Essential FINANCE

ISSUE 3 / WINTER 2018

EASTWOOD FINANCIAL SERVICES LTD

ASSET ALLOCATION
Investment options during high inflation.

NEW HEIGHTS
Daredevil antics for Yorkshire Cancer Research.

FINANCIAL RESOLUTIONS
What are yours?

Contents

Welcome to the Winter Eastwood Financial Services magazine.

As we start the year, we know that for many there is no better time to review and plan for the year ahead. Here at Eastwood Financial Services we are feeling well rested (if maybe a little over indulged!) after the Christmas break and we are raring to make our mark on 2018. If your resolutions are financial we can help you to plan and solidify your future goals – so please don't hesitate to get in touch, we'd love to help.

We hope you enjoy an interesting read on the hot topics in this edition and to follow soon, our new website. We're working away on it in the background and it's looking great.

In addition, we are delighted to introduce home security assessments offered by our sister company Eastwood Private Clients, to give you peace of mind in protecting your home and valuables.

We are always reaching for new heights at Eastwood Financial Services, not only in our new penchant for abseiling (read more in this edition about our charitable endeavours at altitude), but in our outlook too. We look forward to working with clients and partners old and new, to help elevate your wealth management for today, for tomorrow and for your future generations.

Here's wishing you all a happy and healthy New Year; one that brings prosperity and success in all you do.

Karen

Karen Wynard
Managing Director

Auto enrolment – the next stage

Auto-enrolment moves to the next stage in April: are you ready?

Automatic enrolment of employees into workplace pensions has been much more of a success story than predicted. In the last three years, over 8.5 million people have begun saving for their retirement and almost 800,000 employers have successfully complied with their automatic enrolment duties, according to The Pensions Regulator.

A key factor that helped the initial acceptance of auto-enrolment was the low level of employee contributions. Now the regime is moving on to the next, more challenging stage. From 6 April 2018, there will be a big jump in minimum contributions for both employers and employees.

At present the total minimum contribution required is just 2% of band earnings (earnings between £5,876 and £45,000 a year in 2017/18). Of this, the employer must pay at least 1%. So the typical minimum 1% contribution by an employee earning £25,000 a year currently works out at £12.75 a month after basic rate tax relief.

CONTRIBUTION LEVELS ARE RISING

From April this year, however, the minimum total contribution will rise to 5%, and the employer must pay at least 2% of this total. Most automatically enrolled employees will see their contribution rate triple – from 1% to 3%. Next year, in April 2019, there will another 3% increase in the minimum total, leaving the employer with a payment of 3% and most employees facing a further increase in contributions to 5%. Based on current rates (which may change), that £12.75 a month in March 2017 will have increased to £63.75 a month by May 2019.

The choice of April for the increase date was deliberate because it coincides with the likely revisions to the personal allowance and national insurance contributions at the start of the new tax year. Both of these generally boost employees' net pay and so hide some of the increased deduction from earnings.

If you are an employer, you would be well advised to alert your employees to their contribution increase before it takes effect. You should also ensure you have budgeted for your contribution increases in 2018/19 and then again in 2019/20. For further advice and information, please talk to us – well before April arrives.

Occupational pension schemes are regulated by The Pensions Regulator. The Financial Conduct Authority does not regulate tax advice, and tax laws may change.

New Year, new tax deadline!

Wednesday 31 January is the deadline for submitting your 2016/17 self-assessment tax return online – the paper return deadline was 31 October. Miss the deadline and you could face an immediate £100 penalty, even if HMRC owes you money.

Since September HMRC has started to remove some taxpayers – mainly pensioners – from the self-assessment return regime by the introduction of 'simple assessment'. Under this system, HMRC uses data it already holds to calculate the tax due and issues the taxpayer with a tax calculation. Be warned: if you receive an HMRC calculation, you have only 60 days to raise any queries.

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Giving you peace of mind

With a home security assessment

Many householders have security systems such as CCTV in place to protect their property and possessions, but are they making the best use of them or keeping abreast of the latest technologies and products on the market?

A large number of people will have had the same system in place for many years, yet technology has moved on a lot and there may be a need to upgrade.

Eastwood Private Clients has teamed up with a specialist company to offer clients free, no-obligation domestic security appraisals.

The partner for this venture is Dual-Stream, an electronic security business which operates throughout the UK.

Dual-Stream's engineers will provide a bespoke report detailing the capabilities of a householder's existing security systems and advising how these could be better utilised or improved.

The reports will cover new technological features, such as the ability to monitor domestic CCTV images on a mobile phone or to connect their intruder alarm systems to their mobile devices.

As an insurance broker to high-net worth individuals up and down the country, EPC is committed to helping them ensure their valuables are adequately protected.

Not only could improving your home security provide greater protection, it could also underpin your premium levels.

EPC is thought to be the first UK insurance broker to offer this type of risk management service.

For more information about the new service, visit www.eastwoodprivateclients.co.uk/bespoke/complimentary-security-appraisal or call a member of the Eastwood Private Clients team on 01484 820022.

Eastwood Private Clients is the new name for the high-net worth division of Eastwood & Partners and is based at Northumberland House, Northumberland Street, Huddersfield.

Eastwood Private Clients Ltd is an appointed representative of Eastwood & Partners Ltd which is authorised and regulated by the Financial Conduct Authority.

Nurturing & investing in your children

National Savings has closed one option, but there are many more possibilities to consider.

In September 2017, National Savings & Investments (NS&I) withdrew the fixed rate Children's Bond from sale and launched its first, online-only junior ISA (JISA). The new cash JISA is a no league table topper, as it currently offers only a 2% variable interest rate compared with 3% available from some High Street names.

Interest rates for cash JISAs are generally higher than those available on adult cash ISAs, so before you decide to contribute to a cash JISA for a child or grandchild (or anyone else under 18), remember:

- Not all children are eligible for JISAs. Children born between 1 September 2002 and 2 January 2011 can only have a JISA if they do not already hold a child trust fund (CTF) account. However, this restriction can be overcome easily by transferring a CTF to a JISA.
- It is arguable that locking up an investment in a short-term deposit over the long term until a child reaches age 18 may not be the most sensible option to maximise your capital. With the current inflation rate around 3%, the purchasing power of the cash deposit is doing little more than standing still at best. A stocks and shares ISA could have greater long-term growth potential.
- The maximum total JISA investment in 2017/18 is £4,128 and, to complicate matters further, a child can have only one cash JISA at a time (adult ISAs have different rules).
- At age 18, the JISA funds become immediately available to the new adult.

NON-ISA OPTIONS

Some families may feel that making a full JISA fund available to an 18-year old is not always advisable. If you're uncertain about how a young adult might handle their sudden windfall, there are other options. One is to contribute to a personal pension instead of a JISA. The maximum contribution is lower, at £2,880 per tax year, but:

- The contribution benefits from basic rate tax relief, even though the child will almost certainly be a non-taxpayer. So £2,880 therefore becomes £3,600 in their pension plan.
- During the investment period, the tax treatment is virtually the same as for JISAs – no UK income tax or capital gains tax.
- Once the adult child draws the benefits, 25% will be available as a tax-free lump sum, with the balance taxable as income under current rules.
- Normally the pension fund cannot be drawn upon until the 'child' is within ten years of their state pension age (SPA). As the SPA is steadily rising, that will probably mean access becomes available from around the age of 60.

In between the two age extremes, it is possible to use trusts to make gifts to children while still retaining some control as a trustee over when and how funds can be accessed. If you choose the trust route, there are no constraints on the size or type of investment, but the tax treatment may not be as favourable.

For more information on all the options for children's investments, do get in touch – this is an area with some tricky tax traps for the unwary.

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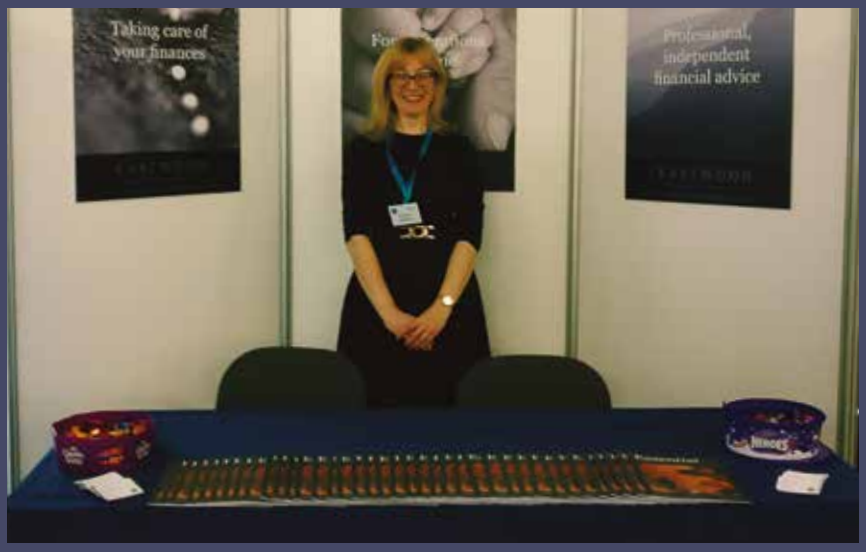
New Heights

By nature, we're usually measured and careful types here at Eastwood Financial Services. You'd certainly never describe us as big risk takers! It's quite momentous therefore that we threw caution to the wind and became daredevils for a day to perform a 30 metre abseil, all for a good cause.

The feat was undertaken as a fundraiser for Yorkshire Cancer Research.

Karen Wynard, Jessica Eastwood, John Bramwell, Rachael Craven and Tracey Kaye braved dizzying heights as they completed the abseil from the top of the Portland Building at Leeds Beckett University. Whilst it seemed a good idea on sign up, there were definitely some jelly legs at the daunting top of that building! Determined to succeed though for this amazing cause, we're immensely proud of everyone that took part and are thrilled to report that our office superheroes raised over £1500.

Now we've heard whispers in the office that they might like to have another go at this exhilarating experience... It seems we have truly ignited a few daredevil sparks within.



Yorkshire Cancer Research

Life with cancer 2017

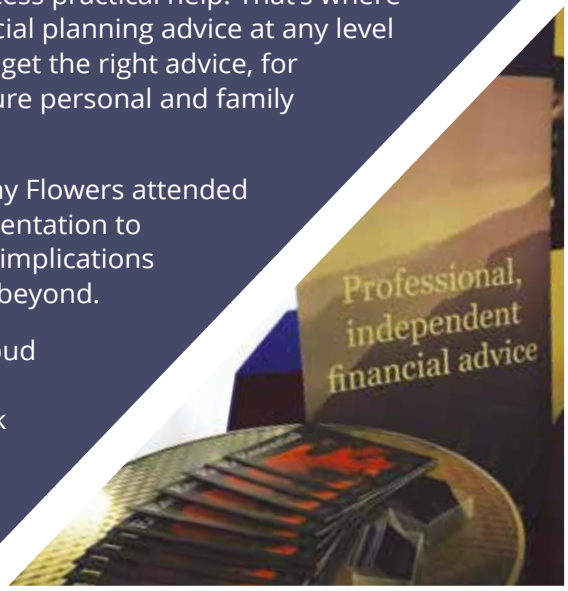
Yorkshire Cancer Research was founded in 1925 and is the largest independent regional cancer charity in England. This devastating disease has touched many lives and the charity is one close to our hearts at Eastwood Financial Services.

In support of the great work they do, we attended as exhibitors at their recent 'Life with Cancer 2017' event at the Harrogate Convention Centre. Currently, there are 195,000 people in Yorkshire living with or beyond a cancer diagnosis, and unfortunately, this number is expected to rise to 300,000 by 2030.

At this event, many cancer patients, their carers, families and friends were able to access expert advice from researchers and healthcare professionals. They also had the opportunity to share experiences and access practical help. That's where we come in; to offer financial planning advice at any level required. It's important to get the right advice, for peace of mind and to ensure personal and family finances are taken care of.

Karen Wynard and Anthony Flowers attended and delivered a short presentation to delegates on the financial implications of a cancer diagnosis and beyond.

Once more, we're very proud to support this extremely worthwhile cause and look forward to partnering with them further in the future.



Asset allocation in a world of rising inflation

Prices are rising at their fastest rate for five years. Annual inflation rose to 3% in September 2017, and stayed at this rate in October. This led to the Bank of England increasing interest rates in early November for the first time in a decade.

Rising prices can be challenging for savers and investors because it reduces the spending power of your money over time. Inflation running at 3% a year will almost halve the value of your money over 20 years. Even over shorter periods, it can have a marked effect. So how can you help to counter the effects of rising inflation and low interest rates in your investment choices?

BOOST CASH RETURNS

Inflation is bad news for cash savers, particularly as interest rates are so low. Many will welcome further interest rate rises, which should prompt banks and building societies to increase savings rates. But rate

rises are likely to be minimal and gradual – with gains likely to be wiped out by still higher inflation. People with cash savings should monitor rates carefully and be prepared to switch accounts to take advantage of any better deals that appear over the next few months.

BAD NEWS FOR BONDS

Higher interest rates and rising inflation can have a negative impact on fixed-interest investments – such as corporate bonds and gilts. As the name suggests, fixed-interest investments pay a fixed return, which can look less attractive if interest rates rise significantly. This can weaken demand for these investments, lowering the price at which they are traded. Higher inflation can also reduce the value of fixed income over time, further reducing demand for these investments.

All this doesn't mean you should avoid bonds completely; they offer reliable income streams and are a valuable part of a diversified portfolio. However, be aware that market conditions could cause valuations to slip in the near future.

STICK WITH THE STOCK MARKET

Shares can be a good hedge against inflation because companies have the potential to grow their profits broadly in line with inflation. However, share prices can be volatile, particularly over shorter time frames.

Where possible, investors should diversify and hold a range of shares in different markets. In periods of higher inflation, investors tend to favour secure companies with consistent earnings that pay reliable dividends. These types of company shares are often found in equity income funds.

Higher inflation can impact returns on some equities. For example, retailers can find that their margins come under pressure if the prices of wholesale goods rise. Certain sectors, however, can benefit from higher inflation – for example utility companies. Consumers still need water and electricity and some companies are able to link their prices to inflation.

Meanwhile, higher interest rates are good news for banks and other financial companies but they are generally bad news for companies with high levels of debt, such as most house-builders, because higher interest rates increase their costs.

Investors should be wary about making too many changes based on predictions or short-term market movements and should concentrate on longer-term goals, and assume inflation will be a factor over time. For most investors the best way to beat inflation is to build a diversified portfolio that includes equities for growth as well as more secure assets, like bonds, to provide diversification and help manage risks. If you'd like to discuss further, please let us know.

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Financial resolutions – not just for the New Year

It's that time of year again, so what financial resolutions should you be making?

New Year resolutions have a tendency not to last very long. By the time the festive season finally ends and the decorations are put away, the eat less/drink less/exercise more resolutions have often also disappeared. For 2018, why not adopt a different type of resolution – a financial one? Here are four possibilities:

1. I will review my will

Whatever your December excesses, contemplating your own mortality is not an exercise you should rush into. However, ensuring your will is up to date is one way to make sure your assets are dealt with in the way that you want when you are not around. Although it is sometimes possible to restructure a will after someone has died, all parties to any amendment must agree, which can create its own problems. If – as many people do – you have no will and assume the laws of intestacy will resolve everything, you could be seriously mistaken. Intestacy does not always mean everything passes to a surviving spouse or civil partner – and it is especially hazardous if you are in an informal relationship.

2. I will complete a Lasting Power of Attorney

In many respects, no will is complete without a matching pair of Lasting Powers of Attorney (LPAs) or the equivalents in Scotland or Northern Ireland. An LPA allows you to appoint one or more people to make decisions for you if your health – mental and/or physical – prevents you from doing so. There are two LPA variants: one covering your property and financial affairs, and the other deals with your health and welfare. Without LPAs, your family could find themselves having to deal with the Public Guardian, which can be an expensive and impersonal legal process.

3. We will review our ownership of investments

The past few years have seen a steady flow of changes to the personal tax treatment of investment income, such as the introduction of the personal savings allowance and the reform of dividend taxation. It is now more important than ever for couples to review who owns which investment. For example, next tax year's cut in the dividend allowance to £2,000 could mean it makes tax sense, where unused allowance is available, to transfer some fund holdings from a basic rate taxpaying spouse to their higher rate tax-paying partner.

4. I will obtain an estimate of my current pension benefits

The recent multitude of changes to pension rules impacted on both the state and private pension provision. They could well have altered your retirement income, how you can draw benefits and even when you will receive some of your pension. If you have been automatically enrolled in your employer's pension, a review is particularly relevant because of the significant contribution increases due over the next 18 months.

In personal financial planning, as in many other aspects of life, putting things off is seldom wise: delays can all too easily add to cost. The four resolutions listed here are one-offs – they do not require you to keep doing something regularly, which is how the typical 1 January pledge fails. Why not speak to us now and start 2018 the right way?

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax, will writing, Lasting Powers of Attorney, trust advice and some forms of estate planning.

A steady and cautious Budget

The Chancellor detailed a long list of tax changes in his Autumn Budget, although he was generally more cautious than he was in his Spring announcements.

Back in March 2017, Philip Hammond's Budget debut as Chancellor almost marked his simultaneous finale in the role because of his failed attempt to raise national insurance contributions for the self-employed. This time around seems to have gone more favourably.

STAMP DUTY LAND TAX (SDLT) AND FIRST-TIME BUYERS

For first time buyers (other than in Scotland), from 22 November the first £300,000 slice of their property's purchase price is exempt from SDLT, provided their home does not cost more than £500,000. That could mean a tax saving of up to £5,000.

INCOME TAX

The personal allowance will rise to £11,850 and the higher rate tax threshold (excluding Scotland) will rise to £46,350 for 2018/19. Both increases are in line with annual inflation to September 2016. The government's stated their aim is to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by 2020/21.

PENSIONS

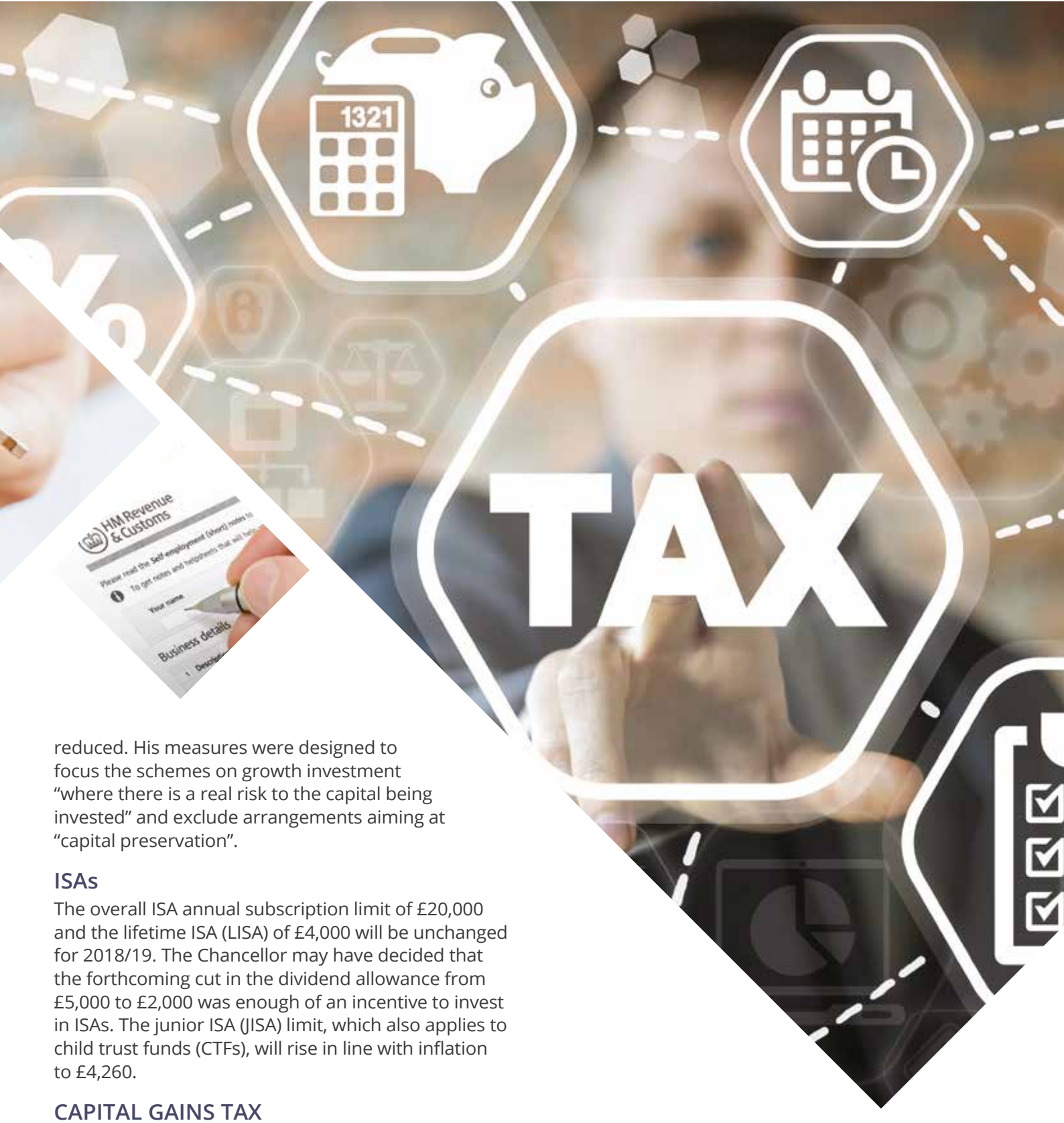
Despite many pre-Budget rumours about cuts to allowances and even the rate of tax relief, the Chancellor made no changes to reduce pension tax benefits. Doing nothing meant that the lifetime allowance will rise by default to £1,030,000 from 6 April 2018. Remember, however, that Mr Hammond's spring Budget cut the money purchase annual allowance to £4,000 from 6 April 2017.

DIESEL COMPANY CARS

The scale charge surcharge on diesel company cars is currently 3% and will increase to 4% for cars that don't meet the latest emission standards, known as RDE2. Even HMRC recognises that "it is likely that few, if any, cars will meet RDE2 standards in 2018/2019". The extra 1% will come on top of another 2% addition to most scale charges next tax year.

VENTURE CAPITAL SCHEMES

The Chancellor targeted venture capital trusts (VCTs), enterprise investment schemes (EISs) and seed enterprise investment schemes (SEISs), which have all gained popularity as pension allowances have been



reduced. His measures were designed to focus the schemes on growth investment "where there is a real risk to the capital being invested" and exclude arrangements aiming at "capital preservation".

ISAs

The overall ISA annual subscription limit of £20,000 and the lifetime ISA (LISA) of £4,000 will be unchanged for 2018/19. The Chancellor may have decided that the forthcoming cut in the dividend allowance from £5,000 to £2,000 was enough of an incentive to invest in ISAs. The junior ISA (JISA) limit, which also applies to child trust funds (CTFs), will rise in line with inflation to £4,260.

CAPITAL GAINS TAX

The annual exemption will increase to £11,700 for 2018/19 – worth a tax saving of up to £3,276 to a higher rate taxpayer on property-related gains. Buy-to-let investors who use companies to hold their properties were less lucky, as from January 2018 the indexation allowance on corporate capital gains will be frozen. The freeze will result in an increased amount of any future gain becoming subject to corporation tax. The change will also affect UK life companies and could reduce future returns on UK endowment and single premium policies.

If you have any questions about the financial planning implications, please talk to us as soon as possible.

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Time to improve your life insurance?

Most homeowners buy some life insurance when they purchase their first home. These insurance policies are typically designed to cover the term of the mortgage. But what happens once that term is over?

If you took out a life insurance policy when you first stepped onto the property ladder, the chances are it was a 25-year term, linked to the mortgage. But many people in their fifties and sixties still have mortgage debts and will continue to work. In fact, a recent report showed 1.2 million people continue to work beyond the age of 65.

If your family relies on your working income to maintain living standards, it's worth checking you have adequate insurance in place. Life or health insurance can provide financial security for your family, should you die or be unable to work through ill-health – a real possibility in later life.

DON'T BE AFRAID OF LIFE INSURANCE

The cost of life insurance increases with age, but this doesn't mean it is prohibitively expensive for those in their fifties. A 50-year old with no health problems should pay less than £15 a month for a 10-year policy with £100,000 of cover. A 25-year old could buy the same cover for under £5 a month. Insurers will ask more in-depth health questions of older applicants, and some will need a medical.

Some insurers also sell 'Over 50s' life insurance — you may have seen TV or newspaper advertisements about these policies. They can look attractive: most claim to accept all applicants without a medical. However, they are designed to cover smaller sums, typically to help with funeral costs. There is no fixed-term, so the insurance remains in place for as long as the policyholder pays the premiums. This means people who live longer than expected can pay far more in premiums than the policy eventually pays out. It pays to shop around and take advice.

COVER FOR ILL-HEALTH

Even if you are in your fifties, the chance of dying within the next ten years remains relatively small. But there's a more significant chance of suffering ill-health, affecting your ability to work. Talk to us about whether critical illness or income protection insurance might be appropriate. These can be more expensive, but may provide greater peace of mind.

We can help you ensure that you have the right financial protection in place.

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