



# CAMPBELL & McCONNACHIE

chartered financial planners

Harbour House 1 Shore Street  
Lossiemouth IV31 6PD

david@campbell-mcconnachie.co.uk  
01343 814000

# WEALTH KNOWLEDGE

AUGUST 2016



In this month's Wealth Knowledge...36% of businesses affected by the national living wage have increased their prices. People who rent out property need to be aware of tax changes such as the new rules for deducting costs. 50% of mortgage holders do not currently have life cover. And, a widespread lack of faith in the state pension among the young is leading many to look at other ways of saving.

www.campbell-mcconnachie.co.uk

## National living wage not causing job cuts

**Employers have responded to the national living wage (NLW) by raising prices rather than cutting jobs.**

The new NLW of £7.20 an hour was introduced on 1 April 2016 for workers aged 25 and over.

Of the 500 businesses surveyed by the Resolution Foundation, 35% said the NLW increased their wage bill with 6% describing the increase as large.

A further 16% expect the NLW will increase their wage bill in the future.

Only 14% of businesses used less labour by offering fewer hours, reducing staff or slowing recruitment.

Further findings show that of those affected by the NLW:

- 36% took short-term action by increasing prices
- 29% lowered their profits
- 15% invested in more training
- 12% invested in more technology.

## Hourly wage rates

The NLW rate of £7.20 applies to adults aged 25 and over. Most other workers are entitled to the national minimum wage. The rates are updated in October each year.

Age	Hourly rates until October 2016	Hourly rates from October 2016
25 and over	£7.20	£7.20
21-24	£6.70	£6.95
18-20	£5.30	£5.55
16-17	£3.87	£4.00
Apprentice*	£3.30	£3.40

\*Apprentices aged 16-18 and those aged 19 or over who are in their first year.

Talk to us today about the NLW.

# Tax changes for renting out property

## A number of tax changes apply to individuals and landlords looking to rent out a property.

The wear and tear allowance was replaced in April 2016 with a relief for landlords to deduct actual costs incurred on replacing furnishings in a property.

The relief will only apply to the replacement of furnishings in a property.

Furnished holiday letting businesses and commercial properties are exempt from the relief as they come under capital allowances.

Landlords will now be able to claim a deduction of the capital costs of replacing furnishings including appliances and kitchenware.

Costs can be claimed on beds and suites, televisions, carpets and flooring and cutlery. Costs can't be claimed on baths and washbasins, boilers, toilets and kitchen units.

## Stamp duty rates on additional properties

Stamp duty land tax (SDLT) is paid on the portion of the property's value that exceeds the pricing threshold when buying a residential property.

A 3% surcharge on additional property sales including second homes and buy-to-let was introduced in April 2016.

Thresholds	SDLT rates	SDLT rates on additional properties
£0 - £125,000	0%	3%*
£125,001 - £250,000	2%	5%
£250,001 - £925,000	5%	8%
£925,001 - £1,500,000	10%	13%
Over £1,500,000	12%	15%

\*Properties purchased for under £40,000 and caravans, mobile homes and houseboats are exempt from the higher SDLT rates. Similar changes have been made to land and buildings transaction tax which applies in Scotland.

Contact us to find out how these tax changes will affect you.

# Half of mortgage holders not insured

## 50% of mortgage holders have no form of life cover in place.

Scottish Widows reports that 20% of mortgage holders have a critical illness policy and 33% say they couldn't live on a single income if their partner was unable to work.

Further findings:

- 15% don't know how much they have in savings
- 23% could only afford to pay household bills for a maximum period of 3 months
- 25% would rely on state benefits to ensure they could manage financially.

## Insurance cover options

Protecting yourself from illness or injury is an important part of managing your family's financial future.

### Critical illness cover

Provides a lump sum of money should you suffer from a serious illness and could not work.

### Mortgage protection

This will cover mortgage payments, paying a fixed sum each month between 1 and 2 years after making a claim.

### Income protection

Pay outs each month if you're unable to work due to illness or injury. Income is based on a percentage of earnings (usually between 50%-70%).

Talk to us today about insurance policies.

# Lack of faith in state pension among young

## 22% of 18-30 year olds saving for retirement don't believe that there will be a state pension when they retire.

Now: Pensions reports that over half (58%) of 18-30 year olds surveyed don't know the new state pension rates, while only 12% know the exact amount.

Other findings:

- 41% say that the full flat rate (£155.65 a week) won't be enough to retire on
- 34% are not paying into a workplace pension
- of those paying in, only 8% know both the amount and percentage they are paying in.

When asked about the other saving options, 26% said they don't know with 10% suggesting saving money using a bank account was the best option.

Only 5% said the Lifetime ISA would be the best option to save for retirement upon its release on 6 April 2017.

## Saving options

Whether saving for short-term or long-term goals, people should be aware of the range of options available to them.

### ISAs

People can currently save up to £15,240 a year into an ISA (the annual limit is due to increase to £20,000 in 2017/18).

### Personal savings allowance

Basic rate taxpayers can earn up to £1,000 in savings income tax-free.

### Workplace pension

In most circumstances the government provides tax relief on your workplace pension contributions.

Talk to us today about your saving strategy.

### Important Notice

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information.