



Wise Words

the latest financial news from Aaron Tawny

Mortgage deals coming to an end: why are brokers key?

Despite volatility in the mortgage market caused by last year's mini Budget, interest in mortgages has remained stable. While high inflation and the Bank of England's decision to continue to increase the base rate could serve to dampen this level of activity this year, there are still a high number of products expected to mature.

As such, thousands of mortgage clients will need to conduct a product transfer or remortgage over the months ahead.

With many facing the prospect of higher mortgage rates and, in some cases, worsened affordability since they last took out a mortgage product of any kind, making the right choice between a product transfer or a remortgage could be a far more difficult decision. The vast majority need the support and guidance from advisers.

If you have a mortgage product that is due to expire, please give us a call.

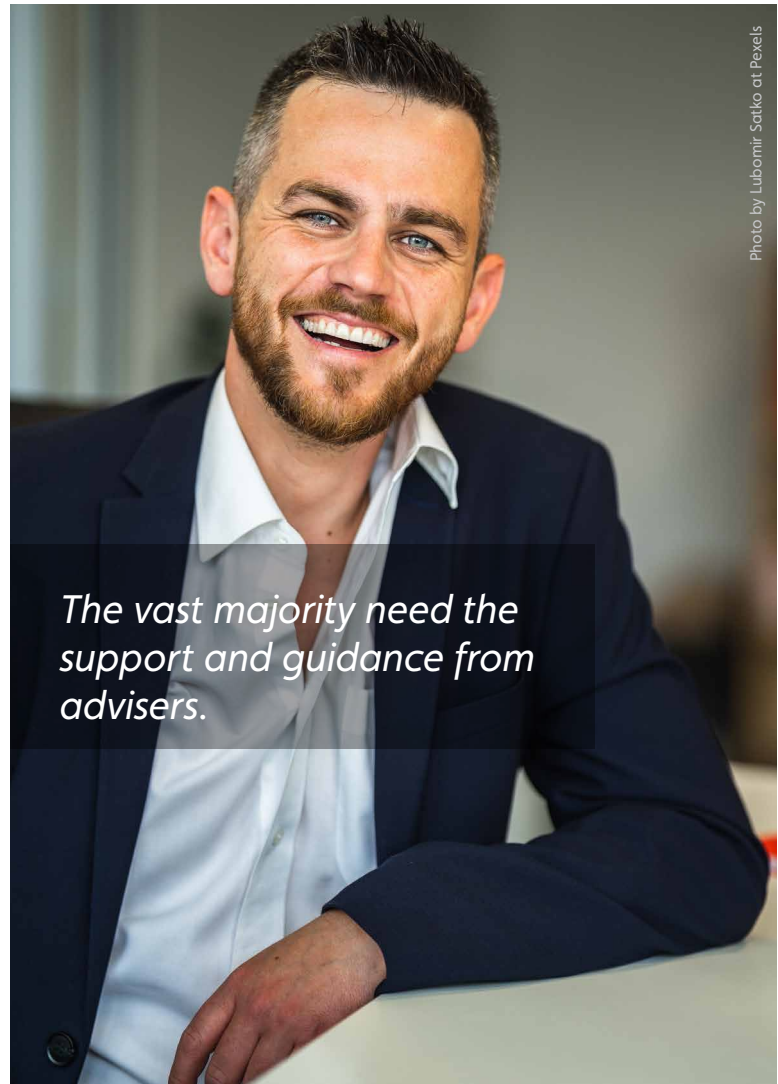


Photo by Lubomir Satko at Pexels

In this edition:

Helping hand for first time buyers | Slash tax bills in retirement | Expressions of wish

What are the Pros and Cons of investing into commercial property using a SIPP?

Pros ✓

Any rent received by the SIPP is not subject to Income Tax

Rental payments are not contributions so don't count towards Annual Allowance

SIPP property falls outside of the client's estate and is free from Inheritance Tax

The property isn't accessible to creditors in the event of personal or business bankruptcy

Any gains made while the SIPP owns the property are free from Capital Gains Tax*

Cons ✗

The value of the property can go down as well as up

Where the tenant is a connected party, they must pay the market rate of rent (along with building insurance and repairing costs)

Property is an illiquid asset. Should pension funds need to be released, the property may need to be sold, which can take time.

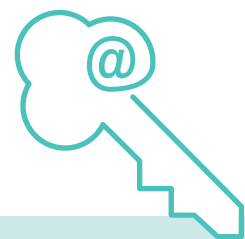
Rent is not guaranteed - it is reliant on the tenant's ability to meet it's financial obligations

If the property became unoccupied at any point, the void costs will fall on the SIPP

*Any Capital Gain Tax arising on gains when the property is sold to the SIPP will need to be paid by the seller.

Suitability is key

There are good reasons why placing commercial property in a SIPP is the best choice for one client or their business but might be unsuitable for another.



Who it may suit ✓

A long-term view: no plans to sell the commercial property within, say, the next ten years.

Financially stable: unlikely to need to access the capital value of the property.

Steady income: tenant can comfortably meet the rent and any maintenance costs.

Who it may not suit ✗

Short-term view: needs likely or probable to change in the next few years.

Financially unstable: any financial issues must be resolved before tying up the capital in the property.

Emotionally attached: one of the biggest challenges to placing existing owned property into a SIPP is the transfer of ownership to a professional trustee.

Helping Hand - first time buyer mortgages

As house prices continue to rise, affordability remains a major issue for first time buyers. A lender we work closely with has developed an initiative called 'Helping Hand', which may give eligible borrowers the option of borrowing a higher loan amount when taking a 5 or 10 year fixed rate mortgage product.

Eligibility

To be able to qualify, borrowers must meet eligibility criteria:

- All applicants must be **first time buyers**
- 5 and 10 year fixed rates available at all Loan to Value (LTV) tiers up to 95%
- Minimum income of £37k sole applicant, £55k for joint applicants. All income sources (except self-employed income) can be included.
- The maximum lending limits depend on the application (Loan to Value)

The lender won't accept applications with the following:

- Self-employed income for either applicant
- In conjunction with any scheme or non-standard ownership type (for example Deposit Unlock, First Homes, Shared Ownership, Genuine Bargain Price, Right to Buy and Help to Buy)
- Interest Only

Meeting this criteria doesn't guarantee a borrower will be offered Helping Hand. The availability of Helping Hand is subject to many factors, including, but not limited to, credit score, how much debt the applicant has, etc.

To find out more and to discuss options, please do not hesitate to contact us.

As house prices continue to rise, affordability remains a major issue for first time buyers...



State pension top-up deadline extended to April 2025

The government is giving people more time to pay National Insurance (NI) contributions towards their State Pension.

Extending the deadline means that people have more time to properly consider whether paying voluntary contributions is right for them

Taxpayers now have until 5 April 2025 to fill gaps in their National Insurance (NI) record from April 2006 that may increase their State Pension - an extension of nearly two years.

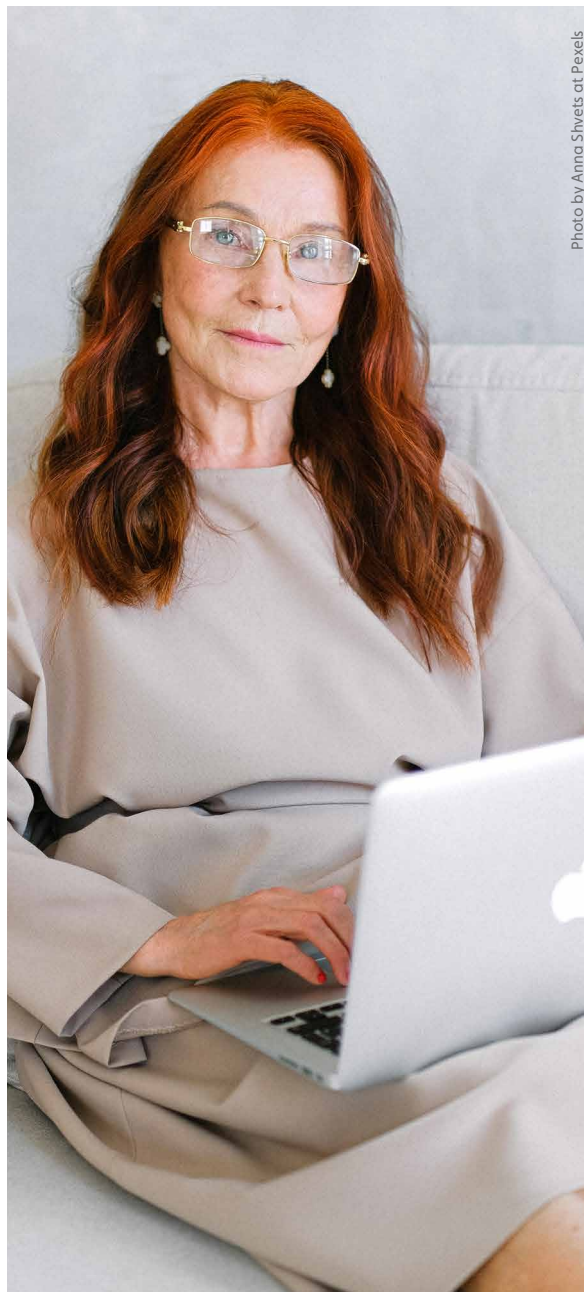
Extending the voluntary National Insurance (NI) contributions deadline means that people have more time to properly consider whether paying voluntary contributions is right for them and ensures no-one need miss out on the possibility of boosting their State Pension entitlements.

The original deadline was extended from 5 April 2023 to 31 July 2023 and tens of thousands of people have taken advantage to pay voluntary contributions to HMRC since then. The revised deadline is expected to enable tens of thousands more to do the same.

All relevant voluntary National Insurance (NI) contributions payments will be accepted at the rates applicable in 2022/23 until 5 April 2025.

Paying voluntary contributions does not always increase a person's State Pension. Before starting the process, eligible individuals with gaps in their NI record from April 2006 onwards should check whether they would benefit from filling those gaps.

Individuals can usually only pay voluntary National Insurance (NI) contributions for the previous six tax years and after 5 April 2025 the usual six year deadline will resume.



No-one need miss out on the possibility of boosting their State Pension entitlements

The little known trick to slash tax bills in retirement and boost your income by thousands – by paying into your partner's pension

- *Women in their mid-50s typically have a third less than men saved in pensions*
- *This is mainly driven by the fact that women are paid less than men on average*
- *Many fall behind on savings when they quit work to care for children or family*
- *You can pay into a partner's pension to ensure they do not miss out in later life*

You can pay into a partner's pension to ensure they do not miss out in later life

Photo by MART PRODUCTION at Pexels

Couples who take a joint approach to pension saving can boost their retirement incomes by thousands.

A spouse can pay into their partner's pension while they are not working to ensure they do not miss out financially in later life.

On top of that, building pension savings in both partners' names – rather than allowing one spouse to amass a far larger pension – can have big tax perks.

So when should you pay into your partner's pension? And should you ever pay into theirs over your own?

Anyone can pay into their partner's private pension – but the amount cannot be more than the recipient's annual salary (or £3,600 if more). This can be a useful way to ensure both of you have your own pot of money in retirement, even if one of you has taken time off work.

Building up two pensions can mean you are each responsible for your own spending habits and have more flexibility over your finances in retirement.

If however you are higher rate or additional rate tax payer there could be more benefit to maximise your own pension first.

Should you need help or advice about pension planning please get in touch.

Why grandparents are stashing their savings in child pensions

More people are setting up Junior SIPPs as a tax-efficient way to pass down money.



Photo by Andrea Picquadio at Pexels

Parents and grandparents are increasingly stashing money into pension schemes for their children or grandchildren and a key reason is to avoid death duties.

The number of pension schemes for under-18s that received money rose by 52% between the 2018-19 tax year and 2020-21.

Junior SIPPs will almost always grow more quickly than Junior ISAs thanks to tax relief. Even non-earners, like children, get 20% tax relief – meaning a £2,880 annual contribution gets topped up by an extra £720.

However, unlike a Junior ISA, which can be accessed from 18, you have to wait until 55 to withdraw money from a Junior SIPP (rising to age 57 from April 2028).

Junior pensions remain little used – and contributions are capped at £3,600 a year (including tax relief) unless the child/grandchild should happen to have earnings of their own that exceed that figure.

Junior SIPPs must be set up by a child's parent or legal guardian, however it is typically grandparents who contribute to the pot afterwards.

Expressions of Wish: What's the worst that can happen?

A critical part of death benefits planning

An Expression of Wish is a request from yourself to your pension provider as to how to deal with your pension when you pass away.

Often pension providers will supply their own forms to complete, requesting specific instructions as to how the pension is to be distributed, and you have the opportunity to split by asset or percentage of the overall pot.

Think of an Expression of Wish like a will for the pension which will sit outside of the wider estate from both a will and inheritance tax perspective – but the Expression of Wish form isn't binding like a will.

Over the course of your retirement journey, your circumstances are likely to naturally change. Examples of these circumstances include marriage or divorce, personal relationships or the birth and death of loved ones.

Failure to complete or update Expression of Wishes can potentially have complicated and difficult consequences when you pass away. This can add to an already stressful situation for those dealing with their grief.

Any named beneficiaries on your Expression of Wishes can usually select whether to take their share of the death benefits as a lump sum or via drawdown. However, it is worth remembering that beneficiary drawdown is only available in the following circumstances:

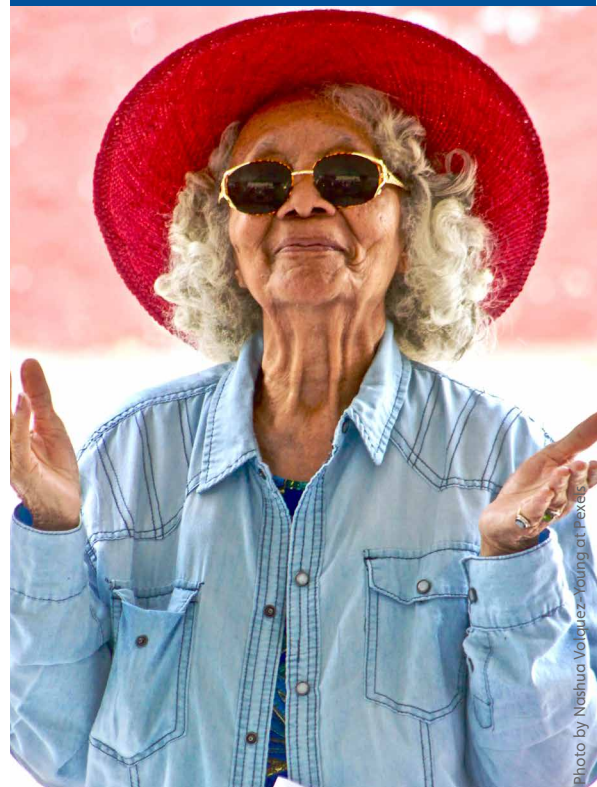
- The beneficiary is classed as a dependant of the deceased under HMRC's definition or
- If the member was survived by a dependant or has named other people on the form, the particular non-dependant beneficiary was named on the deceased's Expression of Wish
- The beneficiary is receiving death benefits in a situation where there are no surviving dependents, and no Expression of Wish in place

Fundamentally an Expression of Wish can feel like another form to update, especially in times of personal difficulties. However, it is a critical part of death benefits planning.

Ultimately, it is the scheme administrator who has the final say over which parties receive death benefits when you pass away.

Whilst it is the aim of the administrator to distribute any benefits in accordance with the wishes of the deceased client, without a clear and updated Expression of Wish in place, this has the potential not to align fully with the client's intended outcome.

*Over the course of
your lifetime, your
circumstances are likely
to naturally change*



Thinking of selling your business?



Scenario

There are many reasons why you might be thinking about selling your business – retirement and ill health are just two of the most common motivations. Whatever the reason, reviewing the Inheritance Tax (IHT) implications that could arise from selling your business can often be neglected. This is particularly important in instances where the business qualified for Business Relief (BR), as the sale of the business is likely to mean the proceeds become liable to Inheritance Tax.

A Potential Solution

One useful option available would be to reinvest the proceeds from the sale of your business into an investment that qualifies for Business Relief. Provided the proceeds were reinvested within three years of the date of sale, this would mitigate the Inheritance Tax liability while ensuring you retain control over, and access to, your money.

You can expect to either retain or regain Inheritance Tax exemption on the proceeds almost immediately (as soon as the week after making the investment), which could prove particularly important in cases of ill health.

Also, you do not have to wait a further two years for your Business Relief qualifying investment to become free from Inheritance Tax. Once the proceeds have been invested, the investment benefits from 'Replacement Relief'. This allows business owners and investors to replace one Business Relief qualifying asset with another within three years, without 'resetting' the two year holding period.

Providing you hold the Business Relief qualifying investment at the time of death, and it has been held for at least two out of the last five years (this could be two 12-month periods or any other combination) the investment is Inheritance Tax exempt.

One of the most appealing aspects of this solution is that it ensures you retain control over your investment, without having to 'gift' money away to reduce your Inheritance Tax liability. The money is available should you need it to pay for care costs or any other outgoings, although any money withdrawn from the investment no longer becomes Inheritance Tax free and could form part of your taxable estate.

Please give us a call if you have any Inheritance Tax questions or would like to discuss selling your business.

Five ways to slash your Inheritance Tax bill and pass on more to loved ones

Thousands more families are being caught up in the Inheritance Tax (IHT) net as frozen thresholds are making smaller estates liable for a hefty bill.

Inheritance Tax receipts for April and May 2023 amounted to a staggering £1.2billion, which is £0.1billion higher than the same period a year earlier, recent data published by HMRC shows.

Due to years of soaring property prices across the country, alongside the freeze of the 'nil-rate' band, which has been in place since 2009 and will remain until at least 2028, more people are caught in the Inheritance Tax net and the total amount paid in Inheritance Tax is increasing year on year.

Recent freezes, taken together with reductions in the capital gains tax allowance and dividend allowances, "could mean a bigger tax bill overall".

Make a will

To remove some of the tax burdens, experts suggest a good first step is to make a will - but seeking professional help is key.

Make the most of gift allowances

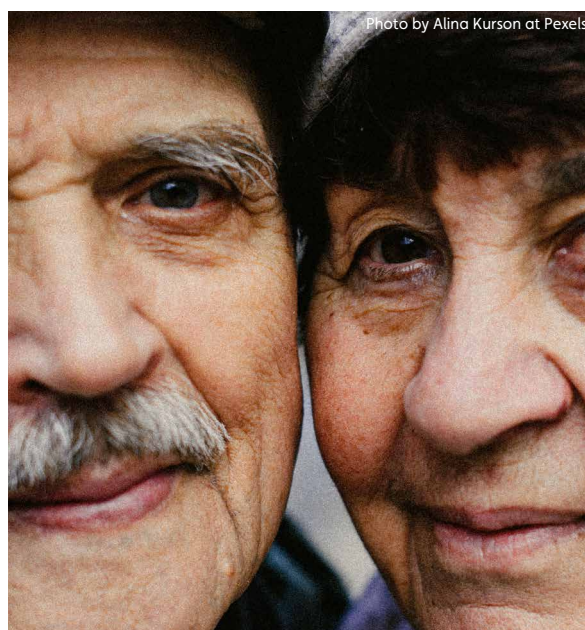
Giving lifetime gifts is another way to reduce the value of a person's estate and therefore reduce their potential Inheritance Tax bill.

Consider trusts

For those who have concerns about making gifts directly to another person, looking into making that gift into a trust could be another option instead.

Make use of allowances

Currently, the single person's Inheritance Tax threshold is £325,000 and is referred to as the nil-rate band. Inheritance Tax is only ever paid if the value of the estate, together with any non-exempt gifts made in the previous seven years, exceeds this figure, after which a 40 percent tax is applied.



Married couples and civil partners are free to leave their whole estate to their partner when they die, free of tax.

Make a charitable donation

Another way to reduce the 40 percent tax rate on the qualifying estate is by making a charitable donation.

Running the Equinox

A huge well done to Tracey Clutton and two teams of fellow runners who recently completed the Equinox 24 hour run at Belvoir Castle. The Equinox 24 is an annual event where teams run a 10k relay race over a 24 hour period.

Both teams raised a fantastic total of £1,254 for the Brain Tumour Charity.

If you would like to donate to this worthy cause just scan the QR code for their fundraising page:

Or you can donate directly at their website:
<https://www.thebraintumourcharity.org/>

You can find further details of this and future events at:
<https://www.equinox24.co.uk/>



KEEPING IT LITE

A guy's wife gets a cat which he hates. So one day, while his wife has gone to work, the guy puts the cat in the back seat of the car, drives a few blocks and lets the cat out. When he gets home, the cats sitting there on the front porch.

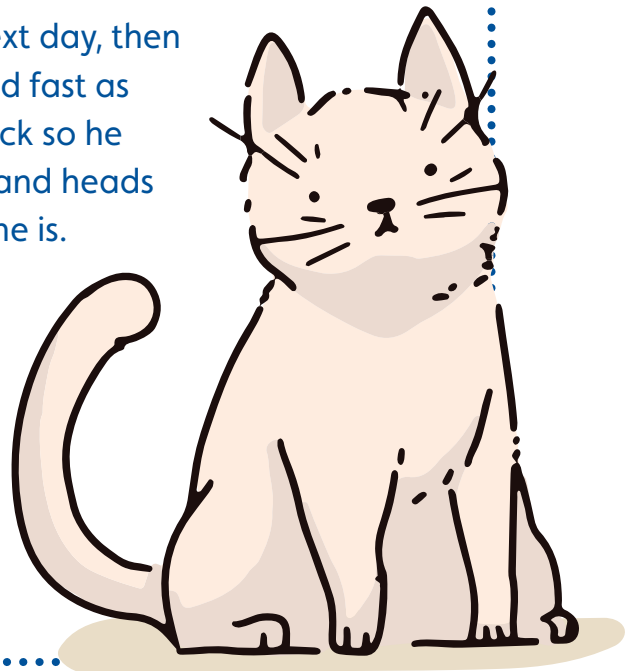
So the next day, the guy waits until his wife leaves for work again, then throws the cat in the car, drives a mile away from the house, and tosses the cat out. When he gets home, the cat's sitting there again on the front porch.

Well, the guys furious. So he waits until the next day, then throws the cat in the car, and drives as far and fast as he can, making all the turns and doubling back so he can throw off the cat. He dumps out the cat and heads home, but realises he can't figure out where he is.

So that afternoon, his wife comes home and answers the ringing phone. It's her husband. He asks, "Is the cat there?"

She says "Yes"

The guy says "I'm lost. Put the cat on the phone".



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.



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