ANGLO INTERNATIONAL
PERSONAL FINANCIAL MANAGEMENT

MoneyMatters

January/February 2023

Improve your finances in the New Year

How to take the risk out of your pension

Can you afford not to protect your business?

Top tips for filling in your tax return

• Lifestyle Protection • Creating Wealth • Tax Rules

Anglo International Group Limited – Independent Financial Advisers
The Investment & Mortgage Centre, 170 Epsom Road, Guildford, Surrey GU1 2RP
T: 0800 193 1066 F: 01483 566 005 E: info@angloifa.com

inside

Changes to CGT and Dividend Allowance Page 2

Rising inflation is leading to financial borrowing Page 3

The Autumn Statement 'tax grab' Page 4

How to take the risk out of your pension Page 5

Ten ways of inproving your finances in the New Year Page 6-7

Can you afford not to proect your business? Page 8

Top tips for filling in your tax return Page 9

What's best cash or investing? Page 10

How to avoid the most common investing mistakes Page 11

Trickling wealth down through the generations Page 12

Need more information?
Simply complete and return the information request on page 12

Changes to CGT and Dividend Allowance

Capital Gains Tax is paid on gains you make when you dispose of certain assets, for example property that is not your main residence, i.e. holiday homes. Currently, the tax-free annual allowance for Capital Gains is £12,300 (£6,150 for Trusts).

If you pay basic rate Income Tax, the rate of Capital Gains Tax you pay will depend on a number of factors, including your taxable income and the size of the gain. The basic rate is either 10% or 18% depending on the asset that has gain in value. If you pay a higher or additional rate of Income Tax, Capital Gains Tax is charged at 28% on residential property gains and 20% on other assets.

Tax is payable on dividend income that exceeds both any available Personal Allowance and your Dividend Allowance. Currently, the Dividend allowance is £2,000. The tax rate payable on dividends that exceed your allowances are dependent on your Income Tax band.

CHANGES TO CAPITAL GAINS TAX

The Government is to reduce the annual tax-free exemption over the next two years. In April 2023, the exempt amount will be reduced by more than half to £6,000 per annum. From April 2024, this amount will be halved again to £3,000 per annum. There is currently no proposed change to the tax rates.

The effect is individuals who dispose of assets for a gain will be more likely to have to pay CGT.

CHANGES TO DIVIDEND ALLOWANCE

Cuts to the yearly Dividend allowance are also imminent. The Autumn Statement announced an allowance reduction to £1,000 from April 2023. This amount will also be halved from April 2024, to £500 per annum.

WHO WILL BE AFFECTED? WHAT DO I NEED TO CONSIDER?

Any individual who receives Dividends will need to consider the implications of the reduced allowance. Similarly, anyone who has a Capital Gains Tax liability will be impacted by the not insignificant reduction in tax-free allowance.

In addition, you should consider the Capital Gains Tax implications that arise during estate administration and the impact that this will have on your beneficiaries when you pass away. CGT can particularly be a factor when considering any gain on a sale of a house, if the sale price is greater than the value at the time a person dies. At the moment, any gain can be shared out amongst beneficiaries to allow them all to utilise their own personal allowances and therefore avoid CGT apply. With the lower thresholds coming in, this opportunity to mitigate tax has been drastically reduced.

This article isn't personal advice. If you're not sure what's right for your circumstances, ask for financial advice. Remember, pension and tax rules can change, and benefits depend on your circumstances.

Not all financial advisers will have regulatory permission to advise on every product mentioned in these articles. Certain products mentioned in this magazine may require advice from other professional advisers as well as your financial adviser and this might involve you in extra costs. The articles featured in this publication are for your general information and use only and are not intended to address your particular requirements. They should not be relied upon in their entirety. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. Will writing, buy-to-let mortgages, some forms of tax and estate planning are not regulated by the Financial Conduct Authority. Levels, bases of and reliefs from taxation are subject to change and their value depends on the individual circumstances of the investor.

Rising inflation is leading to financial borrrowing

What to consider before increasing your debt levels

The rising cost of living is placing immense pressure on many household budgets. Figures suggest that people are turning to borrowing to help get by. Debt often isn't the solution and may not be sustainable, many people will agonise when faced with the decision to increase loans, credit cards, or other forms of borrowing.

In the 12 months to October 2022, the rate of inflation was 11.1%. When you consider the Bank of England's (BoE) target of 2%, this is way out of line. Many everyday items influence the higher rate of inflation, increasing energy, fuel and food prices are playing a role. As a result, households are finding it difficult to financially survive.

Data from the BoE indicates that many families are now borrowing to fill their income gap to cover rising costs (inflation).

The August Money and Credit report showed that the annual growth rate for all consumer credit was 7% in August 2022, which is the highest rate since March 2019. Credit card borrowing accounted for a large proportion of this with a 12.9% increase.

In August 2022, people borrowed an additional £1.1 billion in consumer credit, following £1.5 billion of additional credit in July. This is above the 12-month pre-pandemic average of £1 billion.

When borrowing goes up, the amount families are depositing in banks and building societies goes down. In August, people added £3.2 billion to accounts across the UK, compared to £3.9 billion in July.

Borrowing to make ends meet may seem like a simple solution, especially when you can often apply for credit online, from an overdraft to a personal loan and receive a response within minutes.

Remember: Easy credit comes with a high cost.

A hard credit search will usually be carried out when applying for credit, which will show up on your credit report. A number of credit searches in a short period, could harm your credit score and act as a red flag to potential lenders.

With this in mind don't opt for the first credit card or loan you find, do some research. Ensure you can match the criteria set by the lender and the terms suit you before you apply.

DO YOU NEED TO REVIEW YOUR FINANCIAL GOALS AS THE COST OF LIVING RISES?

With rising inflation, you may have questions about what it means for your financial plan. Whether it be thinking about extending how much credit you have or are unsure how to make the best use of your assets, please contact us to discuss your options.

BEFORE YOU INCREASE YOUR CREDIT, ASK YOURSELF THESE QUESTIONS

1. WHAT IS THE MONEY FOR?

Would you be using the money to pay for a 'one-off' cost, or to support your ongoing expenses? If you're thinking about borrowing to support regular lifestyle outgoings, it could make your situation worse long term. If you have a good understanding of what you want the money for, you can set out a realistic repayment timetable and understand which type of credit may be right for you.

2. CAN YOU TRANSFER YOUR DEBTS?

Many credit cards now offer 0% interest rates for purchases or balance transfers for a defined period. If you can fully repay the amount borrowed within this time frame, you won't pay interest. However, the interest rate will often be higher after the introductory period has ended.

3. DO YOU KNOW THE INTEREST RATE?

The interest rate is linked to the costs of borrowing. So, it's important you know the figure. Even a small difference can be a financial burden over time. Usually, the better your credit score, the more likely it is you'll receive a competitive interest rate.

4.WHAT ARE THE MINIMUM REPAYMENTS?

Make sure you fully understand what the repayments are going to be and how they will fit into your monthly outgoings.

Bear in mind making the minimum payments means paying debts for longer and cost more in interest.

5.DO YOU HAVE ANY OTHER OPTIONS?

Before borrowing, consider if you can adjust your outgoings or use some savings which could make more sense. Don't rush into credit, review your options. Applying for credit could affect your credit score Lenders use your credit score to decide how much risk you pose when reviewing your credit application.

This article is for general information only and does not constitute advice.

The Autumn Statement 'tax grab' where are you now?

Yet another new Prime minister, new chancellor and a revised autumn statement.

After the turmoil caused by the previous 'mini budget' and two autumn statements means taxes have hit the headlines once again, all eyes were on the November autumn statement to find out how the new tax rules would affect us all.

Tax rules can mean a big shift either helping or hindering our goals. towards or away from your goals. Where taxes don't change much, we have time to react. But after this autumn statement, we know changes coming our way mean time is of the essence so we can still take advantage of the current tax rules before they change.

Here we look at the tax benefits we currently have and where action now could ensure you meet your financial goals.

THE INCOMING CHANGES

- Income tax personal allowance and inheritance tax (IHT) thresholds frozen for two additional years, from 2026 to now April 2028.
- Higher rate income tax threshold reduced from £150,000 to £125,140 from April 2023.
- Capital gains tax (CGT) annual exemption will reduce from £12,300 to £6,000 from April 2023. It will then drop to £3,000 from April 2024 onwards.
- The dividend allowance being cut from £2,000 to £1,000 in April next year and then reduced to £500 from April 2024.

Obviously, such changes depend on your personal circumstances. But what's very clear is that this government, over the coming years, will leave very little exemptions from tax.

This means those already in a particular tax band will have less disposable money because more of their income will be subject to tax. Others will move into a different tax bracket, because it's either been lowered or it's been frozen for things like income pay rises or investment growth to move them into a higher tax bracket.

TAX SHELTERS

Pensions

Your personal pension contributions benefit from tax relief. Your contributions could also move you under a tax threshold.

Pension contributions from a basic-rate taxpayer often benefit from tax relief of 20%. For higher-rate and additional-rate taxpayers, the tax benefits can be even greater, because you might be able to reclaim a further 20% or 25%, depending your income level within the higher and additional-rate tax bands.

Pensions are exempt from inheritance tax, so this area of your wealth remains outside of your taxable estate. The rules around this are complicated, so be sure to seek inheritance tax advice if you're unsure.

Remember, you can't normally access your pension until at least 55 (rising to 57 by 2028).

When planning to contribute more into your pension to take advantage of tax relief, remember there is an annual pension allowance. This is currently £40,000 for most people. But there are three notable exceptions:

- Should you earn less than £40,000 per year you can only receive tax relief on contributions up to the amount you earn.
- Higher earners are subject to the tapered annual allowance.
- If you've already flexibly accessed your pension.

You can contribute more than the annual allowance into your pension by using any unused allowance from up to three previous tax years.

Savings & Investments

Dividends and capital gains aren't subject to UK tax, when investing in an ISA. ISAs should therefore form a vital part of your financial plans.

Whether using a Lifetime ISA to compliment your pension, a Junior ISA for your children's future or a Cash ISA, using ISA allowances can help you reach your financial targets. Your annual ISA allowance is £20,000 per tax year. You can choose to split that allowance across one of each different type of ISA, with a maximum of £4000 in a Lifetime ISA if you're eligible. Children have their own ISA allowance of £9,000.

Because you can't carry forward any unused ISA allowance, you should possibly consider using more of it before the tax year ends on 5 April 2023.

Tax savings

If you feel that you need help with efficient tax savings from an expert on financial planning, you're in the right place. We pride ourselves on helping clients achieve peace of mind by having a sound financial plan in place.

If you feel that taking advice is right for you, contact us and we will discuss your options, with no pressure to take advice.

This article isn't personal advice. ISA, pension, and tax rules can change, and any benefits depend on your circumstances. If you're not sure what's right for your circumstances, ask for financial advice. Unlike the security of cash, investments can fall and rise in value so you get back less than you invest. Remember, Scottish tax bands and rates of tax are different.

How to take the risk out of your pension

As you approach retirement, the risk is 'Stick or Twist' what to do for the best.

Generally, the way we build up our pension is to invest in shares while you're young. Then as you approach retirement, gradually move from shares to investments like bonds and cash.

The idea being is that you get to benefit from the long-term investment returns that tend to come from shares, to build up your pension. Then, over time, moving into bonds and cash to gain shelter from the market volatility in the lead up to retirement.

While this approach is seen as the standard, the events of recent years and the stock market uncertainty that's followed mean this might not work for everyone.

As we saw in September, the calamity of the government's mini-budget sparked a collapse in the gilt market. This prompted the Bank of England to prop up the bond market in double quick time.

DO ANNUITIES MAKE SENSE?

An annuity is an insurance retirement income product that you can buy with all or some, of your pension. Annuities pay a regular taxable income which is guaranteed for life and it can have a beneficiary pay-out if you decide to add one into the policy.

Since pension freedoms were introduced in April 2015, the number of people buying annuities has fallen considerably by approximately 83% since 2013 to March 2021.

The reason behind this decline being the large surge in the income drawdown market, with many retirees opting to keep their pensions invested for longer, rather than annuitising.

THE RISE OF INCOME DRAWDOWN

The question for income drawdown is: Does the strategy of shares to bonds work as you approach retirement. If people want to stay invested into their retirement years, taking an income from that pot, is a strategy that does a U-turn from shares to bonds in the run up to retirement, but is it still the right option?

People who have chosen income drawdown are more likely to want to stay largely in shares to help generate the returns they need to take an income over the long term.

In recent years, many providers have amended the pre-retirement holding of their funds, this being the steady reduction in the amount invested in shares. With the outcome to target income drawdown rather than annuity purchase.

A good strategy for taking an income through drawdown is to adopt a natural yield approach. This is where you only take the level of income generated by your investments. The advantage here being you are not eroding the base capital, so your pension is more likely to be sustainable over the longer term.

However, this means you'll need the returns that generally come from shares. Investing heavily in bonds and cash is unlikely to generate the long-term returns required to take an income or help the fund recover from any market downturns which you may experience during retirement.

Remember, returns aren't guaranteed. So taking out too much of your capital when yields don't provide the income you need, could leave you without money later in retirement. Drawdown is higher risk than an annuity.

MAKING THE MOST OF ANNUITIES

As explained the annuity market has taken a hit in recent years, but it doesn't mean they don't have a place in a retirement income strategy.

Anyone wanting a guaranteed income in retirement should consider buying an annuity. As retirees get older, the income they get from an annuity compared well to what they would have to generate from an income drawdown portfolio.

Those on income drawdown may not want to stay fully invested in the stock market anymore. At this point, they could choose an annuity as a means of regular income and sheltering them from market turbulence, as well as giving them a secure income for life.

Also, consider the fact that rising government bond (gilt) yields over the course of the year have raised annuity incomes markedly due to interest rate increase.

The decision is do you wait for more increases in interest rates or lock into an annuity rate now.

Remember you don't have to annuitise your entire pension on one day, you can have more than one annuity in effect by annuitsing in slices throughout your retirement. That way you can secure a guaranteed income, while leaving the rest invested in the stock market with the potential to grow further.

This allows you to potentially benefit from higher annuity rates as you age.

This article isn't personal advice. Once you buy an annuity, you can't usually change or cancel it, so make sure you consider your options carefully. If you're not sure what's right for you, get guidance from Pension Wise, a free, impartial service from the government to help you understand your retirement options, or ask for financial advice.

Ten ways of impro in the New Year

As a new year begins, it's a good time to reflect on your financial goals over the next 12 months.

So, here are 10 ways which could improve your financial position in the New Year.

1 MAKE A NEW YEAR LIST OF GOALS YOU WANT TO ACHIEVE

Revisiting your previous goals means that you can review which choices are right for you.

In addition to setting out your financial goals, consider your lifestyle, saving more money each month could mean you can plan a special holiday. Or possibly adding more to your pension allowing you to retire early.

2 UNDERSTAND WHERE YOUR MONEY GOES

Reviewing your income can be a drag, but it's a worthwhile exercise. It can help you understand your outgoings, expenses, disposable income and where you could make savings which would help you to achieve your goals. Your outgoings may have changed significantly especially due to this high inflation since you last reviewed your budget.

Streamlining your spending habits can be useful too. It means you're less likely to overspend or forget to move money to your savings account.

3 MANAGE YOUR DEBTS

Your debts, when not reviewed can get worse, so regularly reviewing them is important.

The first step is to bring together all of your existing debt, from credit cards to personal loans. Investigate the level of interest rate you're paying, your plan should be to pay off the higher ones first, also make a note of any introductory offer ending.

Create an overall plan to understand how you'll reduce the amount of debt you have overall over the coming year.

Remember that just making the minimum repayment means it takes longer to clear the debt and will often cost you more in interest overall. So, if you can, overpaying is often sensible.

4 REVIEW YOUR MORTGAGE DEAL

When your existing mortgage deal ends, you are generally put on the lender's standard variable rate (SVR). An advantage of this is the flexibility to make overpayments, but the disadvantage is the interest rate usually isn't competitive. So, understanding when your deal ends and what your options are is very important.

With ever increasing interest rates your mortgage costs will increase and the difference in the increased interest rate you pay will take more of your money if you don't take action. Also keep in mind, as with other forms of borrowing, making mortgage overpayments can reduce the total cost of borrowing.

Bear in mind that some mortgages could have rules which limit how much you can overpay before fees are applied. So, it's worth checking the terms and conditions of your mortgage.

5 HAVE A CASH SAFETY FUND

An emergency cash safety fund can provide you with a valuable safety net when you need it.

Most people believe that holding around three to six months of expenses in an easily accessible account is a good balance, so it's there when you need it for those car repairs, broken boiler, leaking roof days.

6 EVALUATE YOUR SAVINGS

We all want to get the most out of our savings. So, reviewing just how much interest your savings accounts are paying is a good place to start.

Interest rates started to rise during 2022, as a result, it's now worth looking for accounts that are right for you and offers competitive rates.

An option maybe to choose a savings account that locks your money away. While you won't be able to make a withdrawal for a set period, you will often be given higher interest rates in return.

7 PLAN TO DO REGULAR INVESTING

Even though interest rates are rising, it's unlikely the level of interest on your savings will keep up with inflation.

Historically, over the long term markets deliver good returns, therefore, investing could provide a way for you to grow your wealth.

Should you want to build up an investment portfolio, making a regular contribution can help you take steady steps to reach your investing goal. This will also mean that you buy stocks and shares at different times in the market, which could help to balance your risk and market volatility.

Remember stocks can go up as well as down and past performance is not guaranteed, it's important you choose investments that are appropriate for you.

8 INCREASE YOUR PENSION CONTRIBUTIONS

Increasing your pension contributions will allow you to help you secure the lifestyle you want in the future.

Review how much you currently have in your pension pot and check all the contributions being made. Be sensible when looking at your budget and see how much you can realistically add to your current contributions.

This has the added advantage in that not only will you be adding more to your pension, but your contributions will normally also benefit from tax relief to give your pension an extra boost.

Most pensions are usually invested, so review how it's invested to ensure it aligns with your goals and risk profile. If you're not sure if you're on track to deliver the income you want in retirement, a review with a financial adviser could help.

ving your finances

9 CONSIDER YOUR ASSETS & WILL

We all put off making a Will, but it helps you take control of your estate.

Organising your affairs can give you peace of mind and ensure your wishes are followed, so how do you start?

Here are four steps you could take to help put your estate in order in 2023:

1, First, write or review your Will

A Will is the only legal way to ensure your estate is passed on according to your wishes, so it's an important document. You can use a Will to name your beneficiaries and what you want them to receive from your estate.

2. Have a Lasting Power of Attorney

A Lasting Power of Attorney (LPA) allows someone you trust the right to make decisions on your behalf should you be unable to, including if you lose mental capacity. There are two types of LPA, covering finance and health and it is normally beneficial to cover both.

3. Draw up an expression of wishes

An expression of wishes is a small document which states who you'd like to receive your pension benefits if you pass away. It is not legally binding but provides guidance. You will need to complete an expression of wishes for each of your pensions.

4. Consider Inheritance Tax

When the value of your estate exceeds the nil-rate band, which is £325,000 for the 2022/23 tax year, it could be liable for Inheritance Tax (IHT). The standard rate of IHT is 40% so if applied it could drastically reduce the assets you leave behind for loved ones. However, by being aware of a potential IHT bill you can take advantage of allowances and take other steps to potentially reduce it.

10 ORGANISE A FINANCIAL REVIEW

A financial review can give you confidence in those decisions you make. Reviews with a financial adviser help ensure you remain on financial track and that your plan still reflects your personal needs and aspirations.

Please note: This article is for general information only and does not constitute advice. The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured on it. Note that life insurance plans typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse. A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future results. The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. The Financial Conduct Authority does not regulate will writing, tax planning, or estate planning.

Can you afford not to protect your business?

How does business protection insurance work and are you at risk by not having it?

When you run or own a small business, protecting it should be a priority, especially if something were to happen to you the main employee that could harm the financial health of your day to day business. In such a situation, business protection insurance could provide you with some reassurance.

WHY DO I NEED BUSINESS PROTECTION?

When or if a director, business partner or other key employee of your business suffers a critical illness or long-term disability, or passes away, business protection insurance will provide cover. It's a way of protecting the business and ensuring business continuity. It can assist as an aid to forward planning in terms of succession and provides ways to stabilise the business during turbulent times, especially where the company is relatively small.

WHAT TYPES OF BUSINESS PROTECTION ARE THERE?

There are generally 3 types of business protection insurance

1. Key person protection: Here the cover provides protection when replacing key members of staff and covers income lost as a result of their absence that could affect the business. It can cover any key employee from the MD to a department head.

2. Business loan protection: Exactly as it states, here the insurance protects the business by helping to repay business debts like a bank overdraft or loan if the owner or a key member, like a partner or director dies or suffers a critical illness.

3. Shareholder protection: Generally referred to as 'ownership' or 'partnership' protection. This business protection specifically covers the business owners if a shareholder dies, or suffers a critical illness, by ensuring funds are available to buy shares from the deceased shareholder's estate.

Within these three forms of business protection there is the option to add critical illness cover should you think it beneficial and necessary.

Whilst coverage is generally individual, you could also get cover for more than one person within the business. An adviser can help you figure out the right type of business protection for your business and any extra coverage such as critical illness that your business and employees could benefit from.

WHAT ARE CROSS-OPTION AGREEMENTS?

Shareholder protection insurance often requires a 'Cross-option agreement'. The agreement is set up between the directors or partners of the business, and agrees that if one of the members die, the remaining directors or partners have the option to buy back the shares from the deceased shareholder's estate. It also allows representatives of the deceased's estate the option to sell the shares to the remaining shareholders. Prior to setting up this type of agreement legal advice should be sought.

An adviser can help you find out which type of business protection plan works for you and your company.

WHAT ARE THE BENEFITS OF BUSINESS PROTECTION?

The main benefit of business protection is having the knowledge that should anything happen to a key member of the business or someone with a financial commitment within the company, there would be some financial protection. It also provides other members of the business with continuity and reassurance.

Business protection can also protect any loans or mortgages tied to your business, which means your lenders are less likely to refuse a future loan, and will not approach the guarantor of a loan or their estate to recoup any existing loans. In a SME (small to medium enterprise) which relies on a few key employees, the risk to the business from a financial point of view might increase if one of the key individuals were unable to continue because of death or are critically ill. In such a situation, business protection is a wise plan to have in place.

Please note: This article is for general information only and does not constitute advice. The information is aimed at retail clients only.

Top tips for filling in your tax return

For over a million of us, our outstanding tax return and tax paperwork feels like it lasts the best part of a year, because in the last week of January this year, 1.5 million people still hadn't filed.

This is probably because it gives you longer to plan for your bill. The most sensible approach is to set aside money to cover your tax bill as you go along, but sometimes life gets in the way, and you reach January without having enough in the bank.

The earlier you do it before the end of January, the longer you have to find the money to pay your tax bill. If you cannot pay at this time, then as long as you file the paperwork within 60 days of the deadline (and as long as you don't owe more than £30,000), you will have the opportunity to use a Time-to-Pay arrangement to spread the cost of your tax bill over the coming 12 months.

Starting early gives you time to do some tax planning before you file. Most of what you do now will only affect your tax bill for the current tax year, but there are a few of "carry back" opportunities to cut your bill for the year you're filing a return for.

One of the most common is that if you give money to charity using gift aid, the charity will reclaim basic rate tax, but higher and additional rate taxpayers can claim the difference through their tax return, and you can carry back this claim. It means you can make a donation now, and include it in the tax return you're filing. This is particularly useful if you paid a higher rate of tax last year than you do this year, because you can claim gift aid in a year when you were paying a higher rate of tax.

It also enables you to check you're claiming for all the reliefs and exemptions available to you. This includes pension tax relief for higher rate taxpayers.

If it seems like a lot of bother to claim for something, check if there's a simpler option. Even if you don't get your tax return finished, at the very least you have the chance to get everything in order, so whenever you get round to actually completing it, there aren't any surprises that would make you miss the deadline.

So, before you do anything else, sign into the Government Gateway. If you're doing it online for the first time, you'll need to sign up, and wait up to seven days for your code to arrive in the post. If you've used the system before, sign in now and check you haven't forgotten your log in details.

If you're not great at paperwork, don't try to do everything at once: day one should be about tracking down everything, and ordering copies of anything you can't find. This includes details of interest on savings accounts and dividends on shares outside an ISA, plus pension statements and proof of any employment income and benefits. If you work for yourself, you'll want bank statements, sales invoices, receipts for expenses and paying-in books. If you received income from letting property, you need letting agreements, and bills for expenses and management fees.

There's loads of great information on the HMRC website, which has really improved in recent years. You can find the answer to almost any question that's likely to crop up. There are also plenty of guides and videos offering tips to save you time and money.

If you can't find what you're looking for, then you can phone the self-assessment helpline. The closer you get to the 31 January deadline, the busier the helplines get, so it's worth starting that early too.

Take your time and you are less likely to make mistakes and more likely to remember everything you can claim for.

This article isn't personal advice. If you're not sure what's right for your circumstances, ask for financial advice. Remember, pension and tax rules can change, and benefits depend on your circumstances.

What's best cash or investing?

We all know that interest rates have soared over the last year and the Bank of England's (BoE) November 2022 hike of 0.75% to 3% was the biggest rise in 33 years. In December 2021, the base rate was only 0.1%.

We have also witnessed stock markets fall significantly during 2022. Bonds have also been hit particularly badly since this time last year, where UK government bonds are down by 25% and UK corporate bonds by 21% (November 2022).

Investors have had it tough and with interest rates continuing to rise, keeping your money in cash is looking like a good option.

The problem with cash savings is thinking about and accounting for inflation.

Inflation is the increasing of prices for goods and services over time.

The annual rate for inflation CPI (Consumer Prices Index) rose from below 3.1% (September 2021) to 11.1% (October 2022) over the last year.

Even when considering we are getting a higher rate of interest on our cash deposits, the difference between interest and inflation is much greater. So, in real terms the value of cash is in fact worth less than when interest rates were lower.

The BoE's long-term target for inflation is 2% and they will lever the base rate upward to try and manage this. So, it's possible, over time that the gap between inflation and interest could close. If the gap does close, instead of our cash eroding quickly as it does now it won't erode at such a fast pace.

IS IT WISE TO HOLD CASH?

Holding cash never grows your money in real terms, but it's still important to hold some for an emergency fund to cover unexpected events like a new boiler, car maintenance or a drop in income. Equally you need to save for short to medium-term lifestyle goals such as a deposit for a house, a new car or a big holiday.

IS THERE AN ALTERNATIVE TO HOLDING CASH?

Investing is the proven return in real assets like property, shares and bonds because you have the benefit from an increase in capital value and potentially receive an income from rents, dividends and interest payments.

Investing does come with more risk than cash. Property prices, shares and bond prices can all go down as well as up. Rental income and dividends can reduce or cease, and interest payments on bonds can stop being paid.

The good news is that the UK stock market has outperformed cash in 69% of two-year periods, but 91% of ten-year periods. A diversified investment portfolio can help reduce risk for improved returns greater than cash over the long term.

Stock markets always rise and fall, however even when there's a big fall, the market generally recovers; of course, that doesn't mean it will happen again.

The old saying remains true today as it ever did, 'time in the market' not, 'timing the market'

Being invested over the long term means you will take advantage of the upward overall trend of the stock market.

Trying to buy and sell at the 'right time' is near impossible even for the most experienced investors.

CONSIDER THE INCOME FROM YOUR INVESTMENTS

Dividends from companies mean an income even when the value of your investments fall. It can still be worth staying invested to maintain this income stream in tough times.

GETTING THE BALANCE RIGHT

There are so many options and lots of industry noise out there, you might feel more comfortable holding onto your cash rather than worrying about investing.

The right balance will depend on your personal circumstances, what you're trying to achieve and your adversity to risk.

This is where financial advice can help. If you feel like you want to invest, and you have some thoughts then expert help could make all the difference.

This article is not personal advice. If you are unsure what's right for your circumstances, ask for financial advice. Unlike cash, all investments and any income they produce can fall as well as rise in value, so you could get back less than you invest.

Volatile markets, interest rates rising, is holding cash the answer?

How to avoid the most common investing mistakes

With stock markets going through turbulent times, it can be difficult to make good investment decisions.

Over time, investing in a diverse range of shares has generated better investment returns than lots of other asset classes.

That said, we can always look back and think we could have done even better, but there are some common mistakes made by even the most experienced equity investors and here we take a look at them.

Investing in individual companies is higher risk, your investment depends on the success of that company. If that company fails, you risk losing your entire investment. Therefore, you need to make sure you understand the companies you are considering to invest in. You should also make sure any shares you own are part of a more diversified portfolio.

SHARE PRICE & DIVIDENDS

Don't get drawn into short-term trading, where you just focus on movements in the share price.

Dividends play an important role and are a key element of the total return you can earn on your investment. Not all companies pay dividends, but since 1945 dividends have contributed to around 33% of the total return of the S&P 500 (which is an index which tracks the performance of 500 of the largest companies listed on stock exchanges in the USA). Regular dividends can also offer some offset to swings in the share price, but remember dividends are at the discretion of the company.

If the dividend is sufficiently covered by cash flows, this can be a good sign that the dividend is sustainable, also it shows it could have the ability to grow.

BEWARE THE YIELD TRAP

A company's forward dividend yield is its forecasted dividend per share, expressed as a percentage of the current share price.

With market volatility comes big swings in share prices. Some market forecasts can be slow to catch up with the reality of difficult economic conditions. This often leads to very noticeable forward dividend yields, with some companies looking as though they will pay out much higher than usual cash returns.

These higher yields are more likely to be a function of falling share prices, than increasing cash pay outs in general. This may mean the market doesn't believe the analyst forecasts. So, we have a double risk in that, the actual dividend pay-out is lower and because the analysts cut their forecast, it could drive the share price even lower. Which goes to show such figures shouldn't be looked at without considering the other investing factors.

DON'T PUT ALL YOUR EGGS IN ONE BASKET

Should a company become insolvent, shareholders are often at the bottom of the creditor pile. Which means you could lose your entire investment.

This is often rare but companies can fall on hard times and so will their share prices, for various reasons. Diversification helps manage some of that individual risk, when holding a diverse range of assets, if one struggles, then the others can, in theory, make up for any loss.

The more diverse stocks you hold, the more the risk is spread. But there comes a point where adding further shares to the basket doesn't really move you forward.

You can also take diversification further by investing in funds (a group of company shares in one wrapper) or other asset classes like bonds or property. Diversification over different sectors and markets can also help smooth the ups and downs.

NEVER CHASE YOUR LOSSES

The idea of investing feels like never wanting to sell something for less than you paid for it. But heavy falls need to be examined without emotion on a case-by-case basis. Was there a big sell off in the stock market? Did something change that altered your view on this share in general?

These may include a share or fund with a dominant market position and high margins. Or particular growth drivers that can see revenue, and more importantly profits, build faster than the competition.

When and if these attractions are no longer valid, then holding on to get your money back could be an arduous journey. Remember that when a share price has halved, it doesn't mean it can't halve again or drop even lower and remain there for many years to come.

DON'T JUST FOLLOW THE CROWD

The 'crowd' like to chase the next market-busting share with little or no relation to the company's financial performance.

Skilled investors prefer to have conviction in quality companies over a longer period. The approach being to research the fundamentals, which includes an assessment of the company's management, it's products and development which aligns with strategy. Metrics like growth, profits, yield and valuation.

Valuation is very different to price. As the famous Warren Buffett saying goes, 'price is what you pay, value is what you get'. Compare company valuations and future prospects with similar companies. The best measure of valuation, whether asset or profit based, depends on the company's industry and its stage of development.

This article isn't personal advice, if you're not sure if an investment's right for you, seek advice. All investments and any income they produce fall as well as rise in value, so you could get back less than you invest.

Trickling wealth down through the generations

The new role of retirees is helping out during this cost-of-living crisis.

Rising inflation is affecting millions of people. It is thought that around 30% of 34 year olds and older families with younger children are financially struggling. Many have asked family and friends for help with their everyday expenses such as utility bills, food, housing costs and childcare, according to recent research.

The over-riding occurrence is the extent to which grandparents are offering thousands of pounds to support and help their grandchildren with cash for housing deposits and everyday costs.

OPTIONS AVAILABLE

When grandparents want to help by passing their wealth down, there are a number of options available, some with more benefits than others.

Giving away or 'Gifting' early can reduce Inheritance Tax liabilities, a grandparent can gift up to £3,000 a year without it being added to the value of their estate. Currently, a couple could therefore gift £6,000 a year. If some or all of it was invested in a pension it would receive tax relief.

GIFTING MONEY

Grandparents can help a grandchild save for a house by considering saving into a Lifetime ISA (LISA). The child or grandchild, being the account holder, can open and manage their LISA but the grandparent can gift money to an account holder to pay into their LISA. Grandparents, gave £15,000 on average, while 10% gave over £50,000.

HOW TO SAVE FOR A CHILD OR GRANDCHILD

There are a few options when saving for a child or grandchild.

Pension contributions

A SIPP (Self-Invested Personal Pension) can be started as soon as a person is born, with a Junior Self-Invested Personal Pension (SIPP). The advantage is that any contributions made by a parent or grandparent, which can be made directly to the plan as 'third-party contributions', will be treated for tax relief purposes as if made by the beneficiary themselves.

Meaning contributions paid to a 'relief at source' pension scheme will currently receive tax relief of 20%, which is £20 for every £80 of net contribution as long as the gross contributions do not exceed the beneficiary's relevant UK earnings for the tax year or £3,600 if more.

Also, where a beneficiary pays Income Tax at a higher rate, they can claim the additional difference directly from HM Revenue & Customs through their self-assessment, so that's another 20% for a higher rate (40%) tax payer on some or all of the contributions.

Even though a child under the age of 18 will not have the relevant UK earnings, total contributions up to the 'basic amount' of £2,880 net (£3,600 gross) can be made each year and will still benefit from tax relief.

Pension contributions are probably one of the most tax-efficient ways to gift money to a child or grandchild, however, the money won't be available to them until they reach age 57 (normal minimum pension age is rising from 55 to 57 in April 2028).

Lifetime ISAs (LISAs)

Where the child or grandchild is aged between 18 to 40, saving into a lifetime ISA (LISA) can be valuable, particularly if they are trying to raise a deposit for their first home. Here the government will add a 25% bonus to subscriptions of up to £4,000 a year (i.e. £20 for every £80 subscribed).

The catch is, should they withdraw money for any purpose other than purchasing a first home, a tax penalty of 25%, which is £25 on a withdrawal of £100 applies unless the individual is terminally ill or aged 60 or above. Since the tax penalty exceeds the initial bonus, it is normally not the most tax-efficient investment if the penalty is likely to be an issue.

What about Trusts?

For those parents or grandparents who want more control over how their money will be spent. Setting up a trust can help ensure any investment is used appropriately as you can set rules as guidelines for the money in the trust. There are a wide variety of trusts that can be used to meet individual requirements.

A pension is a long-term investment not normally accessible until age 55 (57 from april 2028 unless plan has a protected pension age).

The value of your investments (and any income from them) can go down as well as up which would have an impact on the level of pension benefits available.

The financial conduct authority does not regulate taxation and trust advice. Trusts are a highly complex area of financial planning.

For more information on any subject that we have covered in this issue, or on any other subjects, please tick the appropriate box or boxes, include your personal details and return this section to us.

- ☐ Financial wealth check
- ☐ Tax efficient investments
- ☐ Pensions
- ☐ Tax planning
- ☐ Critical Illness cover
- ☐ Protection
- ☐ Off-shore investments
- ☐ Healthcare
- ☐ Director and employee benefit schemes

Name:_____

Address:_____

_____ Postcode:_____

Tel.(home):_____ Tel.(work):_____

Mobile:_____ E-mail:_____

Please return to:
Anglo International Group Limited – Independent Financial Advisers
The Investment & Mortgage Centre, 170 Epsom Road, Guildford, Surrey GU1 2RP

You voluntarily choose to provide your personal details. Personal information will be treated as confidential by us and held in accordance with the Data Protection Act. You agree that personal information may be used to provide you with details of products or services in writing or by telephone or email.

m8trix media
M8trix Media Limited 960 Capability Green, Luton, Bedfordshire, LU1 3PE

This magazine is for general guidance only and represents our understanding of the current law and HM Revenue and Customs practice. We cannot assume legal responsibility for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying but are subject to change and their value depends on the individual circumstances of the investor. The value of investments can go down as well as up, as can the income derived from them. You should remember that past performance does not guarantee future growth or income and you may not get back the full amount invested.