



# Sovereign

Independent Financial Advisers  
Established 1981

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## WELCOME TO THE NEW TAX YEAR!

### TAX NOTES FOR 2017/18 FROM THE BUDGET

Personal Allowance	£11,500 (reduced for those with incomes over £100,000)
20% Rate Tax Band	£33,500 (adding in the Personal Allowance of £11,500 means that your income would need to be in excess of £45,000 before the 40% tax rate would start to be charged)
Annual ISA Allowance	£20,000 (up from £15,400 last year)
Lifetime Pension Allowance	£1 million
Inheritance Tax Nil Rate Band	£325,000 (same as last year)
Annual Pension Allowance	£40,000 (reduced for those with incomes over £100,000)
Rent-A-Room Allowance	£7,000 per annum tax free (same as last year)
National Living Wage	£7.50 per hour (up from £7.20 per hour last year)

Assisting our clients to achieve their objectives and enjoy financial security

Sovereign Finance is authorised and regulated by the Financial Conduct Authority. Number 125460  
Proprietors TB Shuster BA, FHD Dip PFS and MJ Shuster BA (Hons) Cantab



## ENJOYING ACCESS TO ONE'S PENSION SAVINGS

**Over the last couple of years we have assisted many clients to access their pensions – either for lump sums to help family members or other projects, or to set up a regular income to supplement their current income.** The minimum age for accessing pension benefits currently is 55. Most people will be able to take

25% of the pension fund value as a tax-free cash lump sum. You can also access more of the pension but money taken this way is taxable and may affect your ability to add money to a pension in the future. Please contact us if you wish to find out what options are available to you with your pensions.

## TAX-FREE SAVINGS ACCOUNTS

The ISA (Individual Savings Account) is the most commonly used tax-free savings plan. From the 6th of April 2017 the limit that one can put into ISAs in this tax year is £20,000. There are various ISA choices which one can use but the total in the year cannot exceed the £20,000.

### Your ISA Menu



- A. The “old fashioned” simple ISA – can be invested in cash or stocks and shares. Good for anyone.
- B. Junior ISA – only for those under 18. Anyone can pay into it for the person concerned, e.g. grandparents. The maximum annual contribution is £4,080.
- C. Help to Buy ISA – Only of real use for someone looking to save specifically to buy their first property. Anyone over 16 can start one, but the bonus from the Government is only added when the person actually buys their first property. If monies are taken from the Help to Buy ISA for other than purchasing the person's own first home, no Government bonus is added to the monies withdrawn. The maximum that can be saved in the Help to Buy ISA is £1200 initially and £200 per month thereafter up to a maximum of £12,000. The Government bonus added is 25% up to a maximum of £3000.
- D. Innovative Finance ISA – High risk. You lend your money through websites regulated by the FCA (Financial Conduct Authority). These are known as peer-to-peer lending platforms or “crowd-lending”. The expected return is approximately double the rates offered by Cash ISA providers. For more information go to [MoneySavingExpert.com](http://MoneySavingExpert.com) – “Peer to Peer Lending”
- E. The new Lifetime ISA (Lisa) launched 6 April 2017. This is only available for those aged 18 to 40. It is complicated but generally it would suit someone saving for buying their first property or as an alternative to a pension – particularly for someone who is self-employed. The maximum you can put in is £4,000 per annum. The Government will add a 25% bonus each year. The Lisa can be invested in cash, or stocks and shares. Note: The 25% Government bonus is added annually to what you put in, but monies cannot be withdrawn before age 60 unless it is being used for buying a first home. After age 60 it can be used for any purpose. Withdrawals for any purpose other than the home purchase before age 60 are subject to a 25% penalty. The Government will only add its annual 25% bonus for monies put into the Lisa up to age 50. *Note:* Lisas are not yet broadly available as many providers consider them too complicated. Search the Internet if you want to know what choices there are.

# MORTGAGES AND REMORTGAGES – LOOKING GOOD!

**Residential mortgage rates remain very low although the most recent hike in inflation can be taken as a reminder that rates can go up.** It is probably a very good time to lock into a fixed interest rate for 5 years or so which can be as low as 2.0%. Many lenders are also working on making borrowing easier for older borrowers. We can provide rapid assessments of what rates may be available for your circumstances.

The market in purchasing buy-to-let properties has slowed following the hefty increases in Stamp Duty when you buy a second/investment property, and also due to the reduction in tax relief on mortgage interest for higher rate taxpayers. However, rates are also good in this sector for those reaching the end of a mortgage term on their rental property and looking to replace the existing mortgage.

## BANK OF MUM AND DAD!

At least one out of three first-time buyers are having to rely on assistance from their parents to buy their first property. In most cases this is help with money for the deposit, although in other cases the parents may act as guarantors.



## GETTING OUT OF THE MORTGAGE TRAP!

**One problem that a number of older people face currently is how to pay off their interest only mortgage when it reaches the end of the mortgage term.**

The Lifetime Mortgage is helping many in such a situation. The borrowing is based on age and property value only so it avoids many of the obstacles that the majority of lenders throw up.

For those 55 and older it is possible to have an interest-only lifetime mortgage which can go on as long as they live. Besides repayment of interest, it is also possible to repay capital – although there may be early repayment penalties. Since this borrowing is based only on age and property value, it can help those who might not otherwise be able to borrow money. It can also provide a potential solution for those who have had an interest-only mortgage which is coming

to the end of the mortgage term. *Note:* A Lifetime Mortgage cannot be arranged in addition to an existing mortgage. Any existing mortgage must be repaid. Lifetime Mortgages range from about 20% of property value for those aged 55 to about 50% for those aged 80. Here is a sample table of the maximum borrowing that may be available (note: in the case of a couple the providers will work on the age of the younger):

AGE	% OF PROPERTY VALUE	AGE	% OF PROPERTY VALUE
55	20%	70	40%
60	30%	75	45%
65	35%	80	50%

We can provide estimates for you to help with your planning if you feel this approach may suit your circumstances.

## USING OUR EXPERIENCE AND EXPERTISE

We have accumulated much experience and expertise over the last 35 plus years which we can use in providing impartial financial advice and helping to unravel the mysteries of pensions. We always aim to provide a speedy and efficient service. Here are a few recent client comments:

"I was very happy with the service provided. Already recommended a family member."

*Mrs JA of East Grinstead*

"After the brilliant job you did for us, I would only recommend you."

*Ms MK of Wales*

"Thank you so much for all your help with these pensions. We couldn't have done it without you."

*Mr & Mrs KC of West Sussex*

"Friendly and accurate advice."

*Mr AO of East Sussex*

"Service is, as ever, unbelievable."

*Mr CE of Crawley*

"Very professional and helpful service."

*Mr JG of East Grinstead*

**Best wishes**  
**Tom Shuster**

**P.S. BREXIT is likely to bring periods of uncertainty in the financial markets.** Up to now it has only had a positive effect with financial markets at record levels, but investors should keep an eye on developments as the BREXIT procedures go forward.

