

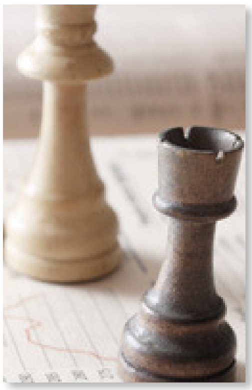

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WEALTH **KNOWLEDGE**

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In this month's Wealth Knowledge...

The average stay in a care home costs more than the value of the average pension pot. Research has found that people over 45 aren't keeping track of their pension savings. Almost half of landlords will be affected by new rules for claiming expenditure on rented property. And, following the news that saving through save as you earn schemes has increased, we look at the rules and tax treatment of such schemes.

Care home costs exceed pension savings

Care home costs are higher than the average pension pot, research by LV= suggests.

The average stay in a care home is around 2 years and 7 months and costs £75,000, a figure higher than the average pension pot.

Important findings:

- 22% of retirees have sold their home to pay for care costs
- 38% used their savings to cover the costs
- 25% of adults with parents in care contribute their own money towards care costs.

John Perks, managing director of LV= Retirement Solutions, said:

"Although many of us leave the workplace in good health, as we are living longer with the average retirement now 17 years long, the likelihood of us needing residential or domiciliary care is increasing.

"In addition, we are also seeing a rise in the length of time being spent in care. This highlights a very real need for many to consider a more flexible retirement income solution such as a fixed term annuity."

Care cost cap postponed

The government has postponed the introduction of the £72,000 cap on care costs for over-65s and younger adults with disabilities in England.

The cap was due to be introduced from April 2016 but has been delayed until April 2020.

The Department of Health cited the £6 billion of public sector money needed to implement the changes as the reason.

We can help you plan for later life care.

Pension pots left unchecked

Almost two thirds of people over 45 pay little or no attention to their pension, research by Aviva UK Life has found.

A quarter of people over 45 who have not yet retired have multiple pension pots but only 27% monitor all their savings.

Important findings:

- 24% ignore their main pension pot
- 34% ignore their second pot
- 33% of those with 1 pension don't monitor it
- 6% don't know how many personal pension schemes they have.

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The research also found that savers are unlikely to consolidate their savings:

- 14% have consolidated or plan to consolidate their savings
- 17% will keep their pension schemes separate
- 13% are waiting for their pension provider to contact them before making a decision.

Clive Bolton, managing director of retirement solutions at Aviva UK Life, said:

"Having multiple pension pots can make things more complicated, but it doesn't necessarily have to if people keep careful track of their savings.

"If they do wish to consider consolidating, then it's important they take financial advice if they have valuable guarantees attached to their existing pensions."

Talk to us about managing your retirement savings.

Wear and tear allowance replaced

Almost half of landlords will be affected by the end of the wear and tear allowance, according to the National Landlords Association (NLA).

Landlords of furnished properties can currently deduct 10% of the rent they receive from their profit to cover expenditure on the property.

From April 2016 all residential landlords will be able to claim tax relief on the costs they incur replacing:

- furniture
- furnishings
- kitchenware
- appliances.

Capital allowances will continue to apply to landlords of furnished holiday lets and commercial properties.

Fixtures that are not normally removed when an owner sells a property such as baths, boilers and fitted kitchen units will remain deductible as a repair to the property.

What's the impact?

The new rules should make identifying and calculating expenses easier for all landlords. For example, landlords will no longer have to determine whether their property is sufficiently furnished in order to claim the relief.

Secondly, there will no longer be any confusion over whether an item is a fixture because all expenditure will be deducted at cost.

Chris Norris, head of policy at the NLA, said:

"We fully understand the frustration of those landlords who let exclusively on a furnished basis as the removal of this allowance will very likely represent a reduction in the relief they can claim.

"However, it will come as a welcome revision for those letting a mixed portfolio, unfurnished, or part-furnished property as the replacement system will allow them to deduct legitimate revenue expenses in the future."

We can advise on reliefs and allowances for landlords.

Running a save as you earn scheme

Employee participation in save as you earn (SAYE) schemes has increased by more than 200,000 since the monthly saving threshold increased to £500 in April 2014.

The research by ifs Proshare found that workers are saving on average £123 a month - £15 more than the previous year.

Employee share schemes that meet certain conditions, such as SAYE, are approved by the government and receive tax advantages for both employees and business owners.

SAYE schemes allow directors and employees to acquire options to buy shares in a savings contract. The shares have to be bought for at least 80% of their value when the option is granted.

The scheme must be open to all employees but membership can be restricted to employees who have worked for a qualifying period of up to 5 years.

Savings of up to £500 a month are usually deducted from salary, though there is no income tax or national insurance relief.

At the end of the savings contract (3 or 5 years), the director or employee can choose to either:

- use the money to buy the shares at the original value
- take the money and a bonus.

If the conditions are met, there is no tax charge on:

- the shares when acquired
- any increase in the value of the shares
- interest and bonuses.

Shares can be transferred into an ISA or stakeholder pension tax-free within 90 days of exercising the option.

We can help you set up a scheme and ensure full compliance.

Important Information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

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