Surrey Downs Financial Services

Autumn Newsletter 2022

Are your savings at risk from inflation?

Millions of pensioners are sitting on cash ISAs

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Pensioners are sitting on their cash ISAs

Millions of pensioners are keeping their savings in cash ISAs (individual savings accounts). Many instant access cash ISAs pay little interest with the risk of escalating inflation taking a chunk out of the value of these savings.

Older savers need to consider whether keeping their money in cash accounts is the best way to protect their hard-earned savings.

Cut down on the tax you pay!

Are your finances being affected by both the rising cost of living and stagnant tax allowances?

Reducing your tax bill is always a wise move and can mean more money in your pocket.

A few tips to help with rising costs

With the rising cost of living on most people's minds, we thought we would put a few tips together to help you beat those bills.

Property theft - sadly it's a thing

With so many scams out there, it should come as no surprise that criminals could even target your most valuable asset - your home.

Welcome to the Autumn edition of our quarterly client newsletter, which provides topical financial articles.

If you have any questions in relation to the articles contained within this newsletter, please do not hesitate to contact us and we will be happy to provide any guidance required.

Whatever your financial need, we are always pleased to speak with you.

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Any information in this newsletter does not constitute advice and should not be acted upon without taking professional guidance.

The value of investments can fall as well as rise. You may get back less than you invested.

Pensioners are sitting on cash ISAs

Millions of pensioners are holding their ISA (individual savings account) savings in cash, which are at risk from inflation.

With many instant access cash ISAs paying little interest and escalating inflation taking a chunk out of the value of these savings, older savers need to consider whether keeping their money in these cash accounts is the best way to protect their hard-earned savings.

Keeping some part of your retirement savings in cash can be a good idea, but putting a large proportion into a cash account over the longer term can mean your money isn't working as hard as it could.

It's possible to transfer funds from a stocks and shares ISA to a cash ISA, and vice versa. Unlike with cash ISAs, you should only invest if you're comfortable with the risk that your investments can go down as well as up in value.

Each year, as well as investing in a cash ISA, why not put some of your money in a stocks and shares ISA? You do have the option of placing your entire allowance in a stocks and shares ISA should you wish to.

If you don't need instant access to your savings, why not consider transferring some of your cash ISAs into stocks and share ISAs which in the past have performed better over the long term. However, it is important that savers understand that past performance is not guaranteed for the future, so seeking advice and assessing their level of risk would be wise.

Risks of a stocks and shares ISA

Although there is the potential to gain a higher return on investments with a stocks and shares ISA compared to a cash ISA, these ISAs also have a higher risk. Money deposited into a stocks and shares ISA is invested, which means that there is less certainty on their performance.

With a cash ISA, however, the money deposited is guaranteed along with the interest made.

For those looking to save for a short period of time or who cannot risk their money, a cash ISA may be the better option. However, for those who are willing to take the risk and who are planning to invest in the long-term, a stocks and shares ISA could be worth considering.

The value of investments and income from them may go down.
You may not get back the original amount invested.
Interest rates can go down as well as up.

When investing your money,
it's prudent to take into account the balance of risks and goals.

Cut down on the tax you pay

Your finances may have been affected by the rising cost of living, an increase in national insurance payments (if you are above the new threshold) and stagnant tax allowances. Reducing your tax bill is always a wise move and means more money in your pocket.

With the soaring cost-of-living and taxes rising, it's important to understand how your finances may be affected. We have put together some tips to consider that may help you to avoid paying more than you need.

Ways that you may be paying more tax this year

1. National Insurance has risen from this tax year – but the starting threshold was raised in July

National Insurance (NI) rose by 1.25% in April, which will affect everyone under State Pension age who earns more than £1,048 per month and the threshold for paying NI rose from July 2022. This means from 6th July; you won't start paying NI until you earn more than £12,570 a year (was previously £9,880).

2. Income tax thresholds frozen

The Personal Allowance is how much you can earn before paying tax. It has been frozen at £12,571 (2022-2023). After this point you start paying different rates of tax depending on certain thresholds – which are also frozen. The point at which you start paying 40% tax, has also been frozen at £50,271. These rates are planned to stay frozen up to and including the 2025 to 2026 tax year. The additional-rate threshold hasn't moved from £150,000 since it was introduced in 2010.

3. Dividend tax rate has risen

If you make more than £2,000 in a tax year in dividends (outside of an ISA or pension), or you own your own business and pay yourself in dividends, you'll face a tax charge. This charge has risen for the 2022-2023 tax year.

Basic-rate taxpayers will now pay 8.75% (rather than 7.5%) on any dividends they get over the £2,000 dividend allowance.

For higher-rate tax payers the tax rate has risen from 32.5% to 33.75% and for additional-rate taxpayers the tax rate has risen from 38.1% to 39.35%.

4. Inflation means paying more VAT

Sadly, inflation does mean a rise in VAT, although fuel duty was cut 5p per litre on the day of the spring statement (until March 2023).

5. Rising house prices mean you may pay more stamp duty

The rise in house prices mean an increase in stamp duty (for those that are eligible).

You must pay stamp duty land tax (SDLT) if you buy a property or land over a certain price in England and Northern Ireland. Or land and building's transaction tax if you buy a property in Scotland and Land Transaction tax in Wales.

If you're buying your first home, you may be able to claim a discount (relief) so you don't pay as much, the amount will depend on the price of the property to how much relief you will be eligible for.

6. Capital gains tax (second properties)

Capital gains is the profit you make from selling certain investments, including second homes, art, antiques and shares. The capital gains tax allowance is £12,300 per tax year (2022-23). Which means married couples and civil partners who own assets jointly can claim a double allowance of £24,600. Despite rising house prices, capital gains tax allowance (applies to second properties) has remained frozen.

7. Frozen inheritance tax bands to raise more money

The inheritance tax (IHT) nil rate band has again remained frozen at £325,000 and the residence nil rate band at £175,000 for 2022-2023.

Again, given how house prices are rising, it will mean more estates will see an increase in inheritance tax.

Tax treatment is based on individual circumstances and may be subject to change in the future.
You may not get back the original amount invested.
Inheritance Tax Planning is not regulated by the Financial Conduct Authority.

Cut down on the tax you pay

Ways you may be able to cut tax

1. Pensions

Adding money to a pension can offer a tax-efficient way to save for retirement, and an opportunity to cut your tax liability.

The first 25% taken out from a pension from age 55 (rising to 57 in 2028) is usually tax free.

If you're a UK resident under 75, you'll automatically get 20% basic-rate tax relief added to anything you pay into your personal pension – even if you don't pay tax.

2. Maximise your personal savings allowance

In 2022-23, you can earn £1,000 of interest on savings tax-free if you're a basic-rate taxpayer. If you're a higher-rate taxpayer, your tax-free allowance is £500.

You'll only pay tax on savings income that exceeds this threshold.

3. Use your dividend allowance

Each year, you can earn a certain amount of income from dividends before paying tax. Dividends can be a great way to generate a regular income from your investments. But, as with any income you earn, you may have to pay tax.

The dividend tax limit was reduced on 6th April 2018 from £5,000 but you can still earn up to £2,000 in dividend income without paying tax each year.

4. ISAs

You can currently invest £20,000 each tax year into a Stocks and Shares ISA, which allows you to shelter your money from UK income and capital gains tax. If your investments go up in value, you won't have to pay capital gains tax when you sell them.

If your ISA investments make income, you won't pay UK income tax on that either.

In the current tax year, you can save or invest up to £9,000 in a JISA for any qualifying child, and all interest, dividends and capital gains are free of UK tax. They can access this at the age of 18, or roll it over into an adult ISA.

5. Sharing assets with a spouse

There are special rules for capital gains tax on gifts or assets you dispose of to your spouse or civil partner.

So, it may be worth transferring savings and investments to your husband, wife or civil partner if they pay a lower rate of tax than you do.

6. Marriage allowance

Marriage allowance is a tax perk that can benefit couples where one partner either isn't paying tax or is paying tax at a lower rate.

Marriage Allowance lets you transfer £1,260 of your personal allowance to your husband, wife or civil partner.

7. Tax-free childcare

Tax-free childcare is a government scheme that pays working parents a 25% top-up based on what they pay for childcare.

You may be able to get up to £500 every 3 months (up to £2,000 a year) for each of your children under 11, to help with the costs of childcare. This goes up to £1,000 every 3 months if a child is disabled (and may go up to 17). You will need to check if you are eligible. Your eligibility depends on your income, child's age and circumstances.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.
Investors do not pay any personal tax on income or gains.
Taxation advice is not regulated by the Financial Conduct Authority.

A few tips to help with rising costs

Price rises are inescapable and painful, with inflation reaching a record high. Yet small tweaks to how we manage our money can often help.

1. Sort out household bills

Some rising bills are inescapable, including energy, council tax and petrol, but not all are.

If you have not checked your broadband, mobile phone or insurance contracts for a while, there is a chance that you are overpaying for these services. You can bargain for a better deal or switch provider.

2. Check out regular subscriptions

Go through any subscriptions you have to see if there are any you can relinquish.

Check out subscriptions for things that may be getting little use like Netflix or Apple TV. Perhaps you have a few accounts and don't use them all.

3. Switch your mortgage

Of all household bills, switching your mortgage may help you to make the biggest saving (unless you're not at the end of your tie-in period).

Homeowners can make savings by changing to a lower interest rate or achieve peace of mind by changing to a fixed rate. Fixing a rate now will protect you against future interest rate rises.

4. Invest your savings

Savings accounts rarely beat inflation. So, if you have savings that you don't need for the shorter term, it may be worth considering investing them elsewhere instead. Make sure you opt for a level of investment risk you are comfortable with.

5. Change where you shop

The cost of many everyday groceries have risen. However not all supermarkets are equal. It pays to shop around and also consider buying supermarket's own brands which can be cheaper.

6. Ask for a pay rise

As the cost of living increases perhaps it's time to ask for a pay rise. In real terms regular pay has fallen. You can discuss the possibility of an increase, but your employer is under no obligation to offer one.

7. You may have some unused vouchers stashed away

People often underestimate the impact that coupons and vouchers can have on their overall total expenditure.

For example: Tesco offer loyalty vouchers on your supermarket shop. With every pound you have in vouchers often worth 3 times that amount when spent on treats like hotel/cottage breaks or eating out.

8. Over 60s qualify for freebies, discounts and grants

Many over 60s are eligible for a host of freebies, discounts and grants. This can include: NHS prescriptions, bus passes, glasses and lenses, coach travel, train journeys (using a Railcard), energy bills, financial help with home adaptions, council tax, funeral costs and more. It's worth investigating what's on offer.

The value of investments and income from them may go down.
You may not get back the original amount invested.
Your home may be repossessed if you do not keep up repayments on your mortgage.

Could someone steal your home?

When you think of falling for a scam, you may think of being duped to hand over personal information or make payments. But some criminals are even targeting one of your most valuable assets – your home. Property fraud is rare, with an average of 0.001% of transactions being fraudulent. As always, vigilance is key to combating fraud

Combating fraud is a key priority for the HM Land Registry. Over the past 5 years they have prevented fraud on properties to the tune of more than £100m. Their counter-fraud teams work to detect and prevent fraud, and they work closely with conveyancers to minimise the risk.

If you are the victim of a property scam, you should report it to Land Registry and the police.

Tips to prevent property scams

1. Check the details the Land Registry hold

Land Registry is where homeowners register the ownership of land and property in England and Wales. You can check the register and see what information is held for your property. This can give you peace of mind that your home is registered to you if you have any suspicions that fraudsters have targeted you.

The Land Registry also offers a free property alert service to help protect you and your home. Signing up to Property Alert won't automatically stop fraud from happening, and not all alert emails will mean fraudulent activity is taking place, but it will provide an early warning system.

2. Restrict the title deeds of your property

If you're concerned about the risk of someone stealing your property, you can restrict the title deeds of it. You can stop HM Land Registry registering a sale or mortgage on your property unless a conveyancer or solicitor certifies the application was made by you.

Your conveyancer or solicitor may charge you for providing a certificate if one is required by a restriction on your property.

3. Safeguard your personal information

You're more at risk to property fraud if your identity has been stolen, so keeping your personal information safe is key.

Taking steps to make sure your personal information is safe, such as using strong passwords and changing them frequently, can prevent scammers from obtaining the information they need to impersonate you.

4. Be alert to phishing and spoofing

Scammers are using increasingly sophisticated tactics to secure your information, and it can be difficult to spot communication from a fraudster.

If you receive any unexpected communication, including texts, emails and phone calls, be cautious. If you're unsure, contact the organisation directly.

5. Make sure your documents are secure

As well as protecting your digital information, you should also keep physical documents secure. Throwing away documents that contain information like your address and bank account details can give scammers information they need to impersonate you.

Shredding important documents before you throw them away, and keeping those in your house in a secure place, can reduce the risk of identity theft occurring.

You can take steps to protect your property from being fraudulently sold or mortgaged.

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