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BUDGET HIGHLIGHTS

- New 'Lifetime' ISA available from April 2017
- ISA allowance increase to £20,000 from April 2017
- Capital Gains Tax reduced to 20% for higher rate taxpayers and 10% for basic rate tax payers from 6 April 2016 (exclusions apply)
- Personal allowance to rise from £11,000 in 2016–17 to £11,500 in April 2017
- Higher rate tax threshold to rise from £43,000 2016–17 to £45,000 in April 2017
- Insurance premium tax increase to 10%
- Class 2 National Insurance contributions to be abolished from April 2018
- New tiered system of stamp duty rates for commercial property, effective 17/03/16
- Reduction in Corporation Tax to 17% by 2020

WHEN WILL YOU RETIRE?

With more and more workers choosing to labour on into their late 60s and even 70s, the concept of retirement is becoming increasingly fluid.

Research from a major insurer* shows that more and more people are embarking instead on what's been dubbed 'pre-tirement'. This is where workers decide to delay their retirement, change jobs or go part-time, and it's widely expected to become the new norm.

Those reaching normal retirement age in 2016 who were questioned for the survey expected to draw their pensions for around 20 years. Whilst many people said that they wanted to continue working to keep their brains active and provide an outside interest, 29% reported delaying their retirement plans because they didn't believe their pensions and savings would provide enough income to enable them to feel financially secure.

CHOICE MATTERS

About 16% of those surveyed said that they didn't want to retire. We'd all like to feel we have the power to choose when we give up work; not everyone will feel physically capable of soldiering on indefinitely, so it's best to accumulate as much as possible into a pension plan so that you can keep your options open.

Retirement planning is arguably something that should begin the moment anyone starts work. With encouragement on offer in the form of tax relief on pension contributions (20% for basic rate tax payers), and the government's major push to get workers into pension schemes via auto-enrolment, there are more opportunities than ever before to make provision for retirement.

HOW TO PLAN YOUR PENSION

At any age, it's worth taking a look at your pension forecast and getting good advice. With the state pension rules changing from April, and the UK retirement age gradually creeping up to keep in step with increasing life-expectancy, everyone needs to know what is in store for them; visiting Gov.uk will provide some details.

When thinking about your retirement, it is a good idea to create a budget that covers what you'll need for basic living expenses, and how much you'll need to enjoy hobbies, travel and leisure pursuits. Having these figures to hand will help you plan your pension provision more effectively.

Regularly reviewing the percentage of your salary that you put into a pension makes good sense, so if you haven't looked at your plans for a while, this could be a good time to schedule a review meeting.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

*Prudential research, Retirement Planning, 2016

CHALLENGES FACING INTERGENERATIONAL FAMILIES

An independent public policy think tank, the Social Market Foundation, has uncovered some interesting social trends and published them in a report entitled 'Longer Lives, Stronger Families'*. The findings illustrate the complex choices that older and younger people make as they balance their own future financial requirements with the needs of their families.

Their research shows a marked increase in the number of people receiving inheritances and gifts, with housing assets making up an increasing proportion of inheritances handed down. Some 60% of adults agree with the statement that, *"It is better to give children money when they need it than to save it to leave as an inheritance"*. In addition, a majority of the public surveyed (60%) agree that 'It is impossible for younger people to get onto the housing ladder without support from a parent'.

NEW SOCIAL GROUPINGS IDENTIFIED

The report highlighted a group it refers to as the 'skipped middle' consisting of parents in their 50s who see their inheritances diminishing as their older parents use their assets to help their grandchildren with major expenditure such as education, university fees and the deposit on their first home.

Another group, dubbed 'in-betweeners', consists of grandparents aged 60-70 who often face the pressure of caring for elderly parents, looking after their grandchildren and in some cases great-grandchildren, whilst continuing to work to ensure they can afford a comfortable retirement.

The research also identified 'under-pressure retirees' who, the report concludes, have a delicate balancing act to achieve in providing for their own financial security whilst offering support to future generations as they face life's major financial events.

These findings highlight a wide variety of financial problems that confront many families, and highlight the need for good financial planning to ensure that each generation is, as far as possible, adequately catered for.

If your family faces similar issues, a financial review could help you put plans in place for the benefit of both older and younger generations.

* Social Market Foundation, Longer Lives, Stronger Families, 2016

IS IT TIME YOU REVIEWED YOUR LIFE COVER?

Life insurance is one of those purchases that people tend to forget about once they've got a policy in place. It's easy to think that because you've taken an important step in protecting your loved ones and make provision for their financial future, that that's where the story ends.

However, recent research from major insurer SunLife* has shown that the average life insurance pay-out is £51,500 but the average amount outstanding on a mortgage is £83,000. This means that many families could be left facing a shortfall of £31,500 in this instance; in some circumstances this figure could be considerably higher.

We all experience life-changing events such as getting married, having children and moving up the housing ladder, but one thing that tends to get overlooked is reviewing the level of life cover we need following a significant change in our personal circumstances.

REGULAR REVIEWS MATTER

As families grow and move to larger properties, they often take out bigger mortgages and have a higher level of household expenditure than they did before.

If you took out your policy a while ago, the sum assured – the amount the policy would pay out on death – may not have kept pace with your current requirements. That could mean that in the event of a claim your family might find themselves facing unanticipated financial difficulties.

A CHANGE OF FOCUS

It's not just the sum assured that you should review from time to time. You might also want to change the type of policy you have. Term assurance pays out when the policyholder dies within a set period of time, whole-of-life

policies provide cover that lasts a lifetime. You can also add additional insurance that protects your income, or critical illness cover that pays out if you're diagnosed with a life-threatening illness.

If you haven't reviewed your policy for a while, you could be paying more in premiums than you need to – there could be newer, cheaper plans available in the marketplace that would provide the cover you need.

* SunLife, Life Insurance Shortfall, 2015

COVERING THE COST OF CHILDCARE

New figures from the Centre for Economics and Business Research (CEBR)* reveal that the cost of raising a child is now more than the cost of the average semi-detached house in Britain. Parents can expect to spend £231,843 raising a child born in 2016 to the age of 21.

The CEBR calculate that nearly a third of this figure is the cost of childcare and babysitting which comes to more than £70,000. The government has made several pledges on the provision of free childcare to encourage as many parents as possible into the work force. Under current childcare arrangements, parents are offered 15 hours of free care for three and four year olds. Pilot schemes start in September to double this figure to 30 hours. However, there is currently some concern as to whether local authorities have the capacity to deliver this additional free childcare.

FINANCIAL HELP FOR PARENTS

There are currently two main sources of financial help for working parents. The childcare element of the Working Tax Credit can cover up to 70 per cent of costs, with a maximum of £175 per week for one child and £300 per week for two or more children. So, if you pay £175 per week, you could receive £122.50. With two or more children you could receive up to £210.

The other source of help is Employer Supported Childcare. These schemes help parents save money by not paying tax and National Insurance contributions on some or all of your childcare costs. Some employers provide vouchers which can be used to pay your childcare provider, who in turn claims the cost from the voucher provider or your employer.

SAVING FOR THEIR FUTURE

With the cost of raising a child hitting new highs, many parents and grandparents are looking for tax-efficient ways to save for a child's future. You can contribute up to £4,080 (tax year 2016–17) into a Junior ISA (JISA) which can be saved as cash, or invested in stocks and shares. An existing Child Trust Fund can also be transferred into a JISA. Anyone from the child's grandparents, parents, family or friends can invest money in the account within the overall annual limit to help secure a stable future for the child.

* Centre for Economics and Business Research, Cost of raising children higher than ever, 2016

HOW TO STAY SAFE ONLINE

Whilst the internet has transformed our lives in countless positive ways, sadly it has also become a place where scammers and thieves operate. Armed with a few safety rules we can all enjoy surfing and shopping on the web.

Scammers use fake websites to con you into paying for goods that never arrive, and harvest your credit card and bank details. Fake sites can often look very convincing, but there are ways to protect you and your financial details from misuse.

Your internet browser includes security functions which can help spot sites masquerading as trusted sites, and can even tell you before you arrive that the site is a fake. Check that the security options are enabled in your browser.

TELL-TALE SIGNS

Check out a website before use. Search for alternative contact details such as an address or phone number – if in doubt, call them first. Look on forums and blogs for reviews and advice from previous users of the site. If you don't feel confident that the site is genuine, don't divulge any personal details. If a deal seems too good to be true, it probably is.

Think carefully before giving out any personal or banking information online. If you're buying goods or services over the web, before entering any banking information, make sure your browser is showing the padlock symbol next to the address bar and that the address starts with https://. Without these signs, there's no guarantee of security or encryption of your details. Any major online retailer will always have these security measures as standard.

It's also important to be aware of email interception. The Solicitors Regulation Authority recently warned of a growing scam where computer hackers intercept emails between a house purchaser and their solicitor. The fraudsters monitor emails and wait until a cash transaction is imminent, then purporting to be the solicitor, the hacker sends a realistic email requesting the transfer of cash to their own account. People have unfortunately lost thousands of pounds to this scam.

GETTING TO GRIPS WITH THE NEW STATE PENSION

It used to be simple; men retired at 65, women at age 60. But with life expectancy rising, the government found itself paying state pensions to more people for longer and needed to find a way to lighten the financial burden facing the Exchequer.

So, the state retirement age has been raised and it will continue to rise in the years to come. By 2020, both men and women will be entitled to receive their state pension at age 66. This increases to 67 between 2026 and 2028; from then on, it will be reviewed every five years and linked to life expectancy rates. If you don't know what your state retirement age is, you can find out by using the Gov.uk online calculator.

THE NEW FLAT-RATE STATE PENSION

If you reach state pension age on or after 6 April 2016, you'll receive the new flat-rate or 'single tier' state pension. The full amount is £155.65 per week.

Those who retired before 6 April 2016 and qualify for a full state pension will see it increase in April by 2.9% to £119.30 per week for a single person. If you have built up additional state pension, referred to as the State Earnings Related Pension Scheme (SERPS) or State Second Pension (S2P), you will receive more than the basic figure.

NOT EVERYONE QUALIFIES FOR THE FULL AMOUNT

Under the new scheme, in order to receive the full amount of £155.65 per week, you will need 35 'qualifying years' of National Insurance contributions or National Insurance credits. Not everyone will get the full amount if they have missing years in their contribution record. Those who have built up additional state pension may get more, while those who were 'contracted out' of SERPS or S2P may get less. The amount you will receive is the greater of the amount you would get under the old system, or the amount you would have received if the new system had been in place for the whole of your working life. Getting an online forecast from Gov.UK will clarify your position.

Under the new system, those with less than ten qualifying years are unlikely to receive any state pension, although there are exceptions. As the new state pension is based on an individual's own National Insurance contributions, in most cases there is no facility to claim a pension based on contributions made by a spouse.

To put these changes into perspective, a paper from the Department for Work and Pensions stated that, *"By 2030, over three million men and over three million women will have benefited from a notionally higher state pension. This proportion then begins to diminish over time, falling to around two-thirds by 2040 and just over half by 2050."*

WHAT YOUR NEXT STEPS SHOULD BE

These changes have prompted many people to take a closer look at their own pension situation. The state pension represents a basic safety net, so it's important to get good advice to ensure that you are saving enough for the future.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the funds at retirement, future interest rates and tax legislation.

HELP TO BUY ISA TAKES OFF

For those would-be first time buyers saving for that all-important deposit, every little helps.

Little wonder then that the government's recently launched Help to Buy ISA has been eagerly taken up. Over 250,000 accounts have already been opened.

WHAT SAVERS NEED TO KNOW

You can contribute a maximum of £200 each month, with the government contributing up to £50 on top. You can put in an initial deposit of £1,000 when the account is first opened, and as an extra incentive to save, the government will pay a bonus of up to £250 on the full £1,000, plus another £50 for each £200 of monthly savings made after that. You get interest on your savings too.

The minimum savers need to accumulate to qualify for the bonus is £1,600, this will attract a bonus of £400. In order to claim the government's maximum bonus of £3,000, they need to save £12,000.

If you are aged over 16 and a first time buyer, then a Help to Buy ISA represents a great way to save for a deposit.

The value of investments and income from them may go down. You may not get back the original amount invested.

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.