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Saver / Investor / Retired

Pension's reform at risk

Pensions freedom benefits are under threat as insurance companies are withdrawing from providing cover for financial advisers giving advice on retirement, it has been revealed. Under the pensions freedoms brought in by then Chancellor George Osbourne in 2015, it was made more attractive for people to transfer money out of defined benefit (DB) pension schemes. The Personal Finance Society, the professional body for independent financial advisers, has said that 37,000 members are finding it hard to obtain the insurance required to give out pension transfer advice.

This comes at the same time as the Financial Conduct Authority (FCA) stepped up an investigation into poor transfer advice, due to concerns of a new pension mis-selling scandal.

Saver / Investor / Property Owner

Return of the 95% mortgage

UK Mortgage Trends Treasury Report data (not yet published) reveals that the number of 95% loan-to-value (LTV) mortgages has increased by 37 in just one month, surpassing the 300 mark for the first time since April 2008. Alongside the expansion of 95% LTV deals, The Moneyfacts UK Mortgage Trends Treasury Report shows that the average two-year fixed rate for a 95% LTV has fallen for five consecutive months, reaching 4.02%. Despite this, they have yet to recover back to the all-time low seen in January 2017. With future base rate rises on the horizon, borrowers should start considering their options now.

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Savings gender divide

The idea that men are from Mars and women are from Venus is alive and well in the financial services world. While both men and women face a retirement funding crisis in this country, there are some key differences in their financial needs. Women are paid less than men across many companies, but that translates into bigger financial problems for them, particularly later in life. Research for the Pensions Policy Institute found that when compared to men, there is a gap of £7 a week, or £364 a year, for the average-earning woman with two children, even if she takes no break from full-time work. Lower pay, coupled with career breaks, comes with lower savings, investment and pension pots for women throughout their lives – leaving them with less cash in their retirement than men.

All

Back to black London property prices and the Brexit effect

House prices in London are falling at the fastest rate since the depths of the UK's last recession during the global financial crisis, a survey from Acadata released on Monday showed. Acadata's report showed that house prices in the capital fell to an average of £593,396 in January, which equates to an annual fall of 2.6%. That marks the biggest drop since August 2009 when Britain was in the depths of the financial crisis. The south-west London borough of Wandsworth performed worst in London. Prices there fell by 2.5% month-on-month or by 14.9% when compared to January 2017. Prices in Southwark dropped 12.2% on an annual basis.

Saver / Investor

Trade Wars – Trump tariff hits UK investor portfolios

The repercussions of US president Donald Trump's move to impose tariffs on steel and aluminium imports have hit UK investors' portfolios, according to the FT. Trump has raised fears of a global trade war since his decision to impose 25% tariffs on imported steel and 10% tariffs on imported aluminium. A trade war could hit China and other Asian companies exporting to the US, the FT warns, while also increasing costs for American manufacturers. Following Trump's tweet on 2 March that "trade wars [are] good" and threats on 3 March to impose heavy taxes on imported EU-made cars, UK-based investment funds with money in Asian and Chinese equities, as well as high weightings in basic materials, all fell.

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HMRC takes aim at AirBnB

Homeowners who rent out their property on sites such as Airbnb face having their income automatically declared to the taxman under a digital crackdown proposed by ministers. As part of a consultation launched last week the Treasury said that it was considering forcing online platforms to provide details of users' income directly to HM Revenue & Customs, or even taking the money at the source. The move could affect not only those renting out properties or rooms but also car-share schemes and self-employed workers.

All

IFS warns taxes must go up

Britain needs '£30bn of new tax rises' to hit the deficit target. The IFS says Britain won't hit its target of eliminating the deficit by mid-2020s unless taxes go up and spending is slashed. The IFS's verdict might come as a nasty surprise to punters, who woke up to the promise of tax cuts last week. But as the BBC's Laura Kuenssberg pointed out, some politicians have been suggesting taxes may have to rise to cover the NHS's demands. Economics journalist Dharshini David points out that Britain might actually need to raise more than £40bn in extra taxes (£30bn to eliminate the deficit, plus £11bn to address the ageing population). That's a substantial bill for each adult. The Treasury, though, has responded to the IFS's analysis, pointing out that the deficit has fallen steadily in recent years.

Saver / Investor / Estate Planner

EU crackdown on tax avoidance

Banks, accountants and law firms that facilitate offshore tax schemes face a Europe-wide crackdown, according to a leak of draft legislation. Brussels will publish proposals to force financial intermediaries to automatically disclose any new cross-border tax schemes offered to clients. Those designing and promoting aggressive avoidance structures will have five working days to file details with their local tax authority. The new directive covers schemes for all types of direct taxes, including capital gains, corporate, inheritance and personal income.

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Parent

Childcare voucher deadline extended

The deadline for joining the childcare vouchers scheme has been extended by six months. Earlier this year, a petition asking the government to keep the scheme open alongside tax-free childcare attracted more than 100,000 signatures. The employer-backed voucher scheme — which offers parents vouchers worth up to £55 per week to help pay for childcare — had been due to close to new entrants on April 5. This has now been extended to October, though no exact date has been set. Parents can use the scheme to sacrifice up to £55 per week from their pre-tax salary and allocate it to pay for childcare.

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Closet trackers revealed

The Mail on Sunday ran a piece investigating funds that, though at the upper echelons of the fee scale, are little more than tracker funds (moving up and down with the FTSE benchmark by choosing many of the same stocks) disguised by marketing semantics. The shocker is that these so-called 'closet trackers' are charging up to ten times the fees charged by tracker funds. Furthermore the City Watchdog has identified up to 84 of these kind of funds. Buyer beware!

All

No Surprises sprung as promised - mostly

Chief Secretary to the Treasury Liz Truss had told us to expect "no red box, no rabbits out of the hat and no tax changes", but as it turned out, it wasn't entirely the non-event we were advised it would be. The figures played in Hammond's favour – however slight the increase – with the economy having grown 1.7% in 2017, 0.2% up on the OBR forecast. Forecasts for growth in 2018 have now been revised up to 1.5% from 1.4%, although estimates for 2019 and 2020 remain unchanged, and forecasts for 2021 and 2022 have been revised down by 0.1% to 1.4% and 1.5% respectively. But for those hungry for tax-related policy, the chancellor announced a wave of tax consultations and calls for evidence, paving the way for a raft of tax changes in the Budget later this year.

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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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