WEALTH KNOWLEDGE

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SAVERS WITHDRAW £25.62BN THROUGH PENSION FREEDOMS

The total amount of withdrawals made using pension freedoms since April 2015 has risen to £25.62 billion.

People aged 55 and over have benefitted from more choice when it comes to accessing their pension savings from 2015/16.

Since then, government statistics show the amount of money withdrawn by over-55s from their pension pots has been steadily increasing as the option gains popularity.

During the first three months of 2019, around 648,000 people withdrew pension savings of around £2.06bn – the second highest since pension freedoms were introduced.

Looking slightly further back, 539,000 individuals withdrew £8.18bn in 2018/19 through flexible payments from pensions – an increase of £1.53bn on the year before.

While more savers are taking advantage of pension freedoms, NFU Mutual warned those doing so could unintentionally create future inheritance tax problems, claiming ISA withdrawals should come before raiding a pension pot.

Sean McCann, chartered financial planner at NFU Mutual, said:

"If you take money out of a pension, you're taking it out of a protective wrapper that shields it from income tax, capital gains tax and, crucially in most cases, inheritance tax.

"The protection from these taxes can be passed down through generations too without HMRC taking a large slice.

"Those that can afford to should take money from their ISAs before they dip into the most tax-efficient of all their assets."

Talk to us about accessing your pension.

INHERITANCE TAX RECEIPTS PROJECTED TO DOUBLE BY 2030

Taxpayers in the UK are set to pay a total of £10 billion a year in inheritance tax by 2030, according to Canada Life.

The most recent data from the Office for National Statistics shows that the Government collected £5.2bn in inheritance tax receipts in 2017/18 – an increase of around £1.38bn compared to the same time ten years earlier.

Canada Life's analysis, based on current revenue trends, predicted a much faster pace of change in the next decade.

It said this was a result of the nil-rate band being frozen at £325,000 since 2009, which may mean more people are liable for inheritance tax as asset values increase.

This is despite increases to the residence nil-rate band, which can provide an additional £150,000 inheritance tax exemption for people passing on a family home in 2019/20.

The research also revealed that 18% of estates worth up to £1 million do not have an estate plan, meaning they may be paying more inheritance tax than necessary.

Neil Jones, market development manager at Canada Life, said:

"There's plenty that can be done within the existing rules to reduce an inheritance tax bill.

"Perhaps because of a very British reluctance to discuss death, many people – and sometimes their financial advisers – won't bring up estate planning.

"As a consequence the Government is undoubtedly receiving tax that, with proper planning, wouldn't need to be paid."

Contact us to discuss estate planning.

OVER-50S SUPPORT INTRODUCING NEW TAX BREAK FOR DOWNSIZING

Nearly three-quarters (73%) of people over 50 would support a stamp duty break for people who downsize their home, research from Saga claims.

In a survey of 2,000 people, 25% of over-50s said they were struggling to afford the cost of moving house.

The research found that 70% of potential downsizers wanted to move because their current home was too large, while a quarter would do so to reduce the running costs of their home.

Nearly half (45%) of this age group would consider downsizing as an option to help fund their retirement.

To help address this problem, Saga called on the Government to allow one stamp duty-free move to people who choose to downsize in retirement.

First-time buyers in England and Northern Ireland were made exempt from stamp duty on purchases of homes up to £300,000 in November 2017, while those paying between £300,000 and £500,000 pay a reduced rate of 5%.

The Treasury said this had helped around 240,000 people get onto the property ladder by March 2019.

For other people in England and Northern Ireland who are buying a home, stamp duty rates range from 2% to 12% on various portions of residential sales worth more than £125,000.

Jeff Bromage, managing director at Saga Money, said:

"A large proportion of our members have told us that they would like to move to a smaller home, but the costs associated with doing so are preventing them.

"We are urging the Government to reconsider this exemption – to support potential downsizers, their families and the wider housing market."

Talk to us about downsizing.

FCA CONSULTS ON PLANS TO CHANGE MORTGAGE ADVICE RULES

Homeowners could soon benefit from more choice when it comes to choosing a mortgage, if plans from the Financial Conduct Authority (FCA) are approved.

The FCA is consulting on several proposals after conceding its own regulations are damaging competition and resulting in borrowers overpaying for mortgages.

It hopes to change its own rules to make it clear that tools which allow customers to search and filter available mortgages are not necessarily giving advice.

The changes could also compel mortgage advisers to offer the cheapest mortgage to homeowners, or have to explain their reasons for recommending pricier loans.

Most new mortgages are sold under an advised process, during which customers are interviewed with the onus on the adviser to ensure the loan suits the borrower's needs.

Christopher Woolard, executive director of strategy and competition at the FCA, said:

"The mortgage market is working well for most customers, but some of our rules are acting as a barrier to innovation.

"The changes we've announced will allow firms to develop products and services which can meet the needs of customers."

The consultation has received support from UK Finance, which believes the plans provide "clarity on the boundary between execution-only sales channels and mortgage advice".

Jackie Bennett, director of mortgages at UK Finance, added:

"This should ensure firms can provide factual information to borrowers who opt to go through the execution-only route, helping them to choose or switch product efficiently."

The FCA is expected to publish its new rules later this year.

IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change. Pensions eligibility depends on individual circumstances and pension benefit cannot normally be taken before age 55.

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