ISSUE 37 ■ SUMMER 2022

INFORMED

Working with professional partners

by Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

MORE BRITONS INSURE THEIR HOMES THAN THEIR LIVES

Ensure your financial security for when you might need it most

ENERGY PERFORMANCE CERTIFICATE (EPC)

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RELEVANT EARNINGS

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

www.claydens.com

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In this issue...

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WELCOME TO OUR **SUMMER ISSUE**

We hope that you had an enjoyable Easter - the weather certainly helped lift the spirits!

2021 was a positive year for investments, but so far 2022 has been a challenging time for investors and savers. High inflation, supply issues and the terrible war in Ukraine are creating volatility, although the medium-term position for risk investments continues to be positive.

Spring 2022 was a very busy period for us, with many clients making pension payments before the end of the tax year. With last minute ISA payments as well, our staff worked tirelessly to ensure that all the transactions were made before the deadlines. Martin and I sincerely thank Angela and the team for all of their hard work and effort.

We recently helped Shirley LeGrice celebrate her retirement with a low-key drinks event at the office. She very much appreciated her leaving gifts, which included a bird table, as she has always been passionate about feeding birds, and a stylish handbag. John Brown and his wife Lorna attended. Long-term clients will remember John, who worked with Shirley at Clayden Financial, and prior to that with her at Guardian Royal Exchange in Ipswich.

In this issue we are introducing Daryl Hearnden to you. Daryl joined us as a Senior Administrator at the beginning of April. We all wish him success in his new role and welcome him to Clayden Financial.

I hope you enjoy the summer edition and if you would like a particular subject covered in a future issue do let us know.

Leigh Clayden

Daryl Hearnden

Senior Administrator

Daryl joined us recently as a Senior Administrator. Daryl was born and grew up in Sudbury, and his working life started at Legal and General, where he spent 14 years. Then, moving from a product provider to the advisory sector, Daryl spent 15 years as an administrative paraplanner in the Financial Planning department of an accountancy practice based in Ipswich and Colchester.

Outside of work Daryl enjoys spending time on the coast, enjoying long walks by the sea and craft ales. Recently he has been dabbling with kayaking and stand-up paddle boarding, so you may see him on the River Deben!

RIDE Suffolk Sunrise

Action Medical Research for Children sportive event on 15 May 2022

Clayden's IFA Karen Last (far right) with other helpers.

The fabulous backdrop of Framlingham College and Framlingham Castle at the start of RIDE Suffolk Sunrise is a sight to behold. One of the biggest charity sportives in the East, boasting over 900 riders, RIDE Suffolk Sunrise has been a firm favourite fixture in the May cycling calendar for over a decade.

With flat and fast routes, it is an ideal sportive for experienced riders to lay down an early-season benchmark, and for newer riders to tackle longer rides for the first time! Cyclists have three routes to choose from: the Cool at 42, Classic at 65 and Champion at 102 miles, taking riders through the quiet coastal lanes of Suffolk passing through many villages and towns with roots back to Anglo Saxon times. Clayden Financial's Karen Last – who is also a trustee of the charity – assisted at one of the four feed stations serving snacks and hot and cold drinks.

Steadily growing in popularity recently, the past year has seen a huge surge in the sale of e-bikes, making the sport more accessible and allowed for the first time on the Sunrise this year.

This event raises vital funds for Action Medical Research for Children, which is the leading UK charity funding projects to help defeat the diseases that devastate the lives of sick and disabled babies, children and young people. AMR is currently supporting more than 60 top-quality projects, including Research Training Fellowships at leading hospitals, universities and specialist centres across the UK. These include research into how COVID-19 affects children, asthma, prematurity, epilepsy, meningitis, cerebral palsy, brain cancer and some rare and distressing conditions. https://action.org.uk/events/cycling/suffolk-ride

The event was taking place just as this newsletter was going to press. We hope to update you on how the event went, along with photographs, in our next issue.

Raising funds for Motor Neurone Disease

Rob Burrows Leeds Marathon

Clayden's Administrator Chris McGlone's daughter Joanne Cole will be running the Marathon in May 2023 with her friend Lisa, whose Mum died of this dreadful disease. Both are training hard.

The event was inspired by former Leeds Rhinos captain Kevin Sinfield OBE and his fundraising efforts in recent years in support of his former team mate and friend Rob. There will be 7,777 places available in the marathon, in honour of Rob's iconic no.7 shirt number at Leeds Rhinos.

The new route will start and finish at Headingley Stadium, the home of Leeds Rhinos, taking in some of Leeds' most scenic countryside, through Woodhouse Moor, Headingley, Adel, Bramhope and heading out to Otley and back for the big finish. The hilly countryside makes for a challenging route, but is nothing compared to the challenges that Rob and others living with MND experience every day.

Motor neurone disease (MND) affects the nerves called motor neurones in the brain and spinal cord. These nerves tell your muscles what to do. When motor neurones are damaged, it can affect the way your body works. For more information, or to make a donation, visit **https://justgiving.com/fundraising/joanne-cole30**
https://www.mndassociation.org/

No-fault divorce

Revolution in family law finally removes the need for blame as a basis for divorce

No one enters into marriage expecting it to end in divorce. However, for many couples, divorce is the sad reality. If you are facing divorce, it is important to know that you are not alone. Each year, thousands of people go through the divorce process.

While divorce can be a difficult and emotionally charged time, there are things you can do to make the process go more smoothly when important decisions need to be made. Keeping a level head to negotiate a fair financial settlement is vital.

NO-FAULT DIVORCE REMOVING THE NEED FOR BLAME

From 6 April 2022 no-fault divorce came into effect in England and Wales. This is a long-awaited revolution in family law, finally removing the need for blame as a basis for divorce. Now the only ground for divorce is that the marriage has 'irretrievably broken down'.

This means the law no longer requires blame to be apportioned, nor is there any requirement to fit your particular circumstances into one of the five facts that you previously had to prove, i.e. there is no need to cite bad behaviour, adultery or wait for the minimum two-year separation period.

MORE AMICABLE RESOLUTIONS FOR PARTIES

In addition, further crucial changes are that the respondent to the divorce is now unable to contest the divorce. If you and the other party both agree the marriage has broken down irretrievably, then a joint application for divorce can now be made. (The limited grounds to challenge a divorce relate to jurisdictional grounds or validity of marriage.)

IF YOU FIND YOURSELF IN THIS SITUATION, HERE ARE 5 POINTS TO CONSIDER

1. SEEK PROFESSIONAL ADVICE IMMEDIATELY

Seek legal and separate financial advice immediately. Your professional financial adviser can help you draw up a list of joint and personal assets and valuations, so any legal advice you seek is based on accurate information. This can make an appointment with your solicitor more time and cost effective.

You'll need to draw up a list of assets e.g. first or second homes, pension pots, investments, value of any businesses etc., checking when they were purchased and finding out if they should fall into the category of marital assets. In addition, list all your outgoings both joint and individual.

2. CANCEL ALL SHARED FINANCES

Cancel any financial commitments that might be in joint names immediately. An unscrupulous partner could take advantage otherwise and saddle you with debt you are liable for. So cancel credit cards, joint accounts, personal loans and even overdrafts if possible and set up afresh in your own name.

3. TIMING IS EVERYTHING

Although it may be the last thing on your mind, choosing the right time of year to divorce could significantly impact on the financial outcome for each individual. When a marriage or registered civil partnership breaks down, it is likely that tax will not be at the top of the agenda.

Your tax position refers to the amount of Income Tax and Capital Gains Tax you'll need to pay. During the divorce process, there is a window of time where a spousal exemption applies and then drops off.

4. SPLITTING PENSIONS

When it comes to pensions, finding a way to achieve a clean break so you are not tethered to your partner forever is key. What can be divided depends on where in the UK you are divorcing. In England, Wales and Northern Ireland the total value of the pensions you have each built up is taken into account, excluding the basic State Pension.

In Scotland, only the value of the pensions you have both built up during your marriage or registered civil partnership is considered. Normally, anything built up before you married or after your 'date of separation' does not count.

There are two main ways of dealing with pensions at divorce that apply across the UK.

1. Pension sharing is often the favoured way of dividing a retirement fund because it achieves a 'clean break'. This involves couples splitting one or more pensions. The aim is to ensure that the future incomes of both spouses are equalised. Your professional financial adviser will be able to help you implement any pension sharing order after the splitting process is complete.

2. The second option, pension offsetting, sees pension rights balanced against other assets, such as the home. Typically, if one spouse has a pension fund worth £500,000 and the couple jointly own a property worth £500,000, one may keep the property and the other keep the pension – though things are rarely that simple, so professional advice is key.

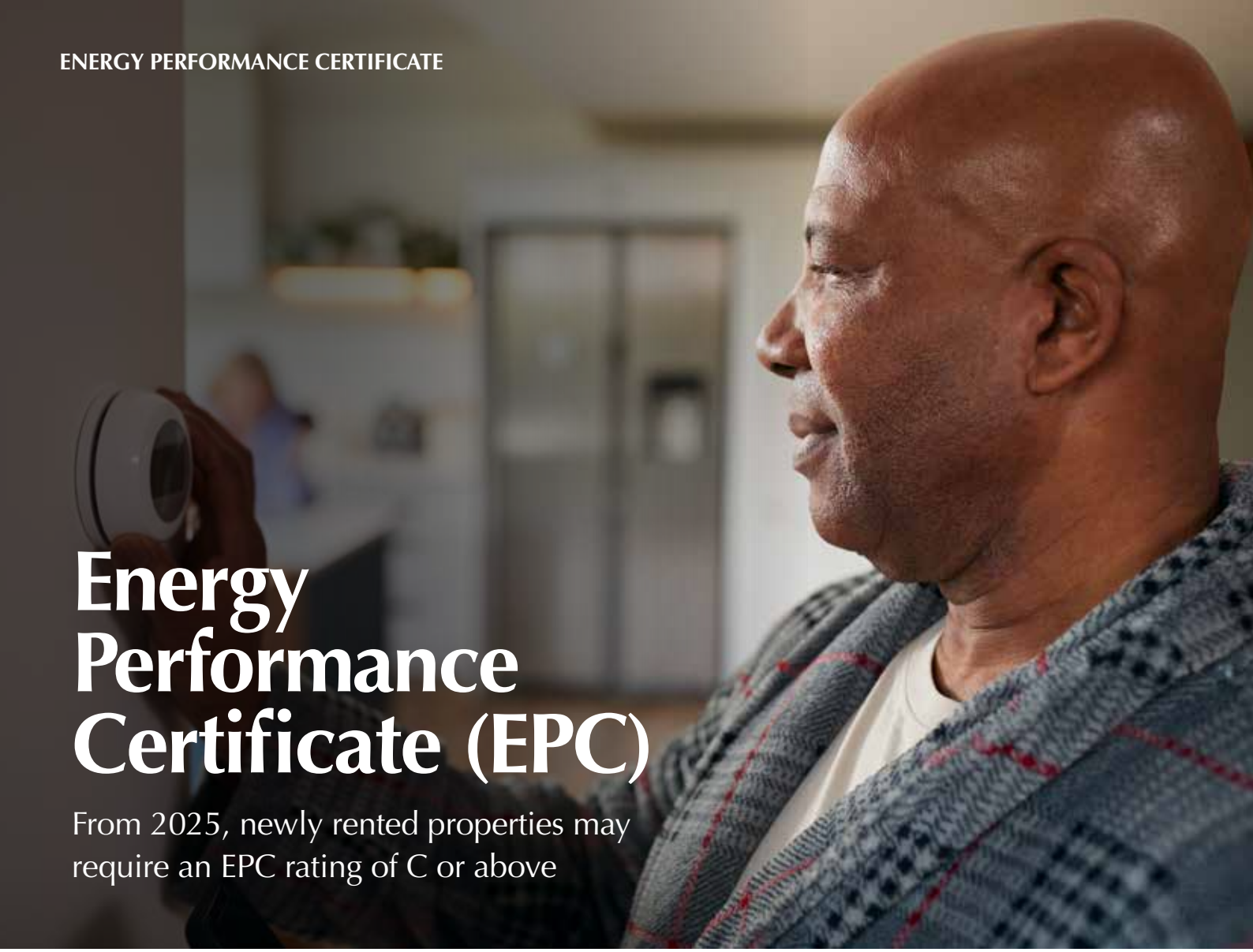
5. BUDGET FOR YOUR FUTURE

Whatever happens, your life is going to be very different once the divorce is complete so it's important to budget for the future life you want to live. Obtaining a copy of your credit report is a good start, so you know what your standing is, especially as many people will need to think about a new mortgage after divorce. A credit report will also highlight any joint lending you might be liable for.

FINANCIAL PLANNING FOR DIVORCE – WHAT DO YOU NEED TO KNOW?

Obtaining professional financial advice can be invaluable in guiding you through the myriad financial decisions, from valuing and splitting pensions, financial disclosure and income planning, to valuing investments, managing tax and implementing court decisions to get your finances back on a sound footing.

To discuss your options, please contact us.



Energy Performance Certificate (EPC)

From 2025, newly rented properties may require an EPC rating of C or above

As of 2025, all newly rented properties in the UK will require an Energy Performance Certificate (EPC) rating of C or above. This is a change from the current system, which only requires an EPC rating of D or above.

ENERGY-EFFICIENT

An Energy Performance Certificate gives detailed information about your property's energy-efficiency and carbon dioxide emissions.

To receive an EPC, you must have an Energy Assessment Survey carried out at your property. Your Domestic Energy Assessor will perform internal and external inspections to determine how energy-efficient your building is and what possible level of efficiency is achievable if improvements are made.

NET-ZERO BY 2050

The regulation changes hope to make homes more energy-efficient and reduce carbon emissions as part of the government target to be net-zero by 2050. The penalty for not having a valid EPC will also be raised from £5,000 to £30,000 from 2025.

This change is being made in order to help improve energy-efficiency in the UK, and to help reduce emissions. The government has said that this change will save tenants money on their energy bills, and will also help to reduce carbon emissions by around 1 million tonnes each year.

"THE REGULATION CHANGES HOPE TO MAKE HOMES MORE ENERGY-EFFICIENT AND REDUCE CARBON EMISSIONS AS PART OF THE GOVERNMENT TARGET TO BE NET-ZERO BY 2050."

REQUIRED STANDARDS

If you are a landlord, it is important that you are aware of this change and ensure that your property meets the required standards. If you need help improving the energy-efficiency of your property, there are a number of grants and schemes available that can help you to do this. You can also find more information on the government website.

CARBON REDUCTION

If you are a tenant, you should speak to your landlord about this change and ensure that your property will meet the required standards. If you are concerned about the cost of energy bills, there may be some financial assistance available to help you with this. You can find out more information on the government website.

This change is part of the government's wider plans to improve energy-efficiency in the UK and to help meet its carbon reduction targets. By making these changes, we can all play our part in helping to make a difference.

Relevant earnings

What is the most income you earn that can be used to calculate your pension tax relief?

It's important to think about how much money you might need in the future and whether you'll have enough to give you the lifestyle you want. Making the right choices now could make a big difference to how much money you have in the future and saving into a pension plan could help you achieve the lifestyle you would like.

One of the great things about saving into some pension types is the tax relief you can receive. If applicable, this means that if you're a basic rate tax payer, for every £100 saved into your pension plan the cost to you is only £80. This could effectively be even less if you're a higher or additional rate tax payer.

Relevant UK earnings are the type of earnings that attract tax relief. This is the most income you earn that can be used to calculate your pension tax relief. This is different from your total taxable earnings, as not all of your income will qualify for pension tax relief.

There are several factors that determine what counts as relevant earnings, such as the nature of your employment and how much you have paid into a pension so far.

In order to get the most out of your pension contributions, it's crucial to understand what does count towards relevant earnings and how these calculations are made. By doing so, you can ensure that your retirement savings receive all of the tax benefits they deserve!

TAXABLE EARNINGS INCLUDE:

- Salary or wages (including bonuses, overtime pay and commission)
- Income from self-employment or business profits (for partners, their share of profits)
- The taxable part of redundancy payments – the first £30,000 is tax-free
- Taxable payments in lieu of notice
- Taxable benefits in kind, for example, company cars or living accommodation provided by your employer.

Interest earned from savings is not taken into account as it's usually taxed via Income Tax rather than National Insurance contributions. This means that you may be able to claim more in tax relief if you use any spare money to make additional pension contributions. Relevant earnings are used for both personal and workplace pensions.

Please note that these lists are not exhaustive.

QUALIFYING PENSION SCHEME

Tax relief on pension contributions made by an individual into a qualifying pension scheme is limited to the higher of 100% of their relevant UK earnings or £3,600 per annum (tax year 2022/23). Contributions are also limited by the Annual and Lifetime allowances.

TOGETHER WE'LL DELIVER YOUR RETIREMENT GOALS

Pensions can be complex with so many considerations, including your family circumstances, pension rules and tax regulations. The good news is that whatever your situation, and however you want to enjoy retirement, we can help set up bespoke arrangements that are right for your needs.

To discuss your situation, please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE 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. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

Hot Topic

More Britons insure their homes than their lives

Ensure your financial security for when you might need it most

There are a number of reasons why you might need life cover and critical illness cover. If you have dependants, then it is important to make sure that they will be financially secure if something happens to you. If you have a mortgage or other debts, then life cover can help to pay these off.

Critical illness cover can provide you with a lump sum of money if you are diagnosed with a specified serious illness, which can help to cover the cost of treatment and make sure that you and your family are financially secure.

NOT SO KEEN TO INSURE OUR OWN LIVES

But, according to new research[1], only 32% of people in the UK have life insurance compared to 64% who have taken out an insurance policy to cover their homes. Showing that there is still some truth in the old adage 'An Englishman's home is his castle', it would seem some people place more importance on insuring their homes than their lives.

The figures reveal that whilst we're happy to protect our latest iPhone purchase (14%), our upcoming holiday from the unpredictability of COVID (21%) and our pets (19%), we're not so keen to insure our own lives to protect our loved ones.

RELUCTANT TO THINK ABOUT OUR OWN MORTALITY

Indeed, 66% of people aged over 35 do not have life insurance cover, and a further 84% do not have critical illness cover. Whilst 58% of people with pet insurance and 47% with mobile phone insurance have not taken out life insurance.

It is not unusual for people to be reluctant to think about their own mortality, especially younger people in their 30s and 40s. However, it is important for people during the accumulation phase of their lives, which is generally those under 50, to think about protecting their financial journey.

TRANSFER RISK TO AN INSURANCE PROVIDER

Taking out life insurance and critical illness cover can help to transfer risk to an insurance provider. It is a way to help protect the journey towards meeting your financial goals.

Almost a fifth of the respondents (19%) who have life insurance in place said they do not have, or they are not confident that they have, sufficient life insurance to pay off their debts and provide for their dependants should the worst happen.

PROTECT YOUR FAMILY OR OTHER LOVED ONES

Less than half (45%) of those polled say their existing life insurance policy will cover their mortgage and only a quarter (24%) say it would cover their current salary. A further 15% say it will only cover the basic cost of living for their dependants, 4% realised that their current policy covers a previous salary which is lower than their current earnings, and 20% admit they simply don't know how much their life insurance would cover.

Whether it's to protect your family or other loved ones, it is important to take professional advice and make a plan, which can be reviewed regularly, to ensure that the people that matter to you are taken care of and that your financial goals can be achieved.

MAKE SURE YOUR LOVED ONES ARE LOOKED AFTER, SHOULD THE WORST HAPPEN

We're here to help you protect your loved ones today, so you don't have to worry about tomorrow.
To discuss your plans or for further information, please contact us.

Source data:
[1] The research of 1,000 nationally representative UK adults was commissioned by Find Out Now in November 2021 on behalf of Brewin Dolphin.

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