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WEALTH **KNOWLEDGE**

DECEMBER **2015**

In this month's Wealth Knowledge...Help to Buy ISAs were launched on 1 December. The Autumn Statement introduced some significant changes for individuals. People have potentially unrealistic ideas about when they will retire and how much money they'll have. And, research has found that a quarter of adults lack basic digital skills.

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Help to Buy ISAs launched

Help to Buy ISAs - a new type of savings account designed to help first-time buyers save a deposit for a home - became available to consumers on 1 December.

Individuals can save up to £200 a month which will earn interest and qualify for a 25% bonus from the government.

The maximum government bonus is £3,000 which will be given when they close the account and use the money to buy a house.

A number of commercial banks have agreed to offer Help to Buy ISAs. To qualify a person must be aged 16 or over and be planning to buy a home under £250,000 (or £450,000 in London).

Saving limits

In the first month, the account holder can put up to £1,200 into the account, but for every other calendar month from then on the deposit limit is set at £200.

There is no limit on the amount of deposits that can be made as long as this limit is not breached. Money can also be withdrawn from the account, but this does not alter the amount you can deposit.

How you use your bonus

Your 'bonus' (or, the money given to you by the government) can only be used as part of the deposit on the property. This means that it cannot be used to pay solicitor or estate agent fees or used to make renovations or repairs to a property for example.

Account interest

The bonus you receive will be based on the amount of money in your account, including the interest earned, when you close it.

So, you may end up with more than £12,000 in your account, but this will not affect the maximum bonus amount of £3,000.

Applying for the bonus

It is the solicitor or conveyancer that applies for the bonus after you close your account and this must be done within 12 months of the date of closure.

Contact us to talk about personal financial planning.

Autumn Statement 2015: points you may have missed

The Chancellor's latest Autumn Statement might have been considered a bit light on announcements, but there were a number of important details.

While the spending review dominated George Osborne's speech, as with any political event of this magnitude there is a wealth of detail for professionals to examine. So behind the headlines of tax credits and departmental cuts, what details may have slipped under the radar?

GAAR penalties

The general anti-abuse rule (GAAR) was introduced in 2013 as part of the government's plan to reduce the level of tax abuse. The GAAR allows the government to claim money back from abusive arrangements.

The Chancellor stated that the new penalty will now be equal to 60% of tax due and will apply to all cases of successful application of the GAAR.

Deeds of variation

The Chancellor stated in the March 2015 Budget that the government would be reviewing the use of deeds of variation.

Following this, the government has confirmed that it will not be restricting the use of deeds of variations, although it will "continue to monitor their use".

Inheritance tax

The government will legislate to make sure that when a pension scheme member decides to drawdown some funds but does not draw all of the funds before death, that an inheritance tax charge is avoided.

This will be backdated to deaths on or after 6 April 2011.

Contact us today to discuss Autumn Statement 2015.

Workers expect to retire before state pension age

People expect to retire around 4 years before they reach state pension age, according to research by Prudential.

Younger workers have the most unrealistic expectations of their retirement date.

Anyone born after 5 April 1978 will be able to claim their state pension when they are 68.

However, the average expected retirement date among people under 35 is 63 years and 9 months.

Those between 35 and 54 expect to retire before they are 63 and people aged 55 and over expect to retire before they are 62.

Retirement income

The research also found that people have potentially unrealistic expectations about their retirement income.

Individuals who retired in 2015 expect an annual income of £17,000. In comparison, those still working expect a higher income despite potentially waiting longer to receive the state pension.

Estimated retirement income:

- people under 35 expect an annual retirement income of £21,400 a year
- those between 35 and 54 expect £19,600
- those aged 55 and over in work expect £19,400.

Stan Russell of Prudential, said:

"Although people of all ages are expecting to be able to retire well before state pension age, life expectancy continues to increase, with the average retirement now lasting nearly 20 years.

"It is important not to underestimate quite how long retirement savings will need to last.

"In a world where fewer people will benefit from generous final salary pensions, and everyone will have to wait longer to receive the state pension, making plans based on any false financial expectations may lead to problems later in life."

Talk to us about retirement planning.

Brits lack basic digital skills

Almost a quarter of adults don't have the required level of basic digital skills, research by Go ON UK has found.

Research findings show:

- 77% of UK adults have basic digital skills
- 9 in 10 adults are capable of managing information and communicating online
- Greater London (84%) has the highest level of basic digital skills
- Wales displays the lowest skill level (62%).

Identifying skill gaps

Businesses often have problems identifying where skills gaps are.

You need to understand what skills are required to run your business, both now and in the future. The following can help you identify your skills gaps:

- set clear business goals
- use training that's relevant to both your business and your employees
- plan for the future and invest in upskilling employees.

Get in touch to discuss your business.