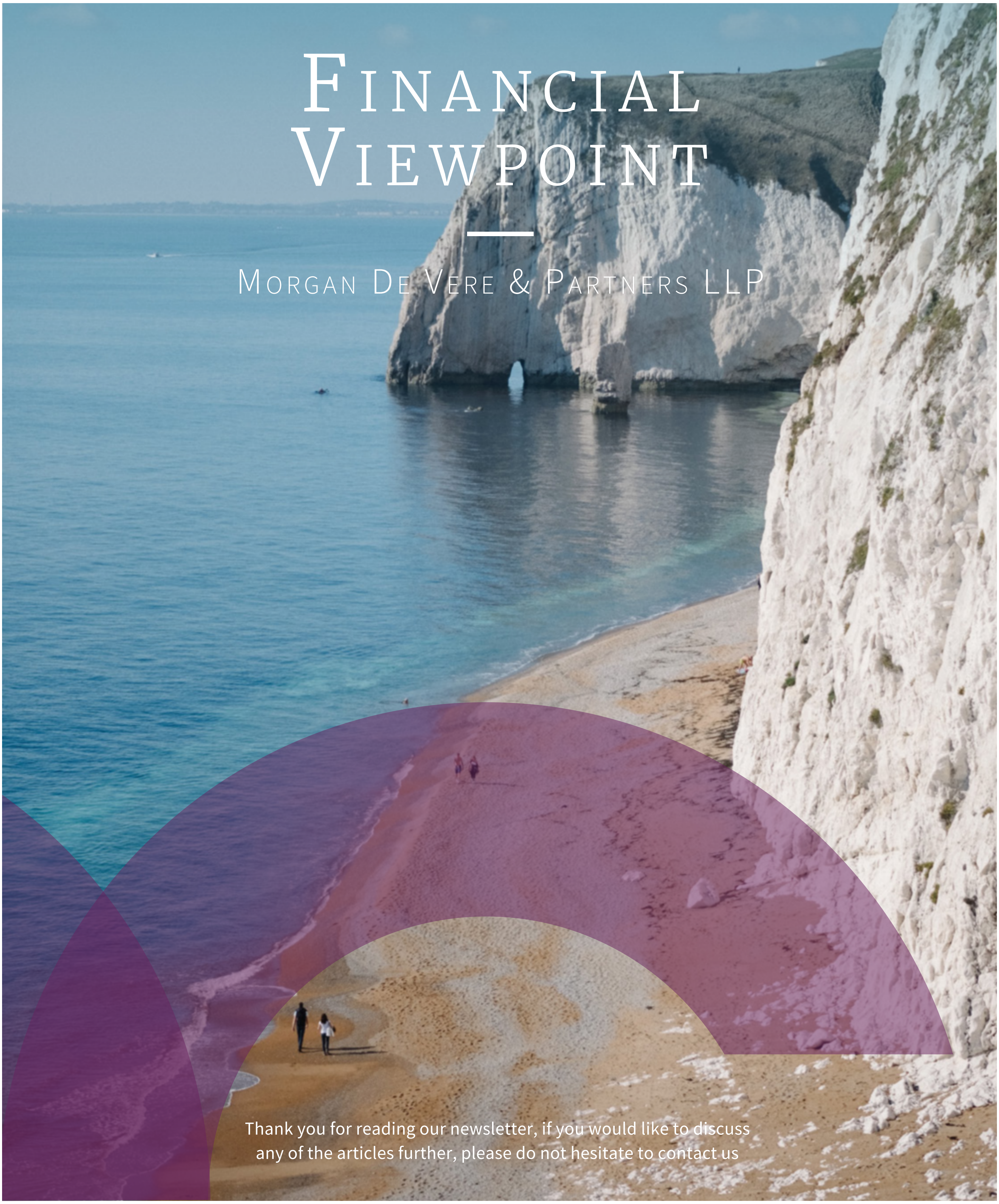


Financial Viewpoint

Morgan De Vere & Partners LLP

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

MORGAN de VERE & partners LLP

The Rufus Centre, Steppingley Road, Flitwick, MK45 1AH

enquiries@morgandevere.co.uk | 01525 721222 | www.morgandevere.co.uk

All about ISAs

In the 2020/2021 tax year, you can save up to £20,000 tax-free in an Individual Savings Account (ISA), and when it comes to your ISA investment, you have a number of options.

Investors comfortable with the slightly higher risk Peer to Peer lending can also now invest in an Innovative Finance ISA, and those aged 18 to 40 can open a Lifetime ISA.

Although you can't hold an ISA for anyone else, parents or guardians can open a Junior ISA and manage the account; but the money belongs to the child.

Put simply, an ISA is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:

— Cash ISA
— Stocks and shares ISA

Withdrawing money

You can withdraw money from your ISA at any time without losing the tax benefits, but your ISA provider may have restrictions or ask you to pay a charge. It's worth contacting them to find out before you withdraw any money.

If you have a 'Flexible' ISA, you can withdraw cash and replace it in the same tax year without reducing your current year's allowance. For example

— The 2020/2021 allowance is £20,000
— You pay in £10,000 and withdraw £5,000
— If your ISA is flexible, you'll have a remaining allowance of £15,000
— If your ISA is not flexible, you'll have a remaining allowance of £10,000

Transferring your ISA

All ISA providers allow you to transfer your money to a different provider (or to a different ISA with the same provider). By transferring, rather than selling or reinvesting, you keep future tax benefits.

Here are the rules:
— You can transfer from one provider to another
— You can transfer money from one type of ISA to another ie, from a cash ISA to a stocks and shares ISA
— Money you have invested in an ISA in the current tax year must be transferred in full
— Money you have invested in previous years can be transferred in part or in full

You may not be able to transfer your ISA back to the original source.

If your investments are moved to us as cash, you'll be out of the market while your money is being transferred. You could miss out on growth/income if the market rises during this time.

Additional permitted subscription allowance (APS)

If you're married or in a civil partnership with someone who died on or after 3 December 2014 you can apply for APS, which means the surviving spouse or civil partner will have an increased ISA allowance:

If a person dies with £50,000 in an ISA;
— The remaining spouse can apply for APS
— In the 2020/2021 tax year they would have an allowance of £70,000 instead of £20,000.

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

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both.

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

Succession planning: Minimising liability to IHT

The **next three decades** are set to witness the largest ever intergenerational **transfer of wealth as baby boomers** – the richest generation in history – prepare to pass on their assets. And **careful planning** will be a necessity if the value of these estates is to be bequeathed in full **without** the imposition of **potentially hefty tax bills**.

Death duties

When someone dies, the value of their estate, including all property, possessions and money, becomes liable for Inheritance Tax (IHT). This tax, at a rate of 40%, is chargeable on the excess of an individual's estate above the nil-rate band, which is currently £325,000. In some cases, this threshold may be higher, for example if a home is passed on to children or grandchildren, or unused allowance from a spouse or civil partner is taken into account.

IHT receipts at record levels

While the concept of death duties consistently raises strong emotions amongst the public, the nation's total IHT bill has continued to climb over the past decade. Indeed, the latest figures released by HMRC show the tax raked in was £5.4bn during 2018-19, a 3% increase on the previous year and the highest figure ever recorded. This rise continues a long-term trend, with IHT receipts having doubled in the last nine years, partly as result of the nil-rate threshold being frozen since April 2009.

Early planning key

Understandably, most people want to maximise the amount passed on to their beneficiaries and minimise any potential tax bill. However, the relatively low level of IHT thresholds, allied with soaring property values over the last decade, has resulted in an increasing number of estates facing the prospect of a significant IHT liability. But it is possible to minimise or eliminate any tax due on an estate through forward planning: undoubtedly, the key is to formulate a plan at the earliest opportunity as options for mitigating IHT become more limited the longer you leave it.

Difficult regime to navigate

A number of exemptions and reliefs are available for people seeking to mitigate the impact of IHT on their estate. Making annual gifts while you are still alive, for instance, can be a good way to reduce the value of an estate for IHT purposes. However, estate and tax planning is a devilishly complex area and a thorough understanding of the current rules and regulations is a prerequisite in order to avoid potentially costly pitfalls.

Expert advice essential

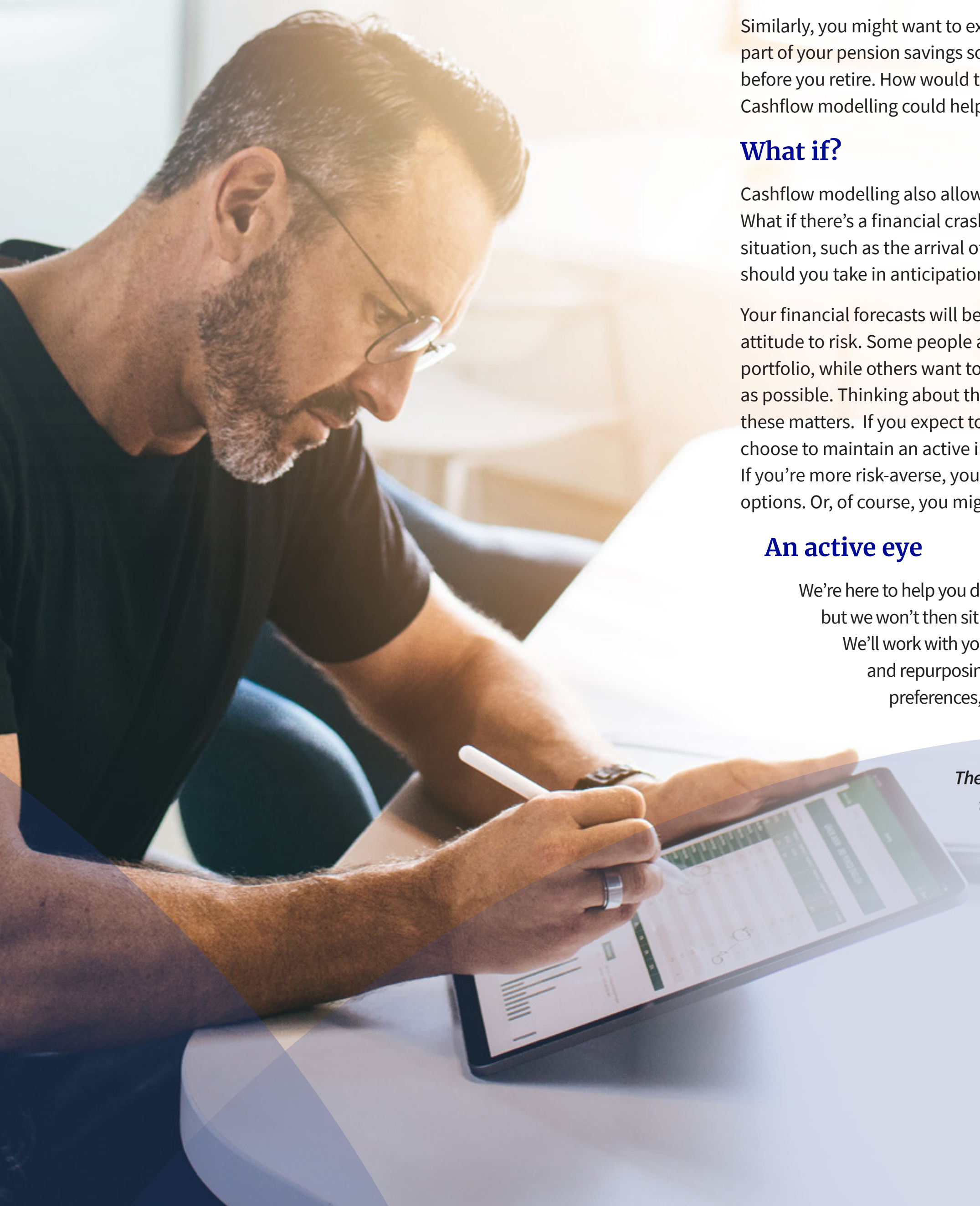
The complexity of the regime therefore means it's imperative to seek professional advice before implementing any measures designed to mitigate IHT. So, whether you're planning to leave your estate to your children, grandchildren, nieces, nephews, or to charity, speak to us fi st in order to ensure you adopt the most appropriate options for your personal circumstances.

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

What is cashflow modelling?

“In this world nothing can be said to be certain, except death and taxes.”

Financial planning is all about preparing for those things that may not be so certain (and taxes). Plans should be reviewed regularly so they adapt to changes in your circumstances and reflect developments in the wider economy and financial markets.



Cashflow modelling, sometimes known as cashflow forecasting takes a view of investments, debts, income and expenditure. It takes in to account things like inflation, changes in income and interest rates. It can then be used to model a range of different scenarios to help you make informed choices about your finances.

The heart of any sensible long-term financial thinking

In essence cashflow modelling provides a rolling balance sheet that has your income, savings, investments and other assets on one side and your spending requirements and commitments on the other.

With this information to hand, it is possible to assess your current situation. By adding in assumptions about the possible direction of variables such as inflation and investment returns, predictions can be made about how your situation might change over time.

In turn, this can help inform decisions such as when might be the optimum time to retire and how best your retirement income might be funded. It can also embrace estate planning, allowing you to put plans in place that can mitigate any potential Inheritance Tax liability.

Flexible forecasting and planning

Cashflow modelling is endlessly flexible and takes account of your personal preferences. You might want to determine the impact of moving to a smaller property at some point – perhaps when your children are financially independent, or when you retire.

Similarly, you might want to explore the merits or otherwise of accessing part of your pension savings sooner rather than later – in other words, before you retire. How would that affect your income after retirement? Cashflow modelling could help provide the answers.

What if?

Cashflow modelling also allows for examination of “What if?” scenarios. What if there’s a financial crash? What if there’s a change in your family situation, such as the arrival of grandchildren or a divorce? What action should you take in anticipation, either now or in the future?

Your financial forecasts will be shaped to a significant degree by your attitude to risk. Some people are bullish about potential gains from their portfolio, while others want to achieve as much security and certainty as possible. Thinking about the future will help confirm how you feel on these matters. If you expect to generate investment growth, you might choose to maintain an active interest in equities even beyond retirement. If you’re more risk-averse, you might prefer more safe haven assets or options. Or, of course, you might opt for something in between.

An active eye

We’re here to help you decide on a strategy that suits your preferences, but we won’t then sit back and simply watch how events unfold. We’ll work with you to maintain your cashflow model, refining and repurposing it so that it continues to match your preferences, however they develop.

Are you at the end of your deal?

When your current mortgage deal comes to an end you might be tempted to do nothing and simply move on to your lender's Standard Variable Rate (SVR). However, by doing so you could risk your mortgage rate more than doubling.

SVR tend to be higher than the rates offered by other types of mortgage like tracker. In January 2019, the average SVR was 4.9%, compared to 2.52% for a two-year fixed-rate mortgage. Over the life of the mortgage this can mean paying thousands more interest than you need to.

Remortgaging to a better deal

Finding a new mortgage deal is a lot easier than getting your first mortgage. You don't have the stress of finding a home, working with estate agents, negotiating contracts or worrying about onward chains.

When it comes to remortgaging you could choose to stay with your current lender, and they might offer you something tempting to stay with them, but you don't have to. Switching to a new lender may seem like hassle you don't need, but it's worth the effort as it could mean you get a better rate.

Whether you're staying with your current lender or moving to a new one, just as with your initial deal it can pay to get advice to help find the most suitable mortgage for your needs. That's where we come in.

The value of our advice

We'll look at your current deal and work out if there are any exit fees or early repayment charges. We'll discuss your needs and future plans; whether you want to pay off your mortgage early or you're looking for lower monthly repayments.

We'll check any changes in circumstances and how they impact your financial plans; have you started a new job or reduced your hours to care for a new baby?

What's more, We'll complete your mortgage application and take care of the legwork for you. As part of Openwork Ltd, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders.

You may be able to save money if you switch to a new deal. Don't leave it too late and end up paying more than you have to. Contact us today to discuss your remortgage.

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

The insurance policy that could prove critical

Some people might be put off buying a critical illness policy because they believe it's unlikely to pay out, despite the proportion of *claims paid by insurers standing at just over 92%.*

So why is there such a gap between perception and reality among consumers?

There have been well-publicised stories in the past where a policyholder has had a claim refused because their circumstances didn't meet the insurer's terms and conditions. But in reality, the number of critical illness claims declined are actually a tiny minority compared to the total paid out. Take a look at these numbers from 2017 from some of the UK's leading insurers:

Insurer	% of critical illness claims paid
Aviva	93%
Zurich	95%
Vitality	92%
Legal and General	92%
LV=	89%

Reasons why an insurer may not pay a claim:

- The policyholder didn't inform the provider about important medical or health information when they took out the policy
- The condition claimed for didn't meet the definition within the plan
- The policyholder tried to claim for conditions that were excluded from their plan

Separating fact from fiction
A critical illness policy pays out a tax free lump sum on diagnosis for any of the specified serious illnesses – around 100, including cancer, heart attack or stroke. There are additional benefits available with these policies which can be life-changing when called upon.

The cover might seem costly; a policy from Aviva for a 35-year-old non-smoker needing £200,000 cover over 25 years would cost £64 a month and it gets more as you get older but the value of this type of protection makes it absolutely worth considering. In fact, the Association of British Insurers reported that a total of 96% of critical illness claims made for cancer were paid out across the industry, demonstrating the positive impact these products can have during the worst of times.

The insurance market can be complex and confusing. Price comparison sites can make it easier to search and compare critical illness policies, but there's such a large choice and variety of products and you might end up paying for something that doesn't quite fit your circumstances.

Don't leave it to chance, seek professional, face-to-face advice from someone who will get to know your circumstances, your family history and your likely protection requirements and recommend critical illness cover that's right for you.

If you'd like to know more about how we can help you arrange serious or critical illness cover, or you'd like a better understanding of the options available, please get in touch.