

# Financial Viewpoint

**M P WARREN  
& ASSOCIATES**  
Personal & Corporate Financial Guidance

www.mpwarren.com 01626 853500



## Providing advice on Mortgages, Insurance, Pensions, Savings & Investments

### All about ISAs

The tax-efficient investment you need to know about

### How much can I pay into my pension?

An informative look at the annual pension allowance

### Key dates for your finances

What's coming up for the rest of the year?

### Why you should get mortgage advice

Taking out a mortgage could be the biggest financial decision you make

### Look beyond the price of your protection policy

Why it's important to look beyond the headline rate

### Confused about pension planning?

37% of people contributing to their workplace pension don't even realise it.

### Become a superhero

We can grant you the power to do something amazing to help those you love.

# All about ISAs

In the 2019/20 tax year, you can save up to £20,000 tax-free in an Individual Savings Account (ISA), and when it comes to your ISA investment, you have a number of options.

Investors comfortable with the slightly higher risk Peer to Peer lending can also now invest in an Innovative Finance ISA, and those aged 18 to 40 can open a Lifetime ISA.

Although you can't hold an ISA for anyone else, parents or guardians can open a Junior ISA and manage the account; but the money belongs to the child.

**Put simply, an ISA is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:**

- Cash ISA
- Stocks and shares ISA

## Withdrawing money

You can withdraw money from your ISA at any time without losing the tax benefits, but your ISA provider may have restrictions or ask you to pay a charge. It's worth contacting them to find out before you withdraw any money.

If you have a 'Flexible' ISA, you can withdraw cash and replace it in the same tax year without reducing your current year's allowance. For example

- **The 2019/20 allowance is £20,000**
- **You pay in £10,000 and withdraw £5,000**
- **If your ISA is flexible, you'll have a remaining allowance of £15,000**
- **If your ISA is not flexible, you'll have a remaining allowance of £10,000**

## Transferring your ISA

All ISA providers allow you to transfer your money to a different provider (or to a different ISA with the same provider). By transferring, rather than selling or reinvesting, you keep future tax benefits.

**Here are the rules:**

- **You can transfer from one provider to another**
- **You can transfer money from one type of ISA to another ie, from a cash ISA to a stocks and shares ISA**
- **Money you have invested in an ISA in the current tax year must be transferred in full**
- **Money you have invested in previous years can be transferred in part or in full**

You may not be able to transfer your ISA back to the original source.

If your investments are moved to us as cash, you'll be out of the market while your money is being transferred. You could miss out on growth/income if the market rises during this time.

## Additional permitted subscription allowance (APS)

If you're married or in a civil partnership with someone who died on or after 3 December 2014 you can apply for APS, which means the surviving spouse or civil partner will have an increased ISA allowance:

- If a person dies with £50,000 in an ISA;**
- **The remaining spouse can apply for APS**
- **In the 2019/20 tax year they would have an allowance of £70,000 instead of £20,000.**

*HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.*



# How much can I pay into my pension?

A pension is a tax-efficient, long-term savings plan that you contribute to during your working life to provide an income when you stop work. You can benefit from tax relief on the contributions you pay in and your pension pot has the potential to grow.

At the moment you can save up to £40,000 every year into your pension. However, tax relief will only be given on 100% of your earnings or £40,000, whichever is the lower. This will differ if the reduced Money Purchase Allowance applies, or if your salary exceeds £150,000 (explained below).

## What if...

### ...your "adjusted income" is over £150,000?

Broadly speaking, adjusted income is your total taxable income (including salary, dividends, rental income and savings interest) plus the value of any employer pension contributions. If this exceeds £150,000 your annual allowance could be lower than £40,000. Here's why:

For every £2 of adjusted income over £150,000, your annual allowance falls by £1. If your adjusted income is £210,000 or more, your annual allowance is fixed at £10,000.

### ...you want to contribute over £40,000 this tax year?

Some higher earners can contribute up to £160,000 by 'carrying forward' unused annual allowance from the previous three years. Please ask for our guide which helps explain the rules around Pension Carry Forward.

### ...you're a member of a defined benefit (final salary) pension scheme?

The benefits you're building up each year are assigned a monetary value. This value counts towards the annual allowance and could therefore restrict what you can contribute to another pension. You need to contact your pension administrator and ask for this value.

### ...you've already accessed your pension?

Since 6 April 2015, if you have accessed a pension or had flexible drawdown before, a reduced money purchase annual allowance may apply. This is £4,000 for the 2018/19 tax year. You cannot use Pension Carry Forward option to contribute more than the money purchase annual allowance.



*This information is based on our current understanding of the rules for the 2018/19 tax year. HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. The value of investments and any income from them can go down as well as up and you may not get back the original amount invested*

### 01 April

National Living Wage (*for age 25+*) rises to £8.21.

National Minimum Wage rises to  
 £7.70 (*21 - 24-year olds*),  
 £6.15 (*18 - 20-year olds*),  
 £4.35 (*16 - 17-year olds*), and  
 £3.90 (*apprentices under 19 or in the first  
 year of their apprenticeship*).

Council tax bills rise by an average of 4.5%.

Universal Credit for households with children and those with disabilities can earn is to go up £1,000.

### 21 June

Go Home on Time Day: part of a national campaign to highlight the importance of having a good work-life balance. Leave on time and do something you love!

### 01 July

New rules mean mobile phone providers must make switching easier.

### 31 July

Tax credit renewal deadline for anyone who claims Working Tax Credit or Child Tax Credit.

### 05 April

End of the 2018/19 tax year.

### 06 April

Start of the 2019/20 tax year.

ISA allowance remains at £20,000.

Junior ISA allowance goes up to £4,368.

Minimum auto-enrolment contributions go up to 8% (*at least 3% from the employer and 5% from the employee*).

State Pension rises by 2.6%. Recipients of the old State Pension will get an extra £3.25 a week, those with the new State Pension will get an extra £4.25.

Lifetime allowance for tax free pension saving rises to £1,055,000.

Personal allowance rises to £12,500.

Higher rate tax threshold goes up to £50,000.

Mortgage interest relief for landlords goes down to 25% Call us if this impacts you.

### 29 August

Payment Protection Insurance (PPI) Deadline day – you have until 11.59pm to claim for mis-sold PPI.

### 31 October

Paper self-assessment deadline for your return to be with HMRC.

### 30 November

Help to Buy ISA closes to new savers.

Your financial plan could be impacted by these key dates. Talk to us for advice.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

### 01 May

National Savings and Investments index-linked savings to CPI.

# 2019 Key dates for your finances

# Why you should get mortgage advice

Taking out a mortgage could be one of the biggest financial decisions you'll need to make in life, so it's important to get it right.

You could 'go direct' to find the right mortgage for your circumstances – as long as you're prepared to spend time and effort scouring a very competitive market for the lender and deal you feel most comfortable with.

You'll also need to consider things like lender administration and booking fees, the length and type of mortgage you need, valuation costs and repayment methods, all of which can affect the total cost of your loan. And you'll need to take out insurance; for buildings and contents and to protect your mortgage payments if you have to stop work.

Lenders will, of course, be able to give you guidance on any mortgages they offer, but you won't necessarily know how their deals compare to other deals on the market.

## Advice from your lender

Unlike lenders, we don't have a vested interest. In fact, as part of Openwork, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders, many of which aren't available on the high street.

What's more, we will take the time to get to know you, your circumstances, and your overall financial position. We'll also want to understand what type of mortgage you believe is right for you and talk you through the pros and cons of each option.

Using our expert knowledge and database of several thousand mortgages, we will find the ones most suitable for your needs.

We'll work with you to complete the relevant paperwork and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the features and benefits of financial protection for your new property and we'll stay in touch throughout the process – and into the future.

**If you'd like more information, or you need help planning your first, or next, property purchase, please get in touch.**

## Advice from us

**Your home may be repossessed if you do not keep up repayments on your mortgage**



# Look beyond the price of your protection policy

Most of us celebrate the start of life and pay tribute to the end of life, but are we placing enough importance on everything in between?

If we're lucky we'll enjoy certain life events like finding a lifelong partner, marriage / civil partnership, having children, enjoying a career and, ultimately, retiring. But how many of us take out financial protection in the event our plans go awry?

Clearly life isn't always plain sailing and we will face obstacles and challenges to overcome. When these challenges are more serious, for instance if accident, illness or death strike, protection insurance can help provide a safety net.

And when it comes to protection, we hold two firm beliefs:

- 1 It should form the foundation of most people's financial plan.
- 2 Cover should be reviewed regularly to make sure it continues to meet your needs.

The second principle is particularly important when you're at a particular 'life' stage. Whether that's buying a house, getting married, starting a family, setting up in business, or all the above, protection insurance will help to protect your loved ones and your financial responsibilities.

But it's important to look beyond the headlines when taking out protection as many providers will offer added-value benefits beyond an initial pay out, that can really help you adapt and cope to potentially life-changing circumstances.

These additional benefits could be anything from access to expert medical opinion, rehabilitation to get you back to work as quickly as possible, bereavement counselling, or even global treatment.

When using comparison sites and direct insurers, care should be taken to make sure their 'off-the-peg' solutions meet your specific needs. Using our expert product knowledge, we can help find the right solution with the right value-added benefits for you.

**For more information or to discuss a protection shortfall, please get in touch.**

# Confused about pension planning?

With more UK employees saving for their retirement than ever you could argue that Automatic Enrolment has been a success since its launch six years ago. However, research from the Office for National Statistics (ONS) has revealed that many people contributing to their workplace scheme don't even realise they're saving for retirement.

Auto enrolment emerged from the Pensions Commission back in 2005. It took effect in 2012, when it was made compulsory for employers to enrol their staff into a workplace pension scheme, and rolled out in phases. Figures suggest that just over nine million individuals are now newly saving or saving more for their retirement.

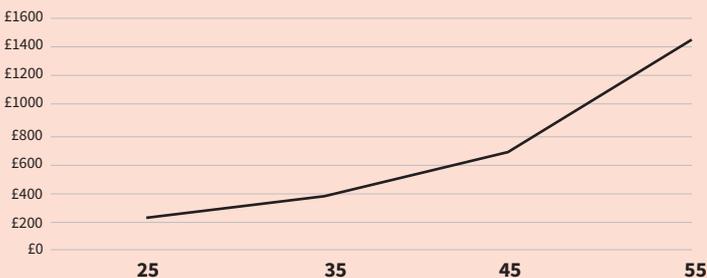
This is clearly a positive outcome of auto enrolment, but the ONS research has raised concerns that the 37% of those surveyed who didn't realise they were contributing to their workplace pension scheme could opt out - a risk which might be greater when the minimum contribution level for employees increases from 3% to 5% in April 2019.

So, do you know if you are saving in to a workplace pension? Even if you are, are you saving enough? Industry estimates for a comfortable retirement tend to range between £23,000 and £27,000 a year. A 25 year old employee earning £30,000 a year would need to save just under £300 a month to achieve the lower figure and you can see what effect age has on the amount you need to save in the graph below.

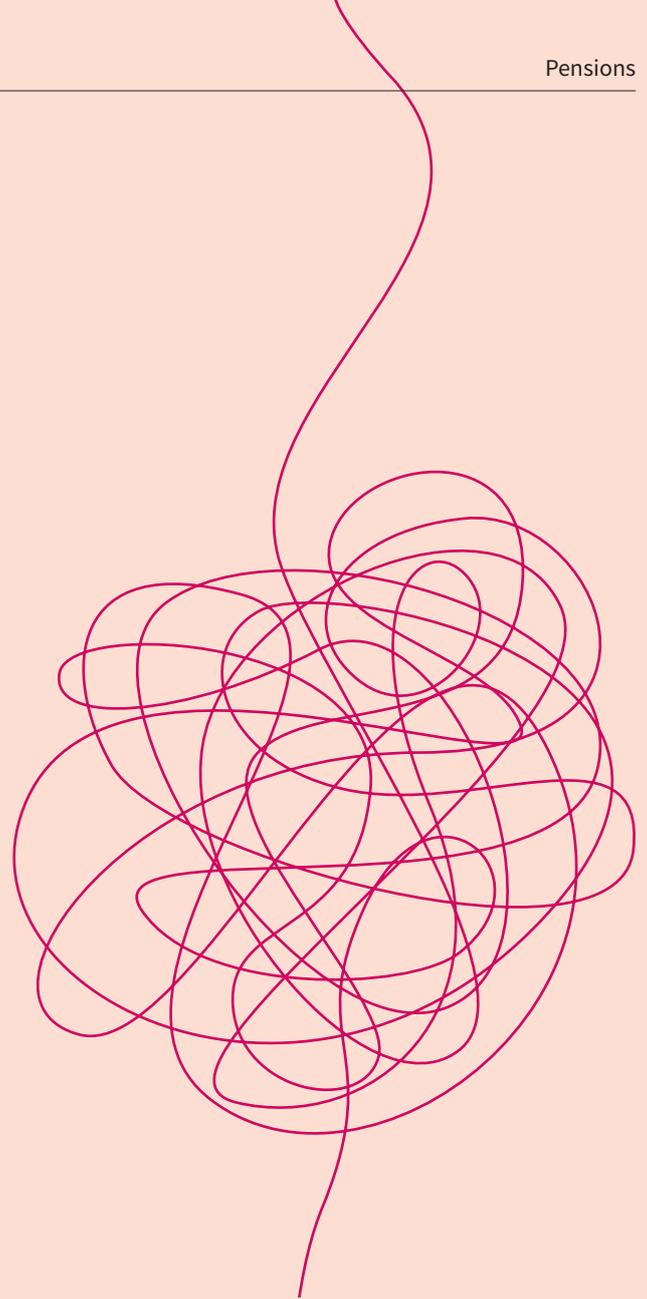
The simple fact is that the more you save and the earlier you start saving the better position you are likely to be in, subject to investment performance of course. The first thing to do if you're concerned about your pension planning is get advice.

**Please give us a call and we'll help you get a clear picture and straightforward plan to put you on track.**

**What an individual would need to contribute each month to achieve an annual retirement income of £23,000**



**Age at which you start saving into a pension**



### According to the ONS

27% don't think they can afford to save for retirement

13% are put off because they think they don't know enough about pensions

7% think it's too early to start saving for retirement and 3% think it's too late

Those aged between 16 and 24 feel the least equipped when it comes to making decisions about their pension.

# BECOME A SUPERHERO

## IN THE EYES OF YOUR FAMILY

When he was younger one of my son's favourite questions was; *"if you could have any super power, what would it be?"* He loved the idea of being a Superhero.

I think, deep down, we all like the idea of being a Superhero. Being able to do things others can't; amazing things to help those around you.

Now I can't grant you any super powers (sorry) but I can help you do something amazing to help those you love. Best of all there's no need to be bitten by a radioactive spider, hit by a strange space mist, or hail from a different planet.

And there's no need to be a heroic billionaire looking to save the city with an arsenal of high-tech gadgets. No, your new super powers are just going to need a little money.

How do these powers sound to you?

- If you die unexpectedly for any reason your family has the mortgage paid off, or there's a lump sum available to help them out
- If you are stuck down with a serious illness and need to take time off work, someone else pays the bills - and maybe they clear the mortgage too
- If you have an accident and break a bone (maybe whilst fighting crime?) someone pays money into your bank account to help ease the financial pain a little

Now, I know it's not like you can stop a bullet, or run faster than the speed of sound, but they're still pretty useful powers for your family.

Best of all, there's no need to pay for them in one go. You can rent your super powers for just a little each month. In fact, you might be surprised how little it could cost to become a superhero.

**To find out more about how our range of personal and family protection insurance, please get in touch.**

*Please note - we can't guarantee any form of comic book franchise off the back of your new powers, nor can we promise your new powers will make you "cool" with your kids. We'd also not recommend actually trying to fight crime.*

### M P Warren & Associates

12 Fore Street  
Chudleigh  
Newton Abbot  
Devon  
TQ13 0HX

01626 853500  
enquiries@mpwarren.com  
www.mpwarren.com

**M P WARREN  
& ASSOCIATES**  
Personal & Corporate Financial Guidance