

Harrison Beale & Owen

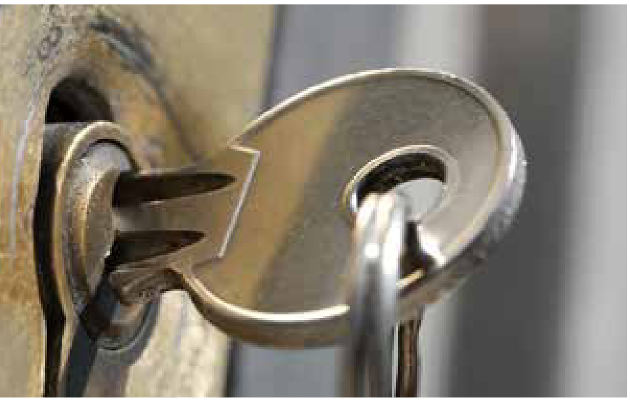
FINANCIAL SERVICES
CHARTERED FINANCIAL PLANNERS

Highdown House 11 Highdown Road
Leamington Spa CV31 1XT

ifa@hboltd.co.uk
01926 422 292

WEALTH **KNOWLEDGE**

MARCH **2018**



www.hboltd.co.uk

Tax-free childcare extended to under-12s

The government has fully rolled out its tax-free childcare for eligible children, following months of technical problems with its childcare services website.

The scheme, which offers up to £2,000 a year for childcare, is available to working parents of children aged 12 or under, or under-17s who are registered as disabled.

Parents must usually be earning more than £120 a week and less than £100,000 a year to be deemed eligible.

For every £8 an eligible parent saves into the account, the government adds £2 up to a value of £2,000 a year or £4,000 for parents of disabled children.

Tax-free childcare was launched in April 2017 and effectively works as a savings scheme for parents who open an online account that is used to pay for registered childcare.

This includes the costs involved with paying for childminders, nannies and nurseries.

Research from the Family and Childcare Trust shows the average British parent spends £116 a week for their child to attend a registered nursery part-time – amounting to more than £6,000 a year.

Elizabeth Truss, chief secretary to the Treasury, said:

“Tax-free childcare will cut thousands of pounds from childcare bills and is good news for working parents.

“More parents will be able to work if they want to and this demonstrates our commitment to helping families with the cost of living.

“All eligible parents with children under 12 can now apply through Childcare Choices and should take advantage of the available support.”

Talk to us about tax-free childcare.

First-time buyers soar to 11-year high

More first-time buyers took out mortgages in 2017 than any time over the last decade, but the figures for December 2017 fell compared to the previous year.

A report by UK Finance showed that a total of 365,000 first-time buyer mortgages were completed last year – up 7.4% on 2016 and the highest number since 2006.

However, mortgages for first-time buyers, home movers and buy-to-let purchases all fell in the final month of last year, compared to the same time in 2016.

Around 30,800 new first-time buyer mortgages were completed in December 2017, down 5.2% on December 2016, while £5.1 billion of new lending represented a 1.9% year-on-year drop.

Home movers took out 30,700 new mortgages in the final month of last year, a decrease of 4.7% on 2016.

New buy-to-let mortgages saw the biggest year-on-year drop, with the number of new loans for house purchases decreasing 17.2% and for remortgages by 11.6%.

Paul Smee, head of mortgages at UK Finance, said:

"2017 saw the number of first-time buyers reach its highest level in a decade, which is welcome news for those getting started on the housing ladder.

"Although the market remains competitive there is no room for complacency, with weaker December figures consistent with our market forecast of subdued growth this year.

"We are also seeing a less buoyant buy-to-let market, which continues to be impacted by recent tax and regulatory changes. This will continue to flatten gross lending volumes this year."

Speak to us about your personal finances.

Most sole traders miss out on pension relief

Only one in four sole traders are actively saving into a private pension scheme, according to the Office for National Statistics (ONS).

The research showed just 25% of self-employed workers contributed into a pension between July 2014 and June 2016.

Separate figures from the ONS reveal the number of workers registered as self-employed at the end of January 2018 stood at 4.77 million – accounting for 15% of the UK's entire workforce.

With around 1.2 million sole traders building a pension pot worth an average of £21,000, more than 3.5 million self-employed workers are estimated to be missing out on government relief.

Self-employed workers who are saving into a pension scheme can benefit from 20% pension tax relief from the government on annual contributions worth up to £40,000.

Higher rate taxpayers can use their tax return to claim back a further 20%, while additional rate taxpayers can claim an extra 25%.

Sole traders saving into a pension can usually carry forward any of the unused £40,000 annual allowance relating to the previous three years.

Sean McCann, chartered financial planner at NFU Mutual, said:

"These official figures show three in four self-employed people aren't investing into a pension.

"That's around 3.5 million adults who are missing out on a big helping hand from the government to boost their retirement savings.

"The tax relief alone is a great incentive to make pension contributions, but many entrepreneurs don't realise that they can use their pension fund to invest directly in commercial property or land, which their business can then occupy and still benefit from the tax advantages a pension gives.

"These latest statistics suggest many, many self-employed people may be missing a trick and could be facing having to extend their working lives by years, if not decades."

Contact us to discuss your savings strategy.

Property proves most popular retirement saving option

Nearly half (49%) of Britons believe investing in property is the best way of saving for their retirement, according to figures released by the ONS.

Research conducted from July 2016 to June 2017 revealed that 40% of respondents considered workplace pensions to be the safest method of saving for retirement.

However, when asked which method of saving for retirement would make the most of their money, property (49%) proved the most popular choice, up 6% since the same survey was conducted from 2012 to 2014.

Meanwhile, only 22% of people said the same of workplace pensions, representing a drop of 4% over the same two-year period.

The survey revealed an overall increase in property investment, which contributed towards growing wealth in the UK.

From 2014 to 2016, the number of households with more than £1 million in net wealth rose to 3.6 million – a 29% increase.

Over the same two years, property wealth increased by 17%, accounting for 41% of the total growth in wealth.

Despite the popularity of workplace pensions falling, former pensions minister Steve Webb believes investing in property is not necessarily the most suitable long-term option.

Webb, director of policy at Royal London, said:

"It is understandable the public might imagine that property was the best way to save for retirement as it is more tangible than a pension, and pensions all too often attract negative headlines.

"But the reality is that saving through a workplace pension is a hugely effective use of money, not just because of generous tax breaks but because of the money that an employer will contribute.

"In many workplaces the employer contribution will double your money and sometimes more, and there are few investments that can match this."

We can help with your retirement strategy.