



FINANCIAL VIEWPOINT

JOHNSON SAVAGE CONSULTANCY LTD

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Start of the tax year checklist

The new tax year on 6 April 2022 marks a great time for your adviser to help you organise your money and make the most of the allowances available to you.

A new tax year means annual allowances are back to zero and ready to be filled or topped up, to make the most of your money.

This is a good time to work with your adviser and run through your existing pensions and investments and review the allowances available to you, as well as looking into opening any new forms of investment.

With interest rates on the rise, your adviser is ideally placed to guide you through ways to grow your savings, depending on your needs.

Note: The following figures are applicable to the 2022/2023 tax year, which starts on 6 April 2022 and ends on 5 April 2023.

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

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

ISAs

The maximum you can invest across your ISAs (if it's a cash ISA, stocks and shares ISA or innovative finance ISA) is £20,000. For a lifetime ISA, the annual allowance is £4,000.

Junior ISAs

If you're looking to put some cash aside for your children, Junior ISAs (JISAs) are a great option and often come with higher interest rates. In the new tax year, you can save or invest up to £9,000 in a cash JISA, a stocks and shares JISA, or a combination of the two.

Pension allowance

Your personal pension contribution allowance is £40,000, although it can be lower for higher earners and where pension savings have been flexibly accessed already. Any contributions you (or your employer) make receive tax relief from the government (based on your income tax band) of 20% or more – and the money in your pension pot will grow tax free.

Child's pension

A child's pension can be set up by a parent or guardian, but anyone can contribute. You can pay up to £2,880 in the new tax year into a pension on behalf of a child and the government automatically tops this up with 20% tax relief on the total amount contributed, taking the figure up to £3,600.

Gift allowances

A financial gift is a great way of using tax-free allowances, and your adviser can help explain the options available.

Making a cash gift can help a loved one (and help with your estate planning). Everyone has an annual gifting limit of £3,000 that is exempt from inheritance tax (IHT). This is known as your annual exemption. If you fail to use it one year, you can carry it over to the next tax year (so if you didn't use the gift last year you could give away £6,000).

It's worth remembering that any gift you give, even to family members, could be subject to capital gains tax (CGT). CGT is the tax you pay on any profit or gain you make when you dispose of an asset, such as a second home or shares. If you gift an asset and it has risen in value compared to what you have paid for it, you could be liable to CGT. The CGT allowance for the new tax year is £12,300. This is the amount of profit you can make before CGT is applied.

Marriage allowance

If you are married you might be able to take advantage of the marriage tax allowance. It allows one half of a couple who earns less than the income tax threshold (£12,570) to transfer up to £1,260 to their higher-earning spouse (who must be a basic rate taxpayer).

Our financial advisers can help you make the most of your annual allowances now that we are into a new tax year.



Online trading - what you need to know



Although online trading has become more accessible, is it best to leave things to the experts?

Not so long ago, if you wanted to invest you'd have to go through a stockbroker or a financial adviser. Now, investors can use a DIY investing platform to trade from the comfort of their own homes with a laptop or a mobile phone. But is it worth the risk?

What is online share dealing?

An online dealing platform allows you to buy and sell shares from companies that are listed on the stock exchange. Many platforms also include readymade portfolios tailored to your risk appetite and some services offer different types of investments in addition to shares, including bonds and funds. It's worth noting that a ready-made portfolio may not always give you the best returns compared to using the expertise of a financial adviser.

Once you've set up an account you can start searching for companies and funds that you wish to invest in. You can then select the quantity or value of the shares you want to buy. You can hold any shares you purchase within the platform, so you do not need to retain any sales certificates.

Is online share dealing right for me?

Online trading is easy and convenient for experienced investors who can manage their expectations and the risks involved in going it alone. Of course, with a DIY investing platform, you won't have to pay any charges to a broker, but for investors that are new or less experienced there are a host of pitfalls:

- Online trading platforms don't provide advice or assess your attitude to risk, so you have to make your own decisions. Some people enjoy the flexibility and speed of this, but it can lead to problems if you don't fully understand how markets operate.
- Don't forget, the value of investment can go down as well as up, and you could lose most of if not all your money when you invest. Knowing the potential risk and return is an essential step before you start, along with what the worst-case scenario might be for your finances.
- Buying and selling online can be dangerous if you're an undisciplined investor because it's easy to act on emotion. A DIY investor might sell at the wrong time or start investing with a portfolio that is poorly suited to them.

Investors should also be aware of how much they are paying when choosing online share platforms and think about the combination of price and service. Avoid just looking at the admin fee or dealing charges, but instead think about how much they are combined. A low admin fee might look good, but costs could soar if you buy and sell a lot.

How much does it cost?

While you'll be saving money by not paying a broker, if you use an online platform, you'll still have to pay charges when buying, holding, and selling shares. Some charge a flat fee and others charge a percentage of your holdings. There will also be trading charges when you buy and sell shares. When purchasing UK shares you should expect to pay 0.5% stamp duty and an extra £1 on transactions above £10,000. You may also be charged an exit fee if you want to transfer to a different provider.

Benefits of financial advice

If you're uncomfortable going it alone, you might want to think about speaking to an adviser who can recommend which investments are appropriate for you.

- A financial adviser can assess your attitude towards risk and help you select a portfolio that is compatible.
- Advisers know the importance of staying invested for the long run to take advantage of upward trends in the markets.
- While some investment platforms offer ready-made portfolios, an adviser can build a more tailored investment approach.

It's always a good idea to make sure your portfolio is diversified so when one investment goes through a bad patch, there should be others that are doing well. A typical portfolio might consist of a mix of different assets, including shares, bonds and cash. A financial adviser is best placed to help you manage the risks associated with investing by building a well diversified portfolio so your investments are always working hard for you.

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

Due to the high risk nature of these product will not be suitable for everyone

Specialist mortgages and your holiday let

If you're in the market for a holiday let and need a specialist mortgage, what should you be aware of?

When might you need a specialist mortgage? The clue is in the name – if your situation is different from the normal criteria of a traditional mortgage, then a specialist product could be the answer. This especially applies to people in the market for a holiday let.

When do you need a specialist mortgage?

A specialist mortgage could apply if you're buying a high value home or already have a home and want a second charge mortgage in order to carry out renovations. They could also suit those who are self-employed, looking for a holiday or buy-to-let (BTL) property or people who do not meet the standard criteria for a mortgage. Whatever the reason, seek financial advice from an expert in the specialist mortgage field to find the best deal for your situation.

Holiday lets

When it comes to a mortgage for a property you intend to use as a holiday let, your regular income is considered in terms of the loan value, regardless of the amount you estimate might come in from the eventual rental. This is to ensure you can afford the mortgage payments during times when rents are not coming in, or when you are using the property. Although staying there yourself is one of the advantages of a holiday let, you can't live there on a permanent basis as it would affect the terms of the mortgage.

Some specialist mortgage products for holiday lets offer a maximum loan-to-value (LTV) of a certain amount for the mortgage. So, if your holiday let costs £200,000, and the LTV from the specialist product is 70%, then you will be able to get a loan of £140,000 from your lender and your deposit would need to be £60,000.

Lenders have their own criteria, which could include the following:

- Applicants need to be over the age of 21 and in stable employment.
- Your main income should not come from another rental or investment.
- Borrowers will need to prove their income exceeds a certain amount annually.
- A minimum deposit (usually around 25% of the property value).
- Rental projection from a holiday letting agent may be required, covering off-peak seasonal periods and high-demand times of year.
- The rental property itself must meet certain criteria (for example, being located within the UK and functioning as a single-family dwelling).

Holiday let vs buy-to-let

You might think that there is little difference between a holiday let mortgage and a buy-to-let mortgage (BTL), but there are a few. A BTL mortgage will contain different conditions and requirements, such as the need for an assured shorthold tenancy being in place (AST).

Using a BTL property as a holiday letting – without informing your lender – is a breach of the agreement and could undermine your mortgage contract and credit rating. The main difference between the two types of mortgages is how the loan size is calculated, and the estimates of rent the properties will receive. A holiday let will tend to bring in less rental income due to its seasonal nature.

Furnished holiday lets come with tax advantages that BTL properties do not. They are treated as a business, which means you can claim capital gains tax relief on any profits. Owners can also claim capital allowances to cover the cost of furnishings and furniture, and equipment such as refrigerators and washing machines.

There are more allowable expenses for a holiday let, compared to a BTL, including:

- ✓ letting agents' fees
- ✓ accountants' fees and certain legal fees
- ✓ mortgage interest
- ✓ building and contents insurance
- ✓ maintenance and repairs to the property
- ✓ utility bills, council tax, ground rents and service charges.

Speak to a financial adviser to work out what's best for your situation if you are looking for a specialist mortgage.

Some specialist mortgages are not regulated by the Financial Conduct Authority.

YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE

Working out your CGT

Calculating CGT can be confusing, as you will need to have the details for each capital gain or loss, along with information about the costs involved in the sale and what you received for each asset. You'll then have to factor in your income tax band and the percentage of CGT you'll have to pay on the gains you've made.

Because it's so complex, a financial adviser is best placed to help you get this all done easily. They will also be aware of any tax reliefs you may be entitled to claim during the calculations, or whether there are other ways to reduce or eliminate your CGT (like gifting to your spouse or civil partner).

What is capital gains tax?

If you're selling certain assets of high value or a second property, you'll probably have to pay capital gains tax on your profits. Here's how it works.

Capital gains tax (CGT) is a tax on the profits earned from selling an asset or a property belonging to you (excluding your main residence). You only pay CGT on your overall gains above your tax-free allowance – known as the 'annual exempt amount'. In the 2021/22 tax year this amount is £12,300, so you can make this much in profit before you pay any tax. Married couples or those in civil partnerships can double this to £24,600 by pooling their allowances together. The government announced in its 2021 March Budget that these levels have been frozen until 2026.

Depending on your income tax band, you will pay the following levels of CGT when you sell an asset or property:

Basic rate taxpayers

The CGT to pay on assets is 10%

The CGT to pay on property is 18%

Higher/additional rate taxpayers

The CGT to pay on assets is 20%

The CGT to pay on property is 28%

Difference between assets and property

CGT affects assets and property differently when it comes to how much you'll pay:

Assets

An asset could be a piece of art, jewellery or an antique to name a few – but several assets are exempt from CGT, such as your family home, any personal belongings worth less than £6,000 or a car that is for personal use. Investments are assets, and if you're selling things such as shares, funds, investment trusts or other financial products you will be charged CGT if you go over your annual allowance (depending on your tax band).

Property

You will have to pay CGT if the property you are selling is a second home or a source of rental income. CGT needs to be paid within 30 days of completion of the sale or disposal of the property. You won't pay any CGT on the sale of your main residential home, providing that it's never been used for business purposes while you've lived in and owned it, and it covers less than 5,000 square meters (including the grounds).

There are rules around CGT if you live in the UK but are selling an asset or a property abroad (you may be liable to pay CGT on gains made from the sale). It's worth getting advice about a sale abroad if this affects you.

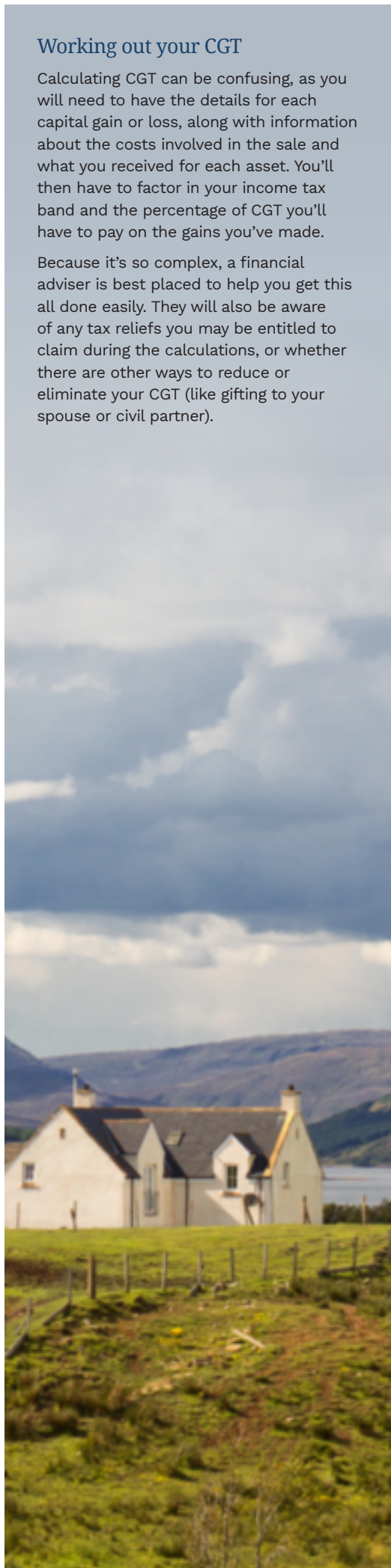
When is CGT not required?

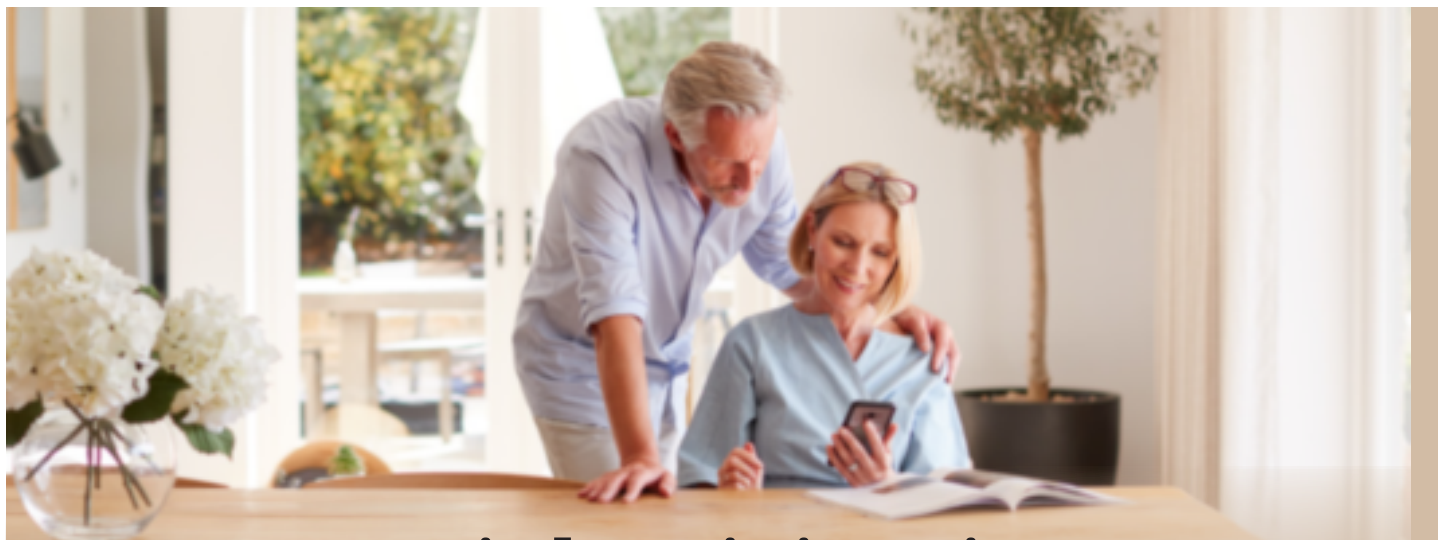
You won't need to pay CGT on a gift to your spouse or civil partner, or to a charity. You're also not required to pay CGT on certain financial assets, including gains made from ISAs or PEPs (the forerunner of ISAs), UK government gilts, Premium Bonds and winnings from betting, pools, or lotteries.

Our advisers can help you make sense of any CGT affecting you and your assets, helping you to arrange your investments in the best way to make the most of their potential, including when you sell them.

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

For specific tax advice please speak to an accountant or tax specialist.





How might rising interest rates affect your mortgage?

The Bank of England has raised interest rates which means bigger mortgage bills for some homeowners.

At the start of February 2022, the Bank of England raised interest rates for the second time in three months from 0.25% to 0.50% to combat soaring inflation. This move will have a knock-on effect as mortgage lenders raise interest rates in response, which will increase monthly payments for some borrowers.

What does a rise in interest rates mean for your mortgage?

Anyone without a fixed-rate mortgage is likely to see their borrowing costs rise, although how they are affected will depend on the type of product they have. Your adviser can help you assess your mortgage deal and figure out ways to make some much needed savings.

- Only borrowers with a mortgage that moves up or down with the base rate will be affected by the interest rate change.
- This includes tracker mortgages and standard variable rate mortgages (which you revert to when a mortgage deal ends).

Fixed-rate mortgages

Most mortgage holders are on fixed-rate deals so won't see any change in their monthly payments. This is because the interest rate you pay stays the same for the length of the mortgage deal.

Standard variable rate mortgages

You will usually be moved on to a standard variable rate when your existing tracker or fixed rate mortgage deal ends. For example, if you take out a two-year fixed deal and you don't remortgage, you will be moved to the lender's standard variable rate. The rate is likely to be considerably higher than what you were paying before, so your monthly payments will increase, and lenders can raise the standard variable rate whenever they want.

Tracker mortgages

Homeowners with a tracker mortgage will find that their interest rate payments will now go up, but when this happens will depend on their lender. Tracker mortgages are a type of variable rate mortgage that follow the Bank of England's interest rate. So, when official interest rates go up, the rate on your tracker will rise as well.

As a rule, they do not exactly match the base rate, but are set a level just above it. For example, if the lender's rate is the base rate +1%, the interest you'd pay in total on your loan would be 1.5%.

Whatever type of mortgage you have, we can advise you about how the interest rate rise might affect you and address any questions or concerns you have.

How to save on your mortgage costs

The best thing you can do is to speak to your financial adviser. For example, if you're on a tracker mortgage, they will be able to advise whether changing to a fixed-term deal to protect yourself from any further rises is a good idea. They will also let you know about the fees involved when making changes to your mortgage. If you are on a standard variable rate you can switch at any time, so with interest rates rising, your adviser can help you look at available fixed-rate deals.

Homeowners on fixed deals don't have to worry about their mortgage going up until their current term ends. Most lenders will let you lock into a new deal six months before the current one ends so it's a good idea to plan.

Whether you're looking to remortgage or are a first-time buyer, we can help you find the most suitable deal for your circumstances and help keep your costs down.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS
ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT**

How does a remortgage work?

A remortgage could help you save money if you weigh up the fees involved with the savings you could make. Here's how it works.

A remortgage is the process of moving your home's existing mortgage to one with a new lender.

People remortgage for many different reasons, including:

- Finding a better deal elsewhere – you might be on a standard variable rate (SVR) and want to move to a fixed-term rate.
- Coming to the end of a fixed-term deal on your current mortgage and wanting to lock in a lower rate with a new lender.
- The loan-to-value on the home is lower (as more of the mortgage has been repaid).
- Wanting to get ahead of a rise in interest rates, which would affect mortgage rates.

How a remortgage could help you save

One of the big reasons people remortgage is to save money on their monthly payments. If you're on a standard variable rate that is higher than the fixed-rate deals currently available, you could save by switching – either to a fixed-rate mortgage or one that 'tracks' the Bank of England's base rate.

If your home has gone up in value and you've paid off enough of your mortgage to give you a lower loan-to-value, it means you own more of your home and have less to pay off.

Remortgaging could result in lower monthly mortgage payments because you're paying off less of a loan amount (and in turn, less interest on it too).

How long does the remortgage application take?

The process can take between four to eight weeks from the time you apply so it's good to start planning early. If you're coming to the end of a fixed-rate or tracker term, your lender should tell you that your mortgage will move onto their standard variable rate¹. This could be an ideal time to move if you find a better deal elsewhere, or you may even find an attractive deal with the same lender and go through a 'product transfer' (see box).

How much does a remortgage cost?

Existing lender fees

Your existing lender could charge you a fee if you're leaving them early into a fixed period in your mortgage. This is known as an 'early repayment charge' and could be in the range of 1% to 5% of your outstanding mortgage balance. They will also charge you an 'exit' fee of around £50 to £100 to cover their administration costs.

New lender fees

Your new lender could charge you a range of fees, so before you commit it's important to check what you will pay. This will help you calculate whether a move is financially beneficial overall.

Their fees could include:

- **Application fee** to set up your new mortgage. Could also be called an 'arrangement', 'product' or 'booking' fee. This could be around £1,000.
- **Valuation and conveyancing fees.** Some providers won't charge for these, but it's worth checking if you are moving to a new lender.
- **Solicitor's fee** covering the legal paperwork to do with managing the transfer of your mortgage.

Is a remortgage right for you?

Whether or not you remortgage all depends on your situation and the type of mortgage plan you're currently on. You may want a mortgage that lets you make overpayments, or you could be coming to the end of your current deal's fixed term and think the lender's SVR will be too high. One of the most important things you can do before you decide is gather your current mortgage paperwork, look at the fees and get some expert advice on your next steps.




What about product transfers?

If your mortgage is coming to its maturity date but you'd prefer to stay with your current lender, you could consider a product transfer. Switching to a new mortgage product with the same lender could save you money and time. Our financial advisers can help guide you through choosing the right product to make it worthwhile and explain the logistics of transferring your mortgage product.

Our advisers can help you work out the pros and cons of a remortgage, and what could work best for you.

¹ www.investorcoms.com



Feel more secure with income protection

When it comes to insurance, we're more likely to protect our pets than our income. Here's why it's important to have some income protection in place.

What is income protection?

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. It gives you a buffer between finding yourself without an income, paying the bills and protecting your family's security. Building an emergency fund (which covers around three months' worth of bills and essentials) is a good start to give you some financial back-up, but income protection insurance can also provide peace of mind.

How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end. We can help you determine how much coverage you'll need.

How much does income protection pay?

It could be anything from 60% to 65% of your pre-tax income, and the regular payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter and the percentage of your income is larger. This type of protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead provide one-off lump sums in the event of your death or the diagnosis of a critical illness.

Do you need income protection?

With the rise in the cost of living and cost of borrowing right now, many people are worried about paying the bills should anything happen that leaves them unable to work. Recent surveys have shown that the average UK family doesn't have enough in savings to be financially secure for long if they're no longer receiving an income.

That's where income protection can give you some financial resilience, especially if your workplace does not provide statutory sick pay (or only starts to pay out after a period of several months). Your adviser can help you navigate the income protection policies that could best suit you and your needs, weighing up how much your premiums might be with the amount of cover you're after.

As with any insurance policy to do with your life and health, things like your age, health, occupation and other factors (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

We can guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

Your adviser is best placed to help you find an income protection policy to suit your needs and provide some security for you and your family.

Peace of mind for the self-employed

Sarah is self-employed and she approached her financial adviser for some advice. As a single mum, she worried that her emergency savings fund wouldn't be enough to cover the rent or bills if she found herself unable to work. Sarah's financial adviser found her an income protection plan with an affordable monthly premium that covers 65% of her earnings.