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

HMRC criticised

The HMRC has been accused of causing taxpayers considerable distress as it prioritises the recovery of tax revenue over justice, according to a group of Lords. Individuals rather than promoters of tax avoidance schemes have been targeted so HMRC can more easily recover liabilities, the Lords Economic Affairs Committee has said. Over the past few years the tax department has been granted greater powers to tackle tax avoidance and evasion and the sense is that the HMRC had been granted some broad, disproportionate powers without effective taxpayer safeguards. The Lords' report went as far as to call the high penalties, which hope to deter taxpayers from appealing, as being a tax on justice, and demanded a review of the oversight of HMRC's powers. The report warned that some of these powers are going to have a disproportionate effect on unrepresented as well as lower income taxpayers.

All

Brexit scenarios

The Bank of England has warned a no deal disorderly Brexit would send the pound plunging while inflation soars and interest rates rise. The apocalyptic outcome, contained in the Bank's analysis of various EU withdrawal scenarios, would also see unemployment skyrocket. In the event of a disorderly no deal, no transition Brexit, Britain's GDP could fall by 8%, according to a worst case scenario analysis by the Bank. It added the unemployment rate would rise 7.5%, inflation would surge 6.5% while interest rates would rise as high as 5.5%. However, it's not all doom and gloom. The Bank concluded major British banks have levels of capital and liquidity to withstand even a severe economic shock that could be associated with a disorderly Brexit. Furthermore Mark Carney said there was only a low probability of a worst-case Brexit scenario happening.

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Strategies to reduce risk during market tumult

Building an investment portfolio requires commitment, patience, sacrifice and nerves of steel – especially when stock markets go into freefall. Certainly, the recent sharp sell-off in shares worldwide, triggered by fears of a global trade war between China and the United States and higher interest rates, has unnerved many investors. As have other events both further afield such as currency crises in emerging markets and closer to home – dare I say the word after the drama of the past few days – Brexit. A tsunami of factors that could cause further stock market disruption in the weeks and months ahead. The Telegraph shares some helpful tips:

- Selling into a falling market rarely makes sense. If building long-term wealth is your objective, riding out the storms is usually the best strategy.
- Often, when stock markets cut up rough, investors lose their nerve and turn off the contribution tap. If your investment horizons are truly long-term – ten years or more – it will pay to continue investing.
- While it can be difficult not to join the herd and sell investments when markets are sliding, sticking to a long-term investment game plan makes best sense. So keep dripping money into a pension and keep the standing order going with your Isa provider.
- Funds with exposure to property, gold and bonds can also provide all-important diversification – although in the case of property and gold this is often through shares, not the physical assets.
- Keep talking to your adviser!

Saver / investor / Business Owner / Retired

Stock markets: what's in store for 2019?

Global stock markets continued to drop sharply on Thursday as the geopolitical fears gripping investors persisted. Having started the week in a buoyant mood, investors have lost all confidence in the long-term effectiveness of the agreement struck between Presidents Trump and Xi at the G20 and have been further shaken by news that Huawei's Chief Financial Officer, Sabrina Meng Wanzhou, was detained by Canadian authorities at the request of the US government. At a time when markets are ultra-sensitive to any trade-related news, risk assets have taken a beating. As a result, the FTSE 100 index plunged to two-year lows - down by 173 points to 6,749 - a drop of 2.5%. The Footsie has not traded at that level since November 2016, and it is now back well below the 6,930 mark which it first attained as long ago as December 1999. We are currently in the longest bull run in history, but all good things must come to an end. That doesn't mean we're going to see a stock market crash or recession next year, but investors need to start preparing for the worst to make sure their portfolios are adequately protected.

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The pensions regulator gets tough

Master trusts have to meet the Pensions Regulator's required standards across five key areas.

All the people who have a significant role in running the scheme must demonstrate to the regulator that they meet a standard of honesty, integrity and knowledge appropriate to their role; that IT systems enable the scheme to run properly and there are robust processes to administer and govern the scheme. They also have to show that there is a plan in place to protect members if something happens that may threaten the existence of the scheme, including how a master trust will be wound up. Any scheme funder supporting the scheme must be a company (or other legal person) and meet the requirement that it only carries out master trust business. The scheme must show that it has the financial resources to cover running costs and also the cost of winding up the scheme if it fails, without impacting on members. The regulator has identified 90 master trusts. Three schemes have wound up so far, and a further 33 have decided not to apply for authorisation and are winding up their scheme, transferring their members to an alternative master trust scheme or other appropriate vehicle

Retired / Estate Planner

Retirement interest only mortgages

Around three million homeowners expect to still be paying back their home loans into retirement and lenders are responding by launching increasing numbers of mortgages for older borrowers. One in five (21% of) mortgage holders – which works out at around three million people – worry that they'll still be paying their mortgage off into retirement. Over half (58%) don't know how they'll keep up their repayments when they're no longer working, and 53% of that group are already aged over 55, meaning time is running out to make a plan. The ageing population coupled with many people having to wait longer to buy their first home has prompted some lenders to innovate. This new type of deal is designed for retirees who may struggle to get approved for a repayment mortgage because of their age and reduced income. As the name suggests, you just pay back the interest (and none of the capital) each month; the loan itself is only paid back once the mortgage ends. In this regard, RIOs are just like regular interest-only mortgages. However, most retirement interest-only mortgages come with indefinite terms, meaning they only need to be paid back when you die or go into long-term care and the house is sold.

Individual advice is always recommended to ensure individual suitability.

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All

House price growth beats forecasts

House price growth picked up last month, but the market remains subdued as an uncertain economy and the squeeze on household budgets continue to dampen demand. According to the Nationwide House Price Index, annual house price growth edged up slightly by 1.9% in November - up from 1.6% the previous month. On a monthly basis, house price growth rose from 0% in October to 0.3%, taking the average UK house price to £214,044, according to Nationwide. Looking forward, much will depend on how broader economic conditions evolve. In the near term, the squeeze on household budgets and the uncertain economic outlook is likely to continue to dampen demand, even though borrowing costs remain low and the unemployment rate is near 40-year lows. If the uncertainty lifts in the months ahead and employment continues to rise, there is scope for activity to pick-up through next year. The squeeze on household incomes is already moderating and policymakers have signalled that, if the economy performs as they expect, interest rates are only expected to rise at a modest pace and to a limited extent in the years ahead.

All

Women's' state pension age increases under review

A high court judge has granted a judicial review to determine whether recent increases to women's state pension age were lawful. The case was brought by BackTo60, a campaign group representing women born in the 1950s who have borne the brunt of recent of increases to the state pension age. Until 2010, women received their state pension at age 60. However, this has gradually been increasing and currently state pension age is 65 for both men and women and will increase to 67 by 2028. State pension ages rose faster for women, in order for them to be equalised with men's. BackTo60 and other campaign groups, notably WASPI (Women Against State Pension Increases) argue that many women born in the 1950s were not warned of the changes and have suffered financial hardship as a result. BackTo60 is campaigning for all women born during the 1950s to have their financial position restored to the position it would have been, had the state pension age remained at 60.

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Pensions dashboard could drive up cost

Pension experts are warning the government's proposed single pension finder service for the pension dashboards will unnecessarily drive up costs for providers and the end consumer. The Department for Work & Pensions (DWP) had published a consultation on the project on Monday (December 3), accompanied by the long-awaited feasibility study, which proposed multiple dashboards but a single system to search for data from different pension schemes. The plan for the pension dashboards, with the first one due to be launched in 2019, was to allow savers to see all of their retirement pots in one place at the same time, giving them greater awareness of their assets and how to plan for their retirement. The government said the pension finder service, which will collate the data, should be run on a non-profit basis and it left it to the dashboard industry delivery group to decide how to best deliver it. The fears are that having only one finder service means there is a lack of competition on pricing.

Business Owner / Employer

Crackdown on disguised remuneration schemes

HMRC has announced a new and final settlement opportunity for employers, employees and contractors who have used disguised remuneration schemes in the past. This will give them a chance to settle their tax liability now before a new loan charge is introduced. Typically, disguised remuneration schemes involve an employer paying a contribution to a third-party, usually an employee benefit trust, rather than paying an employee directly. The trust then pays the employee in the form of interest-free loans with terms that mean they will never be repaid in the recipient’s lifetime, thereby avoiding the income tax and NICs that would otherwise arise from the payments.

Those who would like to take advantage of this opportunity have to register their interest with HMRC by 31 May 2018 and make a full disclosure by 30 September 2018. Meeting these deadlines will give those involved the time they need to complete the settlement before the new loan charge becomes effective on 5 April 2019.

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

Champain Financial Services

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