

Essential

FINANCE

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I hope this edition of Essential Finance finds you contented, well and enjoying the beautiful Summer we have had so far.

This edition is as usual full of interesting and informative content but I'd like to draw your attention to the article on page 12 regarding Trust Registration. To those whom this applies, please do not hesitate to contact us if there's anything we can do to help and keep in mind the deadline registration date of 1 September 2022 for existing trusts.

In other news, our resident wildlife photographer Tim Ball has been up in the Dales spotting red squirrels and you can read all about this on pages 14 and 15. For those of you who attended our wine tasting experience back in June, you'll find a recap on pages 16 and 17 and if you couldn't make it this time around, we hope to see you at future events.

Enjoy what's left of the Summer – as I write this, another heatwave is predicted later this week (!) – and we'll be back in the Autumn with another exciting edition.

Karen

This newsletter is for general information only and is not intended to be advice to any specific person. You are recommended to seek competent professional advice before taking or refraining from taking any action on the basis of the contents of this publication. The Financial Conduct Authority does not regulate tax advice, so it is outside the investment protection rules of the Financial Services and Markets Act and the Financial Services Compensation Scheme. The newsletter represents our understanding of law and HM Revenue & Customs practice.

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Contents

04

ARE YOU FACING A RETIREMENT CHALLENGE?

With double digit inflation on the horizon, you may need to reassess your plans.

06

COULD YOU JOIN THE ONE IN FIVE?

If you are not a higher rate taxpayer now, you may be soon.

08

WHAT I WISH I'D KNOWN — LESSONS FROM THE OTHER SIDE OF 50

Many younger people now rely on the bank of Mum and Dad to help get them on the housing ladder. But as well as being a useful source of funds, they may also have some important life lessons to impart when it comes to saving towards a more secure financial future.

10

CHARITABLE GIVING – DOING IT RIGHT

The war in Ukraine and cost of living crisis have prompted many people to donate to charities helping those affected. Various schemes are available to boost the value of your charitable donations.

- 11 HOLIDAY COSTS CHECKLIST
- 12 ARE YOU A TRUSTEE?
- 13 NEWS ROUND UP
- 14 SPOTTING RED SQUIRRELS IN THE YORKSHIRE DALES
- 16 WINE TASTING EXPERIENCE
- 18 GET THE BALL ROLLING

Are you facing a retirement challenge?

With double digit inflation on the horizon, you may need to reassess your plans.

In May 2022, a report from the Bank of England's Monetary Policy Committee bleakly predicted "We expect inflation to rise to around 10% this year. However, since then, the Bank has revised its expectations to 13% and pins the blame on rising energy prices, the war in Ukraine and supply chain difficulties stemming from China's Covid-19 lockdowns. None of that trio has a clear end date, but the Bank expects inflation to be "close to our 2% target in around two years".

Consider all the options

Whether or not their forecast proves correct, if you are close to, or about to, retire the immediate outlook is unsettling and many will be worried about how they are going to manage. So, what should you do?

The starting point is to do nothing until you have sought advice. Some aspects of retirement can be impossible to unwind once set in motion. You should only proceed when you are confident about what happens next. Your pension arrangements may state a specific retirement age, but you may still have choices. Even the State pension (currently payable from age 66) can be deferred.



Crunch the numbers

Your next step is to work out your likely expenditure and income in retirement. This needs to be a realistic assessment – a recent survey found that two fifths of 2021 retirees were already spending more than they had expected. We can help with the complex calculations using software that can handle assumptions about differing rates of inflation (considering the impending 13%) and investment returns.

Identifying future income and spending patterns is vital in understanding what your options are. For example, cash flow analysis can show whether the level of investment risk that you are normally comfortable with is compatible with your retirement spending plans.

Bear in mind that at age 65, according to the Office for National Statistics:

- The average man will live for another 20 years, with one in four surviving until age 92; and
- The average woman will live for another 22 years, with one in four reaching 94.

If the calculations suggest that you will outlive your retirement fund – a common concern for recent retirees – then you could consider revising your expenditure plans or accepting that at some point you will need to trade down to a smaller property or look at other options to extract value from your home.

At the opposite end of the financing scale, the data might show all your needs can be met with an index-linked annuity, carrying no investment or duration risk. However, sadly that is unlikely as at current RPI-linked annuity rates the standard lifetime allowance of £1,073,100 will provide a monthly income of about £2,850 before tax.

Could you work longer?

In the worst case, an analysis of your retirement cashflow may force you to consider deferring or phasing in retirement. That may seem an unpalatable option, but it is better to be aware of the situation *before* your earnings have ended. A survey of 2022 retirees found that a fifth were retiring later than they had originally planned, with the main reason for the delay being not having saved enough. An extra period of work – whether full or part time – reduces the pressure on your retirement savings and may allow you to continue your contributions rather than start making withdrawals.

For advice tailored to your circumstances, please contact us.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit with your overall attitude to risk and financial circumstances.

Occupational pension schemes are regulated by The Pensions Regulator.

Equity release will reduce the value of your estate and can affect your eligibility for means test.

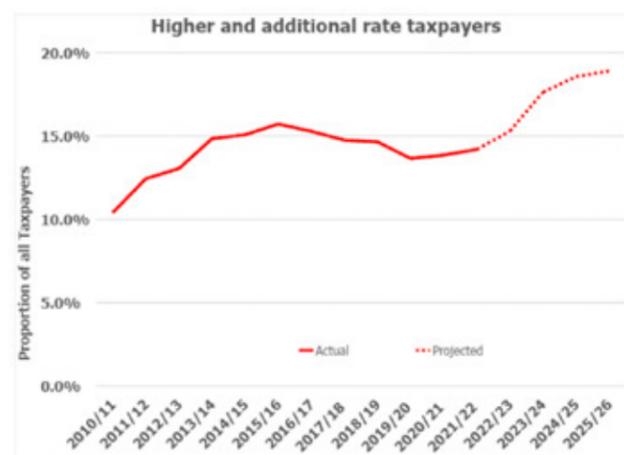
Could you join the one in five?

If you are not a higher rate taxpayer now, you may be soon.

The combination of high inflation and frozen tax thresholds is a toxic mix for taxpayers but provides comforting liquidity for HM Treasury. When the Chancellor announced in his Spring 2021 Budget that the UK-wide higher rate tax threshold would be frozen until April 2026 at £50,270, the latest annual CPI inflation reading (for February 2021) was just 0.4%.

At that inflation rate the freeze seemed a tolerable form of stealth tax to help meet pandemic costs. In Scotland, the freeze only applies to savings and dividend income, but the Scottish higher rate threshold for other income (primarily earnings) is lower at £43,662 and the rate 1% higher.

The 2022 Spring Statement saw the Office for Budget Responsibility (OBR) flagging up the effect of much higher inflation on UK taxpayer numbers. Its revised inflation assumptions calculated that the threshold freeze would mean that by 2025/26 there would be 6.8 million higher rate taxpayers – slightly fewer than one in five of all UK income taxpayers and about a third more than in the current tax year. Being a higher rate taxpayer was once membership of a relatively exclusive club, but it is steadily losing that status.



Sources HMRC, OBR

Mitigate the hike

If you are – or will soon be – a higher rate taxpayer, there are plenty of tax planning points you should review with us, including:

- Ensure that you take full advantage of all your tax allowances, such as the dividend allowance and the personal savings allowance, which together could yield a tax saving of £875 in 2022/23.
- Explore the many opportunities presented by independent taxation if you are married or in a civil partnership. For example, re-arranging who holds which investments could reduce your joint tax bill. Unmarried partners can do the same, but capital gains tax and inheritance tax liabilities potentially complicate matters.
- Maximise ISA investments – the UK tax-freedom of ISAs is more valuable once you pay higher rate tax.
- Review investments – investment returns in the form of capital gains (maximum rate 20% other than for residential property and a £12,300 annual exempt amount) will normally incur much less tax than income.

- If you run your own business, you may have scope to change the way your business is structured or be able to adjust the method by which you extract profits. For example, moving from self-employment to a corporate structure could allow you to draw an income with a lower overall charge to income tax and National Insurance contributions.
- The higher rate of 40% (or 41% in Scotland) income tax also means that you can receive higher rate tax relief on pension contributions. However, you need to watch for the tax traps of the pension annual and lifetime allowances.

Investments do not offer the same level of capital security as deposit accounts.

The value of your investment and any income from it can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

The Financial Conduct Authority does not regulate tax advice.

Investors do not pay any personal tax on income or gains. Tax treatment varies according to individual circumstances and is subject to change.

What I wish I'd known — lessons from the other side of 50

Many younger people now rely on the bank of Mum and Dad to help get them on the housing ladder. But as well as being a useful source of funds, they may also have some important life lessons to impart when it comes to saving towards a more secure financial future.

Recent research among the over 50s by the insurer Aviva found that half regretted not starting a pension earlier, while almost two-thirds said they wished they had saved more into their retirement savings.

Unlike their parents, those embarking on careers today have the benefit of auto-enrolment pensions, with employer contributions, once they earn more than £10,000. The ten years since auto-enrolment started have seen greater participation in pensions from those starting their careers.

Building pension savings from the beginning of your working life can make a significant difference to the size of your eventual pension pot, not least because contributions made early benefit from longer periods of investment growth.

A quarter of those surveyed had delayed starting a pension until they were in their 30s. Many parents said they had prioritised mortgage payments and shoring up family finances ahead of making contributions to a pension plan.



However, financial experts warn that parents' advice is not always correct when it comes to how much needs to be saved. A quarter of those aged over 50 think that putting 5% of earnings into a pension will be enough to fund a decent retirement. Retirement experts tend to disagree, stating that minimum auto enrolment levels (currently 8% with 3% of that coming from employers) could leave people with insufficient funds for long-term retirement and social care.

The Pension and Lifetime Savings Association has argued that minimum levels should be increased to 12% of earnings, to help provide for a more comfortable retirement.

While the minimum auto-enrolment levels are unlikely to change anytime soon — particularly given the current cost of living crisis — where possible younger workers should increase savings and ensure pension contributions increase in line with any pay rise. This should help protect against the same financial regrets when they reach their parents' age.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

The Financial Conduct Authority does not regulate auto enrolment.



Charitable giving – doing it right

The war in Ukraine and cost of living crisis have prompted many people to donate to charities helping those affected. Various schemes are available to boost the value of your charitable donations.

Gift Aid

Charities can claim back basic rate tax on donations, meaning for every £1 you give the charity gets £1.25. You need to be a UK taxpayer to use this scheme. Higher rate and additional rate payers can also reclaim the tax they have paid on this donation through self-assessment. This can effectively lower the net income on which their tax is calculated, which can be beneficial for those earning just over £50,000 who pay the High Income Child Benefit Charge.

It isn't just national charities like DEC, Cancer Research or Trussell Trust that use Gift Aid. If you make a voluntary donation (of at least 10%) on top of the standard ticket price to many museums and art galleries, then the total value of your purchase can benefit from Gift Aid. You can also use Gift Aid when buying an annual membership or to these organisations.

Give as you earn

Some companies allow employees to make regular donations to charity direct from their gross salary, exempting these donations from tax, although they are subject to national insurance contributions.

Charitable legacies

If you leave a charitable donation or legacy in your will, it won't be included within your estate when calculating inheritance tax (IHT). What's more, if you bequeath at least 10% of your net estate to charity, any IHT due is charged at 36% rather than 40%.

Share gifting

Shares donated to charity are not subject to capital gains tax (CGT). The value will also be deducted from your taxable income, potentially reducing income tax. If a charity can't accept shares directly you can sell them on their behalf, again avoiding CGT, although you will need an instruction from the charity.

The Financial Conduct Authority does not regulate tax, wills or estate planning advice. Tax treatment varies according to individual circumstances and is subject to change.



Holiday costs checklist

Many Brits will take their first holiday to Europe this summer since Covid and the implementation of Brexit. Be aware of extra costs and additional paperwork requirements.

Do I need a visa?

Holidaymakers currently just need a UK passport, but from the end of 2022 they will need an ETIAS visa waiver. This lasts three years and allows unlimited trips during this period.

Roaming charges

You may have to pay 'roaming charges' to use your phone in Europe. Vodafone, Three, Sky and EE all now impose these charges, which typically amount to £2 a day. Other providers, including Virgin, O2 and BT Mobile currently have no extra fees. Exact charges depend on the contract so check before travelling.

Covid costs?

Most European countries don't require UK travellers to take a lateral flow test now, provided they're fully vaccinated. The website reopen.europa.eu gives details of the latest restrictions for each country. It also explains how to download the EU Digital Covid Certificate, proving vaccination status.

Travel and health insurance

Travel insurance is always essential, particularly to cover medical bills. Some policies may offer cover should you need to cancel or delay arrangements due to Covid, but not all. European Health Insurance Cards (EHIC) are still valid, if in date. Once these expire you'll need the new UK Global Health Insurance Card (GHIC). This allows access to state healthcare in Europe at a reduced cost, or sometimes for free.

Are you a trustee?

A new measure to prevent money laundering means trustees must now register with HMRC.

The government has introduced a new requirement for trustees to register details of their trust(s) with HMRC as part of its continuing anti-fraud strategy. For most existing trusts, the deadline registration date is 1 September 2022. New trusts will need to register within 90 days. Once registered, any changes to the trust must be reported by the trustees, also within 90 days.

Certain types of trust, such as property co-ownership trusts, are exempt, but many trusts that do not currently pay tax must be registered. The treatment of trusts linked to life assurance policies is particularly complex and has prompted HMRC to regularly update and expand its guidance. While a trust holding a simple term assurance policy that only pays out on death will not need to register, the treatment of investment-oriented policies is less clear cut.

News round up

No-fault divorce

In England and Wales, divorce has become much simpler and potentially quicker with the introduction of no-fault divorces since 6 April 2022. However, the reform has done nothing to simplify all the related financial issues, so professional advice will still be necessary.



No-fault evictions

In the Queen's Speech the government announced that it would be introducing a Renter's Reform Bill. Among its measures the Bill would remove the option of no-fault evictions which English Landlords currently have (often called section 21 evictions).



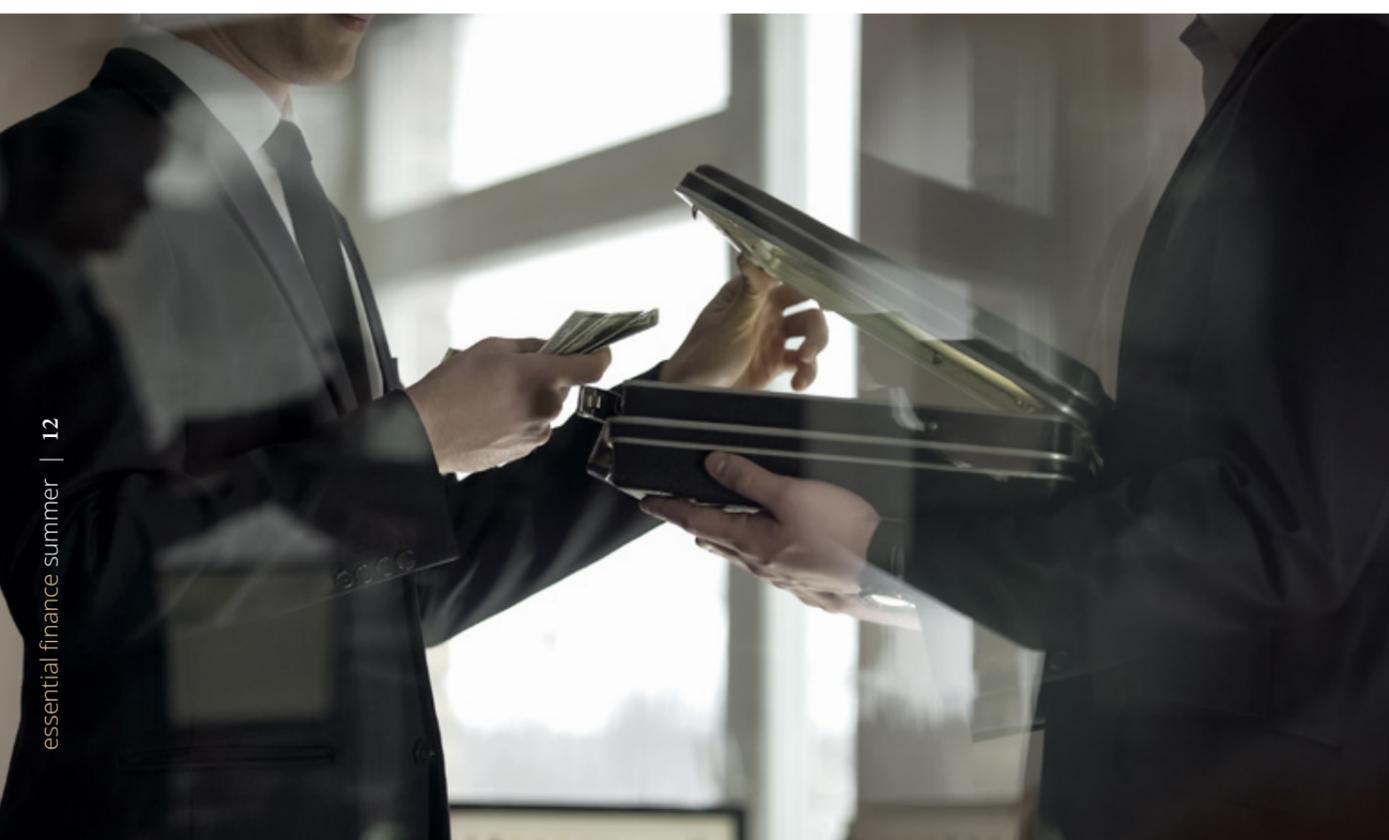
Managing energy price rises

Ofgem, the utility regulator, is consulting on a proposal to adjust the energy price cap every quarter after forecasting a jump from £1,971 to about £2,800 in October. That figure is likely to drop to around £2,400 for many households following the Chancellor's end of May measures including a £400 per household rebate. But a mid-winter bill amendment is still coming at the start of 2023.



National insurance cut comes through

If you are an employee, in July you should have seen the benefit of the change to national insurance contribution (NIC) thresholds announced in the Spring Statement. At best your NIC saving will be worth about £28 a month.



Spotting red squirrels in the Yorkshire Dales

Tim Ball, Chartered Financial Planner, recently decided to go and see if he could spot some red squirrels on a sunny Saturday afternoon earlier this year in the Yorkshire Dales.

"I'd heard via social media of a place just outside Hawes called Snaizholme, which is now one of 17 Red Squirrel Refuges in northern England where woodlands are managed and red squirrels encouraged to thrive.

The red squirrel, the only native species of squirrel in the UK, is in danger of disappearing from our countryside altogether.

There are only around 15,000 red squirrels in England, however you can still see this rare squirrel in woodland areas of the Yorkshire Dales National Park.

The conifer plantation at Snaizholme provides a good food source, and isolation from grey squirrels make it an ideal site for red squirrels. Grey squirrels carry the squirrelpox virus, which is deadly if passed onto reds.

Did you know...

- Red squirrels live in dreys made from twigs and are lined with leaves and moss, high in the trees.

- They usually have two litters of young, known as kittens (or kits), a year, with three or four kittens in each litter.
- They do not hibernate in Winter but may move around less during wet weather.
- They hoard food during times of plenty by burying nuts and seeds in the ground and they can find them again even under deep snow."





Wine tasting experience

At Eastwood Financial Services we were delighted to have hosted a wine tasting experience at Fixby Hall, the home of Huddersfield Golf Club, for our clients and professional connections.

Nestled under the railway arches in the centre of Huddersfield you will find the family owned and run business of Hoult's Wine Merchants.

Rob Hoult took us on a journey through a selection of wines from around the world in an enthusiastic, enlightening and entertaining fashion.

We're sure everyone would agree that it was most definitely a wine tasting experience that left us with a smile on our faces.

We also enjoyed some live music by Dom & Kieran, a fantastic acoustic duo of local talent.

All that is left to say is a big thank you to all those who joined us. We hope that you all enjoyed the evening as much as we did!

www.hoults.com

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Wine Merchants

Get the ball rolling

Along with our sister company, Eastwood Private Clients, we are delighted to be partnering with Thongsbridge Tennis & Fitness Club – a great place for the local community and a fantastic opportunity for the children who go there. Anthony Flowers, Director, said: “Tennis is not just great fun, it’s also a sport full of influential national and international role models.”



At Thongsbridge Tennis & Fitness Club we pride ourselves on supporting the community and building an inclusive and friendly leisure environment. Over the years, we have focused on building a staff team that really cares about our members and guests.

Developing relationships through the programmes and facilities we provide, whilst supporting all to achieve their goals, is key to our approach. Add in a little social and relaxation time in the café bar with friends, and you have the makings of a club that people want to be a part of.

The club celebrated its Centenary in 2017 and was going from strength to strength as we approached the first lockdown in March 2020, with unprecedented levels of membership.

Like many organisations, we had to rethink goals, certainly timelines, during this period but have been energised by the support and commitment of our members. As a result, we are proud to continue to have one of the leading tennis and fitness clubs in the North of the UK.

Two years on and we are delighted to be progressing new plans to accommodate one of the fastest growing sports globally, Padel Tennis. A racket sport that is essentially a hybrid of tennis and squash, Padel Tennis is typically played in doubles on an enclosed court that is roughly 25% smaller. Scoring is the same as normal tennis and the balls used are similar but with a little less pressure.

Our research and member discussions are ongoing, but

with the evidence looking very favourable, it is an area of development that we are beyond keen to explore and implement should it receive the full support of the membership.

Club life feels good again and it's all thanks to our staff team and membership, who are nothing short of exceptional. Our philosophy is simple, we try to make the sum of all the parts as strong as possible, so the club becomes an attractive place to spend your leisure time. We can always improve and we look to make those small adjustments every day.

Looking from the outside in, you'd be forgiven for thinking that we're a big club, a bit daunting even. But once inside, you will find a friendly, cosy leisure space where

our members and guests meet to begin their daily routines or relax after feeling a sense of achievement from their activities.

The club itself consists of a modern clubhouse with Courtside Café bar, fitness suite, studio, sauna, Pro Shop, four indoor heated tennis courts, seven outdoor floodlit courts, and two kids' mini courts. In terms of wellbeing, fitness, and tennis facilities, we have something for everyone of all ages and abilities.

In much the same way that we nurture relationships with our members and guests, we have built many partnerships to help develop our club and grow business opportunities locally. Our collaboration with Eastwood Private Clients began some five years ago, when Director Wayne Johnson agreed the business would take Headline Sponsorship

for the annual Thongsbridge Open tournament, taking place each August.

This incredible event, attended by over 300 players from all around the UK, hosts around 500 matches throughout the week. Thanks to Eastwood Private Clients, each competitor takes away a “goody” bag of the highest quality, the contents of which were hailed by our juniors as “awesome!”

More recently, we have had the opportunity to meet with Anthony Flowers of sister company Eastwood Financial Services and are excited to be exploring further benefits of working in collaboration with like-minded people. We look forward to working with Wayne, Anthony and the Eastwood teams for many years to come and continuing to support our community in the best way we can.

We would like to wish everyone a fantastic summer season of fitness and tennis.

We are always delighted to welcome new faces to our club, so why not get stuck in with a 7-day free fitness trial and see how we can support your lifestyle and wellbeing goals. Perhaps take advantage of trying out our all-new fitness suite, following its Summer 2022 refit.

Our team is always on hand to arrange a visit, a trial or a taster session, so please give us a call on 01484 687160 and get the ball rolling!

Article courtesy of Thongsbridge Tennis & Fitness Club



Giving you financial freedom

Eastwood Financial Services is committed to offering independent, careful and comprehensive financial planning to both businesses and private clients.

www.eastwoodfinancial.co.uk

Pennine House, Lowfields Close, Lowfields Business Park, Elland HX5 9DA

Tel 01422 377 737 Fax 01422 376 866 www.eastwoodfinancial.co.uk

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