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FINANCIAL SERVICES NEWSLETTER

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TWENTY SOMETHINGS – LESS LIKELY TO SAVE OR OWN A HOME

The Office for National Statistics (ONS) recently reported that twenty somethings are less likely to own a home than had been the case, and that fewer have accumulated any savings of note.

The proportion of 22–29 year-olds owning their own home has fallen over the past decade from 37% to 27%.

Factors that may have impacted upon this change are led by the level of house prices and the income required to secure an adequate mortgage, in order to get onto the housing ladder. However other factors such as the relative cost to an individual of further education and, of course, the lack of a deposit, are also thought to have had an impact.

53% of 22–29 year-olds having nothing in a savings account or ISA. This is up from 41% a decade ago. According to the ONS data, circa 75% have less than £6,000 in savings indicating that their hope of buying a property is a more distant hope than it was for their parents.

It is said that if the savings habit isn't in place in your 20s, it is unlikely to develop in your 30s, 40s or 50s.



What can be done to assist? Maybe a combination of guidance and support.

Increasingly, family members are assisting children and grandchildren to get started. This may take the form of encouragement to start saving, additional reward for saving, or a combination of the two.

Andy Webb, a blogger on financial matters, suggests five basic steps for individuals to help themselves:

- Paying your savings first before anything else

- Automate your savings by using an App
- Round up your transactions to save using one of the available banking facilities
- Make it difficult to spend your savings by using arrangements more difficult to access
- Spend in cash where you can

In addition, for those wanting to assist a member of the family the level of assistance will depend upon individual circumstances and could relate to short, medium or long-term goals.

For the short-term, assistance may be given in several ways from accessing savings up to the use of Equity Release.

The meeting of medium and long-term goals may be achieved by using tax incentivised savings arrangements, such as ISAs and Lifetime ISAs (LISAs).

As indicated each circumstance is different and requires good advice from your IFA and maybe your legal adviser, taking account the potential impact on your IHT liability and, for some, the beneficiary's social care entitlement.

Generational financial planning has always been a consideration. The ONS article has helped to bring this to the fore once more.

LIFETIME ISA (LISA) – IS IT WORTH A SECOND LOOK?

Although LISAs have been available through a few providers for over a year, they have not had the anticipated impact.

Is this the time to reconsider LISA's suitability?

LISAs are intended to assist with one of two things, buying your first home or retirement provision.

You can save up to £4,000 per annum and receive a 25% bonus, however there are penalties for withdrawing monies for other purposes.

Anyone aged 18–39 can take out a LISA and continue contributing up to the day before they are 50. The maximum available bonus is £33,000.

A LISA can be used for the purchase of a first-time property of up to £450,000.

It can be an appropriate tax-efficient savings vehicle for parents or grandparents to use to assist their children or grandchildren.

If a couple are both first-time buyers, then they can both benefit from a LISA and double the potential bonus. However the maximum purchase price is still £450,000.



It can attract both regular contributions and lump sums and be invested in either equities or cash.

In late 2015 the Help to Buy ISA was introduced, and it is possible to hold both. However, a bonus can only be received through one and consideration has to be given to the use of one over the other or the holding of both.

Primarily if the holder of the LISA is going to purchase a home for up to £450,000, is aged between 18–39, and will not be purchasing it within a year, then the LISA will give you a larger bonus.

For retirement provision, the funds accumulated in a LISA are intended to be accessed from age 60. Further consideration may be given to the relative benefits of a LISA compared to pensions and / or other alternative long term savings vehicles.

PROBATE FEES TO INCREASE

The government did not proceed last year with plans to increase probate fees to a maximum of £20,000.

However, following consultation, they are to go ahead with replacing the flat fee of £155 with a sliding scale of fees ranging from £250, up to a maximum of £6,000.

At present a one-off fee of £155 is paid if using a solicitor to apply to the court for a grant of representation. The fee if applying in person is £215.

In future estates of up to £50,000 will be free, £50,000 – £300,000 – £250, rising to £2,500 for estates of £500,000 – £1m and a maximum of £6,000 for estates over £2m.

Secondary legislation is anticipated to be introduced later this month. Once enacted it is thought that 25,000 estates per annum will pay nothing and only one in five estates will pay more than £750.

However the prestigious Society of Tax and Estate Planners has indicated that 85% of estates would have been liable for higher fees based on 2014–15 figures.