Harrison Beale & Owen

FINANCIAL SERVICES
CHARTERED FINANCIAL PLANNERS

Highdown House 11 Highdown Road
Leamington Spa CV31 1XT

ifa@hboltd.co.uk
01926 422 292

WEALTH KNOWLEDGE

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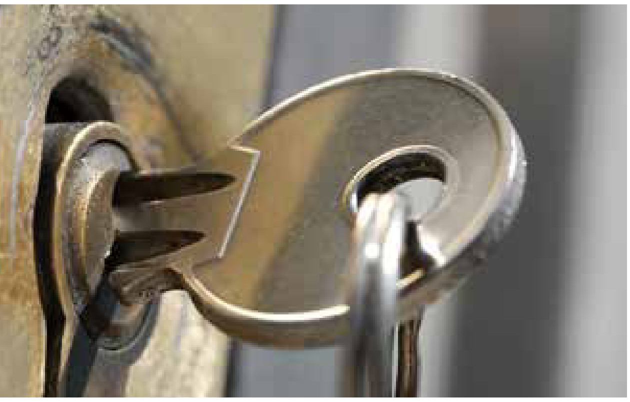

State pension top-up proves a flop

The government's state pension top-up scheme attracted just a 5% take-up over an 18-month window, figures from the Office for Budget Responsibility (OBR) show.

It offered men aged 65 or over and women aged 63 or over the chance to increase their state pension entitlement by up to £25 a week.

Figures showed around 4,000 people took advantage of the scheme in the first six months following its launch in October 2015, rising to around 13,000 by the time it closed in April 2017.

The original measure expected final take-up to be around 265,000, with £870 million of class 3A national insurance contributions (NICs) prompting higher state pension payouts over the long term.

Even though the average payment of around £17,000 was much higher than the £3,200 assumed in the costing, only £225 million was received in NICs.

In its supplementary forecast information released in November 2017, the OBR said it "will carry out a fuller evaluation of the reasons for this large shortfall next year [2018]".

However, it's likely the up-front costs involved for those eligible individuals played a significant role in its lack of popularity.

For example, to receive an extra £1 a week (or £52 a year) for life would have cost a 65-year-old a £890 lump sum, while to get an additional £5 a week (£260 a year) would have cost £4,450 up front.

To receive the maximum extra £25 a week (£1,300 a year) of state pension, someone aged 65 would have needed to stump up a £22,250 lump sum.

We can discuss your state pension entitlement.

Short-term holiday lets help landlords beat tax change

More landlords are believed to be turning to short-term holiday lets, following the introduction of a tax change at the start of the financial year.

Changes to tax relief on finance costs on residential properties were introduced on 6 April 2017, and when fully implemented, will restrict costs to the basic rate of income tax.

These include mortgage interest, interest on loans to buy furnishing and fees incurred when taking out or repaying mortgages.

Research from the Residential Landlords Association (RLA), which represents more than 50,000 private sector landlords, claimed the number of Airbnb listings in Cardiff rose 259% in the last year.

Similar trends are expected to have taken place in other major cities around the UK since last spring as the tax changes do not apply to short-term lets.

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Previous research from the RLA found that of those landlords now offering short-term lets, more than one in three were doing so because of tax increases.

Douglas Haig, vice-chairman of the RLA, said:

“With the tax changes incentivising the use of homes as short-term holiday lets, it is tenants who will suffer as fewer properties are available for them to rent for the long term.

“The government wants longer term security for tenants, especially families, and landlords support this, but they need to change their tax policy to achieve it.”

Get in touch about your tax obligations.

Most adults want care funding advice

Most people think they would benefit from being referred to a financial adviser to discuss how to fund care options later in life, according to research.

Just Group polled 11,870 individuals and found 54% think it would be helpful if their local authority referred them to a financial adviser, while 34% would expect this as the norm.

The report showed confusion around government policy has led many to delay planning for care in later life.

73% of people had not thought about care or spoken with family about it, while 61% said they were confused about policy for care funding.

The report called for clearer information to be provided about care policy, and for earlier planning rather than a “fingers crossed” approach.

Planning effectively would relieve pressure on local councils and private care providers, as well as giving individuals greater autonomy when deciding on the care they receive.

Catriona Lumiste, care fees planning specialist at the Society of Later Life Advisers, said:

“Planning for care is so different to many other aspects of financial planning.

“Putting a plan in place offers individuals some control and peace of mind when they may feel daunted going through the maze of options for long-term care needs, particularly when so much emotion and decision-making is involved.”

We can help you shape your financial plans.

Renting in retirement to treble by 2032

The number of people renting in retirement is expected to rise to three times the current figure over the next 15 years, a report claims.

Research from Scottish Widows predicts one in eight retirees – equating to more than one million people – will be living in rental accommodation by 2032.

Current pension savings do not match the predicted cost of renting, leaving a £43 billion shortfall.

However, 67% of 50 to 64-year-olds planning to rent in retirement have no plans to increase their pension contributions, and 68% could not afford to do so without making a significant sacrifice elsewhere.

With rising rent in expensive regions like London, many are considering relocating to a more affordable area.

31% of renters say they would consider moving abroad, while 21% would relocate within the same region, and 18% would move to a new part of the country.

Findings suggested that the problem is likely to persist for younger generations, as 27% of renters under 45 don’t think they will ever be able to buy a property.

Robert Cochran, retirement expert at Scottish Widows, said:

“Generation Rent is a term often applied to younger generations, but our research shows the problem extends right to the other end of the generational scale.

“Alarmingly, few people are thinking about how they would cover the growing cost of a property lease when they stop working.”

Contact us to discuss your retirement.