ISSUE 23 ■ WINTER 2018

INFORMED

Working with professional partners

by Clayden
FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

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No longer the precursor to end-of-tax year planning

SANDWICH GENERATION

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Get a head start on your tax planning resolutions

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Christmas arrangements

Clayden Financial will close at 12.30 pm on Christmas Eve 24th December and will re-open on Wednesday 2nd January 2019. We will monitor our calls regularly over the festive break so if you need to speak to us urgently do leave a message on 01473 730090.

We will not be sending out Christmas cards and instead will be making contributions to St Elizabeth Hospice, Ipswich and St Helena Hospice in Colchester.

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WELCOME TO OUR **WINTER ISSUE**

It's hard to believe that Christmas is nearly upon us! We've had a very busy year and the new financial services regulations have meant more work for our administrators. To help with the workload, a very welcome addition to our team is Gina Bull who joined us recently (see article opposite).

If you are in business, do remember that if your trading year ends on 31 December you need to make your employer pension payments before this date if you wish the contribution to be used to reduce your corporation tax bill.

Suffolk age UK

Now as a Platinum Sponsor, we continue to support Suffolk Age UK and recently participated in their Slip into Slippers event raising funds from selling homemade cakes. It certainly made a pleasant change wearing slippers in the office!

You may remember seeing articles in previous newsletters about Action Medical Research for Children events that the firm has supported in the past. We have exciting news from our IFA Karen Last of a 2019 date for your diary - an Easter concert to be held at the Tudor Barn in Belstead on 2nd April 2019. This is still in the planning stage; further details will be posted on our website. You may also like to view their website **www.action.org.uk**.

We hope you have a wonderful Christmas and a happy and healthy New Year.

Leigh Clayden

Adrian Clayden Memorial Golf Day

We had the best Golf Day so far, raising over £7,500 for our charities Suffolk Mind and Suffolk Samaritans. We also had the highest attendance with 23 teams competing. As in previous years the sun shone, and the feedback from the players was really positive, making the hard work putting the event together worthwhile. This was the eighth annual event in memory of my uncle. The winning individual was Adrian Bullet and ChipsAway are pictured here receiving the prize on his behalf.

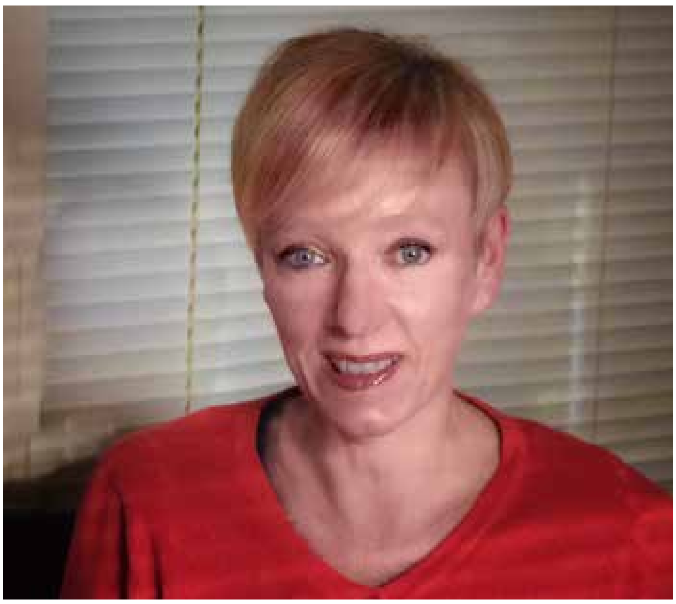
Gemma Clayden

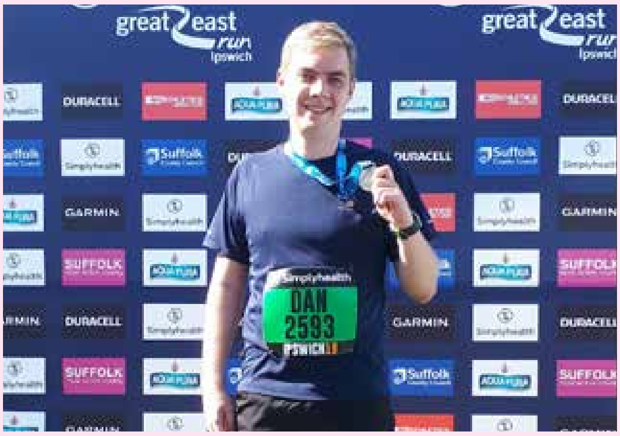
Welcome Gina Bull

Gina joined Clayden Financial's administrative team in September after leaving Ipswich Borough Council where she had worked as a Payroll Adviser for twenty years. Gina is very pleased to have the opportunity to try something new and to learn skills within a different field.

Outside of work Gina is a keen amateur gardener growing flowers and vegetables and often finds herself having to be very inventive to make good use of any surplus veg. Cucumbers were very good this year and Gina used these in soups, curries, pickles, jam and even cooked them on the BBQ. Herman, Shirley's tortoise, has also benefited from the bumper crop!

Also keen on keeping fit, Gina enjoys country walks and swims regularly.





Charity Run

Congratulations to our Administrator Daniel Parish on completing his first half marathon!

Dan ran the half marathon in Ipswich on 16 September, raising money for the Alzheimer's Society (details below) in memory of his grandfather Eric Bates, who passed away earlier this year after suffering from dementia.

Dan raised an incredible £605 – exceeding his target – and he completed the race in 2:12:10.

This wasn't his only triumph! Dan recently passed a demanding exam on taxation.

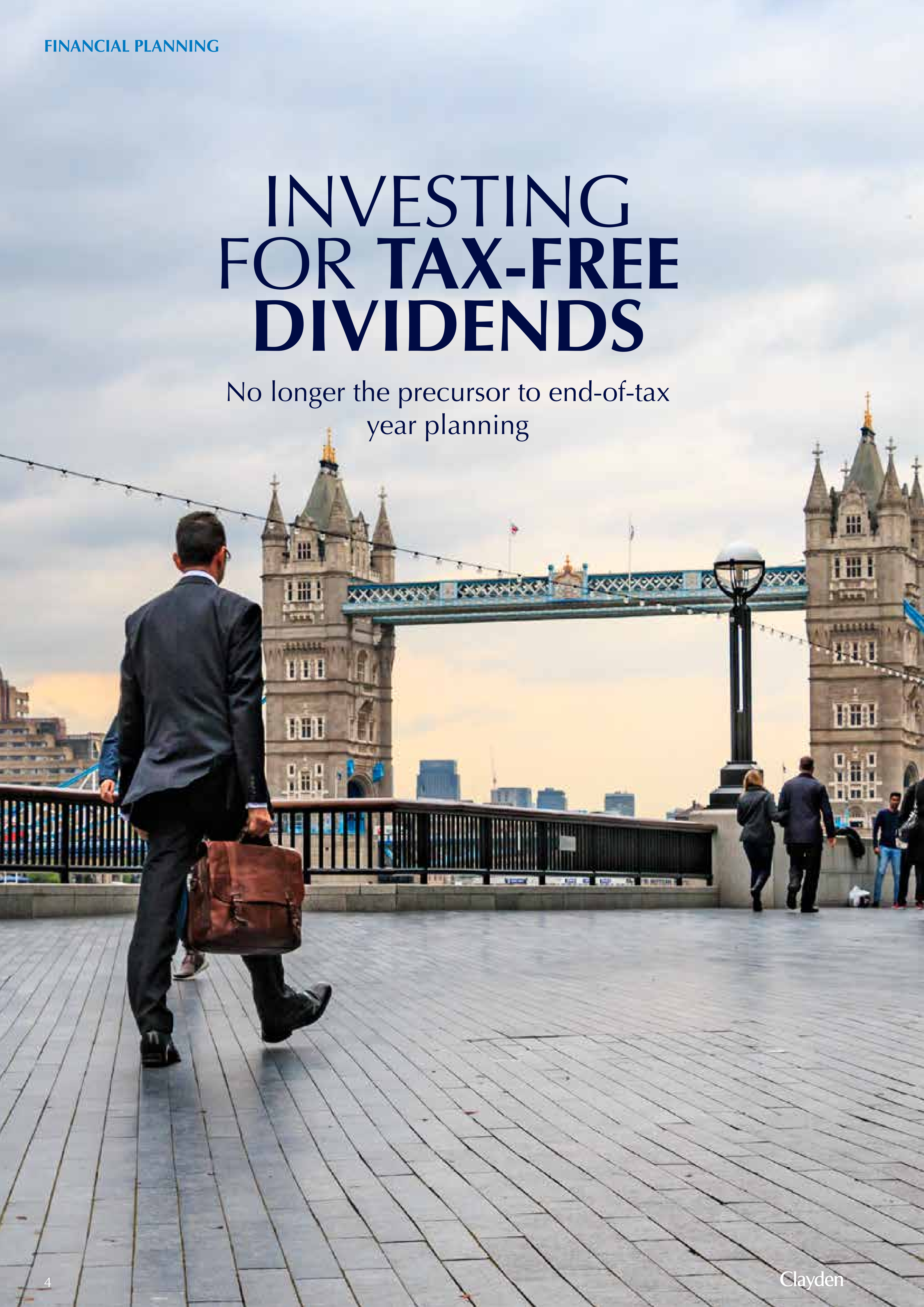
The Alzheimer's Society's vision, mission and values

Transforming the landscape of dementia forever. Until the day we find a cure, we will create a society where those affected by dementia are supported and accepted, able to live in their community without fear or prejudice.

www.alzheimers.org.uk

INVESTING FOR **TAX-FREE DIVIDENDS**

No longer the precursor to end-of-tax year planning



Venture Capital Trusts (VCTs) provide the opportunity for appropriate investors to support the growth of small UK businesses and receive attractive tax reliefs in return. Introduced in 1995, VCTs enable smaller companies to obtain finance they would otherwise have struggled to obtain from traditional routes such as banks.

VCTs have historically been used as an end-of-tax year financial planning tool, but this is no longer the case. They may appeal to investors who are already maximising their annual Individual Savings Account and pension allowances and have further cash to invest. Alternatively, they may be appropriate for investors who have reached the pension lifetime allowance and want to supplement their retirement income strategy by investing in VCTs for tax-free dividends.

PORTFOLIO DIVERSIFICATION

VCTs may also appeal to higher earners with a total income over £150,000 who are affected by the tapered pension annual allowance and who want to reduce their tax bill, or even investors who want to add some exposure in their portfolios to small, young UK enterprises with growth potential, or diversify their portfolio with exposure to unquoted companies.

A VCT is a company whose shares trade on the London stock market. They are high-risk investments that in certain scenarios could work well for individuals, depending on their personal circumstances, but there are very strict rules on how VCTs can invest your pooled money in order to qualify as VCTs.

Investments in VCTs carry tax relief to encourage you to invest in these smaller, higher-risk companies. By pooling your investments with those of other customers, they allow you to spread the risk over a number of small companies.

> VCTS HAVE HISTORICALLY BEEN USED AS AN END-OF-TAX YEAR FINANCIAL PLANNING TOOL, BUT THIS IS NO LONGER THE CASE.

VCTs must:

- Invest at least 70% in qualifying companies within three years
- Invest at least 70% in ordinary shares within three years
- Derive their income wholly or mainly from shares or securities
- Have no holding in one company representing more than 15% of the portfolio's overall holding
- Quote their ordinary shares on the London Stock Exchange
- Retain no more than 15% of their income

Qualifying holdings must:

- Have gross assets of no more than £15 million before investment
- Receive no more than £5 million of VCT investment in any 12-month period
- Undertake a qualifying trade which generally excludes property, hotels, nursing homes, dealing in land or commodities, financial or legal services, leasing, etc.
- Have no more than 250 full-time employees at the time of investment

SUBSCRIBING TO NEW SHARES

Investors can gain access by subscribing to new shares when a trust is launched or by buying shares from other investors when the trust has been established. Investors receive Income Tax relief when they buy newly issued VCTs, currently at the rate of 30% on investments of up to £200,000 per tax year.

This relief is provided as a tax credit to set against the investors' total Income Tax liability and, therefore, cannot exceed their total tax liability for the tax year. VCT tax reliefs apply to people aged 18 years or over who are UK income taxpayers, and are only available if the trust maintains VCT status. The relief received depends on the investors' own individual circumstances.

Investors do not receive this tax relief if they buy existing VCT shares. They have to hold shares in a VCT for at least five years to keep the Income Tax relief – if they have to sell them before then, they'll lose this benefit. No Capital Gains Tax is payable on profits from selling VCT shares, no matter how short a period they are held, provided the company maintains its VCT status.

MEETING YOUR FINANCIAL AMBITIONS

If you're looking to create or maintain a lifestyle, building a legacy or funding a long-term goal, we can help you create financial plans and investment portfolios that meet your ambitions. Please contact us to discuss your requirements.

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.

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.

SANDWICH GENERATION

Financially squeezed between elderly parents and children

Faced with the task of caring for elderly parents alongside your children, being in the Sandwich Generation can be a testing time. Finding yourself squeezed between – and often by – these two generations can be very stressful.

As well as facing time pressures, chances are your finances will be stretched too. New research[1] warns that the UK's Sandwich Generation is feeling strained when it comes to their financial responsibilities. It has found this group of around 2.4million[2] people – typically between 40 and 60 years old – lacks financial confidence and preparedness. And as this age group grows older, the issue is set to intensify.

CONSEQUENCES OF A SERIOUS ILLNESS

More than half (52%)[2] are worried about the consequences of a serious illness affecting themselves or their partner in the next 12 months (versus 35% national average). They are also nearly two times more likely to worry about the prospect of themselves or their partner dying and leaving the family without an income (30% compared to 17% national average)[3].

The research also reveals the Sandwich Generation is unprepared for the longer-term future. Nearly two in five (37%) have less than £125 disposable income each month[3], with nearly half (46%)[3] citing their children as a constant source of unexpected expenses. More than half (54%)[3] say they want to save but can't afford to do so – which also means they struggle to top up their pension pots. On average, this group has around £60,000 to retire on, while expecting their funds to last around 20 years, which would provide a monthly income of less than £260[3].

BEING PULLED IN MANY DIRECTIONS

While your own financial security is important, many of the Sandwich Generation find that their parents' finances also become a pressing issue, especially if they become unwell. It is clear that this group feels they are being pulled in many directions, with pressures to care for older relatives and ongoing responsibilities for their children.

Many people who fall into the Sandwich Generation may have significant financial obligations and, with the rising cost of living, are worrying more about what could be around the corner. Spreading finances too thinly and dwelling on their worries mean the impact of having little or no plans in place could expose them to a real income shock. The Money Advice Service recommends you should have an emergency savings fund buffer for essential outgoings of between three to six months to help maintain financial resilience.

UNDERSTANDING THE OPTIONS AVAILABLE

Getting a better understanding of the options available is essential to being prepared for a more secure financial future. This can provide peace of mind against income shocks, such as not being able to work due to illness, and can help them ensure they are putting away what they need for their retirement.

Nearly three in five (57%)[3] of people within the Sandwich Generation fall short of the Money Advice Service (MAS) recommended amount of savings to be financially resilient, and more than a third (34%)[3] don't feel they could handle a personal financial crisis.

PREPARING FOR A MORE SECURE FINANCIAL FUTURE

As more baby boomers become both Sandwich Generationers and seniors, the need to understand ageing dynamics and family relationships – and how to financially plan for these – increases dramatically. To discuss any concerns you may have, please contact us. We look forward to hearing from you.

Source data:

[1] Methodology for consumer survey: YouGov, on behalf of LV=, conducted online interviews with 8,529 UK adults between 20–26 June 2018. Data has been weighted to reflect a nationally representative audience.

[2] Estimate from CarersUK.

[3] Based on averages from YouGov from consumer survey. This is the average of 'Total amount in pensions' divided by 'Time retirement funds will last'. So, £60,933 divided by 19.82 years.

AVOID THE **MAD MARCH RUSH**

Get a head start on your tax planning resolutions

Although the current tax year does not end until 5 April 2019, tax planning shouldn't be a mad March rush. Now is the perfect time to get a head start on your tax planning resolutions to enhance your own, your family's or your company's tax-efficient plans for the future.

We have set out some tax tips and actions that may be appropriate to certain taxpayers. Reviewing your tax affairs now will ensure that available reliefs and exemptions have been fully utilised, together with future planning which could help to reduce your tax bill.

It is important to ensure that, if you have not done so already, you take the time to carry out a review of your tax and financial affairs to identify any tax planning opportunities and take action before it's too late. Personal circumstances differ, so if you have any questions or if there is a particular area you are interested in, please contact us.

HERE ARE OUR TIPS TO HELP YOU GET AHEAD ON MANAGING YOUR TAX AFFAIRS IN 2018/19

Pension contributions – spouses and children – consider contributing up to £2,880 towards a pension for your non-earning spouse or children. The Government will add £720 tax relief on top – for free.

Individual Savings Accounts (ISAs) – fully utilise your tax-efficient ISA allowance. The allowance for 2018/19 is £20,000 per person, whilst the Junior ISA allowance is £4,260 for children under 18.

Capital gains – use the capital gains annual exemption of £11,700 (2018/19) to realise gains tax-free. The allowance cannot be transferred between spouses or carried forward.

Pension contributions – maximise contributions amount and tax relief. Take full advantage of increasing pension contributions by utilising the annual allowance, which is £40,000 (tapered if you earn over £150,000). Unused annual allowances may also be carried forward from the previous three tax years.

Remuneration strategy – if you run your own company, it's a good idea to determine your pay and benefits strategy sooner rather than later. For 2018/19, the dividend nil-rate band is reduced from £5,000 to only £2,000 so it's really important to consider the tax implications of your chosen approach to salary, benefits, pensions and dividends.

Gifting – you can act at any time to help reduce a potential Inheritance Tax bill. Make use of the Inheritance Tax annual exemption that allows you to give away £3,000 worth of gifts outside of your estate. If unused, the exemption can be carried forward one year.

Transfer income-producing assets – consider transferring income-producing assets between your spouse or registered civil partner in order to use the Income Tax personal allowance and lower Income Tax bands of the transferee.

Overpayment and capital loss claims – submit claims for overpaid tax and capital loss claims for the 2014/15 year before 5 April 2019, after which such claims will be time-barred.

Landlords – for 2018/19, the restriction on deductibility of mortgage interest and other finance costs doubles from 25% to 50%. If you plan to take steps to mitigate the impact (such as incorporation, for example), you may save more tax by taking those steps earlier on in the year. In future years, the restriction will apply to 75%, and then from April 2020, 100% of finance costs incurred by individual landlords.

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SAVE TAX – WE'RE HERE TO HELP

Not all of these tax tips will be relevant to you, your family or your business. However, where an idea is of interest or to review your situation, please contact us for a discussion on how this could form part of your tax-efficient plans for 2018/19 and the future. We look forward to hearing from you.

TIPS FOR A SAFE AND HAPPY CHRISTMAS

ryan's

YOU CAN BE SURE IT'S RIGHT

Holidays are often about spending time with family and friends, whether staying at home or visiting others. For some people though, it's a time to get away on a winter break which means leaving their homes unoccupied. Either way here are the ways we recommend protecting your home during the festive period.

PROTECT YOURSELF AGAINST THEFT

- Don't make your home look like a shop window for burglars by leaving presents under the tree – try to keep them out of sight until the big day
- Attics and lofts are a good hiding place for presents and it's usually too much effort for the average burglar to look that hard for items to steal, plus they'll be far away from the wandering eyes and hands of excited children
- Ensure all gift packaging is as unidentifiable as possible when you throw it out. It's easy to just dump new TV or iPad boxes in or near an outside bin, but it's a beacon for opportunistic burglars
- Double-check the home security before you leave your home for a Christmas or New Year party. Ensure all doors, windows, sheds and garages are locked securely and spare keys aren't on display or near to your front door – this will prevent burglars using the hook and cane method through your letterbox
- Leave lights and the TV or radio on if you're out and about over Christmas so burglars think you're home
- Be neighbourly – keeping an eye out for suspicious behaviour and alerting the police if necessary is the right thing to do and could mean you prevent a miserable Christmas or New Year for your neighbour

DURING FREEZING WEATHER CONDITIONS

- Check your central heating system regularly and ensure the thermostat is working.
- Consider annual servicing by a registered Gas Safe engineer
- Some new central heating systems are fitted with an anti-frost device. If your boiler is a few years old think about fitting frost thermostats to your heating system
- Keep the heating on during freezing temperatures, even at night

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