Newsletter

SEPTEMBER 2016

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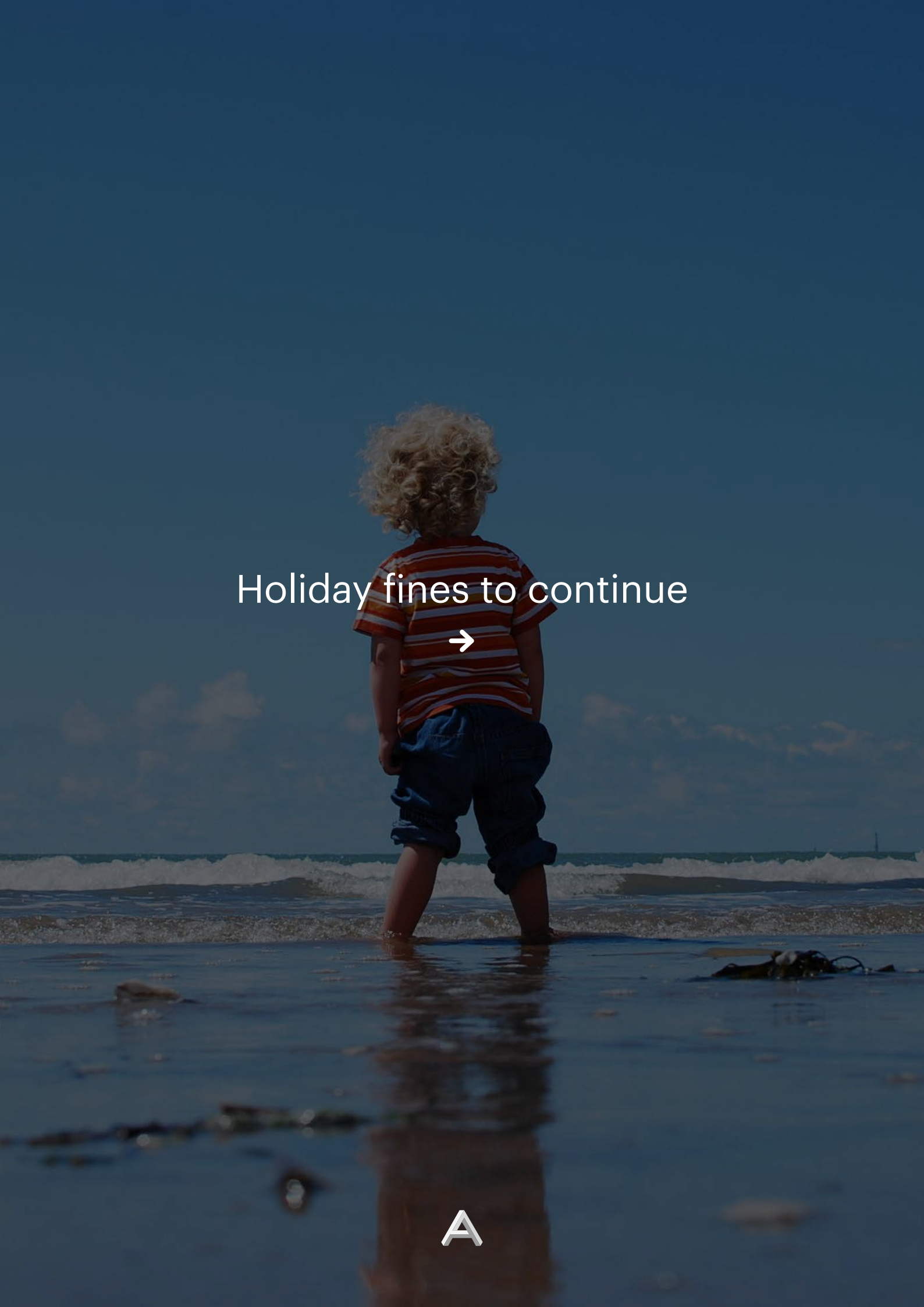
Holiday fines to continue

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A debate in parliament, prompted by an online petition, about fines for parents generated plenty of emotion, but the government said the current system, where local authorities can fine parents for taking children out of school to go on holiday, would not be changed. A survey found that holidays booked in the first week after the schools' summer holiday started cost 36% more than those booked the week before term ended. The government did promise clarification of the rules, and legal cases are also continuing where parents contest the fines.

Leaseholders can face big problems

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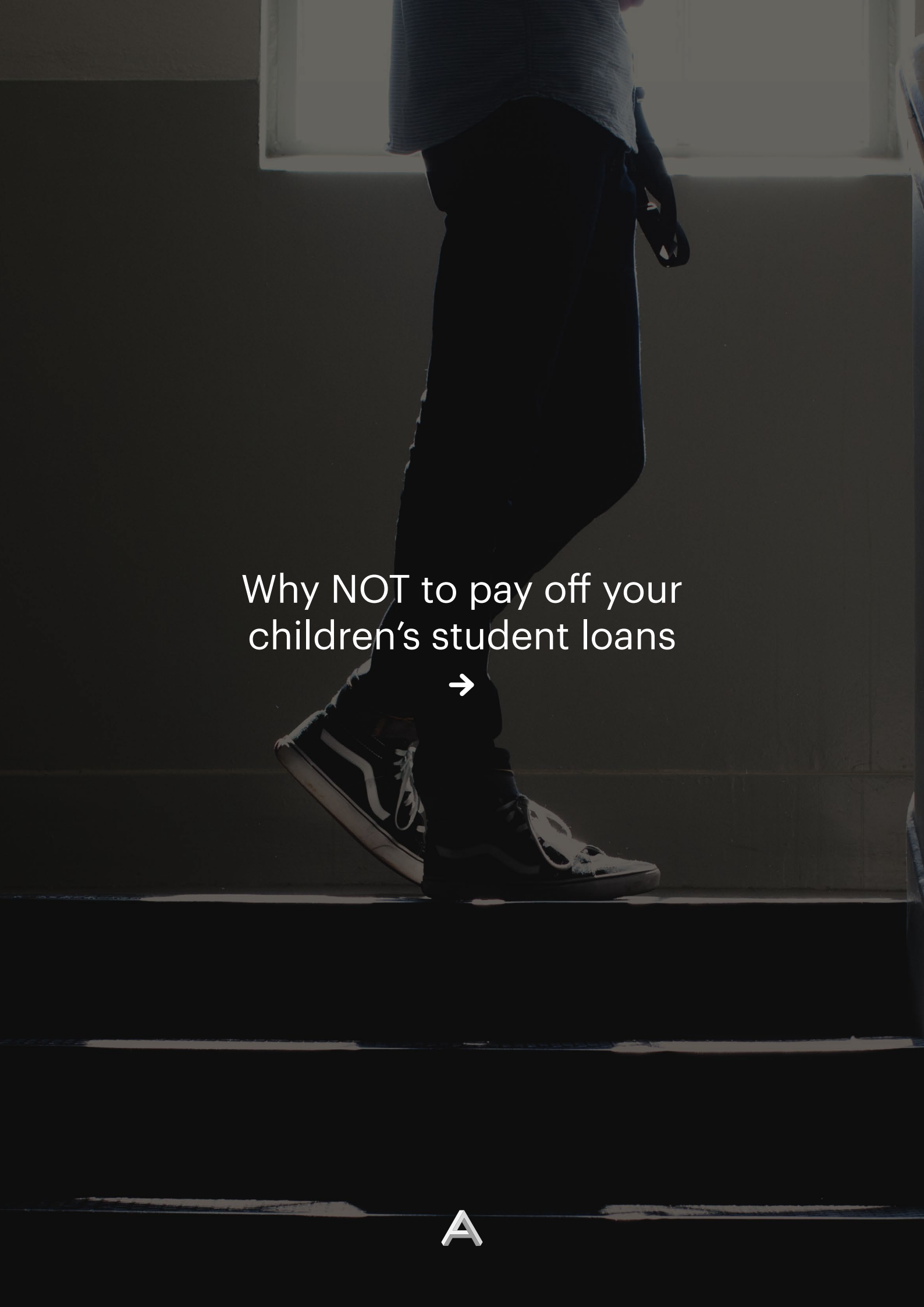
UK law is unfriendly to leaseholders, said the Financial Times in a lengthy expose of the problems leaseholders can face. Management charges can be excessive – the average for the UK is now £2,777 per year on new-build properties - and managing agents often force leaseholders to pay over the odds for insurance as well as for repairs. There are almost no controls on ground rents, which have been rising sharply in recent years. Leaseholders in blocks of flats can form their own management company if two-thirds of them want this, and then can usually save money. But in London, with so many absentee landlords, securing that level of agreement is very difficult.



Why NOT to pay off your children's student loans

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Why NOT to pay off your children's student loans

If your child leaves university with the current average of £44,000 of student debt, they will need to get a first job paying £40,000 and get inflation-plus-2% a year pay rises for the next 30 years in order to pay off their debt in full. For those who don't achieve this, a chunk of the debt will remain at the end of 30 years - at which point it will be written off. In fact, it's better not to think of it as debt, says the FT - think of it as a 'graduate contribution' instead. Illness, time off work, periods abroad - these are all things that could cause more of the debt to remain unpaid at the end of 30 years. Rather than student debt, says the FT, help your children pay off other debts or contribute to the fund they need for a deposit on a home. After all, if they lose the job with Goldman Sachs, they'll still have mortgage interest to pay.

Demand for equity release grows as more homeowners rely on home to fund retirement

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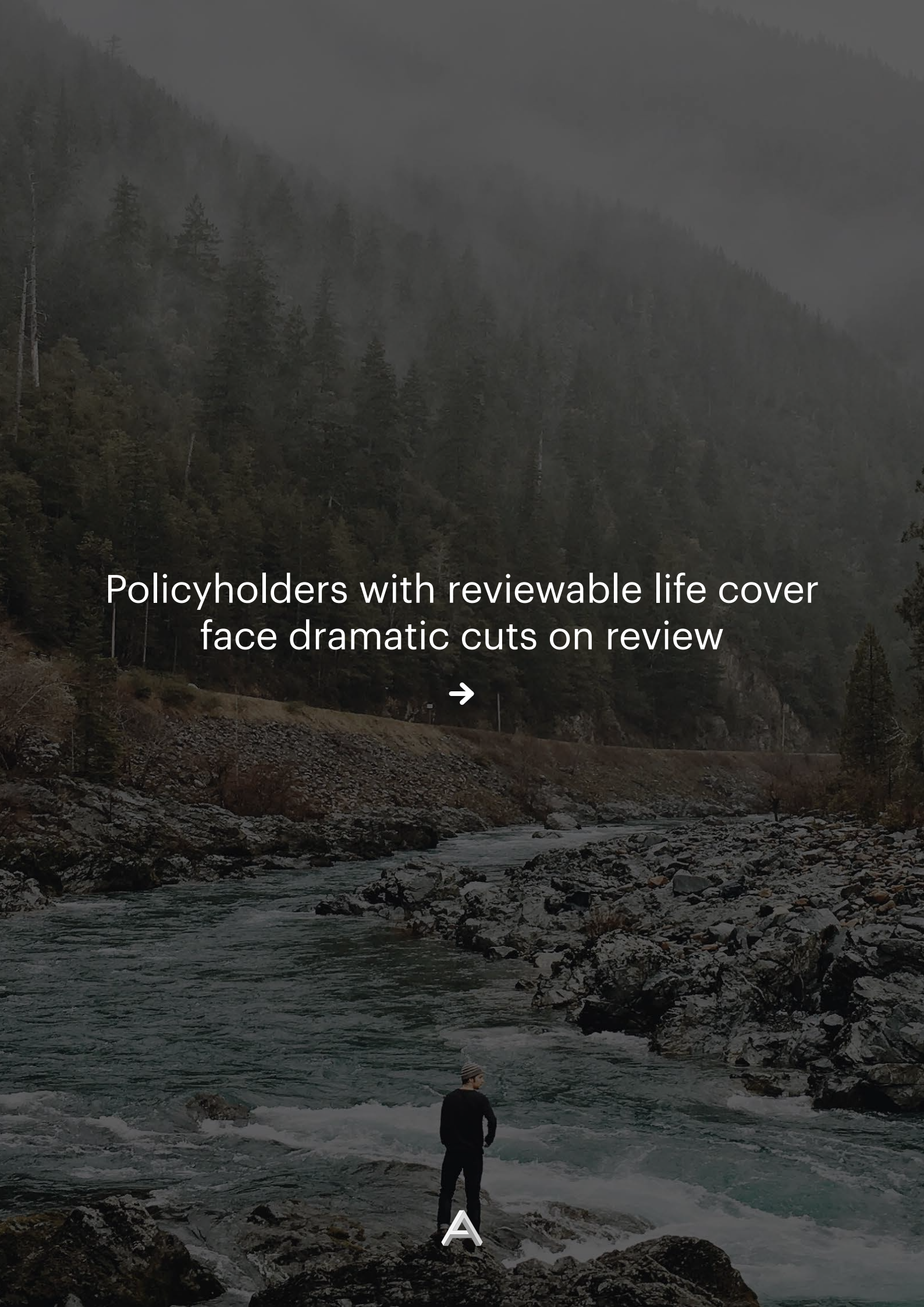
Demand for equity release grows as more homeowners rely on home to fund retirement

Hundreds of thousands of older homeowners are already relying on their properties to keep them afloat throughout their retirement - and demand for "equity release" is growing, say the Telegraph. Latest figures show that in the three months to June £514m property wealth was released by older homeowners, with an average loan size of around £30,000. The funds are being used to top up pension incomes, as well to help children and grandchildren buy their first properties. With retirees living longer than expected and children needing as much as £38,000 for a deposit on their first home – before tax and solicitor fees – the trend is likely to continue.


Policyholders with reviewable life cover face dramatic cuts on review

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Last year, the Financial Ombudsman Service upheld just under a fifth of the 1,500 or so complaints received about increased premiums or cuts to the sum assured from policyholders who had taken out reviewable life cover, reports the Telegraph. Apparently, numerous policyholders have contacted the paper saying they had no idea that their policies could change so dramatically – some having seen reductions of as much as 75 per cent at the ten year review. What initially appears to be an affordable way to get substantial life cover could turn into a "nasty surprise around the corner" warned one financial expert.

Work and Pensions Committee to review final salary shortfall

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Pressure is mounting on the Government to oversee a root-and-branch overhaul of Britain's "final salary" company pension schemes as they register their biggest ever funding shortfall, now at almost £1 trillion, reports the Telegraph. The problem is about to be subject to two major reviews, including one by the influential Work & Pensions Committee. Outcomes are likely to result in further support for compromise measures which would affect the 11 million or so workers who have savings in these schemes.

Low interest rates force savers to take risks

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While the Bank of England base rate cut from 0.5 per cent to 0.25 per cent may be good news for homeowners with variable rate mortgages (assuming lenders decide to pass on the cut), many savers who have historically shied away from stock markets will have to take on some investment risk if they want decent returns, says the Sunday Times. With a reported 81 per cent of over-65s with an ISA holding their savings in cash, the paper urges readers to seek the services of independent financial advisers to carry out a financial review to help find the yields they need.

Film investors face losses despite HMRC victory

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Wealthy backers of film finance schemes and the UK tax authorities have both claimed victory following a ruling by the Tax Tribunal partially in favour of investors, following a decade-long battle over hundreds of millions of pounds in tax and interest charges, reports the Financial Times.

This week, the tribunal ruled that two of the three structures under consideration from Ingenious Film Partners were carrying on a trade — and therefore liable for tax relief — but it awarded relief at much reduced levels, meaning many investors could still suffer considerable losses.

Should you cash in your final salary pension?

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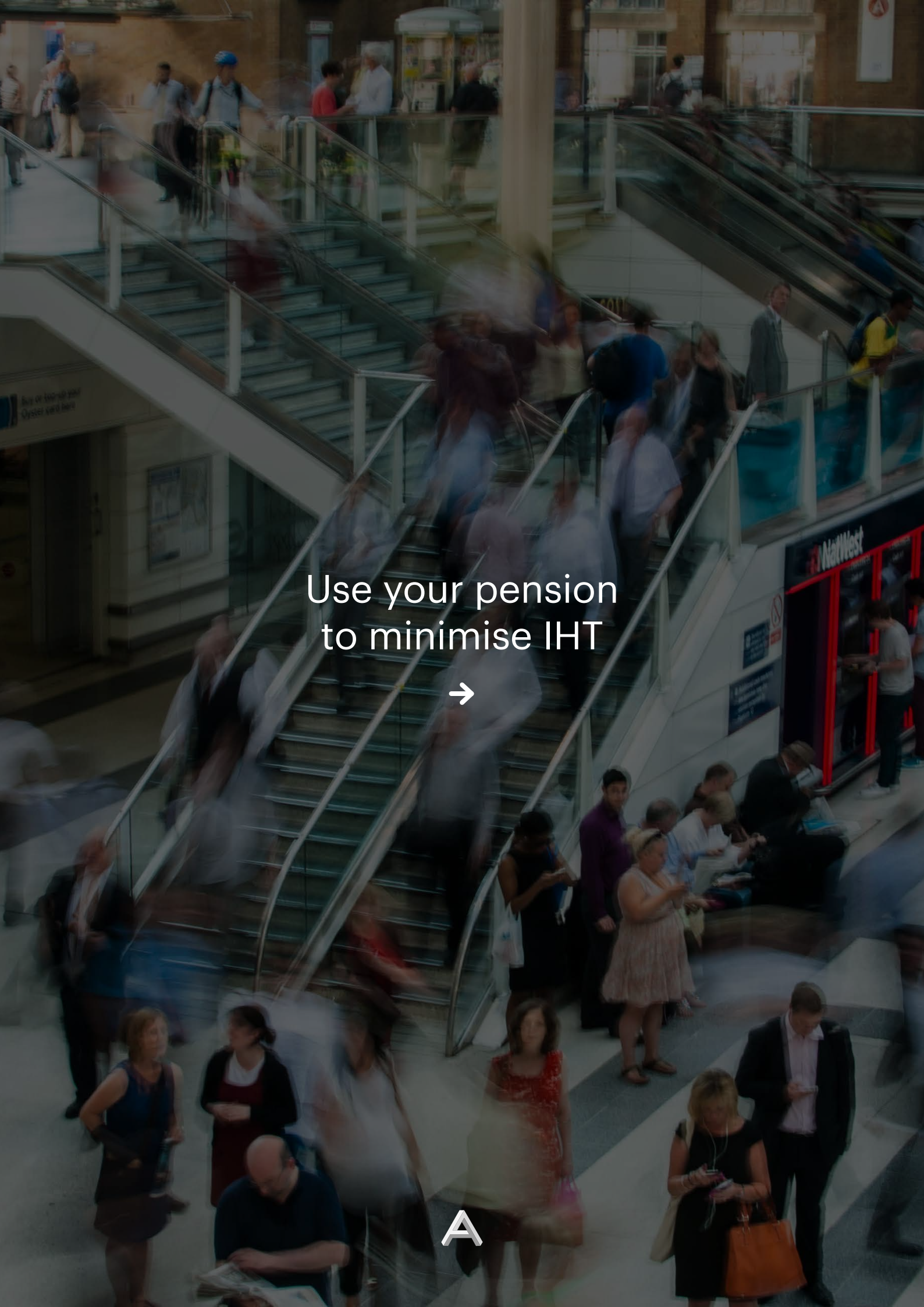
With cash transfer values hitting record highs, many savers may be dazzled by the prospect of huge cash windfalls, claims the Financial Times, yet advisers say it is "vital" that anyone considering cashing in a pension — regardless of transfer value level — understands what future benefits they might be giving up before making decisions they might later regret. "The guarantees (including escalation and spouses benefits) that these schemes offer are invaluable for most people", one such adviser tells the Financial Times. The Pensions Regulator is also reported as saying that in current conditions it is still likely to be in the best financial interests of most to remain in their defined benefit schemes.



Use your pension to minimise IHT

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Use your pension to minimise IHT

Because defined contribution pensions pass to heirs IHT free, it makes sense to run down the assets outside that pension as much as possible, and those within it as little as possible so as to die with very little outside the IHT efficient environment, says the Financial Times. Those with a defined benefit pension - which pays a percentage of pre-retirement salary for life - could instead consider giving away the pension income they don't need using the gifts from income exemption; or alternatively seek advice on transferring to a defined contribution pension that would allow them to pass on the unused proportion of their pension pot IHT-free, suggests the paper.

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