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MCB FINANCIAL PLANNING

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YOUR WINDOW ON FINANCIAL MATTERS

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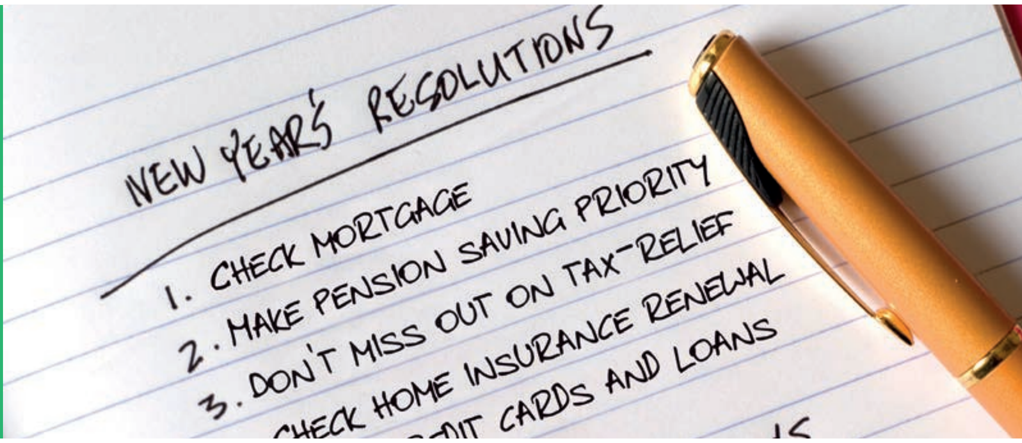

TEN WAYS TO CHANGE YOUR FINANCIAL HABITS IN 2017

For many, the start of a new year is a time of reflection and a renewed determination to do things differently in the months that lie ahead. Whilst overhauling your finances could seem less exciting than taking up a new hobby or challenge, it could make a big difference to your future wealth.

CHECK YOUR MORTGAGE

Often a family's biggest monthly outgoing, it makes sense to check that you've got the best, most cost-effective deal for your circumstances.

MAKE PENSION SAVING A PRIORITY

You've probably heard this message many times before, but experts agree that the earlier you start saving in a pension, the more you can put into it, the more time your money has to grow. With tax relief available on contributions, pension saving really is a no-brainer.

DON'T MISS OUT ON TAX-RELIEF ON YOUR SAVINGS

If you haven't used your ISA allowance for this tax year (£15,240) then you still have time. Depending on your circumstances, you might want to think about a Help to Buy ISA or a Lifetime ISA when it launches in April.

DON'T AUTOMATICALLY RENEW YOUR HOME INSURANCE

Shopping around at renewal could get you a better, cheaper deal that provides the right cover for your needs.

KEEP YOUR CREDIT CARDS AND LOANS UNDER REVIEW

It pays to know what interest you're being charged and to check if another provider offers a lower interest rate.

CHECK OUT YOUR BANK ACCOUNT

Many banks offer new customers valuable incentives to move their accounts. If you're currently paying a monthly fee, it pays to check out that the extras you get by doing so represent good value for you.

MAKE YOUR WILL

Without a Will, your estate would be administered under the laws of intestacy, meaning that your wealth might not go to those you would like to benefit on your death. Will writing is not regulated by the Financial Conduct Authority.

GET GOOD ADVICE

When it comes to managing and planning your money, it makes sense to get good quality, in-depth advice from a professional. If it's been a while since you looked at your finances, then why not schedule a review?

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

Wrap up in an ISA

The ISA deadline is **5 April 2017**

The 2016–17 allowance is a generous

£15,240

As it can't be carried forward, it makes sense to take advantage of this savings opportunity as soon as possible, rather than risk losing your entitlement if you miss the tax year-end deadline.

The 2017–18 allowance increases to £20,000

BREAKING UP IS HARD TO DO – YOUR FINANCES ON DIVORCE

It's a sad fact of life that long periods of time spent with their other halves over the festive season can prove to be the final straw for many married couples.

When divorcing, couples are encouraged to come to an amicable arrangement of their finances through mediation. Whilst there are no hard and fast rules about how their assets should be divided, the broad starting point is a 50:50 split. If the couple can't agree, then the court will be left to decide how things should be apportioned between them taking into account factors such as their age, earning ability, the property and money they brought to the marriage, and their role and relationship within the marriage. Above all, the court looks to ensure that the needs of any children involved are fully considered.

THE MARITAL HOME

The property can be sold and the proceeds divided, or one spouse can buy out the other's share. If there are children involved, a parent will often want to remain there with them. This means that any existing mortgage arrangements will need to be reviewed especially as the other partner may wish to buy their own property.

PENSIONS

Many spouses are unaware that a pension doesn't belong solely to the party named on the policy and has to be apportioned along with other assets. Pensions can be dealt with in various ways, such as splitting the fund into two, arranging for a portion of the pension paid to go to the other spouse, or offsetting the value of one spouse's fund by transferring other assets to the other spouse.

PLANNING FOR THE FUTURE

Post-divorce, it makes sense to discuss your revised circumstances with your financial adviser. You'll need to reassess your financial goals and review your mortgage, life insurance, savings and investment plans. You will also need to remake your Will. Reorganising their finances is for many an essential step in moving forward to a new life.

PAVING THE WAY FOR A *"MATCH FIT"* UK

In light of slower growth forecasts and an undeliverable surplus by 2020, the Chancellor used the Autumn Statement to announce his plan to ensure the UK economy is *"match-fit"* for Brexit. Following hefty infrastructure and innovation investment announcements, housing and regional funding measures, he slipped in a few extras including a further increase in Insurance Premium Tax and a ban on letting fees for tenants; following consultation, the landlords alone will be liable.

In a positive reconfirmation he announced that the personal allowance will rise to £11,500 this April and then to £12,500 by 2020. In addition the higher rate threshold will rise to £50,000 by the end of this parliament. The government also has no plans for further welfare savings measures in this parliament beyond those already announced, crucially protecting the triple lock arrangement.

A BIG SACRIFICE FOR SOME

The Chancellor promised salary sacrifice would be taxed as normal from April; however, pensions contributions, childcare vouchers, the cycle to work scheme and ultra-low emission company cars are excluded. Items bought under the scheme such as computers, gym membership and health screening will be subject to tax.

INTRODUCING BOND, A NEW SAVINGS BOND

The Chancellor expects two million people to benefit from a new savings bond which will be launched through National Savings and Investments in April. With an interest rate of around 2.2% and open to those aged 16 and over, the minimum investment limit is £100, with a maximum investment of £3,000. Savers must lock in their money for three years. The new product will be available for 12 months.

PENSIONS

For those who have already flexibly accessed their pension, the Money Purchase Annual Allowance may be limited to £4,000 from April. This is designed to stop beneficiaries from gaining double pension tax relief.

The tax treatment of UK residents' foreign pensions will be brought more closely into line with the UK's current domestic tax regime, bringing any pension payment or lump sums into the UK for tax purposes.

NO HIDING FROM TAXMAN'S OFFSHORE CLAMPDOWN

In an effort to crackdown on offshore tax evasion, HM Revenue & Customs (HMRC) is implementing a new regime which will allow them and other tax authorities around the globe to check that the correct amount of tax is paid on any money held abroad.

INCREASING TRANSPARENCY AND INTERNATIONAL REACH

If you hold any offshore assets, including Bonds, Pensions, and Bank Accounts, your financial and tax advisers will be required to notify you that HMRC will begin to receive information on offshore accounts from more than 100 jurisdictions from 2017. At the same time, HMRC will begin to share information with other tax authorities on accounts held in the UK, increasing cross border taxation transparency.

For those failing to pay tax or the correct amount of tax on their offshore assets the penalties are set to increase; those evading tax could even face criminal prosecution. New rules mean that individuals could face further penalties based on the value of the asset as well as the tax due.

ARE YOUR TAX AFFAIRS UP-TO-DATE?

HMRC are keen to point out that it is the individual's responsibility to check and declare all of their tax liabilities.

If you are confident that your tax affairs are in order and you have declared all of your UK tax liabilities, no action is required.

If you need to bring your tax affairs up-to-date you can use HMRC's online disclosure facility which allows non-compliant taxpayers to correct their tax affairs under certain terms before HMRC start to receive data.

It is also important to consider the effect of any changes in your personal circumstances, such as a recent inheritance of overseas assets which will require disclosure.

The message from the tax authorities is clear *"come to us before we come to you"*.

ADVISERS TAKE ACTION

Financial intermediaries, investment houses and tax advisers should make their clients aware of their need to disclose any offshore holdings they have when submitting their tax return.

LIFE COVER FOR COUPLES

Couples have a lot of things in common, and that can include financial commitments like bank accounts and mortgages. However, when it comes to life insurance it can make sense for each partner to have their own separate policy.

SINGLE VERSUS JOINT POLICIES

A 'single' life policy provides cover for that person only, and pays out the amount of cover provided under the policy if the insured dies during the term of the policy.

By contrast, a 'joint' policy covers two lives, normally on what's referred to as a 'first death' basis. This means that the policy pays out if during its term one of the policyholders dies. As the policy is designed to pay out only once, it will end.

So, in this case, the surviving partner would no longer have any life cover under this policy. If instead each had their own policy, the survivor would still have life cover in place.

It's also important to consider what might happen if there was a joint policy in place and the relationship breaks down. As the policy cannot be split, each would need to take out a new policy. This could mean that their premiums would be much more expensive, as the cost of insurance increases with age. People need to carefully consider their options, those taking out cover for Inheritance Tax Planning (IHT) could benefit from a joint policy.

GETTING THE RIGHT COVER IN PLACE

Whilst one joint policy could be more affordable than two single policies, depending on personal circumstances, it makes sense to think about each partner's life assurance needs separately. With many families these days relying on two incomes, it can make financial sense for each partner to have their own policy in place. That way, they can each tailor the amount of cover and the length of the term to their own specific needs.

This can be particularly relevant where the partners are different ages and in different states of health.

There's a lot to think about, and professional advice can help ensure you make the right choice.

HOW YOUR INCOME NEEDS CHANGE OVER TIME, AND HOW TO PLAN FOR WHEN THEY DO

Will your need for income change during your retirement years, and if so, by how much?

This can be a difficult question to answer and the response is likely to differ from person to person. It will depend on factors that are personal to you such as the age at which you retire and your state of health in your later years. Stock market performance and the impact of inflation also need to be taken into consideration when planning your finances.

Many people retire when they are still comparatively young and in good health. Some decide to ease themselves into retirement by working part time or on a consultancy or self-employed basis. Others see this time as their opportunity to travel extensively and take up new interests and pursuits. This means that they are likely to want to spend considerable amounts of money in this phase of their lives. For many, this could be ten or even 20 years.

However, at some point most of us will begin to slow down and may find we develop health problems. At this stage, for some people the amount they need to live on will diminish. For others this could mean spending more on medical and nursing care.

PLANNING FOR WHATEVER THE FUTURE HOLDS

It wasn't so very long ago that it was the general rule that men retired at 65 and women at 60, with a state pension and a defined benefit pension from their employer which paid out a fixed income, regardless of the spending needs of the recipient. Now things have changed and people are increasingly retiring with defined contribution pensions that give them greater flexibility when it comes to planning their income to match their lifestyle during their retirement years.

Planning for future expenditure should involve thinking about your likely spending needs in your later years, and should address issues such as whether you want to downsize to a smaller property, how much money you want to pass on to your family and how much you need to have as a reserve that could be used to pay for care costs. It helps to have these figures in view during your working years when you are contributing to your pension, as they can help determine how much you might need to save to achieve your goals.

PENSION PLANNING ADVICE PAYS

Research by Citizens Advice[1] has revealed that seven out of ten people who accessed their pension pots since the new pension changes were introduced in April 2015 didn't shop around or consider other planning options for their retirement.

Getting professional advice on retirement income planning has never been more important than it is today. Planning your income needs to meet your likely pattern of expenditure can help alleviate financial worries later on in life. It can help you understand what your financial future might look like, take into account your attitude to investment risk, and give you a roadmap for the future.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

[1] Citizens Advice, People not shopping around under the pension freedoms, June 2016.

It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation, are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. If you withdraw from an investment in the early years, you may not get back the full amount you invested. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency. Taxation depends on individual circumstances as well as tax law and HMRC practice which can change.

The information contained within this newsletter is for information only purposes and does not constitute financial advice.

NEWS IN BRIEF

Nuisance calls – ministers close loopholes

With many of us regularly plagued by nuisance calls, it comes as good news that the loophole allowing company directors to claim bankruptcy for firms that are fined is to be closed. In 2016, The Telegraph reported that of the 20 firms that had been penalised for making millions of cold calls, 15 had gone bust or declared themselves insolvent, therefore avoiding paying the fine.

From Spring 2017, changes under the Privacy and Electronic Communications Regulations will come into effect. This means that the Information Commissioner's Office, who can currently levy fines of up to £500,000 on companies, will also be able to fine company directors.

In addition, the Chancellor revealed in the Autumn Statement that the government intend to publish a consultation document to address what they believe to be pension scams which have increased substantially since the April 2015 pension freedoms. This may include the recommendation to ban any cold calling in relation to pension products and develop greater powers for providers to block suspicious fund transfers.