FML Wealth Limited

Adviser Winter 2018

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Protect the things that matter

Don’t risk your family’s future!

Not everyone has a life insurance policy, leaving the potential of loved ones open to financial problems once you die. Protect your family from the unexpected: the last thing you want your family to be worrying about is money.

Income Protection

If something happened to you would you be able to survive on savings? Income protection insurance is a long-term insurance policy designed to help you if you can’t work because you’re ill or injured. It ensures you continue to receive a regular income until you retire or are able to return to work.

- Do you have young children or others who depend on you financially?
- How old are your dependants?
- Will your dependants be heading to university?
- Do you pay school fees or nursing-home fees for others?
- How soon will any current dependants become financially independent?
- Do you have debts (including a mortgage) that your beneficiaries could not manage?
- Do you have investments that might provide an income if you were unable to work?
- Do you have any assets that could be sold if you were unable to work?
- Would you need to move house if you were less mobile?
- What about any car repayments?

With income protection insurance, everything depends on getting the right policy – so it’s best to get advice from a financial adviser. It’s not the same as critical illness insurance, which pays out a one-off lump sum if you have a specific serious illness.

Life Insurance

Life insurance is an affordable way to help your family cope financially if something happens to you, helping during an otherwise difficult time.

It pays out a cash lump sum if, during the policy term, you die (or are diagnosed with a terminal illness that meets the policy definition).

Mortgage life insurance - also referred to as mortgage protection - is a type of life insurance that pays out if you die before you finish paying your mortgage, ensuring that your spouse and dependants don't need to worry about the monthly repayments.

Now might be time to renew your life insurance?

If you took out a life insurance policy when you first stepped onto the property ladder, it might be worth checking to see if it was linked to the mortgage. Your family’s financial future and care needs to be secured, just in case the worse happens.

Year-end tax planning
The deadline is approaching

Pension tax relief, don’t pay too much!

Investing in a pension plan can be advantageous because of the tax benefits. Your private pension contributions are tax-free up to certain limits: 100% earnings in a year (personal contributions), £40,000 a year (your annual allowance) or £1 million pension pot in your lifetime.

When you withdraw money from your pension pot, up to a quarter of the fund is normally tax free, but the pension income will be taxable.

What happens if you exceed the £40,000 annual allowance?
If you exceed the annual allowance in a year, you won't receive tax relief on any personal contributions you paid that exceed the limit and you will be faced with an annual allowance charge. It may be possible to reduce or eliminate the excess by using ‘carry forward’.

What is “Carry Forward?”
If you've any annual allowance that you didn't use in the previous 3 tax years it may be possible to “**carry** it **forward”** and add it to your yearly allowance of £40,000. The combined amount is the maximum amount of contributions from all sources (or annual accrual if defined benefit) that can be made without suffering an annual allowance charge.

Carry Forward: Lets you make use of unused allowances.

Make the most of individual savings accounts

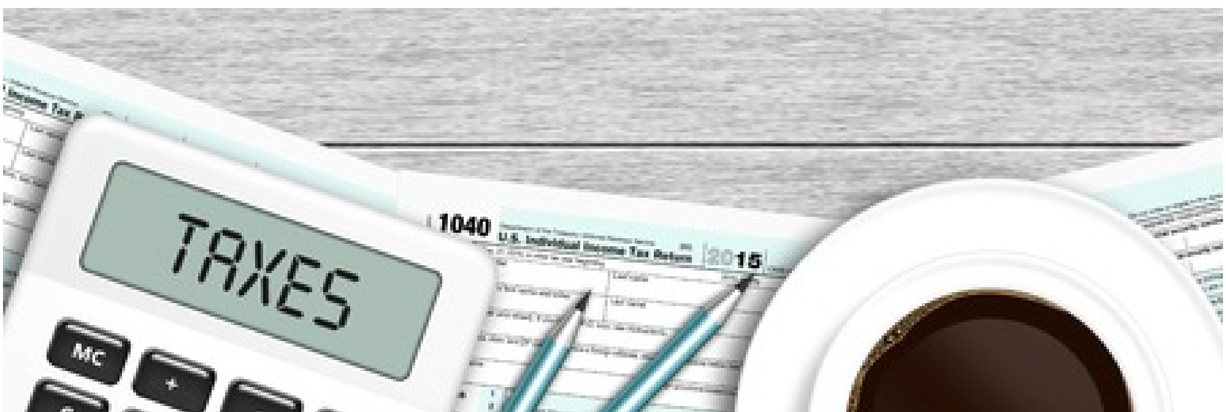
Some investments have income tax and capital gains tax advantages.

An Individual Savings Account (ISA) is a tax-efficient investment wrapper where you can hold a range of investments, including bonds, equities, property, multi-asset funds and cash.

The annual ISA allowance is per individual and is the maximum amount every UK resident person can save into any type of ISA over the course of the tax year. This means you and your spouse or registered civil partner can put up to £40,000 between you into ISAs this tax year.

April 5th (midnight) marks the end of the 2017/2018 tax year, if you miss this deadline, you will lose your unused allowance of £20,000 for the past tax year.

If you complete a tax return, you don’t need to declare any ISA interest, income or capital gains on it.



Are you prepared for the new auto enrolment changes?

Up until now you will have had to pay at least 1% of your ‘qualifying earnings’ into your workplace pension.

This will rise in April 2018 and again in April 2019.

Check the pension scheme you’re using to find out what counts as ‘qualifying earnings’. Under most schemes, it’s your total earnings between £6,032 - £46,350 a year (2018-2019) before tax. Total earnings include:

- salary or wages
- bonuses and commission
- overtime
- statutory sick pay
- statutory maternity, paternity or adoption pay

Date Effective	Employer minimum contribution	*Staff contribution	Total minimum contribution
Currently until April 5th 2018	1%	1%	2%
6 April 2018 to 5 April 2019	2%	3%	5%
6th April 2019 onwards	3%	5%	8%

***Staff contribution**: minimum staff contribution if employer is only paying the minimum (no minimum employee contribution as such but must make up any shortfall between employer contribution and total minimum contribution).

Assuming the scheme is set up on the basis of qualifying earnings with the employer only paying the minimum required.

From 6 April 2018 there will be a big jump in minimum contributions for both employers and employees. At present, the total minimum contribution required is just 2% of band earnings (earnings between £5,876 - £45,000 a year in 2017/18). Of this, the employer must pay at least 1%.

From next April the minimum total contribution will rise to 5%, and the employer must pay at least 2% of this total. Most automatically enrolled employees will see their contribution rate triple – from 1% to 3%.

Employer’s contribution has to be made for all staff who:

- are aged between 22 and the State Pension age
- earn at least £10,000 a year
- normally work in the UK (this includes people who are based in the UK but travel abroad for work)

If you are an employer, it would be advisable to inform your employees about any contribution increase before it takes effect.

Philip Hammond's "steady" second Budget

Mr Hammond's second Budget seemed to cause less ripples than his March Budget which saw a national insurance u-turn.

The main focus of the Autumn Budget (November 22nd 2017) was on giving first time buyers an exemption from stamp duty land tax on the first £300,000 of value for properties worth up to £500,000. First time buyers will pay the normal rates of stamp duty on the price above £300,000.

The Chancellor announced significant investment for the tech sector with a focus on extra funding for artificial intelligence, skills and technology.

£3.5 billion is to be invested in upgrading NHS buildings and improving care. £2.8 billion will go towards improving A&E performance, reducing waiting times for patients, and treating more people this winter.

With income tax, the changes were much less dramatic – increasing both the personal allowance and the higher rate threshold by 3% – the standard inflation-linked increase.

Individual saving accounts (ISA) investors saw their main ISA and lifetime ISA investment limits frozen. However, the annual limit for Junior ISAs and child trust funds for 2018-19 will be increased in line with the consumer price index to £4,260.

Pension savers received a £30,000 increase in the lifetime allowance with their annual allowance left unchanged and an increase with the lifetime allowance for the next tax year (2018-2019) from £1 million to £1.03 million in line with inflation.

Mr Hammond has kept the VAT registration threshold at £85,000 for the next two years, giving a boost to small business and the self-employed.

An extra £3 billion was earmarked to prepare for Brexit over the next two years. The money will make sure the government is ready on day 1 of exit. It will include funding to prepare the border, the future immigration system and new trade relationships.

Fuel duty remained frozen for 2018, for the eighth year in a row, saving drivers £160 a year on average.

The government are to work with the rail industry on a new railcard which will be introduced from spring 2018 where young people up to 30 years-old will be able to buy a £30 Railcard for discounted train travel.

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The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

Tax treatment varies according to individual circumstances and is subject to change.

Auto-Enrolment is not regulated by the Financial Conduct Authority.

The Financial Conduct Authority does not regulate tax advice.

Past performance is not a reliable indicator of future performance.

Not all products and services are regulated by the Financial Conduct Authority

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