ISSUE 13 ■ SUMMER 2016

INFORMED

Working with professional partners

by Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

TAX CREDIT ON DIVIDENDS ABOLISHED

Tax-free Dividend Allowance introduced under new system

THE NEW **STATE PENSION**

HOW MUCH WILL I GET UNDER THE NEW STATE PENSION?

Asset mix

Even the best-planned portfolios need to be reviewed regularly

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Welcome to our **Summer issue**

The spring has been a very busy time, with the end of the tax year and clients continuing to review their pension arrangements. Our business continues to thrive partly due to the large number of referrals we receive. I am happy to say that the firm regularly receives referrals both from private clients and local professional firms – accountants and solicitors in particular – who continue to pass on our names to their valued clients. We really appreciate receiving such endorsements of our work, and thank you to all those who have referred Clayden Financial to friends, clients and colleagues.

We have a new addition to the Clayden family! My daughter Gemma and her husband Tom have a baby boy. Gemma gave birth to Joshua Thomas Hall on 18 February 2016. Weighing in at 8 pounds and 4 ounces, Joshua arrived at 9.34 in the morning. When asked how Gemma would describe Joshua, she said: 'He is a very hungry boy, putting on weight, and still keeping his mummy up at night! Grandad Leigh and Grandma Jane are totally besotted with him!'

I hope you enjoy our latest edition of *Informed*. See you again in the autumn!

Leigh Clayden

Golfers raise over £6,200 for Suffolk Age UK charity

Clayden Financial's Leigh Clayden and Martin Cornell participated in this event which saw 23 teams of local golfers, of all ages and abilities, take to the course at Ufford Park recently in support of local independent charity Suffolk Age UK. An annual event in the charity's fundraising calendar, this year saw a full line-up, with regular supporters alongside many new teams.

The event was supported by Basepoint Ipswich as overall sponsors who selected Suffolk Age UK as their charity of choice for 2015/16 plus local party experts Let's Party and Ufford Park Hotel, Golf & Spa.

Teams from local golf clubs and businesses enjoyed a breakfast, great golf, competitions and dinner, followed by an auction, raffle and prize-giving in support of the charity. Just over £6,200 was raised – all of which will go towards continued support of core services such as befriending, information and advice, benefits advice, and attendance at a lunch or memory group – linking into the charity's 2016 campaign 'There's More To Me'.

The photo shows (left to right) Martin Cornell, Ian Beard of Prettys Solicitors, Clayden Financial's client Peter Steward and Jerry Norman of Prettys.

As always, there was a competitive side to the day, with trophies going to Gloria Rockliff and Matthew Stacey for the individual prizes, and Fynn's Favourite Fore taking the prize for the Team competition.

Jo Reeder, Fundraiser for Suffolk Age UK, said: 'We were delighted with the support for this year's golf day, which saw us "sell out" with more teams than ever before. This has enabled us to raise much-needed funds to directly support older people in Suffolk, enabling them to feel valued, protected and supported in their later years.'

www.ageuk.org/suffolk

Suffolk ageUK

65 years Supporting Older People in Suffolk

At this time...

Use your 2016/17 ISA allowances early! Now that we are in a new tax year, this is an excellent time to make use of some of the tax-free allowances that are available, in particular the ISA allowance for 2016/17 standing at £15,240. It is normally recommended to use this as early as possible in the new tax year.

FUTURE EDITIONS

Do let us know if there are subjects that you would like us to cover. Just contact me, Krystyna Smithers, by email at **krystyna@claydens.com** or call on **01473 730090**. Thank you.

THE NEW STATE PENSION

How much will I get under the new State Pension?

The State Pension changed on 6 April 2016. If you reach State Pension age on or after that date, you'll now receive the new State Pension under the new rules. The aim of the new State Pension is to make it simpler to understand, but there are some complicated changeover arrangements which you need to know about if you've already made contributions under the previous system.

KEY CHANGES

For many people, the State Pension forms the core of their retirement income, together with any workplace or personal pension provision that you have. The new State Pension is a regular payment from the Government that you can claim if you reach State Pension age on or after 6 April 2016. You will receive the new State Pension if you're eligible and a man born on or after 6 April 1951, or a woman born on or after 6 April 1953.

If you reached State Pension age before 6 April 2016, you'll receive the State Pension under the old rules. You can still get a State Pension if you have other income such as a personal pension or a workplace pension.

The basic and additional State Pensions have been replaced by a flat-rate, single-tier new State Pension with a full level of £155.65 per week in 2016/17, and depending on your personal circumstances this may be subject to tax. Your National Insurance record is used to calculate your new State Pension. You will usually need ten qualifying years to get any new State Pension.

"FOR MANY PEOPLE, THE STATE PENSION FORMS THE CORE OF THEIR RETIREMENT INCOME, TOGETHER WITH ANY WORKPLACE OR PERSONAL PENSION PROVISION THAT THEY MAY HAVE."

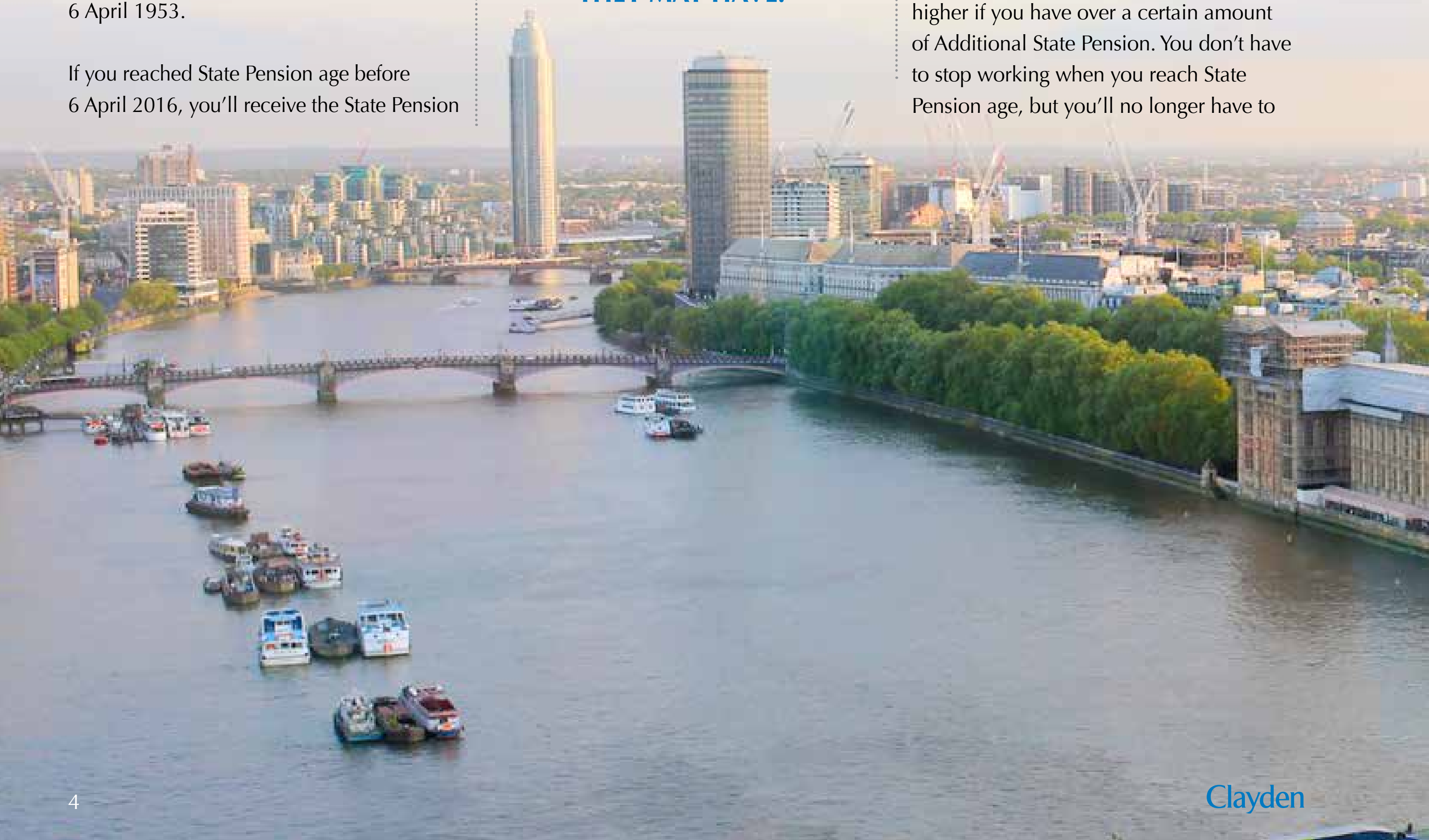
For ten years, at least one or more of the following must have applied to you:

- You were working and paid National Insurance contributions
- You were receiving National Insurance credits, for example, due to unemployment, sickness or as a parent or carer
- You were paying voluntary National Insurance contributions

If you've lived or worked abroad, you may still be able to get some new State Pension. You may also qualify if you've paid married women's or widow's reduced rate contributions, but you'll need 35 qualifying years to get the full new State Pension.

HIGHER OR LOWER

The amount you receive can be higher or lower depending on your National Insurance record, and it will only be higher if you have over a certain amount of Additional State Pension. You don't have to stop working when you reach State Pension age, but you'll no longer have to



pay National Insurance, and you can also request flexible working arrangements.

You do have the option to defer which can increase the amount you get. If you're eligible for a State Pension from the Isle of Man, you'll need to claim it separately from your new UK State Pension.

Deferring the new State Pension means that you may receive extra State Pension when you do claim it. The extra amount is paid with your State Pension (for example, every four weeks) and may be taxable. Deferring your State Pension could affect any other benefits and tax credits.

You'll need to defer for at least nine weeks – your State Pension will increase by 1% for every nine weeks you put off claiming. This works out at just under 5.8% for every full year you put off claiming. After you claim, the extra amount you get because you deferred will usually increase each year. The rules for deferring are the same if you live in the EU and EEA, Gibraltar or Switzerland, or a country that the UK has a social security agreement with.

DIFFERENT RULES

There are different rules if you live in another country. The extra amount you get for deferring is calculated by taking your State Pension rate at the time you reach State Pension age, or when you move abroad. The extra amount also won't increase after you claim.

CONTRACTED OUT

The rules also changed on 6 April 2016, so that if you were contracted out you'll no longer be contracted out, and will pay more National Insurance (the standard amount).

The new system sees the end of the Additional State Pension (the State Second Pension [S2P]) and the previous version, the State Earnings-Related Pension Scheme (SERPS). You should check your previous payslips to see if you have been contracted out. You will have been contracted out if the National Insurance contributions line has the letter D or N next to it, and remain contracted in if it has a letter A. If there's a different letter, you should check this with your employer or pension provider. You will have paid National Insurance at a lower rate if you were contracted out. However, if you were contracted out through a personal pension plan, the full rate of National Insurance would have been paid, with a rebate being paid by the Government to the pension provider.

You're more likely to have been contracted out if you worked in the public sector, for example, the NHS, local councils, fire services, the civil service, teaching, police forces or the armed forces. Up to April 2012, it was possible for people to contract out through their own individual private pension plan if they weren't already a member of a contracted out occupational scheme.

You may also be able to inherit an extra payment on top of your new State Pension if you're widowed, but you will not be able to inherit anything if you remarry or form a new registered civil partnership before you reach State Pension age.

WILL THE NEW STATE PENSION IMPACT ON YOU?

You can currently obtain a State Pension forecast from the Department for Work and Pensions (DWP) by completing a BR19 form which is available on the DWP website. This gives you an estimate of what you can expect in terms of your State Pension based on your National Insurance contributions. If you have any concerns about how the new State Pension changes could impact on your finances and would like to discuss your position, or to obtain further information, please contact us.

Tax credit on dividends abolished

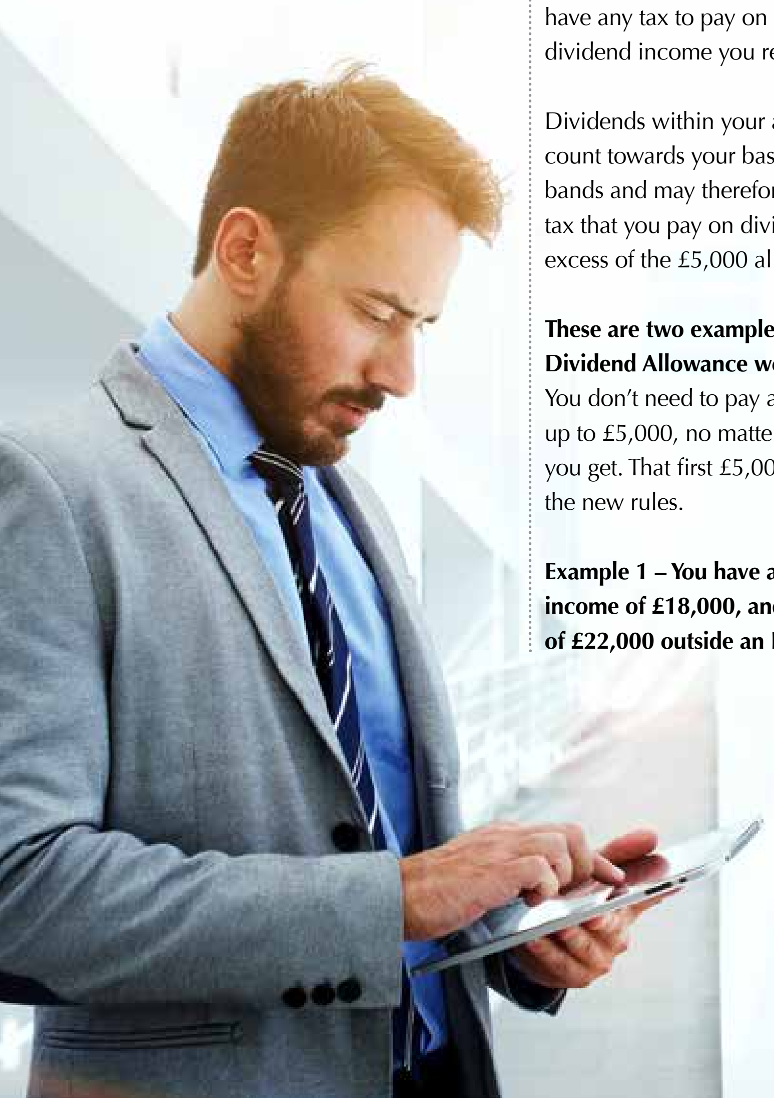
Tax-free Dividend Allowance introduced under new system

From April this year, the notional 10% tax credit on dividends has been abolished and replaced by a new tax-free Dividend Allowance. The Dividend Allowance means that you won't have to pay tax on the first £5,000 of your dividend income, no matter what non-dividend income you have.

The allowance is available to anyone who has dividend income, and headline rates of dividend tax are also changing.

Income Tax will apply to any dividends received over £5,000 at the following rates:

- 7.5% on dividend income within the basic rate band
- 32.5% on dividend income within the higher rate band
- 38.1% on dividend income within the additional rate band



This new system will mean that only those with significant dividend income will pay more tax. If you're an investor with a modest income from shares, you'll see either a tax cut or no change in the amount of tax you owe.

Dividends received by pension funds, and dividends received on shares held in an Individual Savings Account (ISA), will continue to be tax-free.

From 6 April 2016, you now have to apply the new headline rates on the amount of dividends you actually receive where the income is over £5,000 (excluding any dividend income paid within an ISA).

The Dividend Allowance will not reduce your total income for tax purposes. However, it will mean that you don't have any tax to pay on the first £5,000 of dividend income you receive.

Dividends within your allowance will still count towards your basic or higher rate bands and may therefore affect the rate of tax that you pay on dividends you receive in excess of the £5,000 allowance.

These are two examples of how the new Dividend Allowance works:

You don't need to pay any tax on dividends up to £5,000, no matter what other income you get. That first £5,000 is tax-free under the new rules.

Example 1 – You have a (non-dividend) income of £18,000, and receive dividends of £22,000 outside an ISA

Tax you need to pay on the £22,000 dividend income:

- The Dividend Allowance covers the first £5,000
- The remaining £17,000 of dividends to be taxed at the new basic rate of 7.5%. This would need to be done through a tax return

Had your non-dividend income been £30,000, the tax due on the £17,000 dividend income would be made up of 7.5% of the amount within the basic rate band, and 32.5% on the balance.

Example 2 – You receive dividends of £600 from shares invested in an ISA

As is the case now, no tax is due on dividend income within an ISA, whatever rate of tax you pay.

SHAREHOLDING DIRECTORS

If you're a company director who takes dividends instead of a salary, you should obtain professional financial advice to find out how you could be affected by the upcoming changes in the next tax year and what steps you can take to be as tax-efficient as possible.

Taking dividends may still be a good option, but there are other tax planning opportunities to explore, such as paying into a pension, that might reduce the amount of tax you pay.

IT'S GOOD TO TALK

To discuss your situation and the options available to you, do contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TIME TO REVIEW YOUR HOME CONTENTS INSURANCE?

ryan's

YOU CAN BE SURE IT'S RIGHT

One of Ryan's specialist insurers, OAK Underwriting, gives us an overview of items popular with clients in 2016 – a reminder to review your contents insurance to help avoid underinsurance.

WHAT'S HOT FOR 2016?

1. Art Deco jewellery – the *Downton Abbey* effect has led to a year-on-year increase in demand since the TV drama series begun. Any vintage examples signed by Cartier or Van Cleef & Arpels are particularly sought after.

2. Oriental rugs – the popularity of investing in rugs has grown considerably in recent years.

3. Oriental ceramics – over the next decade, their value is predicted to increase from between 50% to 80+%.

4. Silver – while its value has declined over the past few years, 20th century and more contemporary pieces remain popular.

AND THE BEST OF THE REST…

1. Jewellery – coloured stones, especially diamonds, are worth investing in after a dramatic rise in popularity among the top-end jewellery collectors.

2. Watches – move over Rolex and even Patek Philippe, today's top time pieces are bespoke – Bremont or RW Smith are seen as great investments.

3. Furniture – sought after styles range from small 18th century French classics, to 1950s design icons, to futuristic design trendsetters.

4. Paintings – expressionist art, especially by the 'top six' (Amedeo Modigliani, Francis Bacon, Pablo Picasso, Edvard Munch, Andy Warhol and Alberto Giacometti) is the most sought after.

5. Sculpture – bronze garden sculptures are highly sought after, with contemporary pieces often commissioned.

6. Taxidermy – the popularity of this art form has seen a recent resurgence thanks to the influence of artists such as Damian Hirst.

7. Clothes – vintage pieces, especially high-end evening dresses, have increased dramatically in popularity over the last few years.

8. Handbags/scarves – new and vintage Hermes and Chanel bags and Hermes scarves are very popular and are often not used by the client but are purchased purely as investment pieces.

9. Cars – classic cars are still popular with the HNW client. Investments over the past decade have seen returns of up to 450%.

10. Wine – a new record for the most expensive lot of wine sold at auction was set in 2015, with 114 bottles of Burgundy (Romanee-Conti) selling for £1m at Sotheby's in Hong Kong. More HNW clients are laying down wine; especially popular is wine 'in bond', stored in a UK bonded warehouse, where no tax is payable.

11. Film memorabilia – the anniversary of *Back to the Future* and the latest *Star Wars* film has meant a phenomenal interest in such items.

If you would like to talk to one of our advisers about our range of personal or business insurance solutions please call the Ryan's team on 01473 343300 or visit our website www.ryans.co.uk

ASSET MIX

Even the best planned portfolios need to be reviewed regularly

It goes without saying that everyone should take some time to review their portfolios every once in a while. The only constant in life is change – and chances are your life has changed since you last reviewed your investment portfolio.

BEST-PLANNED PORTFOLIOS

Do you know if you are still on track to reach your goals? Or if your money is working as hard for you as it could be? Even the best-planned portfolios need to be reviewed regularly. Markets go up and down, tax rules change, and your personal financial needs and goals shift – perhaps you are nearing retirement, your income has changed or you have recently received a lump sum to invest.

As financial markets are constantly on the move, over time the asset allocation of your portfolio will change, as could the level of risk you are taking. A regular check provides the opportunity to realign your investments with your investment objectives, and rebalancing your portfolio will ensure that your needs, goals and risk appetite are aligned to meet your short and long-term financial goals.

LIFE CHANGES

Have any life changes occurred during the past 12 months? Have you married or remarried, had a child, started a new job or retired? Has there been a divorce or a child nearing university age? If so, you may need to make some changes to your plans and your investment portfolio.

PORTFOLIO MIX

It doesn't take a significant amount of time for you to see the effects of differing levels of performance across different assets. If equities have a good year, but property and/or cash are under pressure, your carefully balanced approach to risk can quickly move out of line.

It is therefore sensible to make sure you review those allocations on a regular basis – and unless you have a significant amount of money, annually is generally considered sensible. This doesn't have to be a lengthy process – you just need to make sure your objectives are still in sight and the underlying risk levels remain acceptable.

Your review might therefore include making any necessary changes:

- Checking your current valuations and resulting asset allocation
- Rebalancing of funds to realign your risk levels
- Considering an increase in contributions to maximise use of new limits, account for salary reviews or any bonuses received
- Considering changes in legislation, such as the Pension Freedoms, which could impact on your choice of tax-efficient products
- A review of your Will and list of nominated beneficiaries

WANT TO FIND OUT MORE?

To afford the lifestyle we want, we need to do something about it today. As the saying goes, luck is what happens when preparation meets opportunity. It's never too early to start saving and investing in order to plan for the future you want for you and your family. To discuss your particular requirements, please contact us – we look forward to hearing from you.

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