



Sovereign

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Established 1981

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A NEW TAX YEAR!



As we thaw out from a remarkable period of cold weather, we move into the new Tax Year with some uncertainties. Interest rates have started an upward move although the Chairman of the Bank of England has promised that these would be small and far apart. Brexit still is the focus of most of the Government's attention when there are a number of other areas that should be dealt with. Nevertheless, personal financial matters to be addressed are pretty much the same as they have been for quite a while, i.e. getting the best possible mortgage rate, while also making savings – using pensions or ISAs and ensuring those savings make as good a return as possible.

Assisting our clients to successfully achieve their objectives and enjoy financial security

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Proprietors TB Shuster BA, FHD Dip PFS and MJ Shuster BA (Hons) Cantab



MORTGAGE STRATEGIES

There are two key areas that anyone with a mortgage should make a priority.

First: Ensure you have the best rate you can achieve with your mortgage. In some cases the existing rates are variable but very attractive so changing them may not be a good idea. But generally you should make sure you are not just staying with your lender's SVR (Standard Variable Rate) for lack of a bit of initiative and asking for better.

Second: If you have an interest-only mortgage, you should review your plan for paying it off by the end of the mortgage term, and make sure that plan is still workable. For some that may mean down-sizing, but where down-sizing may have

looked attractive many years ago, when one is older it can look less attractive to have to move out of a place you still enjoy living in and moving away from an area you know and where you have friends and activities you enjoy. If you are in that situation, you may wish to move over to a repayment mortgage to get it paid off, or look at a Lifetime Mortgage to buy yourself more time. Lifetime Mortgages have become more and more flexible. Avoid the Interest-Only Mortgage Trap!



BUY-TO LET SLOWING DOWN

The Government's actions of increasing the Stamp Duty on buying a second property, and also making letting less attractive tax-wise, has slowed the property market down. Those looking to start or continue letting need to become familiar with the new rules so as to make sure the activity remains profitable.

MORE FIRST-TIME BUYERS

While the amount of Buy-To-Let buying has gone down, there has been a definite increase in first-time buyers looking to get onto the property ladder. Lenders are looking to keep interest rates as low as possible to continue to attract these new buyers, and are trying to be as flexible as they can in finding solutions such as involving parents in the transactions in one way or another. This can be by means of providing a deposit or acting as guarantor or even going onto the mortgage itself.



PENSIONS UNDER THE GUN

The Government, as it comes under pressure to make savings, continues to eye the tax advantages that pensions have – particularly as regards the tax-free cash that can be taken out. If you are looking to take your pension benefits, you might want to look to do that sooner rather than later. The same is true if you are looking to top-up your pension. Depending on your income currently you (or your company on your behalf) can put up to £40,000 per annum into your pension and get tax relief on it. For a basic rate taxpayer that means by contributing £32,000 he can get £8,000 from the Government to boost it up to the £40,000. A 40% taxpayer could end up with the £8,000 from the Government to boost it up to £40,000 and also get a further £8,000 in tax relief. It is worth reviewing your pension planning. We can assist.



WORKPLACE PENSIONS/AUTO-ENROLMENT

Those with a pension in their workplace will have an enforced increase to their pension contributions from the 6th of April. Instead of both the individual and the company putting 1% of their salary into the employee's pension, it increases to 3% by the employee and a minimum of 2% by the employer. Someone earning £20,000 could find his monthly contribution going up from £14.00 or so

per month to £40.00 per month. While that may not be a welcome extra cost, do remember that the increase also means more from the employer and, taking into account the additional amount the Government has to put in, that £40.00 per month taken from the employee would end up with them getting £83.00 in their pension – over 100% return on their money. Not bad!!



PENSIONS USED AS LIFE ASSURANCE OR INHERITANCE PLANNING

The new Flexi Pension Plan rules have opened up new opportunities for pension plans to help with life assurance and passing the pension down to beneficiaries in a tax-efficient way. If you have a personal pension plan (these rules generally do not apply to Final Salary/Defined Benefit Pensions), you can nominate anyone you want to be the beneficiary. If you die before age 75, the value in the pension can pass to the beneficiary with no tax at all (!). If you die after age 75, it still passes to the beneficiary but would be taxed at the beneficiary's tax rate. The beneficiary can also opt to set up his own flexi-pension with the monies and would be able to take money out when he chose, or even leave it to a beneficiary of their choosing.

NEW TAX ALLOWANCES

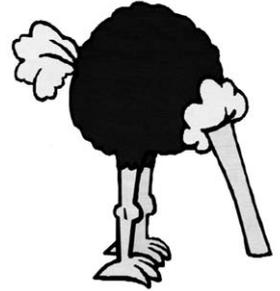
Here are the new tax allowances effective from 6 April 2018:

- Personal Tax Allowance (the amount you can earn before paying any tax at all) goes up to £11,850 per year;
- Basic Rate Tax Band goes up to £34,500 per year (so a person would have to earn in excess of £11,850 plus £34,500, i.e. £46,350, before they would start having to pay 40% tax);
- Capital Gains Tax (the amount of profit you can make on a transaction such as sale of shares before you have to pay tax) goes up to £11,700;
- Inheritance Tax nil-rate band (the amount that an estate has to be valued at before an Inheritance Tax/Death Duty has to be paid) stays at £325,000 but the extra allowance, which can be achieved by leaving the main residence to direct descendants, goes up to £125,000;
- The ISA (Individual Savings Account) limit remains at £20,000;
- Rent-a-Room Scheme tax allowance remains at £7,500 per annum (this is from the letting out of furnished accommodation in your home).



THINKING AHEAD!

We cannot stress enough the importance of thinking ahead when you get to the age which qualifies as "older". This is very much a personal matter but if we are blessed with a long life, it is likely that the time will come when we will need help – whether that be physical help or help in looking making decisions about finances. We would recommend that those reaching retirement age look into Lasting Power of Attorneys (LPAs). These allow you to appoint who you want to help you, should the time come when you need help.



In thinking ahead, making a Will is also a vital action, but that should be done really as soon as you start a family or acquire assets that you would want to pass down to specific people.

DOING OUR BEST

We work hard to provide the best possible service we can for our clients in helping them achieve their objectives and enjoy financial security (although achieving both these goals can present a challenge!). Here are what a few clients have written recently about how we are doing with this:

"I chose Sovereign Finance because they are helpful and also try to find you the best deal for whatever your needs are."
Mr B T of Crawley

"We really appreciate your advice and both feel very happy about the forward view."
Mr & Mrs P S of East Grinstead

"Have just had a quick initial enquiry call with Sovereign and feel they offered fantastic to the point and easy to understand advice which has left me feeling more in control and confident about our financial plan."
Mrs A M of Surrey

"Brilliant service."
Mr I B of Leeds

Best wishes,
Tom Shuster
Managing Partner



Note: Later in this year new Data Protection laws will come into force. These will provide much greater protection for individuals' privacy and how their data can be used. We send our newsletters out regularly and we want to make sure that you know you can instruct us to cease sending them at any time. Just drop us a line, or send us an email (info@sovereignfinance.org) or give us a ring on 01342 313302.