

Technical Update No. 17

7th September 2018

Saver / Investor / Retired / Employee / Business Owner

What next for the pension dashboard?

The pensions industry is preparing to launch its own "dashboard" if the government pulls support for a ground-breaking online tracker to help savers see all their pensions in one place. This news is on the back of research that suggests that around 10 million people in the UK stand to retire with £15,000 less if the government scraps the pension dashboard. Doubts over government support for the dashboard have grown after it missed a March deadline to publish details on how the dashboard might work and be made safe for users. In July it was reported secretary of state for work and pensions Esther McVey had moved to kill off the pension dashboard, saying the service should not be provided by the state. Since then Origo, a company that was involved in developing a prototype dashboard, has been canvassing support for an industry-led scheme.

Saver / Retired / Employee / Employer / Estate Planner

A step towards co-habitation rights?

Family lawyers have welcomed a landmark ruling on unmarried couples' entitlement to bereavement benefits as a step in the right direction for cohabitation rights. Denying the unmarried mother of four children a widowed parent's allowance is illegal, the Supreme Court ruled, in a decision that significantly extends the rights of unmarried couples. By a majority of four to one, the court's justices declared the government's refusal to pay up to £117 a week in benefits breached the family's human rights. As such it will put pressure on ministers to consider making urgent changes to the law. Parliament has now been urged to clarify unmarried couples' rights when one partner dies to avoid people 'sleepwalking' into legal difficulties.

All

Pound plummets as Chequers plan is pounded

The pound has plummeted and put the currency under renewed pressure after Michel Barnier blasted Theresa May's Chequers plan, becoming the latest to heavily criticise the Prime Minister's Brexit proposals. After two weeks of improvements as Brexit negotiations enter a crucial stage, pound sterling fell 0.3% in early morning trading to \$1.2928 against the US dollar.

The currency, which had come off from a four-week peak of \$1.3043 hit on Thursday, had dropped as low as \$1.2892. This comes after the EU's chief Brexit negotiator Mr Barnier said he was "strongly opposed" to key parts of Theresa May's proposals for a post-withdrawal trade deal, warning Britain can't "cherry pick" which Brussels regulations it wants to adopt on exiting the bloc.

All

Brexit: Chequers plan gives no competitive advantage to Britain over EU, UK negotiators admit

British negotiators have openly admitted in Brussels that Theresa May's Chequers deal will not deliver any competitive advantage to the UK over Europe after Brexit. Furthermore Philip Hammond has warned that the government would have to refocus its priorities if the Brexit negotiations resulted in no deal, as details emerged of a Whitehall contingency plan codenamed Operation Yellowhammer.

Saver / Investor / Retired / Employer / Employee

Warnings over pension lump sum payments

Operators of costly final salary pensions are being accused of offering overly-generous sums to savers leaving the 'gold-plated' schemes. The Pensions Regulator (TPR) wrote to 14 schemes earlier this year to raise a number of concerns around increased levels of transfer activity - demanding the risks were better explained to savers. It noted a spike in people leaving defined benefit (DB) schemes, where income is guaranteed, in return for a one-off lump sum payment. Rising costs mean DB pensions have become scarce in recent years, especially in the private sector, because people are living longer. They have largely been replaced by defined contribution (DC) pensions.

Property Owner / Saver / Investor

Landlords face a tax rate of up to 66% on rental profits

Landlords face an eye-watering effective tax rate of 66% on rental profits when mortgage interest relief changes come into full effect, figures calculated reveal. The numbers highlight why the tax clampdown on buy-to-let has left many landlords questioning whether their property investments are still worth it given the extra financial costs they now face. Realising that they are paying such a high effective tax rate may push yet more to quit buy-to-let and push rental prices even further amid a shortage of properties, landlord organisations fear.

All

Budget whispers

Chancellor Philip Hammond is allegedly considering cutting higher rate pension tax relief in a bid to find extra money for the NHS. There are reports that an unnamed senior government source has indicated that Hammond had eyed the £38 billion paid out every year in the form of pension tax relief as 'one of the last remaining pots of gold we can raid'. However, the source added Hammond was likely to only target people who can afford to put tens of thousands of pounds into their schemes each year. This could head off the possible rebellion that stopped Hammond's predecessor George Osborne pushing ahead with changes to tax relief in 2016. There have been no further musings or further details on how any possible cut to tax relief would work, but we know that Hammond will need to find £20 billion in his November Budget to fund extra NHS spending pledges made by Prime Minister Theresa May earlier this year. He has been given a boost of around £10 billion in the form of an unexpected surplus, but still needs to make cuts or raise taxes in other areas to make up the shortfall.

Saver / investor / Parent

The Great Child Trust Fund Hunt!

Parents are being urged to track down lost Child Trust Funds as the first children to receive the savings accounts are set to turn 16. Up to one million of these Government-funded accounts are thought to have been lost or forgotten about. It means children are missing out on a vital savings boost as millions is left languishing in these forgotten funds. Every baby born in the UK between September 2002 and January 2011 received at least £250 in the form of a voucher from the government. Lower income families received £500. Parents, grandparents and others could then put in up to £1,200 a year, and all income and gains were tax-free. The recipients of these accounts are now aged between seven and 15, so they are reaching the age at which experts believe parents and guardians should help them to understand what this money is for, and what it is invested in. This could provide a vital early lesson in the value of long-term investment.

All

Slide in UK factory growth

The slide in UK factory growth has brought the City back to earth with a bump after the summer holidays. Optimism has fallen whilst job creation is virtually at a standstill, with cuts by larger businesses neutralised by job growth in SMEs. Together with export orders – also at a 25 month low despite continued sterling weakness – these figures are particularly concerning against the backdrop of global trade wars and increasing uncertainty around Brexit – both of which will be weighing on businesses.

All

Cash ISA sales at an 18 year low

The number of new ISA accounts fell to an 18-year low during the last tax year, figures from HM Revenue and Customs (HMRC) have revealed. The data shows that savers subscribed to 10.8 million ISA accounts during the 2017-18 tax year, down from 11.1 million in the previous tax year. This represents a fall of 10%. Cash ISAs saw the biggest decline, with the number of subscriptions down by 697,000. In contrast, Stocks and Shares ISAs rose in popularity – with 246,000 more accounts opened compared to the previous tax year. The declining interest in Cash ISAs is understandable given the abysmally low interest rates on offer at a time when inflation spiked and put household finances under pressure, meaning real returns on cash savings were negative. Also of note is the fact that, for most Britons, cash ISAs are arguably surplus to requirements; basic rate taxpayers no longer pay tax on their first £1,000 of savings interest anyway and higher rate taxpayers can earn up to £500 of interest tax free.

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If you have any questions related to this update or indeed anything else then please contact your adviser at Champain.

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