

INFORMED

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by **Clayden**
FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

LIFETIME GIFT TAX

Labour propose IHT
replacement to raise £15 billion

BOLSTERING DAY-TO-DAY RETIREMENT LIVING

Releasing
money from your
home without
having to move



MAKING INVESTMENT DECISIONS INTO OLD AGE

Seven in ten retirees
have not set up a Lasting
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WELCOME TO OUR AUTUMN ISSUE



We hope you have enjoyed the rather unusual summer weather with its beautiful sunny days but rather dramatic thunderstorms!

Our office continues to bustle with activity, and to help with the increasing workload we will welcome Administrator Kirk Wearne to our team this month. We have also made organisational changes – Angela Smith has been promoted to Office Supervisor following Shirley LeGrice's move to a four-day week. Angela has been with Clayden's since November 2013. Angela assists Adrian Firth with the whole range of financial services in addition to ensuring the smooth running of the office.

We like it when our readers give us feedback and request information on certain subjects. One of our clients requested information on recent Labour proposals regarding Inheritance Tax replacement so we have included an article on this radical proposal in this

issue. I would emphasise that this is a proposal and not currently a policy of the Labour Party.

Please do continue to give us your feedback and ideas for future editions.

Leigh Clayden



Angela celebrating an important birthday at our Big Chinwag event in aid of Suffolk Age UK.

PFS Gold Standard Award

We are delighted to announce that co-director Martin Cornell has been accredited by the Personal Finance Society with the Pension Transfer Gold Standard. The award asks businesses to commit to a set of standards in managing defined benefit (DB) transfers. It was launched on 9 April alongside a guide to help the public better understand what to expect from a regulated financial adviser when carrying out a DB transfer.

Firms adhering to the Gold Standard have to follow a code based on nine principles underpinning good practice when giving pension transfer advice. They

must also have regulatory permissions for the provision of pension transfer advice, and have professional indemnity insurance which meets the Financial Conduct Authority threshold conditions.

As a result, you can be confident that you are dealing with a professional advice firm. This is a fantastic endorsement of Martin and the firm.

The Personal Finance Society is the professional body for the financial advisory profession in the UK. Its role is to promote ethical behaviour, high standards of professionalism for technical knowledge and client service.



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Oak Tree Low Carbon Farm news from Shirley

Now that I have reduced my hours at Clayden's, I am able to spend more time at the farm. Being a country girl at heart, I love being out in all weathers planting, weeding and undertaking many other tasks to help 'earn' my weekly veg box.

Hours worked are part of the membership of the farm, although there are three kinds of membership on offer including an option of 'armchair membership' where you pay a larger figure in order to receive a weekly veg box delivered to your door (if you are in the Ipswich area).

The Oak Tree Farm was a low carbon venture before concern for the environment moved up the agenda. We are as near to being organic as we can be without being certified organic, as certification is a very expensive process. The lack of chemicals is reflected in the improved condition of the soil and benefits to wildlife as can be seen in the picture of our beautiful wildflower area.

Our efforts have not gone unnoticed as recently we were overall winners in the category of local food and drink at the 'Creating the Greenest County' awards organised by Suffolk County Council.

www.the-oak-tree.co.uk



Wildflowers at the farm



HOW TO HELP BEES

Friends of the Earth says that around 13 of the UK's bee species are now extinct and 35 others are under threat*. Experts say that in recent decades, there has been an overall decline in the diversity of wild bees. You can make your garden a bee paradise and help other wildlife to survive in your garden and beyond.

A FEW SUGGESTIONS:

Consider going pesticide and herbicide-free in your garden.

Don't focus so much on ornamental plants such as pansies and begonias which have been cultivated to produce showy blooms but provide little pollen or nectar, and opt instead for flowers such

as foxgloves, geraniums and wild roses which are a rich source of food for bees.

Grow a long season of nectar and pollen-rich flowers such as borage. Bee species have varying tongue lengths, so a mix of flat and tubular flowers caters to all.

If you find what looks like a dying bee, it might just have run out of fuel. Fully stocked with nectar, a bee runs for about 30 minutes. Place your torpid bee on a flower or near some sugar water and it might revive.

Both bumble and solitary bees rely on rustic, undisturbed areas, so if you can, leave a part of your plot uncultivated.

In small plots with few nesting sites, consider adding specially designed bee boxes for nests and hibernating queens.

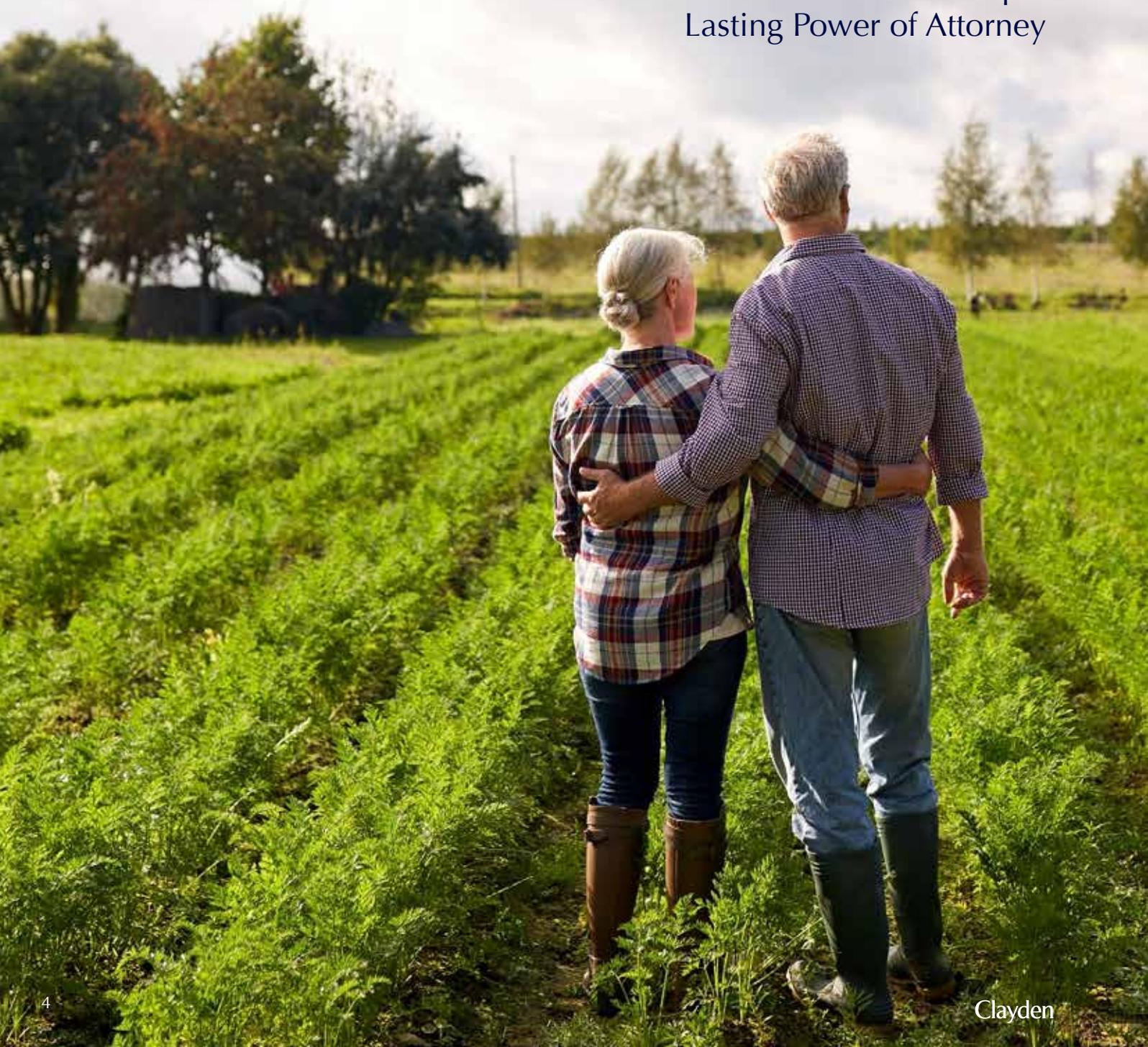
You may like to join the Bumblebee Conservation Trust – www.bumblebeeconservation.org and take the opportunity to check out how bee-friendly your garden is with their useful guide. They will give you a score and plant suggestions to improve bees' lives in your garden!



*Source: <https://friendsoftheearth.uk/bees/10-easy-ways-help-bees-your-garden>

MAKING INVESTMENT DECISIONS INTO OLD AGE

Seven in ten retirees have not set up a
Lasting Power of Attorney



More than 615,000 pensioners are on course to make investment decisions into old age but new research[1] suggests that seven in ten (70%) people in retirement have not set up a Lasting Power of Attorney (LPA).

The findings, which coincided with Dementia Action Week, revealed a financial planning blind spot which could leave tens of thousands of pensioners financially vulnerable in retirement. An LPA is a very important part of advance planning for a time when a person may not be able to make certain decisions for themselves.

AT THE HEART OF ANY DECISION

Dementia is a devastating condition which strips a person of their memories, relationships and identities. That's why it's so important that time is taken for advance planning, always ensuring that individuals living with dementia are at the heart of any decision to get an LPA or deputy, so they have the right to make important decisions about their life that might come later.

MAKING COMPLEX DECISIONS

Four years ago, an overhaul of the pension rules gave people the freedom to keep their pensions invested in retirement and draw an income as and when they like. Based on the latest FCA[2] data, it is estimated as many as 615,000 people have since switched their savings into drawdown.

DIY investors managing drawdown without professional financial advice need to make decisions on where to invest and how much to withdraw at a time when their physical or mental health might be deteriorating. But without an LPA in place, their families or friends would be

unable to quickly step in to help them without facing a lengthy court process.

Registering an LPA has become even more crucial since the pension reforms. Hundreds of thousands of people are now making complex decisions about their pension into old age, when the risk of developing illnesses such as dementia increases.

“
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ALL STAGES OF YOUR RETIREMENT

Despite this, a vast number of retirees are unprepared for a time when managing their pension might become hard, or even impossible. This problem is creating a potential time bomb as the population in drawdown expands and ages. Obtaining professional financial advice will help you to make the most of your savings and ensure you have the right plans in place for all stages of your retirement.

Four in five (80%) of all Britons have not registered an LPA, with women marginally less likely to have set one up than men.

WORST-CASE SCENARIOS

According to the Alzheimer's Society, there are currently 850,000 people in

the UK living with dementia. This could increase to over one million by 2025, and by 2051 to two million.

Not having an LPA – in worst-case scenarios – can lead to situations where assets and equity may be lost and those in a vulnerable position are forced to make decisions they are not capable of making.

ARE YOU READY TO START A CONVERSATION?

The future is full of questions. We'll help you understand the choices you have and recommend the right options for you. To find out more, please contact us.

Source data:

[1] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2012 adults. Fieldwork was undertaken between 8-9 May 2019. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

[2] FCA Retirement Income Data Bulletin September 2018 shows 435,769 people took out drawdown between April 2016 and March 2018. If numbers grew at the same pace as October 2017 to March 2018 (90,504), Zurich estimates the population in drawdown would have increased by 181,008 between April 2018 and March 2019, resulting in 616,700 people in drawdown.

Bolstering day-to-day retirement living

Releasing money from your home without having to move



Equity release is a way of releasing money from your home without having to move, either by taking out a type of loan secured against your home as a lifetime mortgage or by selling all or part of your home to a home reversion company.

Currently 1 in 51 people take out equity release loans to bolster their day-to-day retirement finances. The findings from a new survey[1] underscore the growing use of the loans to fulfil retirement plans.

A third of people surveyed[2] said they were concerned about the cost of living and believed they would need over £1,400 a month to cover expenses.

EQUITY RELEASE SECTOR

Analysis of the data shows that 21% of lifetime mortgages were partly or solely used for daily living expenses. This is a 5% growth compared to data gathered in 2017 and is part of the overall upward trend in the equity release sector.

Figures from the Equity Release Council showed a record of 82,000 homeowners taking advantage of equity release in 2018 – an increase of 24% since 2017.

QUALITY OF RETIREMENT

The growth in people using lifetime mortgages as income during their retirement reflects the extent to which

equity release is now viewed as a practical option for retirement planning.

Alongside more traditional sources of income such as pensions and other savings or investments, the use of property wealth is helping to boost the quality of retirement for increasing numbers of people.

INHERITANCE PLANNING

This sits alongside the dramatic changes brought in under the pension freedoms, which made pensions far more efficient as a wealth vehicle in inheritance planning.

Thanks to the freedoms, pensions passed on are now taxed at the marginal income tax rate of the heir receiving them, tax-deferred if the heir keeps it in a pension rather than drawing on it, or aren't taxed at all if the benefactor dies before 75.

Drawing less on a pension, and drawing on other assets instead to fund retirement, could allow someone to leave more money to their loved ones.

MOST POPULAR REASONS

The most popular reasons people took out a lifetime mortgage were to make improvements to their home or garden (47.5%) or to clear an existing mortgage (37.9%). Other reasons the loans are used include purchasing a new property and helping first-time buyers.

UNLOCKED PROPERTY WEALTH

Nearly 450,000 equity release plans have been agreed since records began in 1992, with growing numbers choosing to access their housing wealth gradually over time.

According to data from the Equity Release Council, the total number of new equity release customers since 1992 stands at 441,277. More than half of these, a total of 249,145 customers, have unlocked property wealth over the past decade.

SEEK PROFESSIONAL FINANCIAL ADVICE FIRST

Anyone considering equity release should seek professional financial advice first, as this type of scheme won't be right for everyone. Unlocking property wealth may affect the value of your estate and could affect your entitlement to means-tested state benefits, so it's important to talk it through with family members.

Source data:

[1] *Canada Life Reasons for Loans data 2018*

[2] *Canada Life Retirement Sentiment Index 2018*

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.

AS A MORTGAGE IS SECURED AGAINST YOUR HOME, IT MAY BE REPOSSESSED IF YOU DO NOT KEEP UP WITH REPAYMENTS ON YOUR MORTGAGE.

EQUITY RELEASED FROM YOUR HOME WILL ALSO BE SECURED AGAINST IT.

EQUITY RELEASE IS NOT RIGHT FOR EVERYONE AND MAY REDUCE THE VALUE OF YOUR ESTATE.



Lifetime gift tax

Labour propose IHT replacement to raise £15 billion

An independent report commissioned by the Labour Party has suggested replacing Inheritance Tax (IHT) with a lifetime tax on all gifts from parents to their children in excess of £125,000.

The proposals give rise to obvious fears that children will be taxed for financial assistance given to them during their lifetimes, including assistance to buy a home, as well as facing higher levies on inheritances.

IMPORTANT INTERIM STEP

According to the report, the new tax could raise £15 billion in 2020/21 – £9.2 billion more than the current system earns. Under the proposals, a tax would be levied on gifts received above a lifetime allowance of £125,000.

Once this limit has been reached, any income from gifts would then be taxed at

the same rate as Income Tax. The report stated that Labour's plans to remove IHT breaks for main residences is an 'important interim step'.

Furthermore, the report, commissioned by Labour Party leader Jeremy Corbyn, recommended the introduction of a tax on equity withdrawals, stating that it is a 'key means of avoiding Inheritance Tax'.

CONDITIONAL EXEMPTIONS

Under the proposal outlined by the Institute of Public Policy Research (IPPR), there would be conditional exemptions for business and agricultural property, under which tax could be deferred until the asset is sold or until the business ceases to be a trading entity and becomes an investment entity. This would allow families to maintain the integrity of agricultural land or business assets.

There are clear grounds for the proposed tax system to continue supporting Business Relief, which underpins the long-term investment in small trading businesses – the lifeblood of the UK economy.

Many shares listed on AIM, the London Stock Exchange's market for smaller growing companies, qualify for Business Relief purposes. UK individuals have reaped the rewards of patient long-term investment in smaller innovative companies on AIM, many of which have grown into sizeable businesses.

The report proposed 'radical but practical changes in the way land in the UK is used and governed'. However, a spokesperson for Labour has emphasised that the report was not intended to be one of the Party's policies.

BUYING YOUR DREAM PROPERTY ABROAD



During the long winter months, moving to a place in the sun sounds like a wonderful idea. Many of us have dreams of retiring to a property abroad, or to improve work-life balance, so more people are looking at moving abroad earlier than retirement.

So, where are the best places to buy a property abroad, how do you go about it and what do you need to remember?

WHERE TO BUY PROPERTY ABROAD

There aren't many places in the world that restrict property purchasing to residents only, so when it comes to location, the world is your oyster. It's a good idea to stay locally several times before you buy. Speaking to local people, and especially any ex-pats in the area, will give you a good idea of the pros and cons of life there.

Where in the world are people looking at the moment? For holiday homes, Bulgaria, France and Spain are still fashionable holiday home destinations. For young families moving abroad, Amsterdam, Canada and Singapore are favoured, while for professionals, Denmark and Germany are popular.

FINDING AND BUYING YOUR PROPERTY ABROAD

Many people use a local estate agent, although these can also be quite pricey. Others use online property services, such as aplaceinthesun.com or zoopla.co.uk/overseas.

As with buying a house in the UK, setting a budget before you start looking helps to ensure you are realistic about the properties you can afford.

As well as your estate agent, you'll need to find local surveyors to ensure your chosen property is in good repair, regulated international transfer specialists to help you move

your money abroad and insurers to cover your home abroad. This can be easier than you think, as your insurer in the UK may be able to insure your property overseas too.

Not every insurer covers property abroad, though, so it's a good idea to check early in the sale process, and a broker can help you to find the most appropriate insurer for your risk.

WHAT DOES BREXIT MEAN FOR BRITISH PEOPLE BUYING PROPERTY ABROAD?

Of course, Brexit will likely have an impact on purchasing property abroad, but it won't mean that British people can't buy a house overseas. It may mean, though, that you will need to get a visa to stay in the country of your choice – something that EU citizens don't have to do in European countries.



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

Ryan's is a trading name of Ryan Insurance Group Limited which is authorised and regulated by the Financial Conduct Authority

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