Haighwood
Financial Services

VIEWPOINT

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

PART OF
THE Openwork PARTNERSHIP

Seven Hills Business Centre, South Street, Morley LS27 8AT
symon@haighwood.co.uk

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.

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

OW3992 Exp. 11/07/2022

How to protect your business

What is business protection insurance and how does it work? Find out why it could be right for your business.

If you own or run a small business, protecting it is always a priority, especially if something were to happen to a key member, which could affect the financial health of the company. In this situation, business protection insurance could provide some peace of mind.

What is business protection?

Business protection provides coverage in the event that a director, business partner or other key employee of your business suffers a critical illness or long-term disability, or passes away. It's a way of protecting the business and ensuring continuity. Business protection can help support forward planning in terms of succession and gives you ways to provide stability during what could be an uncertain time, especially if the company is small.

What are the types of business protection?

Business protection insurance usually offers cover in three ways:

Key person protection
This protection provides cover to replace key staff and cover income lost by their absence that could affect the business. It can cover any key employee from a head of department to the CEO.

Business loan protection
This protects the business by helping to repay business debts like a loan or bank overdraft if the owner or a key member (like a partner) dies or suffers a critical illness.

Shareholder protection
This cover is also known as 'ownership' or 'partnership' protection. It specifically covers the business owners if a shareholder dies, or suffers a critical illness, by ensuring that funds will be available to buy shares from the deceased shareholder's estate.

These three forms of business protection also come with the option to add critical illness cover if you think it necessary. You could also get coverage for more than one person within the business. It's always important to speak to an adviser who can help you figure out the the right type of business protection for your business and any extra coverage (like critical illness) your business and employees could benefit from.

What are cross-option agreements?*

Cross-option agreements are usually required with shareholder protection insurance. The agreement is set up with the directors or partners of the business, and means that if one of these members dies, the remaining directors or partners have the option to *buy back* the shares from the deceased shareholder's estate. It also gives representatives of the deceased's estate the option to *sell* the shares to the remaining shareholders (which could be the preferred option for both sides).

**Before setting an agreement up legal advice should be sought.*

What are the benefits of business protection?

One of the benefits of business protection is the knowledge that should anything happen to a crucial member of the business – or someone with a financial commitment within the company – there would be some protection financially. It also gives other members of the business some peace of mind knowing this. Business protection can protect any loans or mortgages tied to your business, too, meaning lenders (knowing that you have *business loan protection* in place) are less likely to refuse a future loan, and will not approach the guarantor of a loan or their estate to recoup any existing loans.

In a small business that relies on a few key employees, the risk to the business from a financial point of view might increase if one of the team were unable to contribute because they die or are critically ill. In that situation, business protection is a wise plan to have in place.

An adviser can help you find out which type of business protection plan works for you and your company.

OW3822 Exp. 17/01/2023

Covering the cost of your retirement with confidence

As you approach retirement, it's important to be aware of the cost of living and how much income you'll need to feel financially secure.

With the cost of living going up, people approaching retirement are finding their pension pots are not lining up with how much they'll need in their later years.

An online pension calculator can help start you off by giving you an idea of how much you'll need to live comfortably. Your adviser is ideally placed to help you look at your own situation, finances and future income needs and work out a suitable plan to help you get to these goals.

Examine your assets with the help from an adviser

Everyone's situation is different, depending on how much you have in assets, savings, and investments. However, there are some key issues to bear in mind to help things along, including the issue of rising inflation, which increases the cost of living as years go by.

Volatility in financial markets also adds to the concerns for anyone approaching retirement when it comes to how their pensions are performing. With expert guidance from your financial adviser, you'll be able to make the most of your money for many years to come.

How to boost your pension and make more of your money

Of course, the earlier you start putting money away, the more time you'll have on your side to grow your pension pot. But it can be hard when you're still juggling mortgage debt, family outgoings and the general cost of day-to-day living. Even if you've opted out of your workplace pension or are self-employed and don't have one, it's never too late to start your own personal pension.

We can take you through how a personal pension can benefit you and give you more control and flexibility around how much you put in, where your money is invested and how you can access it in retirement.

Keeping track of workplace pension plans (if you do have them) and thinking about consolidating them into one pot might be a good place to start planning towards the goal of making your retirement as financially worry-free as possible. It's a complex area, which your adviser can handle for you.

It's also worth remembering that if you defer or delay your State Pension, it will go up by 1% every nine weeks. That means if you're entitled to £179.60 a week and deferred your pension by a year, you would get an extra £10.42 a week.

Make the most of your pension allowance

Most people are able to pay up to £40,000 a year into your pension, tax free although some exemptions may apply. If you don't use this annual allowance, you can 'carry forward' the previous three years' worth of unused allowances providing you are still registered with the pension and have earned in the current tax year the amount you (or your employer) would like to contribute.

Our financial advisers can help you review your pensions and advise on how to make the most of your investments going forward into retirement.

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.

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