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# WEALTH KNOWLEDGE

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## Families help first time buyers onto property ladder

**A third of first time buyers receive financial help from their family to save for a deposit, according to Opinium.**

These first time buyers estimate that their deposit will be 32% of their salary on average.

Further findings:

- 19% expect their deposit to be more than half their annual income
- 5% of current homeowners spent more than half their salary on a deposit
- first time buyers expect to save for a deposit for an average of 5 years.

### Help your child buy a home

While many parents want to help their children get on the property ladder, doing so is a significant financial undertaking.

Ways to help your child save a deposit to buy a home include:

#### Gifts

You can gift money to your children tax-free, although some gifts may be subject to inheritance tax if you die within 7 years.

#### Lending money

You may want a solicitor to draw up a promissory note to formalise the arrangement.

#### Using your home

If you already own a property, you may be able to use it to raise a deposit. You can either take out a loan secured against your property or use equity release.

#### Mortgages

There are a number of mortgage options:

- guarantor – parental income is taken into account when agreeing the mortgage
- joint – parents and child take out a mortgage for the property
- offset – parents can contribute to mortgage repayments.

Contact us to discuss personal financial planning.

## Over 40s unaware of retirement costs

**80% of people aged over 40 don't know how much money they need in their pension pot to fund their retirement, according to Saga Investment Services.**

40% of those surveyed said they had no idea of the cost of a basic lifestyle (with food and bills paid but little disposable income leftover) in retirement.

Saga estimates that people could be underestimating the size of

pot they will need for retirement by as much as 50%.

Sally Merritt, head of product at Saga Investment Services, said: "Our survey demonstrates how important it is for people to take the time to think about their savings and investments as early as possible to give them time to put a little more away if they think they are not going to have as much as they need."

## Retirement goals and planning

Making sure that you are able to live the life you want in retirement requires planning and thoroughly evaluating your current and likely future position.

To get the process started, you need to ask yourself the following questions:

- have you identified your retirement goals? Do you simply want to be able to live comfortably or do you have more specific ideas in mind?
- how much money will you need to achieve your goals?
- are you saving into a pension?
- do you have savings and other assets such as property?

We can help you plan for the retirement you want.

## Residence nil-rate band: are you eligible?

**The residence nil-rate band (RNRB) will take effect from 6 April 2017 for those passing on a main home to a direct descendant.**

The band is set at £100,000 for 2017/18 but will increase by £25,000 each tax year until it reaches £175,000 in 2020/21.

The allowance is an addition to the £325,000 nil-rate band for inheritance tax.

Tax year	RNRB	Individuals: maximum nil-rate band
2017/18	£100,000	£425,000
2018/19	£125,000	£450,000
2019/20	£150,000	£475,000
2020/21	£175,000	£500,000

### Direct descendants

The RNRB only applies if you're passing on a property to a direct descendant.

This includes:

- children, grandchildren or other lineal descendants
- a spouse or civil partner of a lineal descendant.

The allowance will not apply if you pass on a home to someone else. Direct descendants don't include nephews, nieces and siblings.

## Is your home eligible?

The RNRB is limited to a single property, so if you own 1 residential property and you have also lived in it, it can be eligible for the allowance.

If you own more than 1 home, the executor or administrator of the estate can nominate which property the allowance should apply to.

If you've placed your property into a trust, it can also qualify for the RNRB provided that the beneficiary is a direct descendant.

Talk to us today about your estate planning.

## April 2017 finance changes

**Here are some important measures to be aware of as the new financial year starts.**

### Personal allowance

The tax-free personal allowance increases to £11,500 from 6 April 2017. The higher rate threshold will rise to £45,000.

The threshold for Scotland will be £43,000.

### Money purchase annual allowance

The money purchase annual allowance (MPAA) will be cut from £10,000 to £4,000 from 6 April 2017.

This reduction will apply to individuals who have withdrawn the initial 25% tax-free lump sum and take flexible income or if they withdraw more than the initial 25% tax-free lump sum from their pension pot.

Savers will receive tax relief on a smaller percentage of any pension contributions made. There is a tax charge if they continue to contribute in excess of the MPAA.

### Lifetime ISA

The Lifetime ISA will be available to adults aged between 18 and 40.

Individuals can save up to £4,000 per year up to the age of 50. Savers are entitled to a 25% bonus of up to £1,000 from the government each year.

Funds can be withdrawn at any time before the age of 60 to purchase a first home or to save for retirement. If the funds are removed before this age for any other reason, there may be a 25% penalty charge.

### Mortgage interest relief

Relief for finance costs on residential properties will be restricted to the basic rate of income tax. This will be introduced gradually from 6 April 2017.

Landlords will only be able to deduct a portion of finance costs from their property when calculating rental profits.

Talk to a member of our team about your tax obligations.

### Important Information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. ISA and pension eligibility depend upon individual circumstances.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content.

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