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YOUR WINDOW ON FINANCIAL ISSUES

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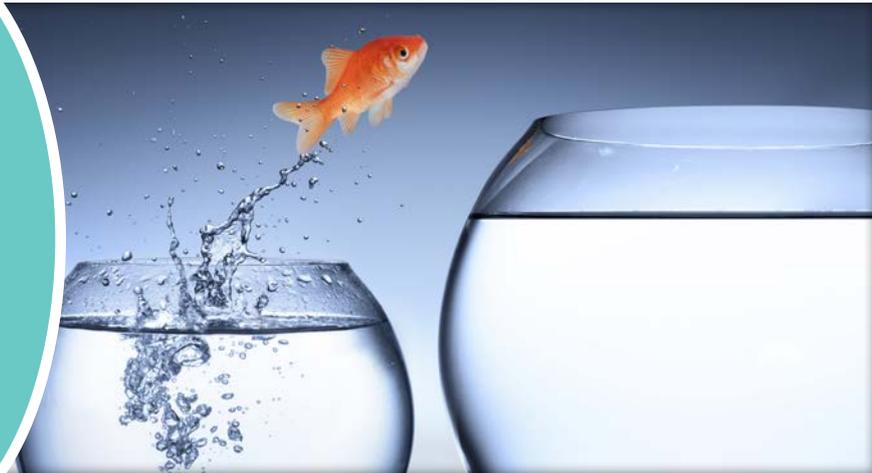
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NISA TO KNOW

Much has changed since the first Individual Savings Accounts (ISAs) were launched on 6 April 1999 to replace Tax-Exempt Special Savings Accounts and Personal Equity Plans. Since launch, more than 23 million people have opened accounts totalling £440bn, according to figures from HM Revenue & Customs.

Savings products are becoming easier to understand following the Sergeant Review of Simpler Financial Products published in March 2013, and the last couple of years have seen the introduction of further changes to the structure of ISAs, designed to give greater investment flexibility and encourage more people to save.

From 1 July 2014, ISAs were reformed into a simpler product called the New ISA or NISA. All existing ISAs have automatically become NISAs. The introduction of NISAs was billed by the Chancellor, George Osborne, as 'a big boost for millions of people, giving them greater economic security by putting aside money in savings'. The biggest benefit they offer savers is their tax status.

So what changed on 1 July 2014?

The key changes were:

- The annual allowance rose to £15,000 for tax year 2014-2015
- Savers can choose how they want to invest their NISA – putting up to the full £15,000 in either a cash NISA or a stocks and shares NISA, or any combination of amounts up to the £15,000 limit
- Savers can hold cash and investments within their stocks and shares ISA, removing the need for two separate accounts (if the provider allows this)

- Junior ISAs (opened by parents for children under 18) – the limit rose to £4,000.

Don't miss out on the tax benefits

As the tax year end approaches, there is still time to save more and benefit from the tax advantages that NISAs offer.

You pay no tax on the interest you earn in a cash NISA. With a stocks and shares NISA, you pay no capital gains tax on any profits. Income earned from share investments is taxed at 10%. So while basic-rate taxpayers would pay the same outside a NISA, this is a significant saving for higher and additional-rate taxpayers who would otherwise pay 32.5% and 37.5% respectively (tax year 2014-2015).

If you're looking for a tax-efficient way to save or invest your money, regardless of whether you're saving for retirement, a new home or a major purchase, you'll always save faster if you can reduce or eliminate tax. Talk to your adviser about the various NISAs available and which one would be right for your financial circumstances.

CITY CHAT



NISA NEWS

Details regarding the rule changes have now emerged from the Autumn Statement explaining that a partner will be allowed to invest an amount equivalent to the deceased's NISA into their own NISA via an additional allowance. This allows flexibility for estate planning as rather than the actual NISA assets it will be a NISA allowance which can be inherited by a deceased individual's partner. The deceased's assets can be distributed in accordance with their Will and a spouse can make contributions to their NISA using any funding source up to the increased allowance.

INCOME PROTECTION – FAQs

According to the Department for Work and Pensions, 32% of all households have no savings, putting them at risk, if illness or injury should strike.

What is income protection insurance?

These policies are designed to pay out if you're not able to work and earn money due to illness or injury, and, in some cases, forced unemployment.

When do people typically take out a policy?

People often take out policies when buying a house, having children, switching jobs or taking on additional financial commitments. Policies can be for the short or long term.

What types of policy are there?

Guaranteed policies - premiums remain constant throughout the policy term

Reviewable policies - premiums are regularly reviewed in line with your age and state of health

Age-related policies - premiums increase in line with your age.

How much could I claim?

The maximum amount is usually your net monthly earnings after tax, minus any state benefits you claim. This could be around 65% of your gross earnings and it's usually tax free.

How long will my income be protected?

Policies pay out following a deferred period, typically between four and 52 weeks, and can continue until you return to work or the policy expires at the end of a fixed period.

Are there other benefits available?

Depending on your choice of policy, it may include terminal illness cover, a lump sum payable on death, or hospitalisation benefits.

There's a wide range of policies and benefit available; advice from your adviser will help you make the right choice.



THE NEW PENSIONS ERA

No-one could have predicted before the March 2014 Budget that, by the end of the year, the pensions landscape would have witnessed such far-reaching and fundamental changes.

From April 2015, those with defined contributions pensions are set to enjoy unprecedented freedom to choose at what age, from 55 (rising to 57 from 2028), they take their pension benefits. There is no longer a requirement to purchase an annuity at any age, and the scrapping of the 55% tax charge on death means that some beneficiaries look set to inherit far more than was previously the case. However, this freedom and choice brings added responsibilities. Those who choose to take benefits early, rather than later need to be aware that their retirements could last as long as their working lives and will need to be carefully planned.

Metering out pension pots to ensure a financially-comfortable retirement requires astute long-term planning. The secured income that an annuity provides will still have an important part to play in ensuring funds are readily available to pay regular living costs. With life expectancy extending, and the potential need for living assistance and healthcare, the need for expert advice and continuing guidance has never been more important.

April 2015 changes outlined

- Flexible access to pensions from age 55 (57 from 2028)
- You will still be able to receive 25% of the fund tax free, but this doesn't have to be taken immediately and in full when you first take an income
- Pension drawdown restrictions relaxed
- Final salary pensions can be switched to defined contributions (but transfers from unfunded public sector schemes are not allowed)
- Death benefits paid to beneficiaries on death before age 75 will be completely tax free
- Death benefits after death over 75 will be subject to 45% income tax in 2015-2016 and beneficiary's marginal rate thereafter.

However near or far away from retirement you are, you should keep your pension plan under regular review and maximise your pension contributions.

For those planning to access their pension fund in the immediate future, it's vital to have an understanding of what these major changes in financial legislation mean for you, what new options you have available, and how best to structure your finances to ensure a long and happy retirement.

SPARE YOUR HEIRS FROM IHT

Families were charged £3.4bn in inheritance tax in 2013-14, a six-year high according to HM Revenue & Customs.

The 2014-2015 inheritance tax (IHT) threshold is £325,000 per person, doubling to £650,000 for a married couple. Anything over this limit is subject to tax at 40%.

However, with the rise in the value of property, it's easy to see how many people are now finding they have a greater

liability than they first thought. Fortunately, expert planning can legitimately mitigate this tax, enabling your assets to pass as you intended.

Here are some ways to reduce IHT liability:

Plan ahead. You can give your assets away and, if you survive for seven years, they will not be considered for IHT purposes. You can also take out life insurance to pay the inheritance tax that would be due if you don't live for seven years.

Consider marriage. Because assets inherited from a spouse are IHT exempt, the nil-rate band (or unused part of it) is, in most cases, passed on to the surviving spouse or civil partner. This means that a qualifying couple's estate up to £650,000 is exempt.

Write a will trust. Set up a discretionary will trust to earmark money for your children, rather than giving it straight to the surviving spouse – so it won't count as part of the estate. The appointed trustee will control the assets and can arrange for the spouse to receive income from it, if needed.

Make use of annual exemptions. You can make gifts of up to £3,000 (in total, not per person) plus any number of gifts, up to £250, per other recipient.

Weddings. Before the wedding day, each parent of a bride or groom can give up to £5,000; each grandparent or other relative can give up to £2,500 and any well-wisher can give £1,000.

Make gifts out of your surplus income. If you're in the fortunate position to be able to do so, consider making regular gifts under the 'surplus income exemption'. Everyone's circumstances are unique and tax planning is a highly complex area; it's essential to take professional advice.



HOW TO REDUCE YOUR FINANCIAL FEAR AND PLAN AHEAD

With the counselling organisation, Relate, reporting one of the biggest causes of stress as worry about finances, this could be a good time to reduce your stress levels by reviewing your financial plans. Here are some steps you can take to help you get your finances into good shape.

Review your financial goals

What are your short and longer-term financial goals? Depending on your age, these could be a variety of things; funding a child's education, setting up your own business, retiring at 55 or saving for a deposit on a property. Whatever they are, they will undoubtedly require planning and financial outlay.

Work out the cost

Whilst it's easy to calculate the cost of buying a property, working out how much you'll need for a comfortable retirement is not so easy. That's where a review with a financial adviser can help you get a better understanding of the costs involved and how much you'll need to save regularly to turn your plans into reality.

What changes should I make?

To get the full picture, you'll need to get all your financial documents together including pension, savings and tax statements and arrange a review with your adviser. Can you

afford to save more? Could you put more into your pension? Are your investment plans still relevant to your needs?

Draw up a plan for your financial future

Getting to grips with your financial future needn't be a daunting task. Armed with this information, your adviser can develop the right financial strategy for you.



MORTGAGE MARKET MOMENTUM



The mortgage market was brought to bubbling point by mid-2014, but had, by the autumn, slowed to something more like a gentle simmer. The media diligently reported every twist and turn in the 'will they, won't they' interest rate rise saga, which finally petered out as the year came to a close, leaving rates largely unchanged.

'For sale' boards made a comeback across the UK with the mortgage-market review, and buyers were out in force. Even the introduction of more stringent lending controls in April 2014 failed to dampen the market by much.

The changing market scenario was well illustrated by surveys conducted over the summer of 2014. The Royal Institution of Chartered Surveyors reported that 57% of respondents felt that it was a good time to sell and expected prices to rise by 4.75% over the next five years. Even those who weren't thinking of moving weren't immune to the charms of a rising market; 42% of homeowners canvassed in a poll by property website Zoopla were looking to make home improvements.

More worryingly, a Principality Building Society survey suggested that less than half the borrowers they asked knew what rate of mortgage interest they were currently paying.

Market demographics

First-time buyer numbers reached a seven-year peak in July 2014 with 30,000 securing their first mortgage loan. This sector remains active, with a whole generation of young buyers keen to make their move into home ownership. Many are tempted by 35 and 40-year mortgages. Figures from the Council of Mortgage Lenders showed that out of almost 80,000 first-timers in the second quarter of 2014, more than 22,000 took out mortgages exceeding 30 years, an increase of nearly 10 percent since 2010.

Those keen to jump up the housing ladder to a second home needed to find an extra £58,400, double the average first time buyer deposit. Perhaps because of rising equity in their existing property, only 37%, in a survey for Lloyds Bank, felt any concern about the size of deposit required.

Retired homeowners were resorting to using their homes as cash machines. The Equity Release Council reported that around £4 million a day was borrowed between July and September 2014.

All the signs seem to indicate that lenders are still prepared to grant mortgages as long as borrowers can show they can readily afford them. So, whatever rung of the housing ladder you are currently on, a review with your adviser will help you find the best mortgage deal for your circumstances.

CITY CHAT



Safra swallows a Gherkin

One of London's landmark office buildings has been sold for the second time since completion ten years ago. The Gherkin, on the site of the old Baltic Exchange in the City's insurance district, is being added to the empire of Brazilian billionaire Joseph Safra for about £700m.

Constructed for around £140m, the familiar icon of the City skyline was sold by original owner Swiss Re in 2006 for a reported £600m. The Anglo-German investment fund that paid that at the pre-crash property market peak with massive borrowings found repayment costs hard to swallow and suffered chronic financial indigestion.

The Norman Foster designed Gherkin with 46,900 sq m of floorspace was put on sale by receivers last July.

It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

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. If you withdraw from an investment in the early years, you may not get back the full amount you invested. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency.

Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up the repayments on your mortgage. A fee may apply for mortgage advice and, if applicable, you must ask your adviser for details before making any decision relating to a new mortgage as the actual amount will depend on your personal circumstances, but the typical amount is 1% of the loan value (on a typical £100,000 mortgage, this would be £1,000).

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