D&G Independent Limited
wealth management for life

Park House, Ffordd Byrnwr Gwair, Broncoed Business Park, Mold, Flintshire, CH7 1FQ

T: 01352 754272

E: info@dandgifa.co.uk

www.dandgifa.co.uk

Your Window on
Wealth
SPRING 2019

Mortgage help for family members

Do you know someone who is struggling to buy their first home or re-mortgage an existing property? As house prices continue to rise whilst wage growth and saving rates stagnate, more and more people are struggling to get on and move up the housing ladder. Whilst many consider this to be the plight of the younger generation, there are people in later life who want to move to another property but lack sufficient funds to do so.

If you are considering helping a loved one to secure a new home, Pete Chappell, our Whole of Market Mortgage Consultant, discusses the benefits of a Family Mortgage. This arrangement can be used to support children, step-children, parents, siblings, grandparents and grandchildren.

"A Family Mortgage uses wider family assets as security against the loan. Different types of family mortgages exist. Some simply take the value of these assets into the mortgage calculation whilst others require you to gift part of the equity in your home to the person seeking the mortgage. Either way, you are able to offer your personal assets as security against the mortgage, enabling your relative to finance a property purchase.

Using family assets, borrowers could enjoy lower interest rates and lower monthly payments. Up to twelve family members can contribute to this sort of arrangement but the borrower will own the property. As with any secured loan, this type of mortgage arrangement does have its risks; the borrower could fail to meet repayments or sell the property for less than that invested. These are all considerations we can discuss at length if you would like to support a family member in this way.

To learn more about Family Mortgages or refer someone you know for general mortgage advice, please contact me directly at pete.chappell@dandgifa.co.uk.

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.

Spouses unnecessarily paying tax on inherited ISAs

Data[1] shows that six out of seven bereaved partners could be paying tax unnecessarily on ISA savings they inherit.

Since April 2015, bereaved spouses or civil partners have been entitled to an extra ISA allowance. This is achieved by what's called an Additional Permitted Subscription (APS). If the investor died before 6 April 2018, the APS is equal to the value of the ISA on the date of death. If the investor died on or after 6 April 2018, their ISA will become a continuing ISA. In this case, the APS is equal to the higher value of the ISA on the date of the investor's death, or the value of the ISA on the date it stops being a continuing ISA (completion of estate administration / third anniversary of date of death / all funds withdrawn). The surviving spouse therefore has the option of having the higher APS value.

Using your APS

You can use the allowance in one go or as separate lump sums. However, time limits do apply.

[1]HMRC data obtained by Zurich, Jan 2019

UK DIVIDENDS SET NEW HIGH

Whilst 2018 may not have been the best year for share prices, it was a very good year for dividends. A new report[2] shows that UK dividends reached a record high of £99.8bn, the highest level since the global financial crisis. This was due to a number of factors, including soaring company profits, special dividends and a slump in the value of sterling.

PENSION WITHDRAWALS HIT RECORD IN Q4 2018

Payments made under the pension reforms of 2015 have steadily climbed and hit 628,000 in the final quarter of last year, up from the 121,000 in the second quarter of 2015 when the reforms took effect[3]. Interestingly, the average withdrawal dropped to a record low of £7,197 in Q4, down from £7,597 in the previous quarter. This could be a sign that people are sensibly conserving their pension wealth.

ORKNEY RATED BRITAIN'S BEST PLACE TO LIVE IN TERMS OF QUALITY OF LIFE

The Halifax's[4] annual quality of life survey shows that Orkney is rated the best place to live in Britain. Not only is employment at 88%, the average house price is just £173,349. Residents also enjoy good health and low crime rates.

[2]Link Asset Services, 2019

[3]HMRC, 2019

[4]Halifax Bank of Scotland, 2019

Women risk becoming pension poor on divorce

There are no hard and fast rules governing how assets should be divided when a couple divorces, although there is a broad starting point of 50:50. However, new research[5] shows that women who divorce can often end up with less than half the property wealth of married couples and less than one third of the average pension wealth. The study showed that the average divorced woman over 50 has pension wealth of £131,000 compared with £454,000 for the average married couple.

Dividing pension assets

Many people think that on divorce a pension solely belongs to the party who is named on the policy, but that's not the case. A pension has to be considered along with other financial assets owned by the couple when reaching a financial settlement. Pension assets can be apportioned in various ways:

- offsetting the value of one spouse's fund by transferring a lump sum, or other assets, to the other spouse
- splitting the pension fund into two separate pensions
- arranging that when a pension comes to be paid, a portion goes to the other spouse.

Getting the right advice at the right time

The findings underline the need to get advice when considering how marital assets should be divided on divorce. A pension pot can often represent a substantial sum of money and needs to be considered alongside other major assets such as property.

Post-divorce, it makes sense to discuss your revised circumstances with us. You'll need to reconsider your financial goals, and review your mortgage, pension and investment plans, plus remake your Will. Reorganising your finances can represent a major step in moving forward to a new life.

[5]Royal London, 2019

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

Staying out of the dog house

You may have seen articles in the financial press referring to 'dog' funds, and wondered what the term means. If so, don't be concerned, put simply, a 'dog' fund is one that is regarded as an under-performing fund.

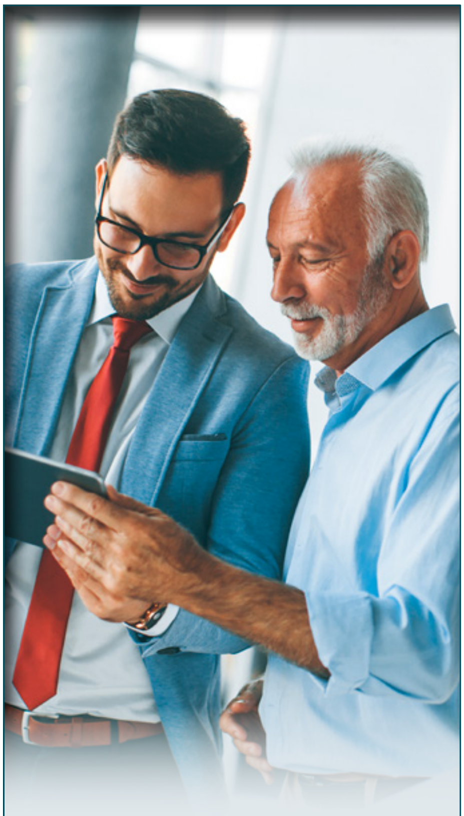
Meaningful comparisons

All investment funds fall into sectors – for example, UK All Companies, Global Equity Income, Japan, UK Smaller Companies or Global Emerging Markets. By classifying funds under these headings, it makes it much easier to make meaningful comparisons. As well as being compared against each other, they can also be compared against the average performance for all the funds in that sector. If a fund is consistently 10% below the sector average, it can earn the 'dog' tag.

By keeping a close eye on the performance of your assets, under-performing funds can be quickly identified and monitored, and if necessary, changes made to your portfolio.

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

If a fund is consistently 10% below the sector average, it can earn the 'dog' tag



Wealth divide between the generations widens further

More evidence has emerged highlighting the difference in wealth between young and old in the UK.

It's also a welcome indication that employers acknowledge the benefits of retaining the skills of older employees within the workplace, though most employers can no longer force retirement. Analysis[6] shows that one in five baby boomers are now millionaires, with their wealth nearly doubling over the last ten years. The total wealth owned by over 65s has grown from £2.4 trillion to £4.7 trillion in the decade between 2006 and 2016. In comparison, those aged between 25 and 54 saw their wealth increase by just 9% in real terms over the same period.

[6]Netwealth, 2019

Money – why it’s good to talk

Do you discuss your finances with your nearest and dearest? In many families, having a frank discussion about wealth still remains a taboo.

However, with younger people needing to learn the money management skills that will stand them in good stead throughout their lives, and the older generation often requiring help with their finances in their later years, it’s important for children and parents of any age to be able to communicate effectively about family wealth issues.

Overcoming the barriers

Some families find it difficult to discuss wealth. It’s not uncommon even today for married couples not to know how much money their spouse earns. Well-off parents can sometimes shy away from letting their children know too much about their wealth, in an effort to prevent them becoming complacent about what they might inherit in the years to come and losing their work ethic. Older people don’t always like to dwell too much on the future, finding it difficult and distressing to raise issues like death and inheritance with their loved ones.

However, taking the time to discuss important financial matters with other family members will help to ensure that the right financial plans are in place to safeguard family interests.

Here to help

Openly discussing wealth matters with your family and us can help establish priorities, clarify goals and ensure that plans are put in place to support each generation according to their financial needs.

We are increasingly being asked to be part of these conversations, not least because we offer sound practical advice in a dispassionate manner. If you’d like us to help your family, then please do get in touch.

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. Taxation depends on individual circumstances as well as tax law and HMRC practice which can change.

The information contained within this newsletter is for information only purposes and does not constitute financial advice. The purpose of this newsletter is to provide technical and general guidance and should not be interpreted as a personal recommendation or advice.

PENSIONERS MISSING OUT ON STATE BENEFITS

A study conducted over nine years shows that seven in ten households with pensioners aren’t claiming all the benefits they are entitled to. Researchers calculated that the average sum unclaimed is £1,058[7], the highest figure recorded in the last five years.

Three key benefits regularly overlooked are Guarantee Credit, Savings Credit and Council Tax Reduction. Council Tax Reduction is managed by local authorities.

[7]Just, 2019

PENSIONS: TAPERED ANNUAL ALLOWANCE BREACHES DOUBLE

For most people, the Annual Allowance for pension contributions on which tax relief is available is £40,000. However, for those with an annual income of more than £150,000 this figure is tapered.

The taper means that for high income individuals their annual allowance is reduced by £1 for every £2 of adjusted income above £150,000 to a minimum allowance of £10,000. Those affected can choose to reduce the pension contributions made by them or their employers, or face paying an annual charge.

In the 2015-16 tax year, 8,890 individuals reported breaching the allowance and paid £19,933 in average excess. By the following year, this figure had doubled to 18,930 reported cases paying an average charge of £29,635[8].

The application of the taper rules can be complex, so it pays to take advice.

[8]HMRC, FOIA request

IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.