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Technical Update No. 1 8th January 2018

All

HMRC bans personal credit card payments

As HMRC will no-longer be able to pass on the cost of card handling fees, payment of tax bills by personal credit card will no-longer be permitted. The ban comes into force from 13th January, though debit cards and corporate credit cards are still allowed. This has caused some consternation among the 0.8% (454,000) of taxpayers, who prefer to spread their tax bill using a personal credit card, as HMRC only sent written warnings with tax bill reminders in December.

Investor / Saver / Retired

Investing in 2018: Europe and Emerging Markets

Most industry experts and commentators anticipate a year full of opportunity for investors even if sterling strength reduces Brits' global returns a touch. Though fears simmer in relation to high price/earnings ratios, markets reaching new highs and minimalistic volatility most asset managers expect Europe to produce the highest returns this year. Emerging markets (which delivered some of the highest returns in 2017) are also earmarked as a promising area as American markets have lost some of their appeal.

Past performance is not a guarantee to future performance and the value of equities can fall as well as rise.

Saver / Investor

What MIFIDii means for you

Despite Brexit, an EU directive will come into force this month that is designed to increase transparency and reduce costs for investors. Meet MIFIDii (not Miffy!) the snappily entitled Markets in Financial Instruments Directive. MiFID II's overarching remit is greater investor protection which it will achieve by targeting the processes of asset managers, banks, brokers and exchanges. It touches on investment advice, how products are sold and regulated, as well as information and costs. In simple terms, this means greater transparency over the way funds are sold and a downward push on costs for retail investors.

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Saver / Investor / Retired / Business Owner

Crypto currencies: craze, phase or stays?

The world's most famous cryptocurrency smashed an array of price records in 2017, taking the flight of Bitcoin to a stratospheric level with its price rising by more than 1,400pc. Against the clamour The Telegraph takes a look at the top ten performing cryptocurrencies - 6 of which have experienced higher growth levels than their more famous, though flawed, forerunner Bitcoin in 2017. It is these flaws (in particular the high transaction fees and resource required to make sure payments are made quickly) later rivals are aiming to iron out. The article takes a closer look at two cryptocurrencies analysts believe are worth watching this year: Iota ($9.5bn) and Cardano ($10bn).

There is a potential higher risk with these types of investment.

All

Next generation advice

Prophesies that robots would soon take over the world of financial advice have proven ill founded. According to consumer site Boring Money, robo advisers accounted for less than 1 per cent of the UK's £192bn non-advised online investment market at the end of the third quarter of 2017. What's held back take-up? Well it seems that algorithms to deliver low-cost automated services to the masses aren't quite enough. In matters of money management, people still want some level of human interaction which is leading to a new breed of "robos" who are morphing their business models to provide over-the-phone and face-to-face advisory services. Less DIY, more DIWM (Do it with me).

All

UK Economy in fair health

There is some good news among Brexit gloom (or at least fatigue) as latest data indicates the UK economy accelerated faster in the fourth quarter of 2017 than had been forecast. This is largely thanks to a motoring services sector that posted better-than-expected performance last month. The IHS Market/CIPS services purchasing managers' index (PMI) showed a reading of 54.2 in December, up from 53.8 in November, with economists pencilling in a figure of 54. A reading above 50 indicates growth.

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Property Owner / Saver / Investor / Retired

House price growth slow but not dead

UK house price growth increased 2.6% last year, confounding doom-mongers who prophesied a slump in the wake of Brexit. Yes growth has slowed, with the 1.9 percent drop in increase between 2016 - 2017 in part due to the rising pressure on household incomes… but growth is growth. Of interest, the Times highlights that a notable exception is London where prices fell for the first time in eight years, according to Nationwide.

Saver / Investor / Employee

Pensions 2018

Many people could be in for a shock when they check their pay packet in April 2018. That's because a bigger slice of their pay automatically diverted to a savings pot for their pension. Automatic enrolment went live in 2012 and but the total minimum amount paid in is currently just 2% of qualifying earnings. However, on 6 April this will rise to 5% – typically 2.4% from the worker, 2% from their employer and 0.6% in tax relief. The Mail asks could this be enough to tip people out of inertia can trigger an increase in opt-outs?

Saver / Investor / Business Owner

Open banking – the end of traditional banking?

Open banking is just around the corner. From January 13, Britain's nine largest banks and one building society will be required to make customer account data available to approved rivals. A secure set of online technologies will essentially allow bank customers to authorise third parties to access their account details. The bold vision is that the new regime will loosen monopolistic grips, even up the playing field and, in particular, present a significant opportunity for challenger banks and fintech (financial technology) businesses who will be able to compete on a more-or-less level playing field. Interestingly five banks have admitted they will not be ready for the deadline.

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Parent / Estate Planner / Retired

Taxing Times

The good news for those dealing with inheritance tax is the (from April) increase on the 'main residence nil-rate band' – the amount you can receive before tax from the property that was the deceased's main residence. The amount will rise from £100,000 to £125,000 per person – giving individuals £450,000 and couples £900,000 tax-free inheritance. This at the time the Times highlights that HMRC last year increased their inheritance tax take by nearly 15 per cent. Against the backdrop of a much more aggressive approach towards tackling avoidance experts underline doing the simple things will be key.

Saver / Investor / Business Owner

Crowd based capitalism

The term "crowd-based capitalism" is a catch all to describe what is also known as the sharing economy, gig economy, on-demand economy, collaborative economy, renting economy, or peer economy. The Independent looks at how the sharing economy is taking underutilised assets and making them accessible online to a community, leading to a reduced need for ownership of those assets. These platforms (think Uber, AirBnB et al) are redefining the way consumers find, use, and pay for services, as well as how they engage with, assess and award service providers.

All

Brexit: no buyer's remorse

There was a theory (snobbish and a bit nasty though it possibly was) that those who had voted to leave the EU would quickly regret what they had done as the Treasury mooted economic apocalypse came swiftly to pass. The hypothesis followed that most Brexit voters would soon be clamouring for the chance to think again. For buyer's remorse strategy to have worked, the economy would have had to contract sharply and for unemployment to rocket - something equivalent to 2009 and something that has evidently not happened.

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If you have any questions related to this update or indeed anything else then please contact your adviser at Champain.

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