Viewpoint

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Spring Statement
A look at some of the headlines behind the Chancellor's statement.

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We explain the difference between the two and their impact on you.

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The pay out from an insurance policy can do more than just cover your basic outgoings.

Spring Statement

March has traditionally been the month for Budgets, but no longer. In Autumn 2016 the then new Chancellor, Philip Hammond made clear he thought the propensity of previous Chancellors to turn their Autumn Statements into second Budgets was not a good idea and that he wanted to make only one set of tax announcements each year and so announced he would be moving to Autumn Budgets and Spring Statements.

The economic background has changed only marginally since last November's Budget, helping the Chancellor to keep his speech short:

The Office for Budget Responsibility (OBR) was projecting that government borrowing would be £49.9bn in 2017/18, it is now forecasting £45.2bn. The drop is hardly surprising: ten months into the fiscal year the government had borrowed just £37.7bn, helped by the second highest ever recorded surplus of £10bn in January.

The OBR's November Budget estimate for economic growth of 1.4% for the current year has now been increased by 0.1% to 1.5%, but for the next two years the OBR has left its growth projections unchanged at 1.3%.

The 2018 projection for annual inflation on the Consumer Prices Index was left unchanged at 2.4% with a fall to 1.8% expected in 2019.

The Chancellor may have revealed nothing on the tax and spending front, but there was no such reticence when it came to consultations. In all the Treasury website listed 13 consultations, although in practice the number included some responses to earlier consultations and several calls for evidence. The topics ranged from single use plastic to the bringing forward of English business property rate revaluation by one year to 2021.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

If you'd like to find out how the Spring Budget affects you, please get in touch.

So what did emerge from this final Spring Budget?

- Forecast of **1.5%** growth for 2018, revised up from 1.4%.
- Forecast for borrowing of **£45.2bn** in 2017-18, revised down from £49.9bn.
- Debt is forecast to fall as a share of GDP in 2019-20 to **85.1%**.
- Business rates revaluation bought forward from **2022 to 2021**.

Freehold or leasehold: the ins and outs

When buying a property, you can do so either on a leasehold or freehold basis and there are important differences to be aware of before you sign on the dotted line.

With a leasehold property you own the property and its land for a fixed period, depending on the agreement you have with the landlord. This effectively makes you a tenant and means you could be liable for things like ground rent or property maintenance bills.

Freehold means you own the property and the land it sits on.

Generally, leasehold is the ownership structure that's in place when you buy a flat, apartment or maisonette in England, Wales and Northern Ireland. Most houses are sold on a freehold basis.

A bad press for leasehold ownership

You may have seen some negative headlines about leaseholds in the press last year, featuring a number of homeowners who face seemingly unfair terms and unexpected costs once they've moved in. In recent years developers have increasingly been building and then selling houses on a leasehold basis; exposing homeowners to additional costs they wouldn't normally need to worry about with a freehold house purchase.

What's more, these leasehold agreements can include terms which may have been overlooked by the buyer during the purchase, such as the doubling of ground rent every 10 years. In these cases, developers have often sold the freehold of these properties without the homeowner's knowledge, and the new landlords have increased the charges.

If a landlord wants to sell the freehold of a block of flats, they are legally required to give the leaseholders the opportunity to buy it. However, this law doesn't apply to leasehold houses.

Will the law change?

With 1.4 million leasehold houses across England and the number of leasehold sales growing rapidly, the government is taking action to make the leasehold market fairer. In Dec 2017, Communities Secretary, Sajid Javid, announced new measures to cut out these unfair practices within the leasehold system, including a ban on leaseholds for almost all new build houses.

What to do if you're concerned

If you're purchasing a property or have purchased a new build property recently, and you're not sure if it's a freehold or leasehold ownership, speak to your solicitor. They will be able to find out and give you more guidance.

If you're looking to buy your first home, or move up the property ladder, please contact us and we'll advise you on a range of mortgage deals, including exclusive rates that might not be available on the high street.

Your home may be repossessed if you do not keep up repayments on your mortgage.

OW1286 Exp. 04/04/19

The importance of diversification

With ISA season comes the usual fanfare in the money pages about which investments will deliver the best returns – peppered with the usual important caveats about investment performance and the potential for loss of course.

If you'd like advice on your investment planning, please get in touch.

Every commentator will have a different idea about which areas and which funds are the best bet; and these varying opinions can cause confusion for anyone relying on their expertise.

It's also important to note that none of these talking heads will be privy to your specific financial circumstances and goals – no matter how impressive their CVs. That's why it is so important to seek advice from professionals – like us – who will take the time to find out more about you, what makes you tick and what you'd like to do with your money. This ensures a robust process which results in an appropriate plan and appropriate investments that match your specific risk profile and financial goals.

Diversification matters

Any investment professional worth their salt will tell you about the importance of diversification across your investments, particularly if you plan to save money in your ISA over the longer term (ie. more than five years).

If you invest in individual funds, and we can recommend funds from some of the leading fund managers, the trick is to blend exposure to different asset classes. These asset classes include equities, often referred to as 'stocks' or 'shares', which represent a stake in the ownership of a company.

There are also bonds – sometimes referred to as 'fixed income' securities – which could be described in similar terms as a loan to a company or government which pays interest. Compared to equities, bonds can be less risky should you require a more stable investment environment.

Other, so-called 'alternative' investments could include property, or commodities like gold, natural gases or agriculture, which are all accessed via specialist funds.

Active, daily management

We can recommend a spread of funds through a range of risk-rated portfolios. These are the auto-rebalancing **Openwork Graphene Model portfolios** and the actively managed **Omnis Managed Portfolio Service**.

The latter is managed on a daily basis by experts whose aim is to deliver consistent returns while managing risk through investing in a wide variety of Omnis funds.

Whichever way you invest, it's important that you take up your maximum ISA allowance if you can afford to. This is £20,000 for the 2017/18 tax year.

The tax efficiency of ISAs is based on current rules. The current tax situation may not be maintained. The benefit of the tax treatment depends on the individual circumstances.

The value of your stocks and shares ISA and any income from it may fall as well as rise. You may not get back the amount you originally invested.

Auto-enrolment update

It's reasonable to suggest that auto enrolment has been a major success story. In fact, more than 1 million employers and 9 million employees have made pension saving a part of everyday life since its introduction in 2012.

6 April 2018 saw the second phase in the development of auto-enrolment; when employer and employee minimum contributions rates for defined contribution qualifying schemes will increase (and do so again on 6 April 2019).

Are you ready?

If you're an employer, you should have received a letter from The Pensions Regulator advising you of your duty to increase contributions. However, this isn't necessarily a simple exercise as the minimum level of contribution depends on the rules of the scheme and the definition of pay used to calculate the contributions.

The table below illustrates the different definitions of pensionable pay and the respective minimum levels of contributions:

If you'd like help understanding your auto-enrolment duties or you'd like to consider outsourcing your responsibilities to a specialist, please get in touch.

	Date effective	To 5 April 2018	6 April 2018 to 5 April 2019	From 6 April 2019
Qualifying Band Earnings or Own definition (at least to basic pay and 85% total pay, please see below)	Employer	1%	2%	3%
	Employee	1%	3%	5%
	Total minimum	2%	5%	8%
Basic pay (Does not include bonuses, overtime shift pay or relocation allowances)	Employer	2%	3%	4%
	Employee	1%	3%	5%
	Total minimum	3%	6%	9%
Total pay (Includes all elements of pay and earnings)	Employer	1%	2%	3%
	Employee	1%	3%	4%
	Total minimum	2%	5%	7%

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Financial wellbeing in retirement

Financial wellbeing is an important factor when it comes to being able to enjoy life. While we're earning, it's possible to secure the living standards we want for ourselves and our families, but it's also important to put some of that income aside to build up your pension fund.

If you'd like expert advice on your retirement choices, please get in touch.

Generally speaking, and subject to investment performance and charges, the more you save and the earlier you start saving, the better shape your financial assets are likely to be in when you need to draw on them.

When work reduces, or ends, your pension fund will be an important (but not necessarily your only) financial asset. You could have money on deposit and investments in some, or all, of the following:

- ISAs
- collective investments
- stocks and shares
- insurance-based products
- Buy to Let property

… to name a few!

The decision on where to draw funds from when you achieve retirement will be an important and potentially complex decision and there are many factors that can influence it:

- whether, and if so, how and when to access pension savings held either in a personal or workplace pension
- how to make your pension last through retirement (given most of us are living longer)
- how to protect your retirement income against the effects of inflation

The State Pension

For many the income the State provides will form a key part of their retirement income. The amount of State Pension you're entitled to usually depends on the National Insurance (NI) contributions you've paid.

If you reach your State Pension age after 6 April 2016, you may be entitled to the new state pension, the full amount of which is £164.35 a week (2018/19). The full state pension is payable with 35 years NI contributions or credits.

State Pension Age for women is gradually increasing and will reach 65 by November 2018. State Pension Age for both men and women will then increase to 66 by October 2020 and then to 67 and eventually 68 by 2046.

Ensuring good decision-making

Clearly, the greater the value of your investments, the greater chances you'll have of a financially-rewarding retirement. But the more investments you have, the more important it will be to think very carefully about where you take money from when the time comes to take it.

The various investments mentioned above will have different tax rules applying to them so having a good understanding of these rules, or seeking advice from a tax specialist, will be helpful to good decision making. You'll also need to think about the relative importance of certainty of income, access to capital and preservation of capital for your family, as well as the degree of risk you're prepared to take to achieve your required level of return on the investments that remain in your pension fund.

The value of your investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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Is now the right time to fix?

November 2017 saw the Bank of England raise interest rates for the first time in a decade, from 0.25 per cent to 0.5 per cent, causing a number of lenders to increase their mortgage rates.

The Bank of England has indicated there could be further rate rises, so if you're on a Standard Variable Rate (SVR) or Tracker mortgage you might start to question whether now is the right time to fix your mortgage rate.

When will interest rates go up?

With the UK experiencing high inflation but weak economic growth, opinions are split on how the Bank of England will react, making it very difficult to predict when interest rates might rise.

Should I consider moving to a fixed rate mortgage?

The attraction with a fixed rate mortgage is the certainty it gives to your monthly mortgage repayments over a set period. This is useful if you're on a budget because it gives you peace of mind that if the interest rate goes up, your repayments will stay the same for the period of the fixed rate.

Whatever type of deal you're on, it's a good idea to take any increase in the base rate as an opportunity to review your current mortgage, particularly as lenders will be launching deals to entice new, and retain existing, customers. As the base rate and mortgage rate are often closely linked, many experts believe now is an ideal time to get a new deal, especially if you're currently on a high SVR.

If you are considering changing your mortgage deal, make sure you're clear on any fees and charges that may be due when remortgaging, as these can reduce any potential savings made. Some lenders have exit fees and early repayment charges as high as 5 per cent, so if you're coming to the end of your term, check that you're not switching out during the penalty period.

When looking for a new mortgage deal, it's sensible to start reviewing your options between three and six months before your mortgage deal is due to end.

If you're not sure whether moving to a fixed rate is right for you, please get in touch.

Your home may be repossessed if you do not keep up repayments on your mortgage.

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With protection comes choice

How many times have you heard the phrase “It won’t happen to me” when it comes to the chances of suffering a serious illness? Unfortunately, given that 1 in 2 people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime we should perhaps adopt the lottery approach and assume “it could be you”.

If you’d like to talk to us about critical illness cover and income protection as part of a protection portfolio, please get in touch.

Did you know?

The **average age** of a critical illness policy claimant is **47**, and **54** for a terminal illness claimant. - *Legal & General Claims Department 2017, based on critical illness and terminal illness claims paid in 2016*

If you have a mortgage, or people who rely on your income, you should have some sort of protection cover in place in the event that you have to stop work. We can advise you on a range of policies designed to either pay out a lump sum, or provide a temporary regular income.

Critical Illness cover

Following a successful claim, receiving a lump sum on diagnosis of a specified critical illness can give you precious breathing space; space that allows you and your family to overcome the initial shock and begin a potentially gruelling treatment regimen without the added strain of mounting debt.

But it’s not just your finances that a critical illness pay out could help with. What if you wanted to pay for treatment that’s not available on the NHS, or you needed to make structural changes to your home as a result of your illness? And after the treatment, wouldn’t it be lovely to take the family away so that you could all relax and spend some quality time together?

Income protection

According to research from Macmillan Cancer Support, four out of five cancer patients face a monthly expense of £570 a month as a result of their illness, due to the impact of reduced earnings and additional expense including hospital visits and higher utility bills. When you consider that the average weekly household spend in the UK in 2017 was £554.20, it’s clear that even a relatively short time off work could have an immediate impact.

Income Protection can replace part of your income if you’re unable to work for a long time due to illness or disability. This can help you keep up your regular outgoings such as rent or mortgage payments and the usual household bills and expenses. Some plans have the facility to add unemployment cover and some offer additional benefits like counselling services which can ease the burden during a potentially difficult and stressful time.

Will your policy pay out?

If you're put off buying protection because you don't think it will pay out when you need it, think again. According to the Association of British Insurers **£4.7bn** was paid out on protection claims in 2016, the equivalent of **97%** of all protection claims received during the year.

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