Viewpoint

Fox Payne Associates Limited

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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‘No matter how long the winter, spring is sure to follow’

As we entered the new year with further lockdowns and history making world events, the hope of spring hangs in the air, an enticing prospect, this year, more than ever. While we’re waiting for the green shoots of spring to emerge, why not use the time effectively by getting your finances in order before the end of the tax year?

The tax year ends on 5 April 2021, which is Easter Monday this year, so don’t wait until the last minute to double-check you’ve taken advantage of all the tax-efficient allowances available to you. To avoid a last-minute Easter rush, we’re on hand to get you organised with all aspects of your end of tax year planning. Here’s a reminder of some of your main tax planning opportunities:

Pensions

— The current Annual Allowance is £40,000 (for every £2 of adjusted income over £240,000, an individual’s Annual Allowance is reduced by £1. The minimum Annual Allowance is £4,000

— The Lifetime Allowance places a limit on the amount you can hold across all your pension funds without having to pay extra tax when you withdraw money. The limit is currently £1,073,100

Tax efficient investments

— Individual Savings Accounts (ISAs) – maximum annual contribution of £20,000 per adult (stocks and shares, and cash options available, maximum allowance not to be exceeded)

— Junior Individual Savings Allowances (JISAs) – maximum annual contribution of £9,000 per child (stocks and shares, and cash options available, maximum allowance not to be exceeded)

— Enterprise Investment Schemes (EISs) – maximum investment of £2,000,000, relief on investments in certain unquoted trading companies, up to £1m per annum (or £2m as long as at least £1m of this is invested in knowledge intensive companies)

— Venture Capital Trusts (VCTs) – maximum annual investment of £200,000, relief on investment in certain qualifying companies

Making Inheritance Tax-free gifts

— Each financial year you can make gifts of up to £3,000 (in total, not per recipient) and if you don’t use this in one tax year, you can carry over any leftover allowance to the next year (some other exempted/ small gifts allowable)

— To reduce the amount of IHT payable, many families consider giving their assets away during their lifetime. These are called ‘potentially exempt transfers.’ For these gifts not to be counted as part of your estate on death, you must outlive the gift by seven years

— If you have enough income to maintain your usual standard of living, you can make gifts from your surplus income. Advice is essential as strict criteria apply

Using Capital Gains Tax allowances

— Annual exemption of £12,300 per person, £6,150 for trusts – currently under review, correct at time of publication.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

Past performance is not a reliable indicator of future performance and should not be relied upon.

Due to the high-risk nature of these products (EISs and VCTs) they will not be suitable for everyone.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

OW3140 Exp. 05/04/2021

Happy 21st to the ISA

An Individual Savings Account (ISA) is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:

— Cash ISA
— Stocks and shares ISA

If you're 16 or older you can have a Cash ISA, whereas Stocks and Shares ISAs are aimed at 18s and over. In both cases you'll need to be a UK resident to be eligible.

The ISA was launched by then-Chancellor, Gordon Brown, on 6 April 1999, as successor to the TESSA (Tax-Exempt Savings Account) and PEP (Personal Equity Plan) and has now reached the grand age of 21.

When the ISA was launched, the annual subscription allowance was £3,000 into a cash ISA or £7,000 into a stocks and shares ISA. The overall allowance has risen steadily over the years to reach a generous £20,000 in the 2020-21 tax year.

A first route into investment

Junior ISAs (JISAs) were introduced on 1 November 2011 and can be opened by parents or a guardian with parental responsibility, for a child from the minute they are born. Once opened, anyone can pay into the JISA, but a crucial point to note is that the child is not able to access the cash until they reach the age of 18. In the Budget earlier this year, the JISA annual allowance was increased by almost double to £9,000 per child per tax year.

Popularity

Over the 21 year timespan, ISAs have proved to be a popular investment choice for many; the most recently available government figures, which are for 2018-19, show that around 11.2 million adult ISA accounts and around 954,000 JISAs were subscribed to in the 2018-19 tax year, with new investments totalling around £67.6bn and £974m, respectively.

Long-term investing pays

Looking at some figures from a recent hypothetical example, **if you had been in a position to be able to invest your full ISA allowance for each of the past 21 years (a total of £226,560)** and this had been invested in the FTSE All-Share Index, **your total investment would be worth more than £307,000** as at 6 April 2020. However, you should be aware that this figure excludes any charges or fees and past performance is not a guide to the future.

Regular investing also pays

If you can't afford to invest the full £20,000, don't be deterred. Figures from the same hypothetical example, show that an investment of £100 a month invested in the FTSE All-Share Index over 21 years (a total of £25,200), would be worth over £39,000 at at 6 April 2020, before charges and fees, taking into account the large market-hit from the pandemic this spring.

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OW2990 Exp. 02/04/2021

Spreading the risk

Stock markets do not react well in times of uncertainty and the effects of the pandemic continue to pile pressure on financial markets worldwide. During periods of increased volatility, such as we have seen over the last few months, the importance of spreading risk and considering the longer term, remain constant investment principles.

Why diversify?

Adopting portfolio diversification means you do not put all your eggs in one basket. A balanced portfolio contains a combination of different asset classes, such as equities (shares), bonds, property and cash. Equities have the potential to deliver higher returns than bonds, but bonds can provide an element of capital preservation for times when a more risk-averse approach is required. You can also diversify your portfolio further through choosing different geographical regions and industry sectors.

Don’t overdo it

While building diversity into an investment portfolio is undoubtedly important, try to guard against over-diversification. This could make your portfolio unmanageable and could mean you spread your investments too thinly, resulting in a detrimental impact on potential returns.

Holding your nerve

The pandemic has unsettled global markets and it has been an unnerving time for many investors. I’s important to remember that stock market volatility is inevitable, and markets can often rebound quickly once immediate issues are resolved. Experienced long-term investors know that the worst investment strategy you can adopt is to jump in and out of the stock market and sell up when investments have hit rock bottom.

Diversification is key

We can help you to identify how much risk you are prepared to take and advise you how to achieve your long-term investment goals, through an appropriate balance of risk and reward. A sensible way to build a portfolio is through collective investment schemes with a risk profile to match your objectives and needs. We can advise on the investment strategies and products most appropriate for your own individual circumstances.

Shares and bonds

Property

Cash

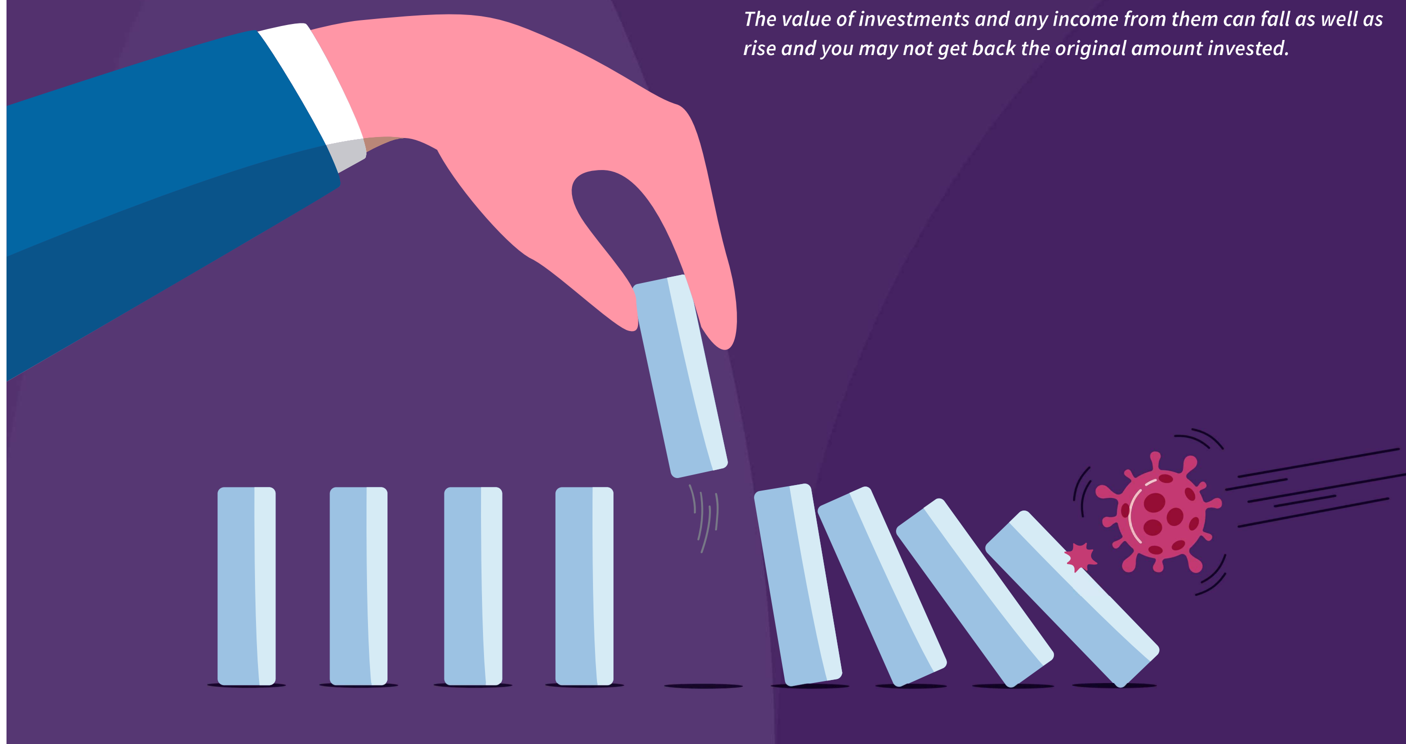
Location and sector

Keep in touch

Financial advice and regular reviews are essential to keep your portfolio in line with your attitude to risk and your objectives. This allows you to develop and continue to follow a well-defined plan.

Your circumstances or objectives may well have changed recently, so please don’t hesitate to contact us with any questions or concerns you may have.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.



OW2937 Exp. 17/03/21

Do you know your State Pension age?

Did you know that the State Pension age (SPA) increased to 66 for both men and women in October this year and it's set to rise further? Knowing your SPA, together with how much you can expect to receive, is an important part of your retirement plan that is often overlooked.

Why do I have to wait longer?

In 1908, when the first State Pension was introduced in the UK, you would have to wait until the grand old age of 70 before being able to claim. This was at a time when life expectancy at birth was around 40 years for men and 43 for women, and when only 24% of people reached State Pension age!

As recently as ten years ago, women could claim their state pension at 60, while men had to wait until they were 65, but qualifying ages have now been brought into line. The changes were introduced due to increased life expectancy, as people are now likely to spend a larger proportion of their adult lives in retirement than ever before.

66, 67 or older?

To find out your SPA, visit the government website www.gov.uk/state-pension-age - this will provide you with an exact date. However, you are no longer forced to take your pension at this age, so you could consider working longer if that suits your circumstances.

If you were born after April 1960, your pension age will be 67 and people born after April 1977 will have to wait until age 68 under current proposals, although the government is considering plans for this to be brought forward.

How much will I get?

The State Pension is paid to anyone who has made at least ten years' worth of National Insurance contributions during their working lifetime. The maximum payment is currently £175.20 a week (£9,110.40 a year), but how much you get depends on how many years you contributed for. To check your State Pension forecast, go to www.gov.uk/check-state-pension.

You may also be able to apply for National Insurance credits or pay voluntary National Insurance to boost your State Pension, although the best options will depend on your individual circumstances.

A timely reminder to plan ahead

Why not let the recent increase to the SPA act as a reminder to review all your pension pots, including your State Pension, to consider whether your savings are going to allow you to have the retirement you've dreamed of. We can help you get on track, so why not get in touch?

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April 1960
your pension age will be 67

If your DOB is after
April 1977
your pension age will be 68

OW3045 Exp. 19/11/2021

Preparing emotionally for retirement

You've retired from work, you've waved a cheerful goodbye to your colleagues and you're ready for the rest and relaxation you so rightly deserve. It's exciting! For a couple of weeks. Then the doubt sets in.

What will you do with your life, you might find yourself asking? How will you fill the long daytime hours? How will you manage without the comfort of your routine? Where will you find your purpose, if not from work?

Planning – it's not just financial

Whenever we talk about retirement, it's all about the pension. If you have enough in your pension pot when you retire, you're all set, right?

Many retirees simply aren't prepared for how significantly their life will change, and many, while not missing work per se, will certainly miss the sense of purpose it offered. And, with life expectancy on the rise, it's daunting to contemplate the next 20 to 30 years without any of the structure around which you're used to organising your life.

'Reinvent' yourself

A European study funded by the Erasmus program argues that we should start preparing for retirement as early as 50. Suddenly stopping work after spending a lifetime focused on your career, it argues, can be the catalyst for depression and other mental health issues. That's why we need to 'reinvent' ourselves in our 50s by discovering new passions and interests, improving our mental and physical health, and generally forging a life for ourselves outside of work in the run-up to retirement.

So, what steps can you take to prepare for a happy retirement?

Happy, healthy, whole

Retired or not, you'll still want and need similar things in life: a sense of purpose, social interaction and activities that interest and stimulate you. With this in mind, here are our tips for preparing for a fulfilling retirement:

Wind down in stages – rather than going from full-time to retired overnight, why not try reducing your hours first, giving you the fulfilment of work combined with the free time to pursue other interests?

Exercise your body – and your mind – experts have long extolled the virtues of exercise for our physical and mental health. Getting into the habit now could really help your emotional state when you retire.

Be a social butterfly – in addition to solitary hobbies and interests, joining groups and clubs can help you develop social networks outside of the workplace.

Get a furry friend – as well as keeping you company indoors, a pet (such as a dog) will give you an incentive to get outside in the fresh air.

Don't neglect your pension – while preparing emotionally is a big part of retirement, the money still has to be there to allow you to live life to the fullest.

Would equity release be right for you? A way of supplementing your retirement income using the value tied up in your home, although not right for everyone, we can help you explore your options.

We do the finances, you do the rest

That's why we're here! We can help you sort out the financial stuff to provide you with the resources to spend your retirement free from money worries, so you can concentrate on enjoying your later years. Why not give us a call?

You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.

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YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

OW3038 Exp. 02/12/2021

Borrowing options in your later years

Retirement is an exciting time; the start of a new chapter in life. Whilst we will have worked, saved and prepared for this moment for a long time, many of us will find we don't quite have enough money to fund all the things we planned to do.

Luckily, there are an increasing number of options for borrowing in your later years, enabling people to stay in their homes for longer and help fund their retirement lifestyle.

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Mortgage

One option is a traditional residential 'capital and repayment' or 'interest-only' mortgage. Many lenders have increased their upper age cap limits in recent years, enabling mortgages to now be applied for by people up to 80 years old and allowing mortgage terms that end when a customer is up to 85 years old.

You'll have a better chance of being accepted for these mortgages if you have a good credit history. Your income will need to be high enough to easily cover the mortgage payments, so lenders will be looking for proof of pension income. This is easier to do once you are retired.However, if you are yet to retire, your pension provider can give confirmation of your expected retirement date, current pension pot and expected retirement income. The mortgage provider will also be interested in other income you may have, such as from shares and property investments.

Equity Release

Another option is equity release. With an Equity Release Mortgage, you borrow an amount against a part-share of your home, either as a one-off lump sum or a monthly income.

You still own your home, and the payment can be used for a variety of purposes. These are, most commonly, to pay off an outstanding mortgage, pay for a major purchase or unexpected cost, or simply to help fund your retirement.

Lifetime Mortgage

A Lifetime Mortgage differs to a traditional Residential Mortgage as payments do not need to be made throughout the term of the mortgage. Instead, the total amount borrowed plus the interest is repaid when the house is sold, which is usually after the borrowers have moved into a care home or passed away.

Both Equity Release and Lifetime Mortgages will impact elements such as how much inheritance you have available to pass on, eligibility for state benefits and your tax position.

Each of these borrowing options suits different circumstances so you must carefully consider which would be best for you in your later years.

You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.

OW2273 Exp. 14/09/2021

Protect yourself and your family in 2020

While most of us don't go through life expecting something bad to happen, the truth is that we never know what's around the corner. Why not make 2020 the year you put plans in place to safeguard yourself, your family and your home, so that you know you're protected against life's unexpected events?

When to take out protection cover

Most people look into buying a Life Insurance, Critical Illness or Income Protection policy following a significant life event: buying a home, getting married or having children.

Before taking out a policy, however, be sure to check if any protection cover is included in your workplace benefits, as your employer may already be providing cover.

Review your policies regularly

If you don't review and update your policies on a regular basis, you could find yourself underinsured. If you upsize and your mortgage increases, for example, your current policy might not pay out enough to cover your new monthly repayment. In fact, a huge 73% of people aren't sure they have the right level of protection cover. By ensuring you regularly review your cover, you can make sure you're not in this situation.

Reduce stress, both now and in the future

Do you worry about your income and how you and your family would cope if anything happened to you? Are you ever concerned that you might struggle to keep a roof over your head? One way to rid yourself of these niggling worries is to take out protection cover. With only 44% of 18 to 35-year-olds saying they could cope for more than three months on their savings if they lost their income due to illness or injury, it's more essential than ever to plan for these eventualities.

It's not just about life insurance

Protection cover isn't just there to pay out to your family when you die. You can also take out serious or critical illness cover, as well as policies that pay out if you get injured or made redundant. With rent or a mortgage, household bills and other expenses, imagine how much stress could be alleviated if you have a steady income from an insurance policy while you're unable to work.

It won't happen to me...

This is an assumption many of us are guilty of making; however, latest government figures for 2018 show that one in twenty-five employed people had a spell of long-term sickness absence. It might not happen to you – but if it does, having cover could make the world of difference.

OW2493 Exp. 19/02/21