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All

Furlough scheme opens

A government scheme to pay the wages of those out of work because of the coronavirus pandemic received 67,000 claims within half an hour of going live. Under the coronavirus job retention scheme, employers can put workers on furlough – a leave of absence – up to the end of June with the government covering 80 per cent of their wages up to £2,500 per month. A HM Revenue & Customs system to process the claims started operating on Monday morning with payments to be made by the end of the month, before many firms' payroll deadlines. Here's the topline:

- If you are furloughed then your employer is keeping you on the payroll while the business has less work than normal. While on furlough you cannot undertake work for or on behalf of your employer. Any employer with a UK payroll and a UK bank account will be able to claim on their employees' behalf.
- Employees must have been on their employer's payroll scheme and had this notified to HMRC on or before 19 March.
- Employees can be on any type of contract, including zero-hours or temporary.
- If you were employed as of 28 February and on the payroll, but were made redundant or stopped working before 19 March, you can qualify for the scheme if your employer rehires you and puts you on furlough.
- Businesses will be able to pay their employees 80% of their regular monthly wage, or £2,500 a month, whichever is lower. If on the scheme, your employer must pay you at least the 80% of your usual income, however, they are also free to top this up if they wish.
- Once an employer has claimed, they will receive a claim reference number. HMRC will then check that the claim is correct and pay the claim amount by Bacs into the employer's bank account within 6 working days.

Investor / Saver

Avoiding bear traps

Bear markets can present amazing opportunities for long-term investors. Those who buy stocks while the market is down tend to be rewarded in the long run. That said, investing during a bear market is not as straightforward as investing during a bull market. If you're thinking of buying stocks in the current bear market, there's one thing you should know. It's no secret that in a bear market, the general trend of the stock market is down. What many investors don't realise, however, is that stocks don't fall in a straight line. Every now and then, the stock market will bounce a little (as selling activity temporarily weakens), before resuming its downward trend. This 'false reversal' pattern is called a 'bear trap', and it can be dangerous for investors. The reason bear traps are dangerous is that they lure investors back into the market at higher prices, right before the next down-leg of the bear market. Stocks rise a little, and investors think the worst is over. As fear is replaced by greed, they scramble to get back into the market. Then, the market suddenly takes another dive and those who bought at higher prices get crushed. Analysis of the four previous downturns in 1987, 1998, 2000 – 2003 and 2007 – 2009 show that those bear markets were actually littered with sharp rallies which cruelly turned out to be nothing more than bear traps for the unwary, who were tempted into a 'buy-on-the-dip' strategy, only to quickly find themselves in trouble. Looking at the FTSE 100's movements in the last few days, most commentators believe that we may be seeing a bear trap right now. The coronavirus situation is far from over, yet the FTSE has rebounded roughly 15%. That kind of bounce seems a little premature and most experts would not be surprised to see another down-leg from here before the market generates a sustained recovery.

All

HMRC pauses investigations

HMRC has put a string of investigations into tax-dodging on hold as the authority scrambles to free up resources so it can focus on the coronavirus pandemic. It has written to taxpayers to ask them not to request information or documents or press for responses to requests that have already been made. In some cases inquiries are being suspended completely. HMRC said it is prioritising work to support businesses and individuals after the economy plunged into a massive recession, while still tackling the most serious criminal attacks and those who exploit the situation by promoting tax avoidance.

Investor / Saver / Parent

A good time to invest for children

The Junior ISA limit has gone up to £9,000 for the new tax year 2020/21 – almost double what it was previously. The new limit, up from £4,368, was announced in the Budget last month and is the highest increase we have seen since Junior ISAs were launched in November 2011. Junior ISAs are long-term savings accounts for children, which allow parents and legal guardians to put money away in a tax efficient way. Here's what you need to know about Junior ISAs:

- Just like adult ISAs, you can save into either a cash Junior ISA or an investment one.
- With a cash ISA, you will earn interest on your money. Interest rates are currently very low, so it's important to hunt around for the best possible rate.
- You can also put money into a Stocks and Shares ISA, which would potentially give you better growth. Stock markets go up and down, but these are long-term investments, which gives your investments time to grow.
- If you invested last year's full Junior ISA allowance of £4,368 in a stocks and shares ISA every year for 18 years, your child's junior ISA could be worth £125,295. If you put away £9,000 every year for 18 years, your child would have a savings pot worth of £258,495
- The account can be opened by and controlled by the parent or legal guardian, but anyone can pay into it for your child.
- Once the money is put into a Junior ISA, it belongs to the child and only they can access it once they are 18.

Retired

Final salary transfer lockdown

Transfers out of final salary or defined benefit (DB) pensions have notably declined following the steep market falls that have taken place over the past two months in response to the coronavirus pandemic. Analysis of data from company pension schemes by pension consultancy LCP found that member interest in transfers out of DB pension schemes is at its lowest level since early 2014, before the introduction of the pension freedoms. According to LCP's analysis, volumes of requests for transfer value quotations were already markedly down in 2019 compared with 2018, but the first quarter of 2020 has seen further declines. According to LCP, possible explanations for the most recent decline in requests for transfer values include pension savers delaying decision-making in light of steep market falls. Another key driver is that the coronavirus has disrupted the work of financial advisers, which might have otherwise led to inquiries about transfer values. On this front, in order to help financial advisers, the Financial Conduct Authority (FCA) has stepped in to reduce their workload by relaxing for six months a regulatory requirement that requires advisers and wealth managers to notify clients when a portfolio suffers a 10% or more drop in a three-month period. In addition, a significant number of DB schemes have decided to put a temporary hold on providing transfer quotations to allow market volatility to settle down and give them time to review their transfer value calculations. In turn, this is likely to reduce overall transfer activity further for a period of time.

Investor / Saver

Good news for premium bonds

National Savings & Investments (NS&I) has reversed plans to water down Premium Bond rates to support savers during the coronavirus pandemic. Premium Bonds currently pay an average return of 1.4% a year, and this was due to be watered down to 1.3% from 1 May. This means that the chance of any £1 bond winning a prize will remain at 1 in 24,500 and not change to 1 in 26,000. NS&I is also not cutting interest on its variable-rate savings deals. It originally planned to trim rates on its Direct Saver account from 1% to 0.7%, on its Income Bonds from 1.15% to 0.7%, and on its Investment Account from 0.8% to 0.6%. The state-backed savings firm is telling customers to ignore any letters or notifications that they have received, but will not say if it will bring back the cuts after the coronavirus outbreak is over. However:

- 10 year fixed-term product interest rate reductions will go ahead as planned from 1 May.
- Guaranteed Growth Bonds and Guaranteed Income Bonds will see cuts of between 0.15 percentage points and 0.40 percentage points.
- Two-year Fixed Interest Savings Certificates will drop from 1.3% to 1.15%, while the five-year option will fall from 1.9% to 1.15%.

All

Help for the self employed

Self-employed workers can receive up to 80% of their profits lost due to coronavirus-related disruption to their business paid by the government. Average monthly profits from the last three years of up to £2,500 a month will be used to calculate how much self-employed workers can claim. The scheme is similar to that promised to workers on the PAYE payroll last week by Mr Sunak. But it will only be available to available to people who's the majority of their income comes from self-employment and they must have been working for themselves for the past two years in a bid to cut back on fraudulent claims. Anyone who missed the January self-assessment deadline is also being given a four week extension to file their tax return. Here's what help has been promised to self-employed workers during the coronavirus crisis:

- The government is to pay up to 80 per cent of wages for self-employed workers based on their average monthly profits over the last two years.
- This will be up to a limit of £2,500 a month. It's only available to those with profits of up to £50,000.
- Average monthly pay-outs are thought to be about £940 each per month. For example, a freelancer with average trading profits of £18,000 a year over the last three years would be able to get £1,200 per month.
- You won't get paid until the first week in June but payments will be backdated until March 1.
- It will only be available to those "adversely affected" by the coronavirus shutdown and half of their income in these periods must come from self-employment.
- HMRC will contact directly, ask you to fill in form and pay into your bank account.
- Those who pay themselves a salary and dividends through their own company are not covered by the scheme but will be covered for their salary by the Coronavirus Job Retention Scheme if they are operating PAYE schemes.

Parent

Child benefit claims and tax credits

Child Benefit will pay monthly payments which are dependent on the number of children being claimed for. Payments for Child Tax Credit will also depend on how many children are being claimed for but will also be affected by the context of the claim. The payments will change depending on if the claimant is making a new claim or if they're already receiving Child Tax Credit. While Child Tax Credit has been replaced by Universal Credit it still can be claimed, albeit under very specific circumstances. The government state that a new claim can only be made if the claimant is:

- Getting the severe disability premium, or are entitled to it
- Gets or was entitled to the severe disability premium in previous month and they're still eligible for it

There are few things that will affect a person's eligibility for Child Benefit but there are a couple rules to note.

1. Only one person can receive the payment for a child so the parents will need to decide which among them will get it.
2. Children under 16 can be claimed for but it is possible to claim for children up until the age of 20 in certain circumstances.

There are only two things which severely impact eligibility rules and they are if the child goes into hospital/care or if they live away from the parents.

END.