WEALTH KNOWLEDGE

JULY 2019

Orchid Financial Services Ltd

CONSUMER 'DEMAND FOR CASH ISAS HAS INCREASED', REPORT CLAIMS

The number of cash ISA products on the market has increased from 301 to 437 since the introduction of the personal savings allowance in 2016/17.

The personal savings allowance enables basic-rate taxpayers to receive up to £1,000 a year in tax-free savings income.

This allowance is halved to £500 for higher-rate taxpayers in the UK, while it is withdrawn for additional-rate taxpayers.

Individuals can save up to £20,000 a year tax-free into ISAs, with cash ISAs among the most popular options.

Research from Moneyfacts showed a rise in the number of cash ISA products since April 2016, despite low interest rates offering subdued returns.

The comparison site suggested more savers are turning to cash ISAs to protect their savings for future years, fearing the allowance may be withdrawn.

Demand for fixed-rate cash ISAs surged to 23% in March 2019, while interest in variable-rate cash ISAs reached 16%.

Darren Cook, finance expert at Moneyfacts.co.uk, said:

"Interest in cash ISAs has increased in the latest ISA season.

"This year's [£20,000] ISA allowance will benefit from future tax exemptions, when interest may be much higher and the personal savings allowance may be no more.

"With the current economic outlook remaining unpredictable, savers continue to seek future security for their savings."

Talk to us about your savings strategy.

EXISTING HOMEOWNERS BOOST MORTGAGE MARKET

Competitive mortgage rates fuelled an increase in the number of existing homeowners who took out new loans in the first five months of 2019.

According to e.surv, residential 65,801 residential mortgages were approved in May 2019 alone – up 1.2% year-on-year.

Between April and May 2019, however, mortgage approvals decreased by 0.7% compared to the previous month.

Despite the housing market slowing down in the first half of 2019, the trend has yet to affect the mortgage market.

More than a quarter (27.5%) of mortgages were approved to small deposit borrowers in May 2019 – an increase of 1.9% on March 2019.

Richard Sexton, director at e.surv, said:

"Mortgage rates have increased slightly compared to the rock-bottom lows of the last few years.

"However, rates are still close to their historic lows which is good news for those looking to take their first steps.

"This is reflected in the number of approvals this month.

"With almost half of all mortgages going to mid-market borrowers, it is clear that many current homeowners are still coming to market for new loans.

"This may be because they are keen to lock into loans at the current historically low rates in the hope that it will save them money in the long term."

We can arrange mortgage advice.

MOST GIFTERS ARE 'UNCLEAR ON INHERITANCE TAX RULES'

Most people making gifts of money or assets are unaware of inheritance tax rules that might apply to them.

Research of 2,090 people conducted on behalf of HMRC found that only 25% of those who recently made a gift had a 'working knowledge' of the rules.

Less than half (45%) were aware of the rules or exemptions surrounding inheritance tax when they made their largest gift.

Only 8% of gifters considered inheritance tax rules before making a gift, the research showed.

Inheritance tax only applies on gifts where a donor dies within seven years of making the gift or a lifetime transfer into a relevant trust or company.

Within these rules are exemptions, such as gifts to a spouse or civil partner, charity or a political party, while an annual exemption on gifts worth up to £3,000 applies.

Should the donor die within three years of making the gift, inheritance tax of 40% will apply if the estate is worth more than £325,000.

Gifts made between three and seven years before the donor's death are taxed on a sliding scale known as taper relief.

Among gifters who were aware of the rules, 18% said they were influenced by them when they made their largest gift.

More than a quarter (28%) of gifters had sought advice from either GOV.UK or professional tax advisers.

Around 13% of gifters gave a single gift of £1,000 or more, or multiple gifts of £250 or more that totalled at least £3,000.

Speak to us to understand the rules on gifts.

MORE PEOPLE DOWNSIZING TO BOOST RETIREMENT SAVINGS

An increasing number of homeowners either in or nearing retirement are downsizing to fund a comfortable retirement.

Key Retirement's reseach showed the number of homeowners selling up to pay off credit cards or loans hit 35% at the end of March 2019 – up 5% year-on-year.

A further 28% downsized to pay off an outstanding mortgage, which represented an increase of 7% over the same period.

The number of people who had used property wealth to clear debts in the first three months of 2019 was the third highest since 2007, the report claimed.

With low interest rates offering savers poor returns for more than a decade, an increase in the number of people freeing equity from their homes is no surprise.

The statistics are also swelled by the fact that more than 13 million people in the UK are over the age of 65, according to the Office for National Statistics.

Will Hale, chief executive at Key Retirement, said:

"Nearing or entering retirement with an income that might be exceeded or matched by debt repayments can be hugely stressful and may mean people need to make fundamental changes to their plans, such as working longer.

"However, this will not solve everyone's issues and is not even viable for some, so looking into downsizing might be the right answer for them.

"Not only will making sensible choices around property mean that people are less stressed, but it will help to set them up for a more comfortable retirement."

Get in touch to discuss boosting your pension pot.