



Wise Words

the latest financial news from Aaron Tawny



from all at Aaron Tawny

Teenagers could be missing out on a stash of cash

Tens of thousands of teenagers in the UK who have not yet claimed their matured Child Trust Funds savings could have thousands of pounds waiting for them, reminds HM Revenue and Customs (HMRC).

Child Trust Funds are long-term savings accounts set up for every child born between 1 September 2002 and 2 January 2011. To encourage future saving and start an account, the government provided an initial deposit of at least £250.

Until the child withdraws or transfers the money, it stays in an account that no-one else has access to.

The savings accounts mature when the child turns 18 years old. Eligible teenagers, who are aged 18 or over and have yet to access their Child Trust Fund account, could have savings waiting for them worth an average of £2,100.

If teenagers or their parents and guardians already know who their Child Trust Fund provider is, they can contact them directly. This might be a bank, building society or other savings provider. Alternatively, they can visit GOV.UK and complete an online form.

Many eligible teenagers who have yet to claim their savings might be starting university, apprenticeships or their first job. The lump-sum amount could offer a financial boost at a time when they need it most.

Where children have a Child Trust Fund, families can still pay in up to £9,000 a year tax-free.

The account matures once the child turns 18 years old and no further money can be deposited. They can either withdraw the funds from the matured Child Trust Fund account or reinvest it into another savings account.

Until the child withdraws or transfers the money, it stays in an account that no-one else has access to.

The Child Trust Fund scheme closed in January 2011 and was replaced with Junior Individual Savings Accounts (ISA).



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Stamp Duty charges have changed – how will this affect everyone?

Stamp Duty is the money you pay to the taxman when you buy property or land in the UK worth over a certain value.

The government has announced a Stamp Duty cut, as part of its September mini-budget, to make purchasing property more affordable. Here's everything you need to know about this tax.

What is Stamp Duty?

Stamp Duty is a tax you have to pay when you purchase property or land.

Wherever you live in the UK, you will have to pay money to the taxman, but it has different names:

- England and Northern Ireland: stamp duty land tax (SDLT)
- You are liable to pay Stamp Duty (or land transaction tax) when you:
 - Buy a home outright or with a mortgage
 - Purchase property or land that is worth more than £40,000
 - Buy a freehold or leasehold property
 - Buy a property through a shared ownership scheme
 - Are given land or property in exchange for payment, such as if you take on a mortgage or buy a share in a house



What changes have been made to Stamp Duty?

Former chancellor Kwasi Kwarteng announced cuts to Stamp Duty as part of the government's September mini-budget in an attempt to spark growth within the housing market.

The minimum cost of a property on which homebuyers pay Stamp Duty in England and Northern Ireland has been raised from £125,000 to £250,000. For first-time buyers, this figure has increased from £300,000 to £425,000.

Previously, first-time buyers would only benefit from different Stamp Duty rates if the cost of the property they were buying was £500,000 or less. This amount has now increased to £625,000. If first-time buyers are purchasing a property greater than £625,000, they will pay the standard stamp duty rates.

This means first-time buyers could save a maximum of £6,250 on the purchase of their home, while everybody else could save up to £2,500.

These changes will make it more affordable for people to move house and make it easier for many first-time buyers to get on the housing ladder.

How much is Stamp Duty?

How much you pay in Stamp Duty depends on:

- Where in the UK you are buying
- The value of the property
- If you are buying a main home or additional property
- Whether you are a first-time buyer or not
- Stamp Duty is calculated on the part of the property price that falls within each band.

continued overleaf...



Stamp Duty charges have changed...continued

In England and Northern Ireland the stamp duty rates are:

<i>Property value</i>	<i>Stamp Duty rate before 23 September</i>	<i>New stamp duty rate</i>
Up to £125,000	0%	0%
£125,001 to £250,000	2%	0%
£250,001 and £925,000	5%	5%
£925,001 and £1.5 million	10%	10%
Above £1.5 million	12%	12%

Here's an example:

- You're buying a £350,000 property in England or Northern Ireland
- This means that you would be charged 0% Stamp Duty on £250,000 of the property
- But you would pay Stamp Duty at a rate of 5% on the remaining £100,000 of the house
- In total you would pay 5% of £100,000 which is £5,000

If you are considering a new property purchase or just want to secure a new rate on your existing mortgage, please contact one of our independent advisers and they will be able to assist.

Why it's better for your pension to work part time

Taking on easier work but working for longer has its benefits.

Early retirement is the ultimate dream. However, slowing down your approach while taking on a part-time or a more junior role before stepping back could boost your pension by tens of thousands of pounds.

The pay-cut would be more than offset by extra savings – potentially adding as much as £80,000 to your final pot.

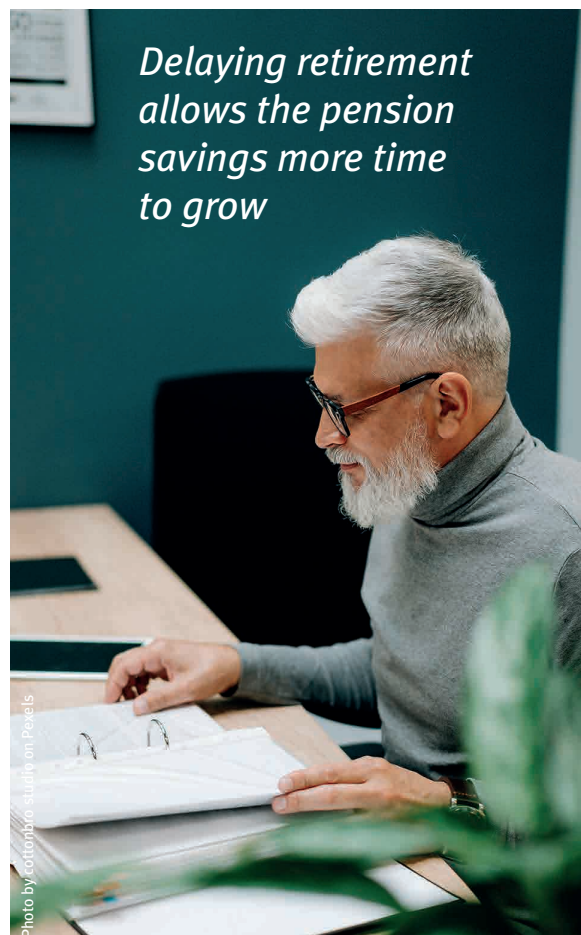
A 55-year-old would be better off switching to a lower-paying job and retiring at 66, rather than sticking with their higher salary and leaving work at 62.

For example a 55-year-old earning £50,000 with a pension worth £200,000 who retired at 62, would reach age 66 with total pension wealth of £224,763, assuming moderate levels of both investment growth and how much they spent.

Had the same 55-year-old switched to a job that paid £35,000 and retired later at 66, they would end up with £314,017 – more than £89,000 extra.

Delaying retirement allows the pension savings more time to grow without the disruptive effect of taking an income.

Delaying retirement allows the pension savings more time to grow



The nil rate band explained

The nil rate band is the threshold above which Inheritance Tax is payable. In this article we look at it in more detail – read on to find out how much it is, what it applies to and how it works alongside the newer residence nil rate band.

What is the nil rate band and how much is it?

You can pass on assets up to the value of your nil rate band without creating an Inheritance Tax bill. The nil rate band is currently £325,000 and it will remain fixed at this amount until April 2026.

You might have a smaller nil rate band on your death if you make gifts during your lifetime that aren't covered by your tax-free gift allowances and you die within seven years of making the gifts. The value of these gifts will reduce or eliminate your nil rate band, meaning less of your estate will be passed on tax-free.

The residence nil rate band

The government introduced the residence nil rate band in 2017 as an additional amount that could be passed on tax-free against the value of the family home. The residence nil rate band is currently £175,000. This can save you tens of thousands of pounds worth of tax, but the rules aren't that simple.

To use the residence nil rate band you must pass your property on to direct descendants such as children (including foster, adopted or step-children) or grandchildren, but not nieces or nephews. Importantly you cannot use a discretionary trust to pass on the home, but some other types of trust do qualify. Discretionary trusts feature in many people's wills, so you should review yours if you want to make use of this additional nil rate band.

Residence nil rate band tapering for bigger estates

The residence nil rate band is tapered down for bigger estates. For every £2 that your estate is valued over £2 million, the residence nil rate band reduces by £1. This means that estates worth more than £2.35 million may not benefit from it.

To use the residence nil rate band you must pass your property on to direct descendants such as children (including foster, adopted or step-children) or grandchildren...

Again, the rules are complex. HMRC uses a slightly different calculation to work out the value of your estate when it comes to the residence nil rate band. If your estate is close to £2 million give us a call to see how the residence nil rate band affects you and what you can do to make the most of it.

Nil rate band transfer options

The nil rate band and the residence nil rate band can both usually be transferred between married couples and civil partners when one spouse dies, even if they died many years ago. Any unused nil rate band is transferred as a percentage rather than a specific amount of money.

It doesn't matter if the nil rate bands have grown since the death of the first partner. If they didn't use any of their nil rate band or residence nil rate band, 100% of the bands will be transferred and the surviving spouse will have two full bands to use, regardless of how much they have increased in the meantime.

You can have a maximum of two nil rate bands

Any single person can have a maximum of two nil rate bands and two residence nil rate bands. However, these can be transferred from multiple deceased spouses for people who have had several marriages or civil partnerships. This means an individual could potentially pass up to £1 million on to the next generation without any Inheritance Tax charges.

If you have any questions regarding the nil rate band and how it could affect you, give us a call.

Family Assist Mortgage scheme

Are you a homeowner and wishing to help your children or grandchildren onto the property ladder, but don't have the cash available to do so? There could be a solution...

Family Assist schemes within the mortgage market are becoming more popular and readily available. Your son/daughter (or grandchild) could potentially obtain a 100% mortgage or put down only a very small deposit, to help them with that all important step of purchasing their first home.

If you have a lot of equity in your own property, a second charge could be applied onto your equity, which would act as a security for their new property. So instead of otherwise gifting a deposit or releasing equity from your current property to give it away, this could be an alternative.

Not only that, your son/daughter (or grandchild) could take advantage of a discounted interest rate in their first years of taking out the mortgage, setting them off to a solid start. Then once they have paid off enough of their mortgage, the second charge from your mortgage would be released.

No two circumstances are the same, but it is possible that the second charge could be in place for just a few years and wouldn't be too long lasting.



Here's how it works...

Purchase price or valuation, whichever is lower	Deposit	Mortgage %	Charge on parent's property	Total security	Overall Loan To Value (LTV)
£200,000	£0	£200,000	£50,000	£250,000	80%
£200,000	£10,000	£190,000	£37,500	£237,500	80%
£200,000	£20,000	£180,000	£25,000	£225,000	80%

'Equity release – could it help you?'

The later life lending sector is growing significantly, with people using it for many different reasons.

Figures from the Equity Release Council revealed that in Q2 2022 £1.6bn of property wealth was withdrawn, which includes 12,485 new equity release plans, equivalent to 205 plans being agreed each working day. In contrast, the sector saw 8,454 new equity release plans agreed in Q2 2017, demonstrating strong growth over the past 5 years.

People are looking towards Equity Release for many different reasons, such as to help family members, fund home improvements, fund care in the home, to help with everyday living costs or to simply receive a lump sum to help enjoy retirement.

To find out if Equity Release is right for you and how it could support you and your family, please get in touch.

Accessing your pension?

Four questions you're asking us

Important information - please remember that the value of investments and the income from them can go down as well as up, so you may not get back what you invest.

Four questions our financial advisers hear

There are multiple options if you're approaching retirement and looking to access your pension savings.

Those options mean you have the flexibility to shape your retirement income to suit you - but they also mean you have many decisions to make. After saving hard for years, now comes the job of turning your retirement savings into an income.

If you're confused or have questions about how to do it - don't worry, you're not alone. We deal with people in this position every day, providing specific retirement advice and guidance for those who wish to make their own decisions.

Here are four questions frequently asked along with some answers.

1. What income options are available?

There are various ways you can turn your pension pot into an income.

'Drawdown' (sometimes called flexible retirement income) is increasingly popular - this is where your pension pot remains invested and those investments are managed in a way that produces a flexible income. You can normally take up to 25% of your pot as a tax-free lump sum straight away or in stages, with drawdown income after that subject to Income Tax.

An Annuity is another option. It is a product that turns pension savings into guaranteed income. The deal is that you hand over a pot of money and an annuity provider will pay an agreed level of income for the rest of your life.

That makes it different to drawdown - which leaves your money invested instead, with an income generated by investment returns, dividends and interest from bonds.

Each method has benefits and drawbacks. Annuities offer income that is guaranteed, no matter what

There are various ways you can turn your pension pot into an income



Photo by cottonbro studio on Pexels

markets do, but the money you use to purchase an annuity no longer belongs to you. Money invested in drawdown, on the other hand, is still yours but the income you get depends on investment returns, so can fluctuate - it is not guaranteed, and there's also a risk that you could run short of money in later retirement if you take too much early on.

Finally, there is the option to leave your money in your pension pot and take lump sums from it as and when you need. The technical name for this is Uncrystallised Fund Pension Lump Sum (UFPLS). When taking lump sums like this, 25% of each withdrawal will be tax free, 75% will be taxed as earnings.

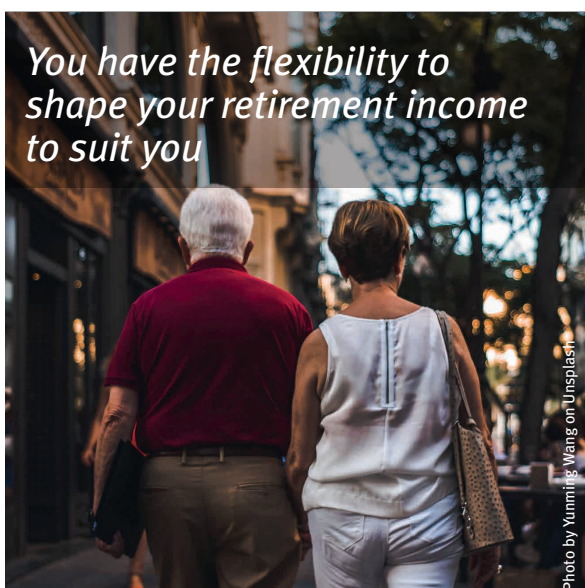
Thankfully, you don't have to choose just one of these options - you can mix these together to suit your retirement goals.

2. Should I take tax-free cash?

From age 55 (57 from 2028) - many years before most people will actually stop work - pension rules normally allow as much as 25% of the value of a pension pot to be withdrawn without income tax to pay. The attraction of tax-free cash is clear, but taking it isn't always the right call. With a quarter of your pension pot generally at stake - a pot that's there to support you for the rest of your life - it's important to take tax-free cash in a way that suits you best.

continued overleaf...

Accessing your pension?...continued



If you don't have a very good use for the money right now, be aware that taking the money from your pension only to let it sit in a bank account could come at a cost.

Once it's in a bank account, any returns it earns could be subject to tax, whereas it would have grown tax-free in your pension. You may be able to re-home your tax-free cash inside an ISA to avoid this, but what you can pay in is limited, currently to £20,000 a tax year.

What's more, the bank deposit and ISA will be included in your estate for inheritance tax purposes, whereas it is exempt from inheritance tax while in a pension, and having additional assets in a bank or savings account may affect your ability to claim certain state benefits.

You don't have to take all of your tax-free cash at once. If your pension scheme supports it, you can access only part of your tax-free cash and keep the rest invested for later. This means you can continue to grow more tax-free cash for the future.

3. What happens to my pension when I die?

If you die before the age of 75, anything in your defined contribution pensions can be passed on to anyone you wish and the recipient won't have to pay tax on it, as long as this is done within two years of the date of death. You can express to the company running the pension who you would like to benefit in case you die.

The money is not normally part of your estate, so no inheritance tax is due when it is paid out from

the pension. Bear in mind that, if you have already started accessing your money, anything that you have withdrawn (if you still have this money in a savings or bank account), including the potential 25% of it that is available to you tax-free, would fall inside your estate and therefore be liable for inheritance tax.

For funds still within the pension at death, beneficiaries can withdraw some or all of it, or take an income as if it were their own pension. They don't have to be of pension age to get the money.

This assumes that you are within your own lifetime allowance for pension savings - currently £1,073,100 for most - when you die. If not, then a charge may apply before the money is passed on.

If death occurs after age 75, then the money withdrawn is liable to income tax at the recipient's marginal rate.

4. Can you contribute to a pension after taking money out?

Once you begin withdrawing taxable money from your pension pot - if you enter drawdown, for example - the amount you are allowed to contribute to a pension is reduced.

Normally, we can pay £40,000 into a pension each tax year - known as the 'Annual Allowance'. Once pension money has been accessed flexibly, however, a new limit may apply - the Money Purchase Annual Allowance (MPAA).

The MPAA reduces the amount that can be contributed to your money purchase pensions in any one tax-year while still benefiting from tax relief to £4,000. If your taxable earnings in the year are below the MPAA then tax relief on money purchase pension savings is limited to 100% of your earnings (or to £3,600 if you have no earnings).

Just taking your tax-free cash or using your pot to buy a guaranteed income for life (an annuity) doesn't count as taxable income for this purpose but taking a lump sum as an Uncrystallised Fund Pension Lump Sum (UFPLS) does.

Important information: You cannot normally access your pension savings until age 55 (57 from 2028). Tax treatment depends on individual circumstances and all tax rules may change in the future. Pension and retirement planning can be complex, so if you are unsure about the suitability of a pension investment, retirement service or any action you need to take, please contact us.

How energy efficient is your home?

The UK government has committed to making the UK carbon neutral by 2050. This means that for all CO2 produced in the UK each year, the same amount will be cancelled out by energy saving measures.

With our homes making up 22% of the UK's total carbon emissions, we all have a part to play in reaching these targets. That's why the Halifax has teamed up with the Energy Saving Trust to give you a home energy saving tool. It helps you to find out just how green your home is and shows you how a few changes could make your home more friendly to the environment.



How does the tool work?

It's really quick and easy to use. Just answer a few questions about your home and it will give you a personalised action plan with estimates of your Energy Performance Certificate (EPC) rating, energy costs and your home's CO2 emissions.

There is guidance provided for each question to help you should you need it.

Your action plan will also give you tips on the energy-efficient improvements you could make to help the environment, how much they might cost and how much money they could save you in the long term.

Why not use the link below and give it a try

<https://www.halifax.co.uk/mortgages/help-and-advice/green-living/home-energy-saving-tool.html>

Congratulations Sam!!

You may be aware that Samantha Butler joined us back in August as a Trainee Mortgage & Protection Adviser, initially supporting the mortgage team whilst she completed her training and qualifications.

Sam has recently passed her final exam and will be finalizing her training to obtain her competent status, with the aim of achieving this by January so she can actively advise and help clients with all their mortgage and protection needs.



Christmas Donation

As hedgehogs are becoming an endangered species – we decided this year to donate to the Leicestershire Hedgehog Rescue Centre which comprises of a group of volunteers (in their own homes) who take in hedgehogs, nurse them back to health and then release them back to where they were found or rehome in a hedgehog friendly garden. The rescue centre has been going for 32 years and they take in around 200-400 hedgehogs a year!



If you find a hedgehog out in the day, it is likely that it is unwell or there is something wrong. Pick them up in a towel and place in a high sided box then contact your local rescue centre. You can find your local wildlife rescue at helpwildlife.co.uk

If you would like to donate to the Leicestershire Hedgehog Rescue Centre, go to their website <https://leicestershire-hedgehog-rescue.square.site/>

KEEPING IT LITE

*Two young boys were spending the night at their grandparents.
At bedtime the youngest one began writing his Christmas list
and shouting it at the top of his lungs.*

*“Dear Santa
I have been a good boy this year, please can I have...
A NEW BICYCLE...
A NEW NINTENDO...
A NEW MOBILE PHONE...”*

*His older brother nudged the
younger brother and said,
“Why are you shouting? Santa
isn’t deaf.”
To which the little brother
replied, “No, but Grandma is!”*



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



6 Market Place
Kettering
Northants
NN16 0AL

T: 01536 512724

E: enquiries@atawny.co.uk

W: www.atawny.co.uk

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