



Sovereign

Independent Financial Advisers

Established 1981

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2017

Sovereign Finance enters its 36th year of trading in 2017. We look forward to a busy year helping our clients achieve their objectives and enjoy financial security.

It will be an interesting year. We still have to see how BREXIT will progress and affect the economy, and we have a new US president who, for better or for worse, is not an experienced politician. While these matters are not within our control, we can continue to work hard and flourish and prosper on our own and together with others in companies or groups in which we are involved. The basics of a successful and happy life remain the same.

Assisting our clients to successfully achieve their objectives and enjoy financial security

Sovereign Finance is authorised and regulated by the Financial Conduct Authority. Number 125460
Finance Brokers Licensed under the Consumer Credit Act 1974 License Number 204599
Proprietors TB Shuster BA, FHD Dip PFS and MJ Shuster BA (Hons) Cantab



THE AUTUMN STATEMENT!

There was not much that was new announced in the Chancellor's November statement but it is worth taking note of the key tax changes from the 6th of April 2017:

Personal Tax And Benefits Changing From 6 April 2017

- The Personal Allowance will increase from the present £11,000 to £11,500. (This is the amount of money you can earn before you start paying any tax at all.)
- The amount you can earn over and above your Personal Allowance and pay only 20% tax will increase from £32,000 to £33,500. (If you include the Personal Allowance from next April of £11,500, it means that you will have to earn in excess of £45,000 before you start paying 40% tax.)
- You will pay 40% from that level up to £150,000, and over £150,000 you will pay the Additional Rate of Tax – 45%. (Note: If you earn £100,000 or more, your entitlement to a Personal Allowance will be lost progressively until it is gone completely for those earning £122,000 or more.)
- The Individual Savings Account (ISA) contribution limit will rise from £15,240 to £20,000.
- The Government announced its intention to launch a savings bond with a £3,000 limit and an interest rate expected to be about 2.2% over a three year period.
- We understand that the Rent-A-Room relief will continue at the level of £7,500 per annum. This is income you can earn from letting a room in your personal residence which will not be taxable if it is less than £7,500 in the year. If you have any questions how this works, go to www.gov.uk/rent-room-in-your-home/the-rent-a-room-scheme.

LIFETIME ISA (LISA)! YET ANOTHER ISA, BUT PRETTY ATTRACTIVE

From 6 April 2016 there will now be the new Lifetime ISA (Individual Savings Account) available to anyone aged between 18 and 40.

You can put up to £4,000 into it each year. Up to age 50 any amount you put in will have a further 25% bonus added by the Government. For example, if you put in the full £4,000, the Government will add £1,000 at the end of the tax year, so you would have £5,000 in your Lifetime ISA. You can invest the money in cash or in stocks and shares.

This Lifetime ISA is meant to be a tool either for buying a first home or for use to help fund retirement from age 60. You can withdraw money at any time, but if it is withdrawn before age 60 and is not used to buy a first property,

it will suffer a 25% penalty – in effect it is the Government taking back its bonus. From age 60 onwards you can take money out as you wish and it is not subject to tax. You can have a Lifetime ISA for up to £4000 per year if you qualify age-wise (18 to 40). It will count towards your total annual ISA allowance from next April of £20,000.

There is an ISA Helpline – 0300 2003312 – for those with questions about the Lifetime ISA or the other ISAs available. It is becoming rather complicated and it is good to have a point of contact to get questions answered.



ATTACKS ON THE BUY-TO-LET MARKET!

Over the past 12 months there has been a deliberate effort by the Government to make buying properties to let less attractive.

First, there was the announcement that the Stamp Duty payable on second properties would be 3.0% more than that payable on residential properties. That is a very significant amount of money. Then there is the progressive reducing of tax advantages on the interest on mortgages on let properties – ultimately dropping from as much as 45% for Additional Rate Taxpayers down to a level of 20% for all. This effectively raises the costs for many landlords who are higher rate taxpayers.



There are further changes. In 2017 we will see the affordability calculations for Buy-To-Let mortgages significantly increased – the bottom line being that the amount of mortgage available based on the monthly rental, will go down from the levels they have been. This could make buying and remortgaging more difficult. Do contact us if you need any remortgage calculations. All in all the Government may be shooting itself in the foot with these actions as the result could be a stagnant housing market with reduced levels of house building and sales.



PENSION FACTS

If you pay into a personal pension, for every £100.00 you put in, the Government adds £25.00. And, if you are a higher rate taxpayer, you will get a further £25.00 off your tax bill. This makes

saving by means of pensions a very attractive option – particularly for those paying higher rates of tax. If you are a higher rate taxpayer, however, do be advised that the Government is seriously considering reducing pension tax relief for higher earners.

It would be a good time to look and see about maximising your pension contributions. You can pay up to £40,000 each year into a pension (subject to your earnings) and may also be able to catch up pension payments from the last 3 years if you have not paid the maximum in each of those earlier years.

PENSION FREEDOM CONSEQUENCES

You can take your pension benefits from age 55, but be aware that taking the benefits early could restrict how much you could then continue to contribute into a pension. Contact us for more details. Also, if you have built up substantial pension benefits over the years, be aware that there is a Pension Lifetime Allowance. Pension savings made in excess of that could result in having to pay charges. Contact us if you have questions about this.

MORTGAGE OPTIONS FOR THE MORE MATURE OF US!

There are more and more mortgage options for those of us getting older. These include normal residential mortgage options as well as the useful Lifetime Mortgage options. These can open doors to many who otherwise have felt caught in a mortgage trap which they could not escape from due to age or income limitations. Do contact us if you would like to find out what might be available for you.



INHERITANCE TAX CHANGES

Announced last year, from April 2017 there will be additional Inheritance Tax relief for those passing residential property down to their children. This will be in addition to the £325,000 Inheritance Tax relief for each individual. This will be an extra £100,000 in 2017/18 and will increase over the coming years until it reaches £175,000 in 2020/21. While this is good news for many, the details are rather complex so it is worth some study. It is called the Residence Nil Rate Band (RNRB). Go to www.gov.uk/guidance/inheritance-tax-residence-nil-rate-band for more information.

EXPERIENCE AND EXPERTISE DO COUNT!



We do seek to use our experience and expertise to help our clients achieve their objectives and enjoy financial security. Here are what a few clients have written to us recently regarding their experiences with us:

“Thank you so much for all your help with these pensions.
We couldn’t have done it without you.”

Mr & Mrs KC

“After the brilliant job you did for us (mortgage), I would only recommend you.”

Ms MK of Shropshire

“I can’t thank you enough!”

Mrs JA

“Sovereign Finance helped me with something tricky and time-consuming and the service was exemplary. I was, and am, very impressed indeed and I would recommend Sovereign Finance to anyone: wise, honourable people and very competent.”

Mr KB of the Shetland Islands



Best wishes,
Tom Shuster
Managing Partner