

FINANCE UPDATES

MAY 2021

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CAMPBELL & McCONNACHIE
chartered financial planners

GIVE YOUR FINANCES A SPRING CLEAN

Is it time to tidy up your finances this spring?

With spring in the air and the 2021/22 financial year just a month old, there's no better time to take stock of your financial arrangements and see how they're working for you.

Of course, you can check your direct debits or standing orders and cancel any you no longer use. You can switch energy providers or even share your Netflix account.

But a financial spring clean could get the ball rolling in terms of making your money work harder or provide better protection for you and your loved ones.

Many people have used the previous year, in which we've had three national lockdowns alongside local restrictions, to do something positive, so why not extend that to your finances?

MAXIMISING YOUR ALLOWANCES

Everyone is entitled to many different annual allowances during the financial year, but three are of particular interest – ISAs, pensions, and savings.

You can put £20,000 into an **ISA** until 5 April 2022, with any income or interest from the cash savings or investments being free from income tax and any investment gains being free of capital gains tax.

While poor interest rates continue to make cash ISAs unattractive, stocks-and-shares ISAs still hold appeal and the sooner your cash is invested, the greater potential it has to grow.

If you still have money left over after maximising your annual ISA allowance, the **personal savings allowance** might be an option worth considering.

Your allowance depends on your marginal rate of income tax, with basic-rate taxpayers being able to save £1,000 and those in the higher-rate, £500.

Savers in both of these income tax bands pay no income tax on the minimal interest their savings earn. Additional-rate taxpayers have no personal savings allowance and must pay tax on all the interest their savings earn.

There's no doubt that putting money into a **pension** is a wise move with an eye on the future, and you can place up to £40,000 into your pension pot in 2021/22 if you are entitled to a full annual allowance.

We can help you use all of these annual allowances as part of an integrated financial strategy, which is designed to make the most of your savings.

APPRAISING PENSIONS

Most pensions are invested on the stock market and the outlook for your pension right now might not be as bad as you feared around this time last year.

The stock markets have come back a long way from the dark days of March 2020, and there is every chance your pot has already recovered.

But if you feel that your appetite for risk was affected by the downturn, you might want to change your investment strategy to reflect that.

Alternatively, your priorities might have changed with more working from home or perhaps you want to retire earlier than previously thought.

Whatever your reasons for looking at your pension in a new light after COVID-19, we can conduct a comprehensive pension review to ensure you're on track for retirement.

REVIEW YOUR INVESTMENTS

If COVID-19 has shown us anything over the last year, it's that nobody can predict the future. There were alarming declines in the stock market, followed by an equally dramatic recovery.

Investors who panicked when the markets bottomed out would have missed out on the subsequent recovery, while others made up the lost ground as the markets bounced back.

As the UK continues to roll out vaccinations, an economic recovery could come fairly quickly. But there's also a chance that it might take time for the real confidence to return.

Diversifying or spreading your investments might be a sound strategy in times of such market volatility, rather than trying to second-guess market movements.

If your investment plans have been knocked off course, we can look at how your portfolio is made up and talk you through your options to get it back on track.

INSURANCE COVER

Everyone knows the importance of having **life insurance**, especially if you're the breadwinner of your family. But do you have the right type of cover?

Life insurance runs for a set term, maybe until you retire or when you plan to pay off the mortgage. Your provider pays out a lump sum to your dependents if you die before the end of the policy.

This can form part of a financial safety net, along with types of protection such as **income protection** or **critical illness** policies.

Do you have joint cover for both you and your partner? This often costs less than having two separate policies as it is designed to pay out when the first partner dies.

Even if you have protection in place, is it providing value for money? What was considered to be generous 20 years ago might not represent value today.

With new products coming onto the market all the time, we can review your insurance policies, find cover that better suits your needs and saves you money.

COMPARING MORTGAGE DEALS

While mortgage rates do not follow the base rate of interest (currently at a record low of 0.1%) on offer from the Bank of England, there remain some good mortgage deals out there at the moment.

Whether you're looking to remortgage or move home, two and five-year fixed-rate mortgages have slightly increased in cost since last summer.

Demand for mortgages has been closely aligned with the stamp duty land tax holiday in England and Northern Ireland.

Demand decreased in the three months to 28 February 2021 as buyers thought they had missed the original 31 March 2021 stamp duty holiday deadline.

But lenders have reported a spike in mortgage demand since Chancellor Rishi Sunak extended the deadline by three months, and a mortgage guarantee scheme kicked in last month.

This might cause delays between making the application and receiving the mortgage offer right up until the stamp duty holiday ends on 30 June 2021.

Most mortgage deals are fixed rates for two or five years, where you repay the same amount each month, often at a competitive rate of interest.

If this deal is coming to an end and you don't remortgage, your lender will place you onto its standard-variable rate which can change at any time and is often more expensive than fixed or variable rates.

We can recommend a reputable mortgage broker who will shop around for the best deal and might even be able to speed up the process to prevent any delays.

 **Get in touch to spring clean your finances.**

IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change. ISA and pension eligibility depend on individual circumstances.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation. You should not make any decisions based on its content.

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