  

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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www.hboltd.co.uk

Households squeezed by higher premiums

The new rate of insurance premium tax (IPT) could add an extra £47 to the average household's annual combined insurance bill, according to the Association of British Insurers (ABI).

IPT rose to 12% from 1 June 2017 – only eight months after it was increased to 10%. This means the rate has doubled since November 2015.

IPT is payable on general insurance policies including home, motor, pet, private, medical insurance and cash plans.

Customers who pay higher premiums will be worst hit by the change. For example, younger and older drivers would see their annual motor insurance increase by £20.

Those with private medical insurance and cash plans could see an extra £39 a year on premiums, while businesses could face an extra £300 in commercial insurance premiums.

James Dalton, director of general insurance policy at the ABI, said:

"This tax penalises hardworking families, as well as businesses, who have done the right thing by taking out insurance to protect against many of life's uncertainties. This latest hike must be the last."

How this will affect you? Get in touch.

Unmarried couples 'missing out on tax breaks'

More than 300,000 unmarried couples over the age of 65 could be missing out on tax opportunities, according to research by Royal London.

Figures from 2002 to 2015 found the proportion of unmarried people aged 65 to 69 rose from 1.5% to 4.5% and the rate for over-70s increased from 0.7% to 2.3%.

The percentage of unmarried adults who were living together rose from 7.5% to 10%.

Helen Morrissey, personal finance specialist at Royal London, said:

"Individuals need to be aware there are many tax breaks and state pension advantages which apply only to married couples.

"We also want the government to review whether the tax and benefit system needs to be updated to reflect the world in which we now live, not the world of the 1940s."

Tax exclusions

Many tax and benefit rules are only available to married couples, so unmarried couples who live together are excluded.

Ways in which unmarried cohabiting couples miss out include:

Inheritance tax

If you're married or in a civil partnership, any unused inheritance tax threshold can be added to a partner's threshold when you die – bringing their threshold up to as much as £850,000 in certain circumstances.

State pension

Rights to inherit a state pension do not apply to cohabiting couples, but married couples and civil partners can inherit their spouse's state pension if:

- the marriage took place before 6 April 2016
- their partner reached state pension age before 6 April 2016.

Marriage allowance

A cohabiting couple misses out on £230 a year through the new marriage allowance, which was introduced in April 2015. Previously, the marriage allowance was worth £844 a year.

Talk to us about your tax obligations.

Workers 32 days away from the breadline

The average employee would only have enough savings to last 32 days if their main source of income stopped, according to research.

Legal & General polled 2,000 employees and found more than a quarter (26%) said their current savings would last a week, while 21% said their savings would last less than a week.

Workers who had around £6,500 in savings said they would need a further £9,830 to feel financially secure, with 23% admitting they don't save enough of their income each month.

Individuals in Northern Ireland said their savings would last an average of 36 days, but those in Wales could only live off their current savings for 26 days.

Richard Kateley, head of intermediary development at Legal & General, said:

"It's all too easy to avoid thinking about how you would manage your financial wellbeing if something went wrong.

"It is vital individuals and families plan ahead, either by saving money each month to ensure their financial security or by speaking with an adviser about a protection policy that could support them in their time of need."

Protection policies

In circumstances where you are unable to work due to redundancy or long-term illness, there are protection policies available to cover your costs, such as:

- **critical illness cover** – pays a lump sum if you're diagnosed with a long-term illness or disability
- **income protection** – pays a regular income if you're sick or have a disability until you return to work or retire.

We're happy to discuss your financial situation.

Confusion over gift rules for families

Almost three quarters (73%) of parents and grandparents find HMRC's tax rules on gifts complicated, a study has found.

Retirement specialist Key Retirement polled 912 homeowners aged over 55 and discovered 47% don't understand tax rules on gifts, while 38% were unaware their estate could be liable for inheritance tax (IHT) on gifts to family members.

On plans to hand out financial gifts, 18% want to help their children and grandchildren pay off debts and student loans, whereas 13% would help fund a wedding for their children or grandchildren.

Dean Mirfin, technical director at Key Retirement, said:

"There is a real nervousness and confusion when it comes to the awareness around the rules of financial gifting.

"At a time when the financial squeeze on younger generations is getting worse, it makes sense that grandparents and parents want to help their family now rather than waiting until their death."

Seven-year rule

You can give away tax-free gifts worth up to £3,000 each financial year. Any unused annual exemption can be carried over – but for one year only.

You can also give gifts (of up to £250 per person) as you want during the tax year as long as you haven't used another exemption on the same person.

In addition, some other types of gift, such as wedding or Christmas presents and gifts to charity, are exempt from IHT.

If there's IHT to pay, it's charged at 40% on gifts given away in the three years before your death. Gifts given between three and seven years before you die are taxed at the following rates:

Years between gift and death	Tax paid
Less than 3	40%
3 to 4	32%
4 to 5	24%
5 to 6	16%
6 to 7	8%
7 or more	0%

Contact us about IHT planning and gifts.