CHAMPAIN
FINANCIAL SERVICES

Bawtry
Selsfield Road, Ardingly
Haywards Heath
West Sussex RH17 6TJ

T: 01444 229 520
F: 01444 229 521
info@champain.co.uk
www.champain.co.uk

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Saver / Investor / Estate Planner / Business Owner / Retired

Bank branch disappearance

An inquiry into consumers' access to financial services has been launched by MPs amid concerns some vulnerable customers are finding it increasingly difficult to access the supports and services that they need. The Treasury Committee will scrutinise whether certain groups of people are excluded from obtaining a basic level of service from providers. It will also examine whether vulnerable consumers pay more for financial services products. This is in the face of new data that shows that just a third of the UK's bank branch network remains compared with three decades ago, meaning people have further to go to access basic financial services. There were 20,583 bank branches in 1988 but today, there are just 7,586, according to research by campaign group Which? This means 19% of the population now have to travel more than 3km to their nearest branch while one in 10 have to travel more than 5km.

Saver / Investor / Retired

Women lose out on pensions' perks

More than a million low-earners are losing an estimated total of £72m a year in pension perks because of a little-known anomaly that mainly affects women who work part-time. According to figures from HM Revenue & Customs, some 1.2 million people lost out on government tax relief top-ups in 2015/16 - around 800,000 of whom were women. Those involved are signed up to net pay schemes, where pension contributions are deducted from pay before tax is deducted. With most pensions, the income tax deducted from the earnings is given back to savers but, with a net pay scheme, contributions are taken before tax, so a basic-rate taxpayer puts £1 into their pension and essentially saves 20p income tax they would otherwise have paid. However, people who earn less than £11,850 a year pay no income tax, thanks to the personal allowance, but may still have a pension eligible for tax relief. If they are in a net pay scheme, however, they get no relief. This is because, when money is taken for their pension, they have not saved any income tax - meaning £1 costs them 20p more than it does a basic-rate taxpayer.

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Banks profit from IHT boom

Banks are "pickpocketing" bereaved families caught between long-standing inheritance tax and probate rules. This is because they are increasingly being forced to take out expensive loans to gain access to their inheritance - or fund death duty bills themselves. Experts highlight that he problem is not new but increasing house prices are dragging more estates into the IHT zone - the taxman received a record-breaking £5.2bn in IHT receipts in 2017/18, some £400m up on the previous year. Contrary to popular belief, IHT must be paid before a grant of probate gives recipients access to an estate. Quirks exist in the inheritance system and paying IHT to access the estate is one of them. Sometimes the bill can be insurmountable for a family already stretched and having to consider the cost of funeral arrangements. Some financial offerings look to capitalise on the system, such as high-rate loans to pay the IHT bill, which at its worst is akin to, according to some commentators (albeit rather emotively) pickpocketing a widow.

Property Owner

UK house prices fall

House prices are now lower than they were a year ago for properties being put up for sale, according to new research. The average asking price of a newly marketed property in the month to mid-November, was 0.2%, or £607, less than at the same point last year. This is the first year-on-year fall in asking prices since 2011 and the decline in confidence is accelerating. But there’s an interesting game of two halves afoot in London, with average asking prices in outer London holding steady while central London flounders. The best performing locations are Bexley, where asking prices are up 2.8% year on year, and Bromley, up 2.1% according to Rightmove’s house price index. However Rightmove found that asking prices in more unaffordable inner London are down 2.5 % year on year. The biggest losers are Lambeth, where prices are down 6.8 %, Hackney, down 4.9 %, and Tower Hamlets, down 3.9 %. The fall is significant because although an end-of-year slump is normal – vendors traditionally set lower prices in an attempt to get their homes sold before the New Year – this is the biggest November fire sale since 2012.

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Parents

The end of the buy-to-let boom?

The investment case for buy-to-let property does not look so hot right now. With Brexit uncertainty and rising interest rates, UK property prices could come under pressure in the years ahead. Furthermore, with rent increases not keeping up with house price appreciation, rental income yields are now low. Add in higher stamp duty for buy-to-let properties and a sharp increase in regulation, and the outlook for landlords does not look as promising as it has in the past.

However, there are other niche areas of the UK property market that appear to have brighter prospects, including property that is set to benefit from the online shopping boom and real estate that is set to benefit from the UK's thriving start-up scene. And the good news is that it's possible to invest in this kind of real estate with as little as around £500, through real estate investment trusts (REITs) listed on the London Stock Exchange.

REIT's are considered high risk investments and individual advice should be sought to determine if these are appropriate.

All

Who do you fear more – Brexit or Corbyn?

Letters calling for May's replacement are pouring in to the powerful chairman of the Conservative Party's 1922 Committee: if he receives 48 letters, there could be a vote of confidence in her leadership, and perhaps a leadership challenge. Other Tories are calling for a second referendum. Meanwhile, the Labour party is slavering at the possibility of an early General Election. But some have suggested the fall of Theresa May's Conservative Government and potential replacement with Labour leader Corbyn's socialist agenda could pose a far greater threat to UK assets. Corbyn has repeatedly threatened many industries with re-nationalisation, including the postal service, utilities, transport and others. Polls show the public increasingly approving of this plan, with some investors now shunning these spaces as a result. In fact, there's a possibility that it could, in part, find its way into the Tory manifesto, too, according to some commentators. As such, investors should be thinking about the potential for a change in Government more than Brexit. The real impact of the latter, some think, could take decades to be felt, whereas nationalisation of utilities could be around the corner.

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Brexit uncertainty and your money

It has been a riotous week in the corridors of power with deals done, resignations tendered and more than a few pointed pieces to camera by wannabe leaders. There are consequences not just for our individual financial affairs next March, but right now. As the headlines erupted, markets stuttered, exchange rates choked and independent experts across the country sat back and took stock. Here's what they think all this means for your money:

1. The market has taken a big red pen to stocks which are heavily exposed to the UK economy like the banks, retailers and housebuilders.
2. Another interesting issue is how the Bank of England will react. Perhaps it will now take a cautious stance, meaning that the interest rate rises we were expecting will have disappeared.
3. The stock market still offers attractive long-term returns but they will now need to focus even more so on what underlying exposures they have. Since the referendum, the international giants have fared rather well and many take the view that this will probably continue.

All

High Court ruling on defined benefit schemes

People who attempt to swap final salary company pensions for cash are being left in limbo following a controversial legal judgment. More than a quarter of a million savers have taken advantage of highly generous cash offers to give up membership of these workplace pension schemes in recent years. A pension that promises to pay £30,000 a year might be swapped for £900,000 or more in cash, for instance. Savers are also attracted by the extra flexibility and tax treatment on death of personal pensions. It is thought that £34.2bn was withdrawn from company schemes in 2017 alone. But future transfers are now under threat in the aftermath of a High Court ruling that will force Lloyds Banking Group to equalise benefits between male and female staff. According to Royal London, the mutual pension firm, some schemes have put a temporary block on transfers following the court case.

There are risks associated with transferring any defined benefit/final salary benefits as once transferred the investor bears the investment risk and pension benefits will be dependent on investment performance. Transferring benefits may not be suitable and individual advice is always recommended.

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Mixed signals for the workplace ISA (WISA)

Over half of Britain's workforce (55 %) want employers to help with financial planning, new research has found. Younger staff in particular are keen to get more support from the businesses they work for. Over 72% of 18-34 year olds said they would value financial planning information and help. But currently Only 4% of people are currently saving in a workplace ISA. Falling pension allowances and younger workers' desire to get on the property ladder have led an increasing number of employers to offer workplace Isas or "Wisas" to their staff. They work just like conventional Isas, where savings and investments grow free of capital gains and income taxes. But there are added benefits: investment charges can be much lower because employers qualify for bulk discounts, and contributions are deducted through payroll, so money is saved before it can be spent.

Business Owner / Estate Planner

Investment trust opportunities

Investment trusts, unlike collective funds such as unit trusts and open-ended investment companies, spend far less on marketing and, as such, are often overlooked. Here are five advantages worth thinking about:

- Although charges on all funds are slowly coming down, investment trusts tend to levy lower fees than unit trusts and open-ended investment companies.
- Some investment trusts appeal to income-seekers because they are able to grow dividends.
- Trusts are, arguably, better equipped to increase dividends than unit trusts or open-ended investment companies because they are allowed to hold back some income they receive from holdings
- Unlike rival funds they can borrow money to increase exposure to markets. This can work in favour of shareholders if subsequent equity gains surpass the cost of borrowing.
- The average investment trust has outperformed its unit trust counterpart over one, three, five, ten and 15 years.

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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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