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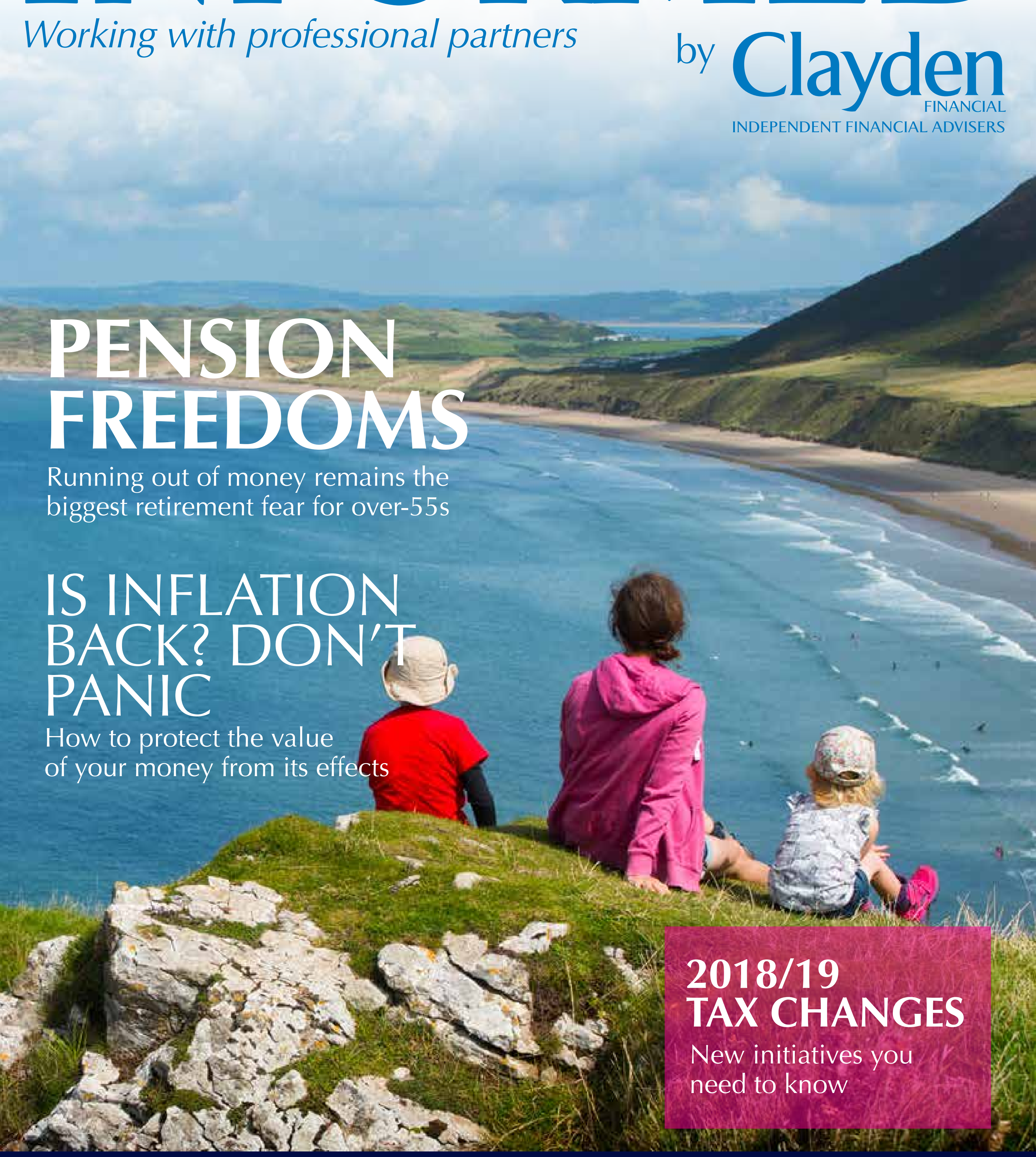
INFORMED

Working with professional partners

by Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS



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Clayden Financial, 1 Constable Court, The Street, Belstead, Ipswich IP8 3LY
Tel: (01473) 730090 **Fax:** (01473) 730092 **Email:** advice@claydens.com

www.claydens.com

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Welcome to our Summer Issue

It has been a busy time with the General Data Protection Regulation which came into force at the end of May. Thank you to the great majority of you who responded and returned their consent form. May I remind those of you who haven't yet, how important it is for you to do so. We do need to keep a record of clients' wishes to receive our material. If you haven't yet responded and would like to continue receiving our quarterly newsletters by email or post, please call 01473 730090 or email morgan@claydens.com.

We at Clayden Financial take professional development particularly seriously as our industry is fast-moving and heavily regulated. Recently three of our staff studied hard and passed important exams. My daughter Gemma Hall passed a financial advisory paper, Daniel Parish passed his R04 in Pensions and Retirement Planning and is now studying for two further exams in July – R01 Financial Services, Regulations and Ethics and R08: Pensions Update. Sean Parker passed the AF7: Pension Transfers Advice.

On Friday 22nd June we all enjoyed a cream tea in the office in support of Action Medical Research for Children. Our IFA Karen Last is Chair of the Ipswich fundraising group.

It looks like we have a lovely summer in prospect – I hope you have the opportunity to relax in the sunshine.

Leigh Clayden

Fundraising for the Little Princess Trust and St Elizabeth's Hospice

Director Martin Cornell's daughter Olivia is raising money for charity. She is having ten inches of her hair cut and gifting this (her hair) to the Little Princess Trust. In case you don't know about this Trust, the charity uses real hair to make wigs for children who have lost their own hair due to cancer treatment. Olivia was already planning to do this before her grandfather died. Following his death, she decided she would like to raise funds for the St Elizabeth Hospice as well as the Little Princess Trust.

Any donations would be appreciated at https//www.justgiving.com/fundraising/kerry-cornell but please don't feel obliged.

Suffolk Age UK Golf Day

Enjoying one of the first days of spring, Age UK Suffolk hosted their first golf day of the year in the delightful surroundings of Ufford Park at the end of April. Welcoming twelve teams from businesses and communities across the county including Clayden Financial, the golfers enjoyed a bacon roll to give them sustenance for the game ahead. The weather was kind and the day was peppered with course games, refreshments and a celebratory drinks reception, supported by Basepoint Ipswich, before enjoying a well-earned dinner, prize giving, raffle and auction.

The winning team overall was Fynn's Favourite Fore, regaining their title, but of course the main winner of the day was this fantastic charity, who received much needed funds for them to continue their vital work with older people in Suffolk.

Picture shows (from left to right): Jed Payce, Clayden Financial's Leigh Clayden, Sukhi Johal and Peter Steward

Jo Reeder, Head of Fundraising & Marketing for Age UK Suffolk said, 'We really value the ongoing support of so many of our teams for our annual golf days, and with even the weather being kind, a great day was enjoyed by everyone, and a fantastic £1,720 raised for a worthwhile cause.'

Age UK Suffolk's second golf day of the year will be held on Thursday 25 July 2018 at Thorpeness Golf Club – for further details, email fundraising@ageuksuffolk.org or call Jo on 07885 512210.

Chris McGlone 40th wedding celebration

Many of you will know Chris who has worked as an administrator at Clayden's for 17 years.

Chris and husband Joe recently celebrated their 40th (Ruby) wedding anniversary. We thought you might like to know a little about their life together.

Chris and Joe met in the Old Roan Pub in Aintree, Liverpool. They married on Friday June 2nd 1978 at St Gile's Church also in Aintree after several attempts to arrange it as Joe was in the Merchant Navy and kept trying to escape!! Chris even arranged for a special marriage licence. However, in the event it didn't need to be used, and it was third time lucky with all going according to plan at their local church on a very hot summer's day.

Joe left the Merchant Navy and they moved to London where they ran the Brewmaster pub in Leicester Square. Joanne, their first child, was born in London and the family then moved to Ipswich in the early 80's running the EUR pub, then their 2nd child Lee came along. Chris and Joe are now the proud grandparents to four grandchildren aged between 2 and 4 who they love to bits (although glad to give them back at the end of the day!!!).

The Grand National was right on Chris's doorstep but she never went, although she watches it. She remembers that one of the roads was blocked off and sand put across it to make it a part of the course and her grandmother let out her bungalow to racecourse visitors each year.

Appropriate songs that they loved at the time – "When will I see you again?" by The Three Degrees and "Let's stay together" by Al Green.

When asked how the marriage had lasted so long, Chris said "It's not only marrying the right person, it's having the right partner, being able to stand together to face the world and have the capacity to forgive and forget; with a mutual sense of values and common objectives". When asked if she would do it again she replied "Certainly not!!!" but with a twinkle in her eye!

2018/19 Tax changes

New initiatives you need to know

It's important to consider the tax implications of making financial decisions. The 2018/19 tax year is now upon us and a raft of new changes have come into force. The good news is that there is little change in the overall tax burden for basic-rate taxpayers. However, there are number of areas that have changed that should be taken note of.

Here's what you need to know about the 2018/19 tax year changes and new initiatives.

PERSONAL ALLOWANCE

The tax-free Personal Allowance is the amount of income you can earn before you have to start paying Income Tax. All individuals are entitled to the same Personal Allowance, regardless of their date of birth.

In the 2017/18 tax year, the Personal Allowance was £11,500, and has risen to £11,850 in the 2018/19 tax year. This means you can earn £350 more in the 2018/19 tax year than in the previous tax year before you start paying Income Tax. However, bear in mind, the Personal Allowance is reduced by £1 for every £2 of an individual's adjusted net income above £100,000.

A spouse or registered civil partner who isn't liable to Income Tax above the basic rate may transfer £1,190 of their unused Personal Allowance in the 2018/19 tax year, compared to £1,150 in the 2017/18 tax year to their spouse or registered civil partner, as long as the recipient isn't liable to Income Tax above the basic rate. You are eligible for this transfer if you're married or in a civil partnership, you don't earn anything, or your income is £11,850 or less and your partner's income is between £11,851 and £46,350 (or £43,430 if you're in Scotland).

HIGHER-RATE THRESHOLD

The threshold for people paying the higher rate of Income Tax (which is 40%) increased from £45,000 to £46,350 in the 2018/19 tax year (this does not apply in Scotland). This new figure also includes the increased Personal Allowance.

DIVIDEND ALLOWANCE

The Chancellor of the Exchequer, Philip Hammond, announced in the Spring Budget 2017 that the Dividend Allowance would reduce from £5,000 to £2,000 from 5 April 2018.

Any dividend income that investors earn above the £2,000 allowance will attract tax at 7.5% for basic-rate taxpayers, while higher-rate taxpayers will be taxed at 32.5% and additional-rate taxpayers at 38.1%.

This may impact on shareholders of private companies paying themselves in the form of dividends for example, rather than salary. Investors with portfolios that produce an income in the form of dividends of more than £2,000 a year, which are held outside ISAs or pensions, will also be affected by the reduction in the allowance.

NATIONAL INSURANCE CONTRIBUTIONS (NICS)

NICs will be charged at 12% of income on earnings above £8,424, up from £8,164 until you are earning more than £46,350, after which the rate drops to 2% on the excess. It's the same in Scotland.

AUTO ENROLMENT CONTRIBUTIONS

Auto enrolment contribution rates have increased for employees and employers. In the previous 2017/18 tax year, the minimum total contribution was 2%, with employers subject to a minimum of 1%. From 6 April 2018, the total minimum increased to 5%, with employers subject to a minimum of 2%. The employee contributes the difference between the two.

PENSION LIFETIME ALLOWANCE

The Lifetime Allowance increased from £1 million to £1.03 million in the 2018/19 tax year. This is the maximum total amount you can hold within all your pension savings without having to pay extra tax when you withdraw money from them.

If the total value of your pension savings goes over the Lifetime Allowance, any excess will be taxed at a rate of 25% in addition to your marginal rate of Income Tax if drawn as income, or 55% if you take it as a lump sum.

STATE PENSION

There has been a 3% rise for the old basic State Pension and the new flat-rate State Pension. If you're on the basic State Pension (previously £122.30 per week), this has increased to £125.95. The flat-rate State Pension has increased from £159.55 to £164.35 a week.

“AUTO ENROLMENT CONTRIBUTION RATES HAVE INCREASED FOR EMPLOYEES AND EMPLOYERS. FROM 6 APRIL 2018, THE TOTAL MINIMUM INCREASED TO 5%, WITH EMPLOYERS SUBJECT TO A MINIMUM OF 2%. THE EMPLOYEE CONTRIBUTES THE DIFFERENCE BETWEEN THE TWO.”

INHERITANCE TAX

Although the standard nil-rate band is frozen at £325,000, the residence nil-rate band (RNRB) has risen from £100,000 to £125,000. The RNRB enables eligible people to pass on a property to direct descendants and potentially save on death duties.

CAPITAL GAINS TAX

Capital Gains Tax is charged on profits that are made when certain assets are either transferred or sold. There's no tax to pay if all gains made in a tax year fall within the annual Capital Gains Tax exemption. For the 2018/19 tax year, this will be £11,700 (it was £11,300 for the 2017/18 tax year).

BUY-TO-LET LANDLORDS

Changes mean that only 50% of mortgage interest will be able to be offset when calculating a tax bill, compared with 75% previously. This is being phased in between April 2017 and April 2020. You will still be able to deduct some of your finance costs when you work out your taxable property profits during the transitional period. These deductions will be gradually withdrawn and replaced with a basic-rate relief tax reduction.

NEED HELP NAVIGATING THE TAX MAZE?

Remember that tax rules and allowances can and do change over time. Their effect on you depends on your individual circumstances, which can also change. We'll help you to optimise your tax position. For a review of your position, contact us for further information or to arrange a meeting.

PENSION FREEDOMS

Running out of money remains the biggest retirement fear for over-55s

On 6 April 2015, the Government introduced 'pension freedoms', and with it major changes to people's private pension provision. Once you reach the age of 55, you now have much more freedom to access your pension savings or pension pot and to decide what to do with this money

Three years on from the pension freedoms revolution new exclusive research shows [1] that people are saving more for their retirement, while the over-55s are working longer to fulfil their retirement plans. The new rules have led to consumers taking a variety of different choices when investing their pension pots.

WORKING FOR LONGER THAN ORIGINALLY PLANNED

The research reveals that over-55s are planning to work for longer than they had originally planned – and about 12% say they or their partner will work full-time or part-time past their original planned retirement date. More than one in ten (11%) working over-55s say they have started saving into a pension for the first time, encouraged their partner to save more, increased pension contributions or restarted pension saving since the rules came into effect from April 2015.

One in seven (14%) are also making more effort to learn about retirement savings. However, the freedoms, which give everyone aged 55-plus flexibility on how to use their defined contribution pension funds, are not a total success with savers and the retired. Nearly two out of three (64%) over-55s say they are confused by the regulations, and the overwhelming majority (82%) want an end to any further government changes to pension rules. More than one in three (42%) are concerned about running out of money during retirement, while 41% worry about paying for long-term care.

TAKING YOUR PENSION

Once you reach retirement, how you use your funds can often be the largest single financial planning decision you make in your lifetime. There is a wide range of options available that could enable you to achieve your aspirations in retirement.

Greater pension freedoms and choice have made the retirement income environment more complex for many retirees, with unprecedented control being handed over to how you utilise your pension savings. So what are your options?

- Leave your pension pot untouched
- Use your pot to buy a guaranteed income for life – an 'annuity'
- Use your pot to provide a flexible retirement income – 'flexi-access drawdown'
- Take small cash sums from your pot
- Mix your options

RESPONSIBILITY FOR MAKING A PENSION FUND LAST

Many over-55s are also preparing to work longer and save more, which highlights that they recognise this risk and are responding in a rational and responsible way. The best thing most people can do to ensure a comfortable retirement is to take professional financial advice, while also trying to save as much as they can into a pension, especially a company-based scheme where they'll immediately take advantage of contributions from their employer.

Pension freedoms have in many cases shifted the responsibility for making a pension fund last throughout retirement directly onto retirees. Previously, most people bought an annuity to guarantee an income for the rest of their lives. Now they can drawdown as much money as they like, but the risk is that they may run out of money in their lifetime. Before you make your choice, Clayden Financial will help you consider all your options carefully – an important decision like this shouldn't be rushed.

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 23 and 25 February 2018 among 1,000 UK adults aged 55+, including those who are working and retired.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

WHEN COULD YOUR RETIREMENT INCOME RUN OUT?

If you're approaching retirement and now faced with greater freedoms to spend your retirement pot as your wish, it is essential to obtain professional financial advice to make an informed decision. Cashing in your pension pot will not give you a secure retirement income. To discuss your situation, please contact us – we look forward to hearing from you.

IS INFLATION BACK? DON'T PANIC

How to protect the value of your money from its effects

Is inflation back? After two years when consumer prices in the UK barely rose, the annual rate of inflation has risen above the Bank of England's (BOE) target of 2% in 2017. The combination of high inflation and limited wage growth – as well as uncertainty about the terms on which Britain will leave the European Union in 2019 – is expected to mean Britain's economy grows more weakly than other EU economies this year.

The BOE forecasts that consumer price inflation will remain above 2% in each year until 2021. While nowhere close to historic highs, higher inflation stands in contrast to near record low interest rates offered on cash savings.

To protect your purchasing power over time, your savings need to grow at least as quickly as prices are rising. So how can savers and investors protect the value of their money from its effects?

CASH IS NOT KING

The positive for cash savings is that they are very secure up to £85,000 in a bank or building society through the Financial Services Compensation Scheme, unlike other investments where your capital will be less secure. And keeping enough cash aside to cover any foreseeable costs you might face is always sensible.

However, relying solely or overly on cash might prevent you from achieving your long-term financial goals, which may only be possible if you accept some level of investment risk. In an environment where the cost of living is rising faster than the interest rates on cash, there is a danger that your savings will slowly become worth less and less, leaving you worse off down the road.

INFLATION-LINKED PROTECTION

Bondholders receive regular income payments, known as 'coupons', from the Government or company that issued the bond. Where coupons are fixed in value for the life of the bond – often several years – the real value of this income will be eroded if prices rise. The nominal value of the bond (known as the 'principal') will also be worth less when it matures and the loan is repaid.

Protection against this threat is offered by inflation-linked bonds; their coupons and principal will track prices. By linking coupons to prices, the income that investors receive will rise in line with inflation, so they should be left no worse off – unless, of course, the bond issuer fails to keep up with repayments (an unavoidable risk for bond investors).

However, if prices fall, so would the value of inflation-linked bonds and the income from them – in contrast to bonds, with principal and coupons fixed, and so would then be worth more in real terms. If inflation falls, protection from it rising can therefore come at a price.

TAKE AN ACTIVE INVESTMENT APPROACH

Selecting the right combination of investments to navigate rising inflation could be challenging for many individual investors. By investing through a fund that pools your money with other investors, you can gain access to expertise as well as a wider range of investments.

Professionally managed 'active' funds will aim to achieve a specific objective by investing in certain assets, with an approach to risk and return that may align with yours. The objective of an actively managed fund could resonate with your own goals – something that 'passive' funds, which look to mirror the performance of a broad index, may not be able to do.

Active fund managers can take inflation into account in pursuit of their objective, which could be providing their investors with a growing income stream or achieving capital growth over the long term.

Some funds even specifically aim to deliver total returns in line with, or greater than, a given measure of inflation – for example, consumer prices in the UK. Unlike those who passively invest, active managers can handpick assets they think are less likely to suffer, or more likely to gain, from any change in the rate of inflation.

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.

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

HOW INFLATION-PROOFED ARE YOUR SAVINGS AND INVESTMENTS?

Rising prices might be a threat, but by re-evaluating how inflation-proof your savings and investments are, you could help protect their value over the long term. If you would like us to help guide you through your investment options to ring-fence your wealth from inflation, please contact us.

TOP TIPS THAT MAY REDUCE YOUR CAR INSURANCE PREMIUM

ryan's
YOU CAN BE SURE IT'S RIGHT

With car insurance premiums steadily increasing, personal finance website yourmoney.com predicts that premiums will reach their highest by the end of 2018. Here are a few tips that may help to reduce your premium...

1. Use the right job title – With different occupations attracting different premium loadings make sure your insurers have the correct job title for you. For example, if you are retired, a full time student or part time parent make sure your occupation status is not unemployed, as this can attract a higher premium.

2. Don't assume third party cover is cheaper – More often than not opting for comprehensive cover can make your policy cheaper. With some insurers the fact you have selected comprehensive, which includes cover for your car too, as well as fire and theft, means you'll be assessed as a lower risk (based on actuarial history, which is what an insurer will hold about a particular age group or address, for example, on which they base their premiums). So always request a quotation for both covers to compare.

3. Add a responsible 2nd driver - Car insurance is all about risk. That's why it can work. If you're a high-risk driver and you add someone who is a much lower risk as a 2nd (and/or 3rd) driver, they can bring down the average risk and you may get a cheaper policy. This isn't just for young drivers though, adding a driver who is lower risk can work for anyone.

5. Pay your premium in full – If you can afford to do so pay your premiums in full. By choosing to pay monthly you will attract an interest charge. For example, based on a premium of £500 with an APR of 25.3% you will pay a total of £536.57 if you choose to pay monthly.

6. Consider a higher excess – It is worth considering a higher excess as this can lower premiums, but always make sure you can afford to pay the excess should you need to make a claim. And remember that young and inexperienced drivers usually attract a higher excess anyway.

7. Update your marital status – Being married may reduce your premium as it is thought that married drivers are more likely to share the time spent driving with their partner and spread the risk, while singletons might spend more time on the road on their own. So make sure your marital status is accurate.

8. Think about your annual mileage – Have a quick tot up of your annual mileage, some insurers offer discounts for limiting the mileage so it may be worth discussing this with them. Just make sure you are aware of the implications, if any, should you go over the limit.

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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

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