*e*News
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SANDRINGHAM
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INVESTMENT

The rewards of regular saving

A regular savings plan is one of the most effective ways of building a nest-egg for the future.

Saving regularly can be a painless way to accumulate funds, particularly if this money is taken automatically each pay day. Set aside £100 each month, and you will have squirrelled away £1,200 after one year, or £6,000 after five years. Trying to find a lump sum of this size to invest can prove more challenging, without a bonus, bequest or some other windfall.

Over longer periods of time, compound returns – or receiving investment returns on your investment returns – could significantly boost the value of your savings. The longer your money is invested, the bigger this effect could be.

> *With a regular investment plan you're not trying to second-guess market movements.*

Regular investments

Regular saving can also help smooth out the ups and downs of the stock market.

There is an old investment adage that it is time in the market, not timing the market, that makes investors' money. With a regular investment plan you're not trying to second-guess market movements, so you don't run the risk of missing days when stock markets rise significantly.

Of course, this also means you will keep investing through market downturns. But when markets fall, you will be buying shares, or units in a fund, at cheaper prices. You could benefit as and when markets bounce back. The technical term for this is 'pound-cost averaging'.

Please let us know if you would like to discuss your savings strategies.

The value of your investments, and the income from them, can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

PENSIONS

Self-employed pensions boost

The Chancellor has abandoned plans to abolish class 2 national insurance contributions (NICs).

Those registered as self-employed pay class 2 NICs if their profits are more than £6,365 a year in 2019/20. Then if profits exceed £8,632, they also have to pay class 4 NICs. Typically, these NICs are paid through the self-assessment system.

The planned abolition of class 2 NICs was proposed as a means of simplifying the tax system. But there were concerns it would push up pension costs for the self-employed, particularly those on lower incomes.

For 2019/20, the class 2 NIC is £3.00 a week. Class 4 NICs are 9% of their profits (between £8,632 and £50,000 for 2019/20) then 2% of profits above this level. Paying class 2 NICs gives the self-employed access to the new state pension, which is worth up to £168.60 a week in 2019/20 – depending on their NIC record.

But relying solely on the state pension in retirement isn't a sensible idea. It's important to make some private pension provision as well. You won't have the benefit of a workplace scheme or employer contributions – but that shouldn't stop you building up your own retirement savings.

Registered pensions are a really tax efficient way to boost your income later in life.

Levels and bases of taxation and tax reliefs are subject to change and their value depends on individual circumstances.

Tax laws can change.

The Financial Conduct Authority does not regulate tax advice.

TAX

Check your April pay slip

Your April pay may look much the same as March's, but it is worth giving your pay slip a close look.

If you are an employee, your April pay slip is always worth checking, even if you pay little attention to the other eleven you receive over a year. The items to check include:

Salary Many employers change pay rates from 1 April, often coinciding with the start of their new financial year. If you were notified of a pay increase in March, it is worth making sure the number on the April pay check agrees with what you were promised.

Tax code. Your April pay check will be the first for the 2019/20 tax year and your PAYE tax code will have almost certainly changed from what was on your March pay slip. If you are entitled to a full personal allowance and have no deductions, your code number should increase by 65, reflecting the £650 increase in the personal allowance.

If you have a company car, then it is likely to move your code in the opposite direction. For most cars (other than those with the highest emissions), the percentage of list price that is taxable rises by 3% - £300 per £10,000 of list price. A £22,000 car will therefore more than counter the rise in the personal allowance. The higher scale percentage also means a similar increase in taxable value of employer supplied fuel. In practice you might be better off paying your own fuel bills, even if your employer pays you nothing in compensation.

National insurance contributions (NICs) The primary threshold (that is, the starting point) for NICs rises by £4 a week while the upper earnings limit (the top level of earnings on which you pay full 12% NICs) jumps by £70 a week. As a result, if your annual earnings are more than £46,600 a year, you will be paying more NICs from April. If you earn over £50,000 a year, your extra NICs will be just over £28 a month.

Pension contributions These are generally linked to salary, although not necessarily your full pay, so should increase if you have an April pay increase. If you are in an automatic enrolment pension scheme, your contributions are usually based on "band earnings", which were £6,032–£46,350 in 2018/19 and are £6,136–£50,000 in 2019/20. The contribution rate will rise, too. How much will depend upon your employer's contributions: you might see the rate increase by two thirds to 5% of band earnings (4% after basic rate tax relief). If your pay in April is lower than in March, the auto enrolment change could be the culprit.

For more insight on the tax, NICs and pension deductions from your pay and options to limit their impact, please talk to us.

The value of tax reliefs depends on your individual circumstances.

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PROTECTION

Just in case: protecting against income cuts

You may assume you'll never need it, but if you experience redundancy or illness, you may become eligible for universal credit. The government is slowly rolling out the new single payment designed to replace six existing state benefits.

Universal credit is expected to be adopted nationwide by 2023. However, there has been controversy about the changes, and delays to implementation.

Universal credit replaces the following benefits: child tax credit; housing benefit; income support; income-based jobseeker's allowance (JSA); income-related employment and support allowance (ESA); and working tax credit.

It's important to remember these benefits only provide a basic standard of living.

Greater protection

The good news is that insurance can bridge the gaps in your financial security. A range of insurance protection products can pay out if you lose your job, become too ill to work or die.

Life insurance typically pays out a lump sum if the policyholder dies before a set date.
This is often a cost-effective option, because premiums are low as the chances of claiming are relatively low. However, should the worst happen, the lump sum can help ease financial worries for families at a difficult time.

Critical illness insurance pays out a fixed lump sum if you are diagnosed with a specified serious illness, including most types of cancer, stroke and heart disease.

Income protection insurance pays a monthly amount – usually a fixed portion of your regular earnings – if you cannot work because of ill-health. This normally only pays out once you have stopped work for a certain period of time.

All these policies can be purchased by individuals, but some employers also provide cover, so check what is available. The government recently confirmed that any payment from these insurance policies won't affect your entitlement to state benefits such as universal credit. If you are concerned about potential consequences for your income should you have a change in circumstances, please get in touch.

TAX

Landlords losing interest from April

The next step in changes to tax relief for landlords takes effect from 6 April 2019.

If you have a mortgage on a buy to let residential property, from this April only 25% of the interest can be offset against your rental income, with the remaining 75% qualifying for a 20% tax credit only.

Higher rate taxpayers will lose £50 tax relief for every £1,000 of interest in 2019/20. And from April 2020 onwards, you will only receive a 20% tax credit – another £50 cut in relief for every £1,000 of interest for 40% taxpayers.

If these changes make you think about selling up, then remember another April 2020 change: capital gains tax at up to 28% on residential property will be due within 30 days of sale.

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