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Saver / Investor / Retired

Pensions complaints overhaul

The Pensions Advisory Service's dispute resolution function is moving to the Pension Ombudsman in the interest of better outcomes in order to form a simplified customer journey. Customers will now be able to access, in one place, all pension dispute resolutions, whether pre- or post- the internal dispute resolution process. The intention is to create a smoother journey and improved complaint handling for customers which will mean the time taken for complaints to be resolved will be halved.

Property Owner / Estate Planner / Saver / Investor

Housing market continues cool down

Commentators are calling the end of the property boom, driven by some well documented (interlocking) themes: economic uncertainty, stagnating sales and high prices. Prices increases of 4.8 per cent in 2017 represent the slowest increase in 5 years (dragged down by London and the south east in particular). On the flipside – and slightly unexpectedly - the number of first-time buyers is at its highest since 2016. Property had become so inflated that the average first-time buyer is now 30 years old and has a salary of £41,000 a year, so the shift is welcome news in some regards.

Parent / Property Owner / Saver / Investor

Bank of Mum & Dad to the rescue

It's well reported that first time buyers increasingly have little choice but turning to their parents to get on the property ladder – helping save for a deposit and qualifying for a loan. Against this backdrop a niche mortgage product is coming to the fore that enables parents to help financially without triggering a stamp duty charge (which can happen as parents' involvement invokes a charge on 'second homes'). Joint-borrower sole proprietor mortgages allow family members to back a buyer financially without becoming a co-owner.

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Interest rate rises – is Britain ready?

The decision to hold rates now came with heavy caveats that a rise is likely in May to tackle inflation. With global growth driving UK economic recovery and some evidence of wage growth, The Bank of England expects that bigger and more frequent (than anticipated) hikes may be required to tackle pesky inflation that refuses to settle. And experts believe the country is ready to handle it, with all the evidence pointing to consumers ready to borrow to spend rather than reducing debt.

Parents

Tax free childcare is here

All working parents with children up to the age of 12 can now apply for the Government's tax-free childcare scheme, HMRC has confirmed. Parents who meet the scheme's requirements can open an account online - that is then topped up by Government contributions. This is an extra 20p for every 80p paid in - hence the name 'tax free'. However, this has previously been capped for children up to the age of nine. The programme gives eligible parents or guardians up to £2,000 free per child towards childcare costs each year.

Saver / Investor / Parent

Next generation of savers penalised by banks

Last year an OECD study on young people's grasp of money issues around the world revealed one in five people are financially illiterate, incapable of grasping basic shopping conundrums – and we're talking really basics, like "is that twelve-pack of Diet Coke better value than two four-packs?" Only 12% of 15-year-olds got the questions right. On average 22% had only the most basic financial literacy. Worryingly the trend among the UK's main high street banks is for only children over 11 being able to have a full current account with contactless bank card for free. Sadly this is too late for a child who could well have already started secondary school and managing their own money via bus fares and dinner money. It's never too soon to get engaged.

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European Union growth

On the one hand the European Union economy grew at its fastest pace in a decade last year, (figures from the EU statistics office Eurostat have confirmed). On a more circumspect level the expansion - accelerated in the European Union's biggest eastern economies - may have reached its peak, with economies operating at or above potential and central banks starting to raise borrowing costs. Feeding into the equation, unemployment is currently at record lows across the region with the suggestion that some companies may struggle to find workers, leaving orders unfulfilled.

All

Inflation, inflation, inflation

Inflation is not doing what it's supposed to and everyone's talking about it. By now (actually since November when we look back at forecasts) we should be on inflation downhill. Gentle, granted, but definitely down. But the message doesn't seem to have been received as it hovers at 3%, defying the odds and, when we strip out volatile and seasonal items in the consumer price index, core inflation is actually up a touch. The case is strengthening for almost inevitable interest rate increases until inflation starts with a two. It's coming, the only question remains how soon and how much.

Saver / Investor

Wall Street forgets its woes for a week

As the spectre of inflation loomed Wall Street shrugged its collective shoulders and decided it was in rally mode regardless last week. A week is a long time in global stock markets and after the steepest of drops in equity prices Wall Street posted five straight days of gains. However commentators expect inflationary pressures to build with core producer prices already at an annual rate of 2.2% - close to a six year high – and most believe it is inevitable that the Fed will increase rates at its next meeting in March.

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Pensions left unprotected

Three years ago, the Financial Conduct Authority introduced regulation that made it mandatory for contract-based pension providers to appoint independent governance committees to ensure pensions holders' best interests are safeguarded. However, a study by ShareAction (a charity promoting responsible investing) claims that only lip-service is being paid to protecting and growing savers' funds. The claim is that the FCA has shirked its commitment to engaging in ongoing reviews of the committees to hold them accountable to their promises. A review was promised in 2017 but it yet to materialise.

Saver / Investor / Parent / Estate Planner

The 'Parent-sioner' squeeze

Financial pressures and the housing market being what it is, mean that people are unable to get on the property ladder until much later into life – mid thirties not uncommon. Similarly delayed is having children as many more women are having children in their 40s. Last year the birth rate among women aged 40 and above surpassed that of women aged under 20 for the first time since 1947. These two trends (and many others) are mean the advent of being in your 60s with children under the age of 18 is becoming far more common - new research suggests that in just 10 years there will be 1 million such UK "parent-sioners", compared to 400,000 today. Traditionally the over-55 period is when things calm down financially. It's also the period when many people start shovelling their money into a pension (or maybe a buy-to-let) to take advantage of tax reliefs. But as the trend to having children later in life continues it's not really clear when and how this generation will be able to put anything extra into their pensions.

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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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