares will improve consumer choice for ISA investors.

The changes will mean that an individual saver could invest up to £11,520 in the current tax year, directly into SME equity markets within their ISA and any gains arising from the growth of the investment would be tax-free.

This change should also benefit SMEs with shares quoted on markets that do not currently qualify for ISAs.

At a time when many SMEs are looking for alternative types of finance, it is hoped the new rules could provide a major capital injection for SME equity markets and encourage investment in growing businesses.

We will be able to advise in this area as well as assess individuals attitude towards investment risk as its important stocks or funds chosen which are suitable, match the individuals investment approach, objectives and the investment is not just for the tax benefits.

At last the possibility of financial education in schools!!!

In February the UK Government announced that financial education is to be a compulsory subject in secondary schools in England from 2014.

Just as well really as a recent survey of 1,800 young people aged 14 to 25 issued by Barclays and the Personal Finance Education Group as part of My Money Week, found that:

42% of those surveyed were unable to tell the difference between a bank statement that was in credit or overdrawn

13% didn't know what an overdraft was (perhaps this isn't such a bad thing !)

28% did not know whether it was better to opt for a lower APR than a higher one, in taking out a credit card or loan.



Are you ready to become a landlord?

Investing in a Buy-to-Let property can be an effective way of securing some additional income. But becoming a landlord for the first time can be a daunting prospect. Much like running a business, the knowledge and skills needed to be a landlord are considerable and it is important for anyone considering a move into the Buy-to-Let market to be well aware of the law and their responsibilities to tenants.

If you are still unsure about a move into the world of Buy-to-Let, the following questions could be a good starting point:

What is the demand for rented accommodation in the area you are considering investing?

It might seem obvious but there's no point buying an investment property if no one wants to rent it. You should think about what will appeal to tenants; this may be very different from what appeals to you and in an area you would never live yourself.

Areas where there are improvements driven by companies moving in, new transport links or government regeneration money or up-and-coming areas, which may be close to another attractive area, maybe worth a consideration.

What market will you be entering?

The type of property you own and its location may determine the rental market you aim for.

Broadly speaking there are four markets:

1. renting to people on benefits
2. renting to students
3. renting to working tenants
4. renting to professionals & higher end market

How much rent could you expect?

It's important to calculate how much rent you are likely to receive, to make sure you can afford a second property.

Can you afford other costs?

Don't forget that as a landlord you will be responsible for repairs, letting expenses, advertising and professional fees.

How much of the year can you afford to have the property vacant?

If you were struggling to find a tenant and your property was lying empty, you'd still be liable for mortgage repayments as well as council tax, water rates, electricity bills and insurance. Making sure you buy in good location and keeping your property in a good state, will help reduce the amount of time it is vacant.



Don't forget that as a landlord you will be responsible for repairs, letting expenses, advertising and professional fees.

What's the potential investment return?

It's important to be realistic - expect lower short-term gains and higher long term profits. If house prices fall, the value of your property is likely to fall as well. You may not be able to sell it for as much as you hoped. Also, if you have to sell and the sale price doesn't cover the whole mortgage, you'll have to make up the difference.

Can you manage the property on your own?

If you know your responsibilities and best practice in managing properties then this option saves you the cost of an agent, but will require a considerable investment in time.

Have you got the necessary permissions?

Any property owner who has a mortgage or is not a freeholder will need to secure the necessary permissions before renting their property. If you propose to let a mortgaged property, or a room within it, you will require permission from your mortgage lender, so check first.

Continued Overleaf

Are you ready to become a landlord? continued

What other costs are involved?

Letting residential property is a business and as with any other type of business the key to survival is maintaining a healthy cash flow. Unless you are running a hotel, guest house, B&B or furnished holiday lets the Government can impose taxes at every stage of ownership. E.g. Stamp Duty Land Tax, Income tax on rental profits, VAT on expenditure incurred on maintenance of the property, Capital Gains Tax and Inheritance Tax.

The National Landlords Association recommends the following tips for prospective landlords, to ensure they comply with regulations:

- Provide a proper tenancy agreement, usually an Assured Shorthold Tenancy (AST) agreement that you and the tenant sign. This will outline the length of the tenancy, amount of rent, when it is to be paid, and deposit details.
- Carry out full background checks on potential tenants to check they are in a position to meet their rental commitment.

- Protect the tenant's deposit with a government-authorised scheme, such as mydeposits

- Create an inventory describing the condition of the property in detail, along with the furnishings

- Have gas appliances checked annually by a Gas Safe registered engineer and provide the tenant with a Gas Safety Certificate

- Take out comprehensive landlord insurance to protect your property

- Ensure urgent repairs are fixed promptly. Use reputable tradesmen that you know and can trust to tend to the property at short notice.

If you require any advice or guidance on mortgage options available please feel free to contact us.



Property in pension may be worth a consideration!!!

- Self Invested Personal Pensions (SIPP) offer the ability to 'self invest' into commercial property and land.
- Direct investment into bricks and mortar may appeal in 2013 in comparison to other investments, depending on your attitude to investment risk.
- Selling company property to their pension plan may raise significant capital, allowing the business to reduce debt or expand in a tax efficient manner.



The benefits of property in pensions

Investing in property is like any other investment – it can go down as well as up, however some of the benefits include:

- a. capital growth in the value of the property is tax-free – no Capital Gains Tax to pay when it is sold;
- b. rental income is also not taxable;
- c. directors / families can club together to buy the property together; and
- d. company debts could be reduced, thus allowing the business to expand.

Inheritance Tax (IHT) mitigation strategies

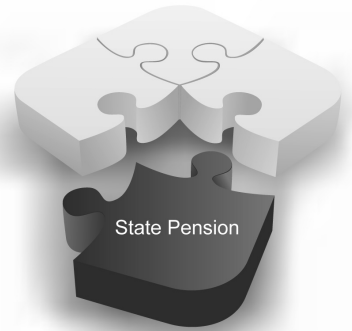
Thanks to current inheritance tax (IHT) rules, the taxman is able to lay claim to a sizeable chunk of the value of an individual's estate when he or she dies. Unfortunately, the current state of affairs is unlikely to change any time soon.

Before the 2010 General Election, the then Shadow Chancellor George Osborne pledged that he would raise the IHT nil rate band to £1 million, effectively removing an IHT burden from a further four million Britons. Sadly the government's austerity plans have meant the pledge has been abandoned.

Recently it was announced that the government plans to keep the nil rate band frozen at its current level until April 2018 at the earliest.

As a result there is a likelihood that demand for products that mitigate or even eliminate IHT liabilities will increase significantly as more people realise that the government has no intention of raising the nil rate band.

For any further information on pensions please do not hesitate to contact us



State pension is a vital part of the retirement planning jigsaw

What benefit a person receives from the state, and when they receive it, is a vital part of their retirement planning jigsaw. Although many people are choosing to retire later, a significant number still see their State Pension Age as a trigger for when to take private retirement savings.

To calculate your state pension age and state pension simply go on line and put in state pension website:

<https://www.gov.uk/browse/working/state-pension>

and this calculates your state pension age and state pension.

Commuting to work is an expensive business

Train fares are rising and running a car is far from cheap when you think about the cost of fuel, tax, insurance, loan payments and maintenance costs.

For professionals fed up with commuting, one option is lodging from Monday to Friday. Currently, there are a number of websites matching lodgers with prospective landlords such as **MondaytoFriday.com**, **fivenights.com** and **spareroom.co.uk**

The arrangement allows commuters to have a home away from home during the week while home owners make some extra income and reclaim their privacy at weekends.

This is a potential money-making initiative for home owners and landlords with too much space and could benefit with some extra cash. The extra income can be used for example as an overpayment on a mortgage.



The Government's Rent a Room scheme lets landlords receive £4,250 tax-free gross income per annum from renting furnished accommodation in their only or main home. The tax break is also available to people who rent, subject to their tenancy agreement.

Using Business Property Relief (BPR) for IHT planning

So, what are the options open to clients interested in IHT planning but can't afford to wait a full seven years? Well there is an alternative solution which uses a tax incentive called Business Property Relief (BPR). It can be used as a way for investors to effectively speed up the timescale for getting full IHT exemption on their investment, but without losing control over their money.

BPR was created to allow small businesses to be passed down through generations without incurring an IHT liability. Its scope has been widened in subsequent years, making it significantly more attractive to private investors looking to address potential inheritance tax liabilities. However, its greatest assets are speed, simplicity and control. Rather than having to wait a full seven years for IHT exemption, BPR rules mean that any qualifying investments benefit from 100% IHT relief, after just two years. Qualifying investments include unquoted UK businesses, and shares in trading companies quoted on the Alternative Investment Market (AIM) it is important to be aware all investments carry an element of risk to the original capital invested.

Inheritance tax solutions using BPR also deliver several other benefits over and above

a traditional Discounted Gift Trust (DGT). For example, the use of BPR can ensure investors retain access to their investment, allowing them to build capital value, take a regular income, or to dispose of their holding if circumstances change.

In addition, such BPR-based products have been structured to allow investment into a portfolio of BPR qualifying companies without involving complex legal structures, client underwriting or medical surveys, as would be required to invest in a DGT. This includes the ability to transfer between spouses, following the death of the first spouse, without 'resetting the clock' on the two-year BPR qualification period. As a result, within a marriage or civil partnership, only one spouse or partner needs to survive for two years for their BPR-based investment to be exempt from IHT.

DGTs, and investment solutions that use BPR to further speed up the process of reducing IHT liabilities, both have an invaluable role to play, particularly at a time when current IHT laws seem to unfairly penalise a vast number of people who aren't especially wealthy. It doesn't have to be like this.

With the right financial planning, practically everyone with an IHT liability should be able to reduce or eliminate it.

Interesting Facts

On the 21st April it was 30 years since the £1 coin was introduced back in 1983. Interestingly this is what you could have bought for £1 at the time:-

20 cigarettes

6lbs of frozen chicken

3 loaves of sliced white bread

2.77 litres of petrol

2 pints of London Pride beer

Fast forward 30 years to 2013 and £1 will now buy you:-

1 hour in a car park

1 bottle of water from a vending machine

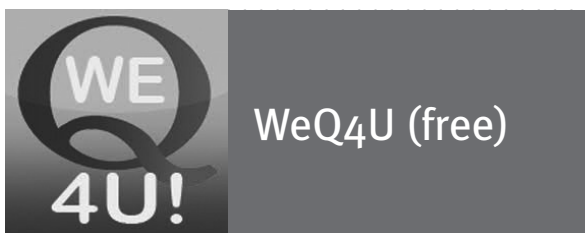
5 visits to a public toilet in London

3 cans of Diet Coke from Poundland

0.72 litres of petrol.

What's App?

Below are some Apps that we thought might be useful!



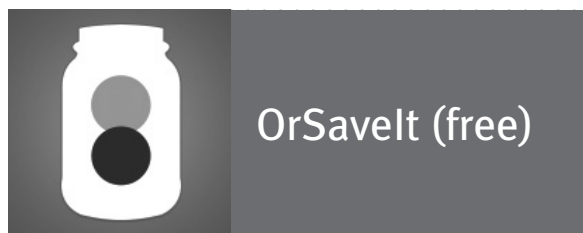
If you're tired of racking up huge bills being kept on hold after telephoning to speak to a UK business - simultaneously being driven mad by the loop song - you will find this app particularly useful.

WeQ4U gets you through to the right number without all the waiting - you simply dial the number you need and the app will connect you.

If you get stuck in a queue, just press 9* on your telephone keypad, and your phone will disconnect from the call. But the app stays connected and will only ring you back on your number when an operator is free.

Calls through WeQ4U are included in your standard minutes, saving you around 30p per minute on your o8 calls. Plus, you don't use any minutes for the time the app waits in the queue for you.

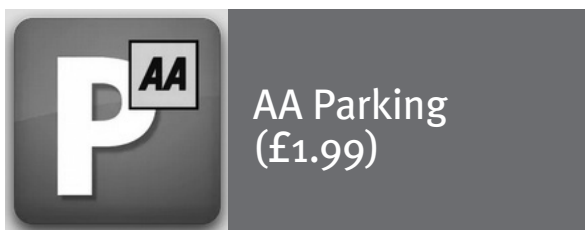
The app has had rave reviews and is a great way to save money.



Brits waste millions every year on impulse buys, whether it's a quick sale buy, or a few lattes from Starbucks. The cost of the odd latte here or there might not seem like much, but if you're getting four or five a week at nearly £5 a pop, it soon racks up.

Every time you choose not to spend money, you enter the amount you have saved into the app and the sum is automatically transferred into a savings account.

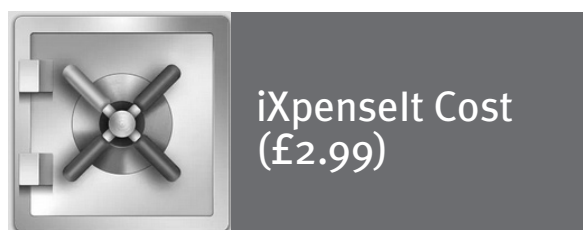
So whenever you resist the urge to buy a £4 coffee instead of just making one yourself, or choosing to walk rather than hop on the bus - the savings can all be put towards that special purchase you might have your eye on like a luxury holiday in the sun.



Parking can be a nightmare at the best of times, so the AA has come up with this nifty little app that aims to reduce the headache of battling out for tarmac space.

The app locates both paid-for and free parking spots for you to leave your car in the UK and Ireland.

It also tells you of any parking restrictions in place by searching your location, car park opening hours, and identifies real-time parking spaces where it can.



Who tends to run out of money before your next payday?

iXpenseIt helps manage and budget your finances and lets you keep a record of your daily expenses. While on the go, you can keep track of all expenditures, whether personal or business.

It's a good way to track all expenditure, and will help highlight areas where you could be wasting money. Only snag is that it's only available for iPhone users at the moment.

Remortgaging could help homeowners on standard deals

Rising house prices and falling interest rates mean remortgaging has become a great way to slash monthly mortgage repayments.

Homeowners wanting to switch their mortgage are being spoilt for choice with a raft of rock-bottom rates, which coupled with an uplift in property prices will give their finances a big boost.

The flurry of cheap rates is being fuelled by the Government's Funding for Lending scheme, which is designed to encourage Banks and Building Societies to offer more loans and last week celebrated its one-year anniversary.

Banks like lending to those with higher levels of equity because they are seen as lower-risk, so these borrowers are rewarded with lower interest rates.

Meanwhile, Help to Buy, which allows anyone to buy a new home with a small deposit, has become a prop for rising house prices with forecasters expecting an uplift of up to 5% across the country for the year.

While a cause of consternation for First-time Buyers, this improves the situation of existing homeowners seeking to switch lenders, since a more valuable home boosts your all-important level of equity and opens up a wider range of deals.

Opting for a longer fix that will see you past the point when forecasters expect the Bank of England base rate to rise, in 2016/17. This course of action will give you security and peace of mind.

We have access to the whole of the mortgage market and are not tied to any Bank or lender, which means we can find the very best mortgage deal suitable for your needs.

Many of the deals we can use offer attractive incentives such as Free Valuations!

For any further information please do not hesitate to contact us

Quarter of UK adults have 'lost' a pension

Nearly a quarter of adults (23%) in the UK have lost track of at least one pension pot, according to research from the charity 'Age UK'. However, the research also found that almost a third (30%) of those who had lost a pension pot would make an attempt to find it, although many remain unsure on how.

The trend is a result of shifting cultures in employment, as nearly a quarter of 25-34 year olds have already had five or six employers, which is the same as the lifetime average for those over 65, according to the charity.

While some measures are being taken by the Government to account for smaller pension pots likely to be created under auto-enrolment, existing pots are not being accounted for. This makes it more important than ever that we keep on top of what we have already accumulated.

We recently helped several clients track down their old pension pots, which gave additional peace of mind once they had an idea of the total incomes available in semi and full retirement.

If you feel this service could be of interest, please contact us.

The pension annual allowance - use it or lose it!

The annual allowance is to be cut from £50k to £40k for tax year 2014/15.

Now may be the right time to play catch up and make the most of 'carry forward' before the reduced allowance starts to limit how much can be paid.

Once the 5 April deadline has passed, the amount that can be paid in tax efficiently will also start to wane, and will continue to do so over the next 4 years. We recently utilised a maximum personal allowance and the ability to back date three previous years unused allowances and managed to invest £200,000 into a Self Invested Pension. This allowed the purchase of a commercial premises by one of our clients, whilst reducing their Corporation Tax bill. To find out about the annual allowance, carry forward, income tax relief, please contact us.

Keeping it Lite!

A priest dies and is waiting in line at the Pearly Gates. Ahead of him is a guy who's dressed in sunglasses, a loud shirt, leather jacket, and jeans.

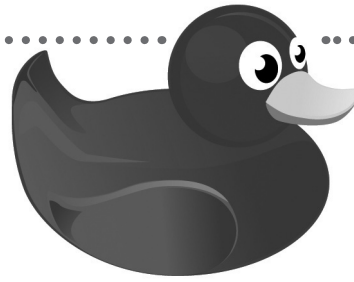
Saint Peter addresses this cool guy, 'Who are you, so that I may know whether or not to admit you to the Kingdom of Heaven?' The guy replies, 'I'm Jack, retired Aloha Airlines Pilot from Hilo.'

Saint Peter consults his list. He smiles and says to the pilot, 'Take this silken robe and golden staff and enter the Kingdom.' The pilot goes into Heaven with his robe and staff.

Next, it's the priest's turn. He stands erect and booms out, 'I am Father Bob, pastor of Saint Mary's in Pasadena for the last 43 years.' Saint Peter consults his list. He says to the priest, 'Take this cotton robe and wooden staff and enter the Kingdom.'

'Just a minute,' says the good father. 'That man was a pilot and he gets a silken robe and golden staff and I get only cotton and wood. How can this be?'

'Up here - we go by results,' says Saint Peter. 'When you preached - people slept. When he flew, people prayed.'



The Bathtub Test

During a visit to my doctor, I asked him, "How do you determine whether or not an older person should be put in a Nursing Home?"

"Well," he said, "we fill up a bathtub, then we offer a teaspoon, a teacup and a bucket to the person to empty the bathtub."

"Oh, I understand," I said. "A normal person would use the bucket because it is bigger than the spoon or the teacup."

"No" he said. "A normal person would pull the plug. Do you want a bed near the window?"

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

Aaron Tawny Mortgages Ltd is Authorised and Regulated by the Financial Conduct Authority. The Financial Conduct Authority does not regulate: Some forms of Buy to Lets, Commercial Loans and some Estate Planning.

6 Market Place
Kettering
Northants
NN16 0AL

T: 01536 512724

F: 01536 312232

E: enquiries@atawny.co.uk

W: www.atawny.co.uk



Aaron Tawny 



To detach please cut along dotted line

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 Mortgages Ltd. 6 Market Place, Kettering, Northants, NN16 0AL

☐

Mortgages

☐

Inheritance Tax Planning

☐

General Financial Overview

☐

Retirement Planning

☐

Tracking Pensions

☐

Self-Invested Personal Pensions (SIPP)

Name:

Address:

Telephone:

Email:

