Surrey Downs Financial Services

Winter Newsletter 2021/2022

Why not give your child the best start in life?
Invest now for your child's future

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Rishi Sunak said his Budget delivered a stronger economy for the British people: stronger growth, public finances and employment. The Chancellor said he will give people the support they need with the cost of living and levelling up.

Welcome to the Winter 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.

T: 01483 338 678
E: james.britton@surreydowns-fs.co.uk

Why not give your child the best start in life

Putting money aside for your child can be a great gift for their future, not only can they start their adult lives with some savings but getting them involved early with savings can teach them important lessons about money.

The earlier you can start investing money for your children, the more chance it has to grow before they need it as an adult.

Here are just some of the options you may wish to consider. We would be happy to discuss them with you.

Interest on savings for children

There's usually no tax to pay on children's accounts. Tell HMRC if, in the tax year, the child gets more than £100 in interest from money given by a parent. The parent will have to pay tax on all the interest if it's above their own Personal Savings Allowance.

You must also tell HMRC if a child has an income over their Personal Allowance, eg from a trust. The child will have to pay the tax on this.

The £100 limit doesn't apply to money given by grandparents, relatives or friends or in a Junior ISA or Child Trust Fund.

Regular savings account

If you're able to commit to making monthly contributions, then a regular savings account could be a good option as interest rates can be pretty generous and you don't have to pay in much.

There are usually stringent withdrawal limits: withdrawals will either be unavailable, or you'll face losing interest. You may be liable to pay tax: again, the £100 rule applies to savings interest.

Junior Individual Savings Account (ISA)

There are 2 types of Junior ISA: a cash Junior ISA (no tax is payable on the interest) and a stocks and shares Junior ISA. For example your cash is invested and you will not pay tax on any capital growth or dividends you receive. Your child can have one or both types of Junior ISA.

Only a parent or guardian can open a Junior ISA and manage the account, but the money belongs to the child. The child can take control of the account when they're 16, but cannot withdraw the money until they turn 18.

In the 2021 to 2022 tax year, the savings limit for Junior ISAs is £9,000.

Premium Bonds

Premium Bonds are a fun way to save, with the chance to win tax-free prizes each month. They can be great if you fancy winning tax-free prizes or want to buy a savings gift for children under 16.

Not so great if you want guaranteed returns or are concerned about inflation.

The Financial Conduct Authority does not regulate premium bonds, estate planning, tax advice or wills or trusts.

The favourable tax treatment of ISAs may be subject to changes in legislation in the future.

The value of investments and income from them may go down. You may not get back the original amount invested.

Use it or lose it! Individual Savings accounts (ISAs)

Don't miss out on this year's tax-efficient opportunity!

The proceeds from Individual Savings Accounts (ISAs) are shielded from Income Tax, tax on dividends and Capital Gains Tax.

The end of the 2021/22 tax year is Monday 5 April 2022, so if you're planning to use this year's ISA allowance you need to by then.

Individual Savings Accounts

An ISA is a 'tax-efficient wrapper' for an investment. There are many different types of Individual Savings Accounts (ISAs):

- Cash ISA - you can invest cash in bank and building society accounts
- Stocks and shares ISA - used to invest in stocks and shares (often via collective investments such as unit trusts and OEICs).
- Lifetime ISA - £4,000 a year (which forms part of the overall £20K allowance) into a Lifetime ISA and receive 25% government funded bonus
- Junior ISA - under 18s (in the 2021-2022 tax year, the savings limit is £9,000).

Children who are 16 or 17 are allowed to have an adult cash ISA as well as a Junior ISA. That means this age group has a larger ISA allowance than anyone else.

How do ISAs work?

You have a tax-efficient allowance of £20,000 for this tax year. This means that the sum of money you invest across all your ISAs this tax year cannot exceed £20,000.

You do have the flexibility to split your tax-free allowance across as many ISAs and ISA types as you want.

Lifetime ISA

You must be 18 or over but under 40 to open a Lifetime ISA. You can put in up to £4,000 each year, until you're 50. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year.

After your 60th birthday you can take out all the savings from your LISA tax-free.

You can withdraw the money at any time before you turn 60, but you will lose the Government bonus (of 25%) if you are not using it to purchase a first home (and any interest or growth on this).

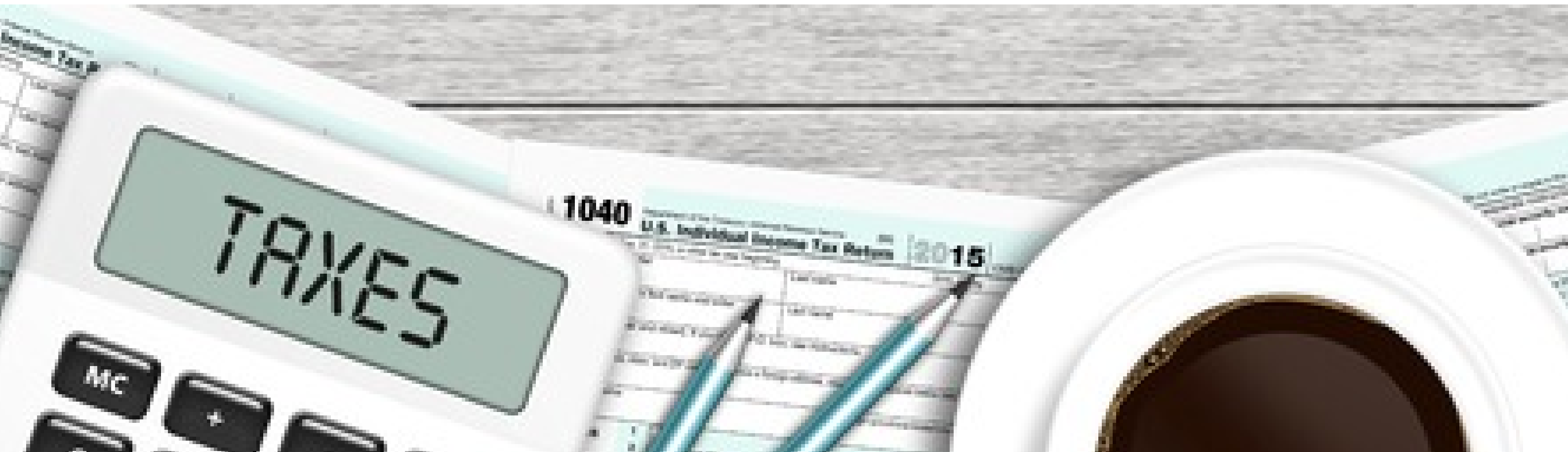
What about Help to Buy ISAs?

The scheme closed to new accounts at midnight on 30 November 2019. But if you have already opened a Help to Buy ISA (or did so before 30 November 2019), you will be able to continue saving into your account until November 2029. You can pay up to £2,400 each tax year.

A Help to Buy ISA was a Government scheme designed to help you save for a mortgage deposit to buy a home. The ISA was for first-time buyers saving to buy a property up to the value of £250,000 outside London or £450,000 inside London. Where the Government add 25% to the savings, up to a maximum of £3,000 on savings of £12,000.

The favourable tax treatment of ISAs may be subject to changes in legislation in the future.

The value of investments and income from them may go down. You may not get back the original amount invested.



Have you thought about passing on your pension?

Providing security for your loved ones to enjoy, long after you are gone

Whilst it's not an easy thing to talk about, passing on your pension can have a large impact on those you leave behind. The way that you decide to take your pension may affect what you can do with your pension when you pass away. The rules for pension death benefits will vary depending on the type of pension you have and your age when you pass away.

What can be passed on from your pension will always depend on your pension scheme; it's always worth speaking with your financial adviser or pension provider to find out more information.

Usually a defined contribution pension pot can be inherited by anyone and a defined benefit pension can only be paid to a dependant (but a DB lump sum death benefit can be paid to anyone within the scheme rules).

Defined contribution pensions

The main pension rule governing defined contribution pensions in death is your age when you die and whether you've already started drawing your pension.

An annuity after death can be a little more complicated. Especially if you have already started receiving income and you are outside your guaranteed period. You would need to check what death benefits your pension scheme offers, to see how much your beneficiary could still benefit.

Defined benefit pensions

Defined benefit pensions work a little differently as their value is linked to your salary and how many years you've worked for your employer. The main pension rule governing defined benefit pensions in death is whether you were retired before you died.

Nominate a beneficiary

It can be really important to keep information up to date with your pension provider as your wishes and circumstances change. Ask them for a form to nominate who should inherit your pension.

Who can classify as a dependant?

A dependant is someone who is financially dependent on you. Which could include:

- Your legally married husband, wife or your civil partner;
- A long-term unmarried partner – they can be treated as financially dependent, even where the relationship was one of financial interdependence;
- Former husband or wife (if they were married to you when you were first entitled to take the benefits from your pension) or civil partner (if they were your civil partner when you were first entitled to take the benefits from your pension);
- Children under the age of 23, or older if they suffer mental or physical incapacity or are still receiving full time educational or vocational training.

The value of pensions and investments and the income they produce can fall as well as rise.

Estate planning and Inheritance Tax Planning are not regulated by the Financial Conduct Authority.

Tax treatment varies according to individual circumstance and is subject to change.

Autumn Budget 2021 - Highlights

Rishi Sunak said his Budget delivered a stronger economy for the British people: stronger growth, public finances and employment. The Chancellor said he will give people the support they need with the cost of living and levelling up.

He said the Budget does not draw a line under Covid but does begin the work of building an economy post-pandemic.

Growth

The Chancellor said it will take until the start of 2022 for the economy to return to its pre-pandemic size.

GDP will grow by 6% next year, 2.1% in 2023, 1.3% in 2024, 1.6% in 2025, and 1.7% in 2026.

Education

Funding for each pupil will be returned to 2010 levels, in an increase worth £1,500 a pupil.

The government is tripling investment to create 30,000 special school places.

Infrastructure and investment

The Chancellor said he will increase investment to support London-style transport across the regions of England.

The government will invest £21bn on roads and £46bn on railways to improve journey times between cities.

Sunak announced the government's target for hitting research and development spending will reach £22bn by 2026-27, two years later than had been initially planned.

Employment and skills

The Chancellor said the government will raise government spending on skills and training by £3.8bn over the parliament, an increase of 42%.

Alcohol Tax

The number of duty rates on alcoholic drinks will be cut from 15 to 6 rates in a simplified system.

Higher-strength alcoholic drinks will attract higher duties, including stronger red wines, fortified wines and high-strength ciders. Lower-strength drinks – such as rosé, fruit ciders and liqueurs – will attract a lower tax rate than currently.

Pubs and bars will benefit from a new "draught relief" cutting duty on beer and cider sold in pubs by the most since 1923.

The cost of a pint will be permanently cut by 3p.

Fuel Duty

An increase in fuel duty will be cancelled, saving motorists £8bn over five years.

After 12 years of freezing fuel duty it will save the average motorist £1,900.

'National living wage' to rise to £9.50 an hour

The national living wage for workers aged 23 and over will increase from £8.91 to £9.50 an hour from April.

Minimum wages for other age ranges will increase as follows:

21 to 22 year olds: from £8.36 to £9.18 per hour
18 to 20 year olds: from £6.56 to £6.83 per hour

16 to 17 year olds: from £4.62 to £4.81 per hour

Apprentices: from £4.30 to £4.81 per hour.

Universal credit payments

The taper rate in universal credit will be cut from 63p to 55p. The work allowance will be increased by £500. This will be implemented no later than 1 December.

Public sector workers can get pay rises

People who work in the public sector will be allowed pay rises again, as the temporary pay freeze introduced earlier in the pandemic has been removed.

Flying further will cost more

Long-haul flights will be more expensive from April 2023, as a new 'ultra-long-haul' band of air passenger duty (APD) is introduced.

From April 2023, internal UK flights will be subject to a new, lower rate of APD.

Autumn Budget 2021 - Highlights

£1.8bn announced to build new homes

£1.8bn has been pledged to build new homes in England. The homes will be built on brownfield land – areas that were previously developed but not currently in use.

Business rates reformed

Sunak announced changes to make the business rates system fairer and timelier, with valuations at more frequent three-year intervals.

From 2023, every business will be able to make property improvements and for 12 months, pay no extra rates.

Next year's planned increase in the multiplier will also be cancelled. Plus businesses in the retail and hospitality sector will get a 50% business rate cut for a year.

Developers will pay for (some of) the cladding scandal

Sunak confirmed spending plans of £5bn on remediating buildings with dangerous cladding, and said this will be part-funded by a new Residential Property Developer Tax (RPDT), which was first announced in February.

Building back greener

The UK has reduced emissions faster than any other country in the G20 and continues to have the most ambitious targets for 2030: a 46% reduction in emissions compared to 2018.

This is equivalent to achieving the same proportional fall in the next ten years as has been achieved in the last thirty.

Support for veterans

To ensure that servicemen and women who have been injured in service of their country get the support they need, the government will provide an additional £5 million in 2022-23 for research into surgery techniques for amputees with blast injuries.

New treatments for mental health issues, including post-traumatic stress disorder; new technology to enable wounded, injured and sick veterans to rebuild their lives; data and digital projects to explore better use of technology for heath; and research and treatment for mild traumatic brain injury.

Surrey Downs Financial Services

Sandy Farm Business Centre, The Sands,
Farnham, Surrey, GU10 1PX

Tel: 01483 338 678

james.britton@surreydowns-fs.co.uk
http://www.surreydowns-fs.co.uk

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