Plutus Partnership Limited

Spring Newsletter 2024

Flexible retirement goals

Retirement has evolved; people are living longer and healthier lives

T: 0203 475 1201 E: lee@plutuspartnership.com
The South Shore Business Centre, Office 8, 24-30 Bond Street, Blackpool, FY4 1BQ

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Retirement is changing
Retirement has become more of a transition. The days where we all stopped working and didn't take up hobbies are gone. Keeping active is at the heart of the flexible retirement trend.

Easy access ISA accounts
The main benefit of a flexible ISA, is that you can access your money in an emergency, should you need to withdraw funds. You may also be able to re-deposit that money back into your account without disrupting the balance or impacting your annual ISA allowance.

Mortgage affordability checks
Some Mortgage affordability checks were scrapped by The Bank of England on 1st August 2022. As we see more hope for interest rates to stabilise for the housing market; it still pays to spend time reviewing your income and outgoings to make certain you're financially secure.

National Insurance Cuts!
This year sees class 1 employee national insurance contributions (NICs) cut twice in one year!

Spring Budget Highlights
Jeremy Hunt's spring budget was very much about national insurance. With employee contributions being cut by 2% and self employed national insurance rates also dropping.

Welcome to the spring edition of our quarterly client newsletter, which provides topical financial articles.

These newsletters are intended to bring a few key topical issues to your attention. If you would like to discuss any of them (or any other aspect of your financial planning) in more depth, please contact us.

Please note: We may not necessarily advise on all the topics in each newsletter, but thought they may be of interest to you.

E: lee@plutuspartnership.com
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Any information in this newsletter does not constitute advice and should not be acted upon without taking professional guidance.

The value of pensions and investments and the income they produce can fall as well as rise and you may not get back the full amount that you originally invested.

Retirement is changing

A desire to keep active is driving flexible retirement goals

Retirement has evolved; people are living longer and healthier lives and have more opportunities to work remotely. Retirement can be seen by some as an option to reinvent themselves, to take on new challenges, learn new skills, and enjoy far more than just a life of leisure.

Flexible retirement

Flexible retirement is a lifestyle choice that allows you to slow down a little in your current job before stopping work completely. It could be a good option for you if you feel ready to take a step back from work but want to keep paying into your pension a little longer.

Transitioning into retirement

As life expectancy increases, we're more likely to view retirement as a transition. Gone are the days when we all stopped working and didn't take up hobbies. We're a fitter nation now than we were, even 10 years ago.

Find a work-life balance that works for you

If you're nearing retirement, a transition phase may be appealing to you. Flexible retirement allows you to take control, so thinking about your goals and priorities is important. For some, simply cutting down hours will allow them to strike a work-life balance that's right for them. Others may want to move to a less demanding role, work from home or even become self-employed.

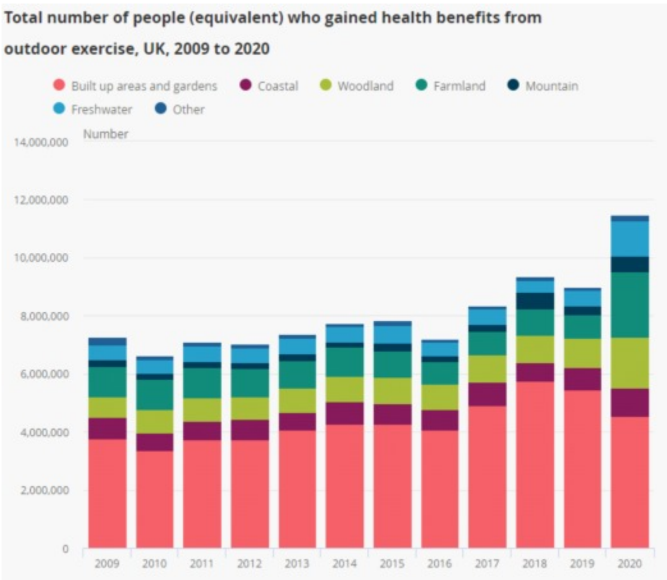
Creating a lifestyle that meets your needs

Having a transitional retirement period can give you more freedom than you may have had at other points in your career. Enabling you to use the opportunity to create a lifestyle that matches your aspirations.

Creating an income from your pension

A transitional retirement can make deciding how to create an income from pension a more complicated process as your income needs are likely to change during this period. You need to be certain when you retire fully that your financial plans are robust. While it presents an opportunity to pay into a pension for longer, it comes with challenges too.

Being prepared for retirement is vital, whether you plan to transition into a new lifestyle or not and it's always worth taking some time to explore your retirement options – and to plan so that you're well prepared for your retirement.



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

Easy access ISA accounts

Saving into a tax-efficient Individual Savings Account (ISA) has become more appealing now that interest rates have risen from the lower rates a few years ago; but did you know about the greater flexibility that is offered on some Cash ISAs?

What are the rules for a flexible ISA?

If your ISA is 'flexible', you can take out cash then put it back in during the same tax year without reducing your current year's allowance. There may be a limit to the number of times in the year that you can do this. Your provider can tell you if your ISA is flexible.

If your ISA is not flexible, there will be a strict deposit limit of £20,000, no matter how many withdrawals you make. A flexible ISA can be particularly useful if your savings tend to fluctuate.

The main benefit of a flexible ISA, is that you can access your money in an emergency should you need to withdraw funds.

You can also re-deposit that money back into your account without disrupting the balance or impacting your annual ISA allowance.

You don’t have to lock away your money. Flexible ISAs can allow you to take more control over your savings and investments and cover any unforeseen expenses in life. It’s the freedom to withdraw and redeposit funds in a Flexible ISA that sets these products apart from the other offerings on the market.

Your ISA allowance

The same rules apply as with any ISA accounts: Each year you have an annual Individual Savings Allowance (ISA). You will have from the 6th April 2024 to 5th April 2025 to take advantage of your annual ISA allowance of £20,000 for the tax-year 2024-2025.

The way you use your ISA allowance is up to you - there's no right or wrong way. You could either put everything into one ISA or split your total allowance between a number of different ISA accounts.

Is a flexible ISA right for me?

A flexible (or easy access) Cash ISA account may be right for you if you:

- You want to transfer savings from an existing ISA
- You need the flexibility to make unlimited withdrawals in a tax year
- You’re looking for a savings account that earns tax-free interest
- You don’t want to commit to locking your money away for extended periods

The key benefits of an ISA

The key benefit is that any money you hold within an Individual Savings Account (ISA) is not subject to income or capital gains tax. Your ISAs won’t close when the tax year finishes. You’ll keep your savings on a tax-free basis for as long as you keep the money in your ISA accounts.

The favourable tax treatment of ISAs may be subject to changes in legislation in the future.

The value of investments and the income they produce can go down as well as up and you may not get back the full amount that you originally invested.

Make sure your mortgage is affordable

The mortgage market

The UK mortgage market has been experiencing a wave of volatility. With bank rates rising over 2022 and 2023 in particular, which appears to have peaked. Hopefully returning some normality into the market for house buyers and more attractive deals.

It's still important to assess your budget

It's still crucial that you have confidence in your budget and don't overextend yourself. The Bank of England's (BoE) decision to scrap some affordability tests in 2022 (to factor in a 3% interest rate rise) for people taking out a mortgage could mean you're able to borrow higher sums.

The loan to income check is still in place

The BoE has said that it will not withdraw the loan to income (LTI) ratio which is the amount you can borrow divided by how much you earn. The most you can now borrow is capped at 4½ times your annual salary. The Bank said this, along with wider assessments of affordability, "ought to deliver the appropriate level of resilience".

Lenders will still review applications

Scrapping the affordability test doesn't automatically mean lenders will change how they review applications or that you can borrow more. They still have a duty to lend responsibly. They will also have their own criteria to ensure they're not taking too much risk by increasing the amount of credit they offer or the people they approve applications from.

However, it could mean you're able to borrow more than you could before, and some lenders may be more flexible. If you have a good credit score and can demonstrate you've reliably paid rent for years, you may find that a lender will now approve your application that was previously rejected.

If you've struggled to secure borrowing in the past or affordability tests mean you delayed plans, the change could be good news.

Working with a mortgage broker can help you identify the lenders that are most likely to approve your application. These could be lenders that don't have a high street presence and you may overlook them if you're applying for a mortgage alone

Check you can afford what's on offer

Just because a lender says you can borrow a certain amount, doesn't mean you should take out a mortgage of this size.

As rates lower it could be a good time to buy a house, but you should still consider how it'll fit into your budget and other plans you may have. .

A mortgage is a loan secured against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.

National Insurance Cuts!

In the Autumn Statement 2023 last November, Chancellor Jeremy Hunt announced plans to reduce the main rate of class 1 employee National Insurance (NICs), reduce Class 4 self-employed NICs and increase the minimum wage as part of his plan to "make work pay". He didn't stop there, the recent spring budget in March saw even further NICs cuts.

Class 1 employee NICs reduced on January 6th from 12% to 10% and again on April 6th from 10% to 8%.

Class 4 self-employed NICs reduced on April 6th from 9% to 6%.

National Insurance is a tax paid by most UK workers. The amount of NICs you're required to pay is dependent upon your earnings and employment status. In other words, your contribution is calculated based on how much you earn and whether you're an employee or run your own business. This system ensures that everyone contributes fairly based on their financial capabilities.

You pay mandatory National Insurance if you're 16 or over and are either an employee earning more than £242 per week from one job or self-employed and making a profit of more than £12,570 a year.

You do not pay National Insurance, but still qualify for certain benefits and the State Pension, if you're either: an employee earning between £123 and £242 a week from one job or self-employed and your profits are between £6,725 and £12,570 a year.

National Insurance Changes (NICs)

This year sees employee national insurance contributions (NICs) significantly cut from 12% to 8%, on earnings between £12,570 and £50,270. And the main rate of Class 4 self-employed NICs reduced from 9% to 6% (lower than the suggested 8% announced in the autumn statement). The government will also abolish the outdated and needlessly complex Class 2 self-employed NICs, reforming and simplifying the tax system.

The National Living Wage

The national living wage sees an increase of more than a £1 an hour this April to £11.44 and will be extended to 21-year-olds. Young people and apprentices on the National Minimum Wage (NMW) will also see a wage increase.

It may pay to save tax-cuts where you can

It can be wise to make the most of every possible tax break; if you can. This includes tax efficient savings and investments like Individual Savings Accounts (ISAs) and pensions, which lifts the tax burden from saving for your future

The favourable tax treatment of ISAs may be subject to changes in legislation in the future.

The value of investments and the income they produce can go down as well as up and you may not get back the full amount that you originally invested.

National Insurance

Employees national insurance class 1 contribution rate will be cut from 10% to 8% from April 6th. This comes on top of a 2% cut announced in the autumn statement in November, which took effect in January.

There was a further 2p cut to the main rate of self-employed National Insurance on top of the 1p cut announced at Autumn Statement. This means that from April 2024 the main rate of Class 4 NICs for the self-employed will now be reduced from 9% to 6%.

Child benefit

A consultation on child benefit rules, to apply it to collective household incomes rather than for individuals from April 2026.

The high-income child benefit charge threshold will be raised from £50,000 to £60,000 from April 2024 and the taper will extend up to £80,000.

Alcohol and fuel duty

Alcohol duty will remain frozen until February 2025. A 5p cut to fuel duty, introduced in 2022 has been extended.

Vaping tax

Plans were confirmed for a “vaping products levy” to be paid on imports by manufacturers, specifically on the liquid in vapes; which will be introduced in October 2026.

Savings

A new “British ISA”, in addition to the existing ISA allowance was announced for April 2024, giving investors a £5,000 extra tax-free allowance to “encourage more people to invest in UK assets”.

Property tax

The higher rate of property capital gains tax will be reduced from 28% to 24%. Stamp duty relief for those buying more than one dwelling is to be abolished.

Nom-dom tax status

Non-dom tax status will be “abolished” and replaced by a “modern, simpler and fairer” system from April 2025. The status is enjoyed by people who live in the UK but who have certain overseas links. After four years, those coming to the UK will pay the same tax as other UK residents.

NHS

A “landmark public sector productivity plan” will be published, including cutting form filling by doctors using AI, digitising hospital processes and improving the NHS app. Extra money is being pledged to make it more efficient.

Childcare

Rates paid to nurseries to fund free childcare hours for parents of children aged more than nine months will continue for the next two years.

Other measures

The household support fund, introduced by the government in 2021 to help families struggling with the cost of living, has been extended by six Months.

The VAT registration threshold will be increased from £85,000 to £90,000 from the start of April.

The government is providing an additional £5 million for the Platinum Jubilee Village Halls Fund, to support local village halls across England to remain at the heart of their communities.

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