

NEWSLETTER



The Work/ Life Balance

An American reporter, visiting the Soviet Union after the Russian Revolution in 1919, wrote "I have seen the future and it works". The Calvinist Chancellor and Prime Minister Gordon Brown adapted the quotation to his own view of life, saying "I have seen the future, and it is work".

The economic advantages of working after what many would regard as a normal retirement age are clear and are appreciated by a growing number of UK residents. The proportion of 50 to 64 year olds in work has risen from 65% in 2007 to 71% today.

To take an example of the financial benefit of delaying retirement, if someone with an income of £40,000 p.a. net of tax who spends £32,000 and saves £8,000 p.a. were to delay retirement by just one year they would be £40,000 better off. Their pension pot would not be depleted by £32,000 and an extra £8,000 would have been added to their savings.

Other advantages of delaying retirement are that the amount which can safely be withdrawn from a pension plan under 'income drawdown' will be increased as also will the rates available for those who choose to buy retirement annuities.

Set against this is the awareness that the clock is ticking and there may be more enjoyable things to do with one's remaining years than work. This applies particularly to employees. Research has found that self-determination is an important factor in job satisfaction, and the self-employed enjoy higher levels of happiness than the employed.

Unmarried Couples' Pensions

Civil partners, like married couples, can inherit each other's pension rights, but unmarried couples cannot. This perceived discrimination against opposite-sex cohabiting couples is being addressed in a Bill currently before Parliament which seeks to allow such couples to register as civil partnerships.

The major effect would relate to rights under occupational and public sector pension schemes which can only be passed to surviving widows or widowers who were married or in civil partnerships. The Bill would extend these rights to unmarried opposite-sex couples.

The number of unmarried couples has roughly doubled over the past 20 years from around 1.7 million in 1997 to 3.3 million in 2017, and millions of people are expected to benefit from the proposed new law.

The change would also benefit those who reached pension age before 6 April 2016 and were not entitled to the improved State pension benefits available to surviving marriage and civil partners under the State pension scheme prior to that date.

Stamp duty exemption

Stamp duty land tax is payable on the purchase of residential property at escalating rates. The first £125,000 of value is exempt from tax, but the next £125,000 is taxed at 2%. The rate then continues to rise until it reaches 12% on purchase prices in excess of £1.5 million.

However, relief is available to first-time buyers who, as of 22 November 2017, are able to claim exemption in respect of properties costing no more than £300,000. Relief ceases to be available on properties costing £500,000 or more, and the excess over the £300,000 exempt limit is taxed at 5%.

The conditions of eligibility are that the buyers should be individuals who have never previously owned a freehold or leasehold interest in residential property anywhere in the world and that the property is intended to be used as a main or only residence.

Helping Children to Buy Homes

The 3% stamp duty surcharge on the purchase of second homes which was introduced in April 2016 has posed a problem for parents wanting to help their children onto the housing ladder by buying in joint names. However, some enterprising lenders have devised plans which avoid the problem.

These plans are called joint borrower sole proprietor ('JBSP') mortgages and allow parents to share in the financing of the purchase without becoming part owners of the property and thereby incurring the second home charge. This would enable a buyer whose income did not justify the level of mortgage required, to involve a parent with a higher income to meet the lender's income multiple requirement.

Another consideration is capital gains tax, which would be payable on the increase in value of a second home. This is

avoided by keeping the name of the parent off the title deeds. The separation of ownership from financing also enables the first-time buyer to qualify for the £300,000 stamp duty exemption, which would not be available if the purchase were in joint names.

JBSP is available from a limited number of lenders and the criteria are strict. There must be a direct family connection between the buyer and the joint mortgagor, and the buyer's income prospects must be sufficient to enable them ultimately to afford the mortgage on their own.

An alternative scheme offered by one lender allows a borrower a 100% loan subject to a family member providing a 10% deposit.

Power of Attorney Fee Refund

The fee charged by the Office of the Public Guardian for registering Powers of Attorney was reduced in April 2017 from £110 to £82, and anyone who paid the higher fee between April 2013 and March 2017 is entitled to a partial refund. Applicants are asked to seek this refund via the web site:

www.gov.uk/power-of-attorney-refund.

Nearly 2 million people are estimated to be entitled to claim

No more March Budgets!

Until 2017, the Chancellor of the Exchequer traditionally delivered a Spring Budget, usually in March, and in more recent years this was preceded by an Autumn Statement to announce interim changes. But no more!

Chancellor Philip Hammond has broken the mould, and there will in future be a single Budget each year, which will be delivered in the Autumn and followed by a much less significant Spring Statement in which the Chancellor will respond to economic forecasts from the Office for Budget Responsibility.

It is hoped that one of the advantages of having a single major tax event each year will be to allow for greater consultation on possible changes being considered by the Treasury.

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No responsibility can be accepted for the accuracy of the information in this newsletter and no action should be taken in reliance on it without advice. Please remember that past performance is not necessarily a guide to future returns. The value of units and the income from them may fall, as well as rise. Investors may not get back the amount originally invested.

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