

CAMPBELL & McCONNACHIE

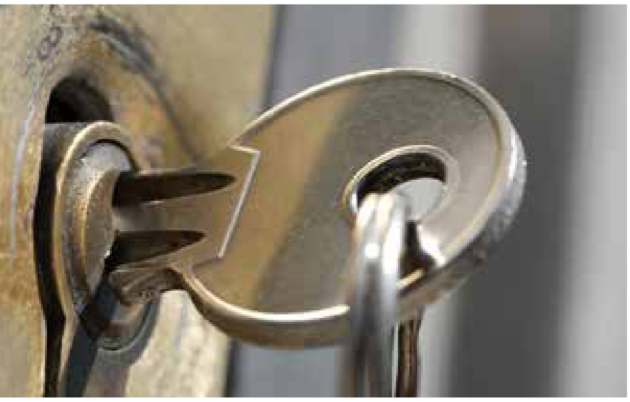
chartered financial planners

Harbour House 1 Shore Street
Lossiemouth IV31 6PD

david@campbell-mcconnachie.co.uk
01343 814000

WEALTH KNOWLEDGE

FEBRUARY 2017



www.campbell-mcconnachie.co.uk

Young adults saving more

Young adults are saving more money than other generations, according to Opinium.

Those aged 18-34 saved on average £3,701 in 2016, £450 higher than the baby boomer generation (£3,238) and generation X (£3,266).

78% of adults put money into their savings in 2016, while 20% made regular monthly saving deposits.

When asked for the main reasons they save, 14% said it was beneficial to their pension pot, while 18% want to purchase a home.

Making the most of savings

Whether you're seeking to boost your income or looking to buy your first home, what are the best options available to make the most out of your savings?

The personal savings allowance means you can make a certain amount of tax-free income from savings depending on your adjusted net income.

As a taxpayer, the following rates and bands will apply:

Tax rate	Income band	Personal savings allowance
Basic - 20%	£0 - £43,000	£1,000
Higher - 40%	£43,001 - £150,000	£500
Additional - 45%	Over £150,000	£0

If you have an existing cash ISA and want to put money towards a home you can transfer to a Help to Buy ISA or Lifetime ISA. You can transfer up to £1,200 of your balance.

Help to Buy ISAs allow you to save up to £200 a month while also receiving a 25% government bonus.

We can help you with your savings strategy.

Will the changes to mortgage relief affect you?

Landlords need to be aware of important changes to tax relief on finance costs such as mortgage interest.

However, this change may not affect all landlords.

What is changing?

Residential landlords can currently deduct finance costs from their taxable rental profit.

Restrictions on this tax relief are being introduced in April 2017 and will be phased in gradually until 2020/21:

- **2017/18:** 75% of finance costs, 25% as basic rate tax reduction
- **2018/19:** 50% of finance costs, 50% as basic rate tax reduction
- **2019/20:** 25% of finance costs, 75% as basic rate tax reduction
- **2020/21:** all finance costs will be given as basic rate tax reduction.

Who will be affected?

A survey of 2,500 landlords conducted by the Council of Mortgage Lenders (CML) reported that 49% of respondents owned all their property outright. This means that they will be unaffected by the upcoming changes.

Buy-to-let landlords typically tend to hold larger, more valuable portfolios than other landlords. 47% of the rented properties in the survey were backed by a buy-to-let mortgage. Among buy-to-let landlords, more than half had loan-to-value ratios of below 60% on their portfolio.

Paul Smee, director general of the CML, said:

"The landlords who will be most affected by the government's tax changes are those at the most professional end of the sector – those with large, leveraged portfolios.

"These landlords will be particularly hard hit by the changes in the treatment of mortgage interest and may choose to divest or moderate their property holdings."

Contact us about your property today.

Young set to inherit more than predecessors

Younger generations are likely to inherit more than previous generations.

Research by the Institute of Fiscal Studies (IFS) shows that household wealth of the elderly (those where all members are 80 or over) increased by 45% over the last decade as a result of rising homeownership rates and house prices.

Average non-pension wealth among elderly households was £230,000 in 2012/13 compared with £160,000 in 2002/03.

During 2012/13 elderly households expected to leave an inheritance of £150,000 or more.

75% of those born in the 1970s have either received or expect to receive an inheritance compared with 60% of those born in the 1950s and 40% of those born in the 1930s.

Younger generations with higher incomes are more likely to receive an inheritance from an elderly family member.

Further findings:

- 72% of elderly households now expect to leave an inheritance, up from 60% 10 years ago
- those with higher incomes inherit 4 times as much on average (£100,000) as those on lower incomes (£25,000).

Andrew Hood, senior research economist at IFS, said:

"The wealth of younger generations looks set to depend more on who their parents are than was the case for older generations.

"Today's young adults will find it harder to accumulate wealth of their own than previous generations did, due to the sharp fall in homeownership for that group".

We can provide guidance on estate planning.

Pensioners make use of £2.1 billion in equity release

Retired homeowners used equity release to access £2.1 billion in property wealth in 2016, according to Key Retirement.

This represents a 26% increase in the total value of property wealth released in 2015.

The figures show:

- 63% of people used some or all of the money released for home and garden improvements
- 31% cleared loans or credit card debts
- 29% funded holidays
- 24% used the funds to help family.

Dean Mirfin, technical director at Key Retirement, said:

"The average amount being released by retired homeowners at nearly £78,000 underlines that property wealth can help with a number of issues for customers."

Is equity release right for you?

Equity release is not the only option available for retirees looking to fund purchases, pay off debt or boost their income.

Some possible alternative strategies are:

- **downsizing** – selling your property and moving into a smaller property could provide a large windfall and reduce regular costs and outgoings
- **renting out a room** - the rent a room scheme allows you to earn to £7,500 a year tax-free
- **other forms of borrowing** - taking out a loan with more favourable terms or borrow from friends and family
- **increasing income** - part-time employment can provide regular income.

Contact us today to talk about your retirement income.