



Tax changes on the way in summer Budget?

Changes may be on the way for personal tax after Chancellor of the Exchequer George Osborne announced there would be a surprise second Budget in July.

Following the Conservatives' victory in the 7 May general election, he confirmed on 16 May that there would be a summer Budget on 8 July.

Writing in the Sun newspaper, Mr Osborne said: "I am going to take the unusual step of having a second Budget of the year – because I don't want to wait to turn the promises we made in the election into a reality."

Mr Osborne, who delivered his original Budget

on 18 March, also pledged that it would be "a Budget for working people" and would contain "a laser-like focus on making our economy more productive so we raise living standards across our country".

Meanwhile, the Queen's Speech on 27 May – which set out the new government's proposed legislative programme – included plans to introduce a "tax lock commitment", under which there will be no rises in income tax rates, national insurance contributions (NICs) or VAT rates for the next five years.

The measure will also ensure that the NICs upper earnings limit – the point at which the employee

NICs rate reduces to two per cent – is no higher than the point at which income tax increases to 40 per cent.

In its general election manifesto, the Conservative party pledged to increase the tax-free personal allowance to £12,500 by the end of the decade and to raise the 40p rate income tax threshold to £50,000.

The party also said it would take the family home out of inheritance tax (IHT) "for all but the richest" by increasing the effective IHT threshold for married couples and civil partners to £1 million, with a new transferable main residence allowance of £175,000 per person.



Dash for retirement cash slows, says provider

A “dash for cash” that began after new pension freedoms took effect in April has now fallen significantly, a leading pension products provider has reported.

Scottish Widows said on 1 June that after an initial surge at the beginning of April until the middle of May – including a call every ten seconds in the week beginning 6 April – the number of full pension encashment requests had fallen by 72 per cent.

In the second half of May, full pension encashment requests accounted for 50 per cent of customer intentions compared to more than 70 per cent in the first few weeks of pension freedoms.

The average size of pot being cashed in full was

less than £20,000 with 85 per cent of requests for pots less than £30,000.

Scottish Widows said that while full encashment requests had fallen, customer demand remained high, with an increasing proportion of customers wanting to have detailed conversations about their pension freedoms options, including drawdown and partial pension encashment.

The pension freedoms that took effect in April mean that people retiring with defined contribution pension pots now have much greater flexibility in the way they access their money, including taking all the money as a lump sum, leaving it invested and drawing an income from it or buying an annuity.

Robert Cochran, a retirement expert at Scottish Widows, said it was still too early to draw “definitive conclusions” about the longer-term impact of the pension freedoms.

Richard Jones, retirement director at Scottish Widows, urged retirees not to act in haste, adding: “People should not rush in and make a 30-minute decision on what to do with 30 years’ worth of savings.”

As pensions specialists, Birchwood can provide expert advice to help retirees make informed decisions about their options for accessing their pensions in a way that will provide financial security in later life. For more information on any aspect of pensions or retirement planning, please contact us.

Brits set to pay £550m too much in inheritance tax

Families could be missing out on millions of pounds from loved ones’ estates because people are failing to take inheritance tax planning steps, according to new research.

The 2015 TaxAction Report from unbiased.co.uk, which enables consumers to find independent professional advisers, suggests that up to £550 million could be wasted in inheritance tax (IHT) this year. The figure is £20 million more than last year and an increase of £78 million on 2013.

IHT planning steps people are failing to take include placing life protection policies under trust. By placing a policy in trust, a £100,000 life

insurance pay-out could be reduced by as much as £40,000 for an estate above the IHT threshold of £325,000.

The report, produced in association with financial products provider Prudential, said that the improving economy and rising house prices could result in more estates exceeding the £325,000 threshold, despite government proposals for a new additional allowance for family homes.

Yet more than one in five (22 per cent) of the 2,003 adults questioned for the research said they had no plans to seek financial advice to help them reduce IHT.

Karen Barrett, chief executive of unbiased.co.uk, said: “People want to leave their estate to loved ones, but without tax planning you could also be passing on a hefty bill. There are several things that can be done, with the help of an adviser, to significantly reduce the bill your loved ones will face.”

At Birchwood, we offer expert advice in inheritance tax planning, to reduce the risk of future liabilities. With the rising value of property, an inheritance or a substantial redundancy payment potentially tipping more estates above the IHT threshold, taking early expert advice is a sensible step towards minimising future inheritance tax liabilities. For more information, please contact us.

Investors urged to take a more realistic approach

Investors are upbeat about growth over the next 12 months but have been warned that they need to take a more “realistic approach” to investing.

The Schroders Global Investment Trends Survey 2015, published on 13 May, questioned 20,706 individual investors in 28 countries, including the UK, who intended to invest €10,000 or the equivalent over the next 12 months.

It found that 50 per cent of those questioned intended to increase the amount they saved or invested, up from 43 per cent last year and 38 per cent in 2013.

A total of 88 per cent said they made a profit from investments in the past 12 months, with average gains of ten per cent, with five per cent reporting a loss. Over the coming 12 months, investors were

expecting an average return of 12 per cent.

Typically, retail investors were looking to place only around 21 per cent of their investment portfolio in higher risk/higher return assets such as equities, with 45 per cent of their funds going to low risk/low return assets such as cash and around a third (35 per cent) in medium risk assets such as bonds.

Massimo Tosato, executive vice chairman of global asset managers Schroders, said: “It’s overwhelmingly clear that the demand for income is prevalent as retail investors seek to meet various objectives such as financing their children’s education, purchasing a first home, setting up new businesses or supplementing their existing income in retirement.

“However, our survey highlights a clear disconnect

globally between retail investors’ return expectations and their attitudes to risk. Expecting double digit returns within the next 12 months, while only placing less than a quarter of their investment portfolio in higher risk assets suggests that investors are not taking a realistic approach to investing.

“It’s imperative that investors shape their portfolios to balance the risk profile with the returns they are seeking, and in most cases, that will require a level of professional advice.”

As part of our comprehensive independent financial planning services, Birchwood can provide bespoke advice on savings and investments products, including building portfolios in line with individual financial circumstances, personal objectives and tolerance to risk. For more information, please contact us.

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