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WEALTH KNOWLEDGE

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In this month's Wealth Knowledge...just under a fifth of individuals aged 55 and over do not currently have a will. The publication of the Savings Bill has confirmed that there will be a 5% early withdrawal charge for savings in Lifetime ISAs. A record number of property sales have exceeded the nil-rate band for inheritance tax. And, employees think that their employers should actively support their retirement planning.

Half of Britons don't have a will

Over half of Britons don't have a will, leaving them no control over passing their assets on when they die, according to the charity Will Aid.

Figures show that 19% of people aged 55 and over are currently without a will. 35% of those without a will have children aged under 18.

Peter de Vena Franks, campaign director at Will Aid, said:

"A will tells your loved ones who should have your money, property and possessions when you die and who will be in charge of following your instructions - your executor.

"Without this information, the law decides how your estate is passed on - and this may not be in line with your wishes."

Dying without a will

If you die without a will, your estate will be divided according to intestacy law, meaning it may not go to the people you intend.

Although the rules for intestacy differ between England and Wales, Northern Ireland and Scotland, the principles remain similar. Married couples and civil partners have the greatest access to estates followed by parents (or grandparents) and children (or grandchildren).

When you die someone will need to get the legal right to administer your estate. For England and Wales you can apply for probate to check if there is a will, collect assets and pay any tax that is due.

For Scotland and Northern Ireland the process is called 'confirmation' and 'grant of probate' respectively.

Talk to us today about wills and intestacy.

Savings Bill confirms Lifetime ISA details

The government has confirmed a number of details about the Lifetime ISA in the Savings Bill.

The bill confirms that individuals can receive a 25% government bonus on up to £4,000 of savings per year.

There will be no government bonus and a 5% penalty levied if savers withdraw their funds before the age of 60.

Steven Cameron, pensions director at Aegon, said:

"The publication of this bill confirms that the government is sticking with its timetable of allowing Lifetime ISAs from next April [...] but full details have not yet been provided, meaning an April launch remains highly challenging."

Criteria and withdrawals

Individuals aged 18 - 40 can open a Lifetime ISA from April 2017. If you're interested in opening an account, there are additional rules you should be aware of:

- annual contributions must fall within the annual ISA contribution limit (£20,000 from 2017/18)
- savings can be withdrawn tax-free to purchase a first home of up to £450,000 or for any purpose after the age of 60
- savers can transfer their ISA to a different provider within 30 days
- savers can contribute to the ISA and receive the bonus until they're 50.

Contact us today about the Lifetime ISA.

Quarter of property sales exceed IHT nil-rate band

A record proportion of properties sold so far in 2016 have exceeded the inheritance tax (IHT) nil-rate band of £325,000.

According to data by Saga Investment Services, 26% of property sales this year were above the threshold – an increase from 24% in 2015 and 13% in 2009 when the current nil-rate band was set.

Further findings:

- two thirds of properties in outer London were sold for more than £325,000 in the first 7 months of 2016, up from 55% in 2015
- 72% of properties sold in central London exceeded the nil-rate band
- the number of properties sold for more than £650,000 was 5.8%, up from 5.4% last year and 2.4% in 2009.

Family home allowance

A new measure from 6 April 2017 will introduce an additional nil-rate band for IHT when you pass on a property to a direct descendant. This is known as the 'main residence allowance' or 'family home allowance'.

The allowance will be £100,000 in 2017/18 and will rise each year until it reaches £175,000 in 2020/21.

There will also be a tapered withdrawal of the additional nil-rate band for estates worth more than £2 million. This will be at a withdrawal rate of £1 for every £2 over the threshold.

Gareth Shaw, head of consumer affairs at Saga Investment Services, said:

"The main residence allowance will give this group of people in a property hotspot some welcome relief, but the rule will introduce more complexity to the already-confusing UK tax landscape."

Our team can help with inheritance tax planning.

Employees want employers to support retirement planning

75% of employees say they are not actively encouraged by their employer to engage with their workplace pension.

54% believe employers should assist employees in planning for retirement. 21% say they are not allowed to check their workplace pension during working hours.

86% of employees said they would check their workplace pension if their employer encouraged them to do so.

Further findings:

- 73% would welcome regular time each month to check their pension
- 71% say 15 minutes a month would be enough time to check their pension during working hours
- when asked how often they need to check their pension, 40% said quarterly.

Kate Smith, head of pensions at Aegon said:

"We'd like to see more employers encouraging their employees to develop a new habit of regularly reviewing their pension in the workplace, to help them achieve the retirement outcome they want. Ideally, reviewing your pension would become as routine as checking your payslip."

Auto-enrolment: supporting employees

There are certain rules that employers must follow when implementing auto-enrolment.

When you automatically enrol your employees into a workplace pension, you must write to them informing them of the date they were added to the pension scheme, type of pension, how much they will contribute and how to leave the scheme.

Employers can't do the following:

- encourage or force staff to opt out of the scheme
- unfairly dismiss or discriminate against staff for staying in a workplace pension
- close a workplace pension scheme without automatically enrolling all members into another scheme.

We can advise you on workplace pensions.

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. ISA eligibility depends upon individual circumstances. The Lifetime ISA information in this report is based upon our understanding of the Savings Bill, in respect of which specific implementation details may change before the final legislation comes into force.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. The value of investments can fall as well as rise and you may not get back the amount you originally invested.

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