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Saver / Property Owner

London property price slump

The London housing market is at a critical point, according to latest figures, with higher discounting by homeowners. Commentators have been swift to declare it officially a buyer's market… for the small number of equity rich buyers who can afford a pad in the capital that is. The average home in London is now sold at four per cent below its original asking price, up from just 0.5 per cent in 2014, with up to ten percent discounting not uncommon, the Hometrack Cities Index showed. Reflecting the shift in the balance of power the numbers of transactions in London have fallen by twenty percent in four years.

All

Confidence slowly returning?

Now Blue Monday is out of the way, payday has arrived and taxes have been returned, Brits are markedly more upbeat about their financial prospects for 2018 this month. GfK's index showed UK consumer confidence rose four points to -9 in January, confounding fairly unanimous expectations that the reading wouldn't shift above -13. Brits are slightly more optimistic about their own finances, though, than the wider economic situation. While a welcome shot in the arm it is worth noting that the index is still lower than this time last year, when it stood at -5, and still in negative territory.

Estate Planner

IHT: legal loopholes not to be missed

The chancellor has asked the Office for Tax Simplification to review gifts in the inheritance tax system. In a letter published earlier this week, Philip Hammond said that the inheritance tax system was "complex" and needed an overhaul. He said a review could look at how current gift rules interact with the wider inheritance tax system, and whether the current framework causes any distortions. Whatever the outcome the take home on death duties is far exceeding Government expectation with £900m more than planned for collected in the next five years.

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Saver / Investor

Beware hidden fund costs

Over the years there have been various campaigns that have urged fund managers to spell out their costs in full. The snappily titled Markets in Financial Instruments Directive 2 (Mifid 2) legislation is the latest industry effort to ensure this happens. One of the perennial gripes has been with hard to pin down ongoing charges (transaction fees associated with buying and selling individual fund holdings) which, when excluded, don't properly reflect the total costs incurred by investors. For the first time funds now have to publish trading costs and research by the Lang Cat show that for some of the best selling funds ongoing costs are up to thirty percent higher than the headline charge.

Saver / Investor / Retired / Estate Planner

The £1m retirement tax trap

There are, some would say, punitive charges biting pension pots over £1m that can have a materially detrimental impact on retirement income unless avoided. Now clearly having a pensions pot in excess of £1m is a good problem to have but that doesn't mean steps shouldn't be taken to avoid unnecessary charges. Shifting the lifetime allowance (now at £1m, from £1.5m in 2006 when it was introduced) has made things tricky. Your pot will be tested against the lifetime allowance as soon as you start drawing on funds (or you reach 75). At this point an excess will be taxed at 55%. The Times puts forward a number of options such as asking your employer to stop contributing to your defined contribution pension as you reach the £1m mark – giving you cash to invest in an ISA instead.

All

Crackdown on high-cost credit

The Fund management and retail banking industries are not alone in feeling the pressure to be more transparent about costs. This week the Financial Conduct Authority (FCA) has made it clear they are concerned about expensive credit and have four areas firmly in their sites: overdrafts, catalogue credit, doorstep lending and rent-to-own products. Findings are set to be published in spring but as a sign of the seriousness of its intent the FCA is already considering fundamental changes to overdraft charges – historically a big source of revenues to banks.

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Saver / Investor, Business Owner

Has the bull stopped or is it catching its breath?

Huge inflows into global stock markets in January, coupled with last weeks 'wobble on Wall Street' has fuelled fears that a bigger sell-off could be around the corner. And history would indicate so with the current run one of the longest ever. To many observers, the headlong rush into stocks has the hallmarks of the death throes of a bull market and carries shades of the end of the dotcom boom.

Saver / Investor / Retired / Business Owner

Don't expect another dividend bonanza year!

Headline dividends far surpassed expectations last year with 10.5% year on year increase to a record busting £94.4bn. Sterling's strength is a key factor here, though, and tellingly Q4 was much weaker with dividends only growing 1.1% on a headline and underlying basis. Looking at 2018, most expect growth to be slower as the rebound in miners and exchange rate gains are unlikely to be repeated.

Saver / Investor / Retired

From growth to income – retirement portfolio challenges

The shift from accumulation to decumulation is a profound one in many senses and turning a pot (or pots) into a source of reliable income can complex. The old 'buy shares, live on the dividends' mantra remains the doctrine for many but natural yield (i.e. not eating into the value of the investment) is becoming hard to find - forget about cash, dividends are increasingly under threat and bonds look really pricey. The Telegraph looks at how to get the balance right, common mistakes to avoid and assesses some leading income-producing investments.

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Rising insolvencies

It is expected that across England and Wales, around 24,500 people will have entered a personal insolvency process in the fourth quarter of 2017 This would be an increase of nearly 7 per cent compared with the same period a year earlier and the highest figure in three years. A significant proportion was made up of individual voluntary arrangements, something that is a touch surprising given the relatively low levels of unemployment and the pressures creditors are under to give debtors more time to settle arrears. Experts point to the fact that wages are falling behind inflation and the interest rate rise to explain the annual increases in unsecured borrowing. It seems people are borrowing more to maintain standards of living rather than tightening belts a notch or two.

Saver / Investor / Property Owner

Stamp duty surge

It seems that the new surcharge on buy-to-let and second homes has done little (if anything) to quell the appetite of investors for the perceived security of bricks and mortar. £9.5bn was paid in stamp duty land tax last year, which was a significant 16 percent year of year increase. One of the biggest reasons stamp duty remains so high is the relative stagnation of housing transactions. The dichotomy is that a record tax take will likely act as significant break to Government action on stagnation and social mobility. The most powerful direct action would be the reduction of stamp duty – but it's a nice little earner for the Government, leading many commentators to predict that the three percentage point surcharge is very much here to stay despite prominent campaigns calling for its abolition.

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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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