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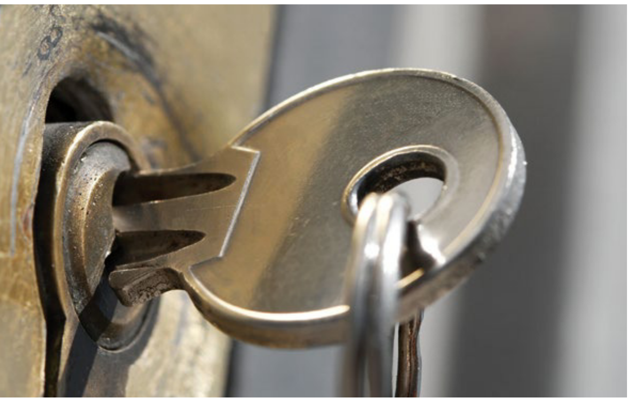
WEALTH KNOWLEDGE

OCTOBER **2017**



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30 hours' free childcare available

Working parents with children aged three and four years old can now claim 30 hours of free childcare each week.

The scheme doubles the previous entitlement of 15 hours' free childcare and is funded for 38 weeks to coincide with school term time.

An estimated 390,000 eligible working families can save an average of £5,000 per year on childcare costs under the plans.

To qualify for the scheme, eligible parents must earn a minimum of the equivalent of 16 hours per week at national living or minimum wage and earn less than £100,000 a year.

The scheme was trialled last year with parents and providers in eight councils. The findings were:

- 84% saw their finances improve
- 78% reported a greater work/life balance
- 23% of mothers and 9% of fathers were able to increase their working hours.

Justine Greening, education secretary, said:

"High-quality childcare not only helps our children get the best start in life, it supports many parents who want or need to work.

"For too long, lots of families really struggled to manage the cost of childcare and that's why we have delivered on our promise to provide 30 hours free – saving working families around £5,000 a year."

Tax-free childcare

These plans are an addition to the existing tax-free childcare scheme for working parents to help cover childcare costs.

Eligible parents with children under the age of 12, or under 17 for children with disabilities, can open a childcare account online.

For every £8 you pay into the account, the government puts in £2 up to a limit of £2,000 per child per year.

Talk to us about tax-free childcare.

Cash ISA savings fall by a third

The amount of money saved into cash ISAs has dropped by a third, according to HMRC.

Official figures show that during the 2016/17 tax year, the amount saved into cash ISAs fell by £19.5 billion to £39.2 billion.

There was also a fall in the number of cash ISAs opened, with 1.6 million fewer accounts taken out in the last tax year as the number fell to 8.5 million.

While the amount of money being saved into cash ISAs declined, contributions into stock and shares ISAs increased to £22.3 billion in 2016/17 from £21.1 billion the previous year.

This was translated into the number of stock and shares ISAs, which rose from 2.5 million to 2.6 million over the same period.

Richard Stone, chief executive of The Share Centre, said:

"While the data from HMRC shows a substantial fall in ISA subscriptions, it is interesting to note the fall is wholly down to a drop in amounts saved into cash ISAs.

"This perhaps reflects a growing appreciation among savers and investors of the impact of inflation on cash savings at a time of low interest rates."

Personal savings allowance

The decline in cash ISAs has been put down to low interest rates and the introduction of the personal savings allowance.

The allowance means basic-rate taxpayers can earn up to £1,000 in tax-free savings (£500 for higher-rate taxpayers).

The interest to be earned from bank savings is currently on par with cash ISAs – whose best rates are currently around 1%.

Contact us to discuss your savings strategy.

Online probate service launches

Executors of an estate in England and Wales can now apply for probate online using a new digital service launched by HM Courts and Tribunals.

This will allow executors to submit certain details online to obtain a grant of probate, although paper copies of the will and death certificate still need to be provided.

The digital service is only available to personal applicants if:

- there is only one executor applying
- the original will is available and the deceased did not update their will
- the deceased classed England and Wales as their permanent residence or intended to return to England and Wales to live permanently.

The online application available includes:

- a statement of truth to declare the information provided is correct, which removes the need to swear an oath in person
- a facility to pay an online fee, removing the need to post a cheque to the Probate Service
- a 'save and return' function to save and revisit an application.

Online applications will be extended to solicitors and other professionals later this year.

Applying for probate

If you're named as the executor of a will in England and Wales, you'll need to apply for a grant of probate to establish your authority to manage the estate.

This involves submitting an application to the Probate Office.

You need to provide the following documents:

- an original copy of the will and two photocopies
- a death certificate
- completed inheritance tax forms and information
- all other supporting documents relevant to the case, such as renunciation form.

We can advise on acting as an executor.

Tax planning can retain child benefit

High-income parents may be failing to take advantage of a tax quirk which can save thousands of pounds a year in child benefit.

Parents can claim child benefit currently worth £20.70 a week for the eldest or only child and £13.70 a week for any additional children.

But working families in receipt of child benefit face paying the high income child benefit charge on a sliding scale where any parent earns more than £50,000 a year.

Tax is deducted at 1% of the amount of child benefit for each £100 of income between £50,000 and £60,000. For those earning more than £60,000 a year, the charge is 100%.

HMRC calculates your child benefit entitlement using your **adjusted net income**.

This relates to your total taxable income, including gross salary, work-related benefits and any dividend or rental income – but not your pension contributions, which are taken out of your income before tax.

Steve Webb, director of policy at Royal London, said:

"For a higher-earning family, putting money into a pension is already a very attractive option, but what they may not be aware of is the additional advantage of reducing the tax charge they face.

"This is another reason for families in this income bracket to prioritise pension saving."

Reducing adjusted net income

If you're a parent earning around £50,000 a year, you can keep your adjusted net income below the threshold by:

- increasing pension contributions
- considering salary sacrifice in exchange for childcare vouchers
- donating money to charity through Gift Aid.

We can help with your financial planning.