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Financial Viewpoint

Your latest newsletter from Carl Summers Financial Services

CARL SUMMERS
FINANCIAL SERVICES

10 tips to help you sell your home

It's often said that moving home is one of life's most stressful events - but the hard work starts well before the day of the move.

Careful planning and preparation can make a difference when it comes to impressing potential buyers. If you're planning on selling your home, here are '10 top tips' that might help you sell your property faster.

If you're thinking about moving on or remortgaging, we can help you find the right mortgage deal.

1 **Gardens**
Spend some time tidying up any outside areas. Clear drives and pathways, mow the lawn, clean any garden furniture and make sure any outdoor lighting works. The approach to your property will be your first chance to wow – or worry – your potential buyers.

2 **Front door**
First impressions count, so make sure the front door is clean and the glass is sparkling. If your front door is wooden, you may want to give it a fresh coat of paint – but remember to cover up or remove any metalwork before you start.

3 **Clear some space**
Creating a sense of space is a real winner so make sure you have a good clear out. You could even think about moving some of your larger items into storage for a period before you put your property on the market. Watch out for over-stuffed wardrobes - buyers often check the amount of storage space.

4 **Clean, clean, clean**
Clean everything until it sparkles. Pay special attention to the kitchen and bathroom: get rid of any limescale, clean tile grouting and hang fresh towels. Hiring professional cleaners could be money well spent.

5 **Odd jobs**
Make sure you're up to date with your to-do list of small jobs around the house that you've been meaning to get around to. Replace any broken light bulbs, fix the bathroom locks, replace washers on any leaky taps and oil squeaky hinges.

6 **Freshen up**
A fresh lick of paint in a light neutral colour creates a perfect blank canvas and makes your home seem lighter and bigger. If you have any marks on painted walls that you can't wipe off, dig out the paint and freshen it up.

7 **Kitchen**
The kitchen is the most valuable room in a house so make sure it's spotless. De-clutter surfaces of appliances, jars, pots and chopping boards and replace any tired old tea towels.

8 **Aroma**
Clear drains, wash bins and open windows throughout the house. If you're a smoker, make sure you do it outside in the days leading up to a viewing. Strategically place plants or freshly-cut flowers and, if you can bake fresh bread, cakes or brownies, do so just before a viewing. Where this is not possible, try brewing some fresh coffee.

9 **Pets**
If you have pets, consider leaving them with a friend for any viewings. Make sure you have one last vacuum to remove any pet hair, especially if you have a cat, as many people are allergic to their fur.

10 **Go out**
Agents know their job so let them show your property. They will be best placed to answer tricky questions, highlight the great features of your home and know what to downplay.

By following some or all of these tips, you'll be sure to present your property in its best possible light.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

For this service a fee of £295 is payable on application to the chosen lender.

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Protecting your employees and assets

Whatever business you're in, having the right insurance in place is essential to protect your assets and responsibilities.

We've put together a short description of the most common types of cover for small businesses, along with a brief checklist, to get you thinking about your current arrangements.

If you'd like help understanding or reviewing your business insurance, please get in touch.

Common types of business insurance

Employer's Liability insurance is a legal requirement. It protects you in the event a member of your staff is injured or becomes ill as a result of the work they do.

Public Liability insurance protects you should a member of the public suffer an injury or damage their possessions whilst visiting your premises. It also covers you when you carry out work away from your premises.

Professional Indemnity insurance covers the costs of legal action taken against you, should a client feel they suffered financial loss as a result of your professional opinion.

Depending on your circumstances, you may also need to consider things like **buildings insurance, business interruption, business fleet insurance** and insurance cover for **tools.**

Your business insurance checklist

1. **Take the time to understand your policy/s**
Whether taking out new cover, or renewing your business insurance, take the time to understand your policy. Look at exactly what it does – and doesn't - cover you and your business for.

2. **Check your cover levels and limits**
Check and double-check the levels of cover you have. Are your liability limits appropriate? Are there any exclusions that might apply in the event of a claim? You may find it useful to seek professional advice if you're unsure.

3. **Ask questions when things seem unclear**
Don't be afraid to ask questions. Do you know what Business Interruption or Goods in Transit really means for your business? If your policy is heavy on jargon and hard to understand, ask your provider for help. A good insurance provider will be happy to explain what you are paying for.

4. **Tell your insurer if your circumstances change**
Make sure you tell your insurance provider if something changes in your business. If you've taken on staff, diversified, grown or downsized, it's important to let your insurer know. If you don't, you could find yourself under-insured – or find your policy is no longer valid.

5. **Seek professional advice**
Buying insurance can sometimes appear simple, but it's easy to overlook policy features that could make a big difference if you ever need to make a claim. Seeking professional advice will help ensure you're fully informed about your policy.

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Pension savers face Lifetime Allowance cut

From 5 April 2016, your tax-free pensions savings limit will be cut from £1.25m to £1m. This cap is called the 'lifetime allowance' and applies to your entire pension savings (apart from the state pension).

When the lifetime allowance was first introduced in 2006, it only affected high earners in the UK who could afford to grow seven-figure pension pots.

But as the limit has reduced in recent years, many more thousands of people have been affected – especially those in final-salary schemes who have built their entitlement through many years' work.

Tax charges

If your pension savings are worth more than the £1m lifetime allowance when you take your benefits, you'll have to pay the lifetime allowance tax charge on the excess. The tax charge is 55% if you take the excess pension pot as a lump sum, or 25% if you take the pension as a regular payment.

Annual allowance

The amount you can pay into your pension every year (the annual allowance) is currently £40,000. You usually pay tax if savings in your pension pot exceed the annual allowance, but you can top up your allowance for the current tax year (6 April to 5 April) with any allowance you didn't use from the previous three tax years.

Pensions savings allowances

Tax Year	Lifetime Allowance	Annual Allowance
2013/14	£1.5m	£50,000
2014/15	£1.25m	£40,000
2015/16	£1.25m	£40,000
2016/17	£1m	£40,000

Protecting your money

If you had a pension pot of more than £1.25m as at 5 April 2014 you may be able to claim Individual Protection 2014. This will provide a protected lifetime allowance equal to the value of your pension rights on 5 April 2014 (up to an overall maximum of £1.5m).

You will not lose Individual Protection 2014 by making further savings into your pension scheme, but any pension savings in excess of your protected lifetime allowance will be subject to the lifetime allowance charge.

Applying for Individual Protection 2014

You became eligible to apply for Individual Protection 2014 from 18 August 2014. Applications are still open but must be received by HMRC no later than **5 April 2017**.

We expect to see similar transitional protection regimes announced ahead of the lifetime allowance cut.

If you are worried that your pension pot may be affected by this change and would like more information, please get in touch.

HM Revenue and Customs practice, and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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Why your pet may be better insured than you

If you have a pet, you'll know how expensive vet bills can be.

And, like 6.6 million other pet owners in the UK, you may have bought an insurance policy to prevent Fido's latest mishap, or Mr Tibbs' unexpected op, causing you serious financial hardship in the future.

But surprisingly, it seems many of us don't apply the same care and consideration to ourselves.

It's estimated that around 7 million people lack insurance that would help their loved ones avoid financial hardship in the event of their own unexpected death.

How life insurance can make a difference

Managing unexpected vet's bills without appropriate insurance can be a real struggle, but it's nothing compared to the risks that under-insured homeowners – and their families – might face. The following real-life examples illustrate how dying without life insurance can have a catastrophic effect on those left behind.

Example:
Mrs Brown

Mr Smith and Mrs Brown were business partners who jointly owned a Buy to Let property. They had purchased it with a £70,000 Buy to Let mortgage.

Mr Smith was diagnosed with cancer and died shortly afterwards. **He had no life cover**. Solicitors arranged the estate, transferring the property to Mrs Brown and arranging for Mr Smith's widow to receive half of the rent from the property.

The solicitors informed the mortgage lender of the transfer of property. The mortgage lenders said the death of Mr Smith represented a 'Material Change' to the mortgage contract and as a result demanded the full loan amount be paid immediately.

Mrs Brown had to remortgage the property to pay off the £70,000 mortgage. She also had to cover additional administrative and legal costs.

Example:
Mr and Mrs Jones

Mr and Mrs Jones were married, and living together, with a residential mortgage. The property was solely in Mr Jones' name.

Mr Jones was killed in an accident. Although **he had no life cover**, he had **left a detailed Will**. His two children from a previous marriage disputed the Will, meaning the estate was left unsettled for several years. The mortgage lender became aware there was no life cover in place and therefore no immediate way to pay off the mortgage. They then started proceedings to repossess the property.

Mrs Jones was forced to remortgage in order to pay the lender. She also had to cover additional administrative and legal costs and stamp duty.

Have you insured what matters most?

If the unexpected happens, the right insurance can make all the difference. Appropriate protection, such as life or critical illness cover (written in trust) can help you, your business partners or your loved ones avoid financial difficulty at an already traumatic time.

If you are among the 7 million UK homeowners that don't have any life insurance in place, or simply want to review your existing cover, please talk to us.

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How to avoid a pension scam

The government's Pension Wise service has warned that pension scams, where criminals cheat people out of their pension pots, are on the increase.

There are different types of scam, but they often begin by someone contacting you unexpectedly by phone, email or letter. They may invite you to learn more about:

- an investment or other business opportunity that you've not previously spoken to them about
- taking your pension savings before you're 55
- the ways that you can invest your pension money

Most of these offers are misleading (you can only take your pension money before age 55 in very rare cases, for example) or completely fake – but they can appear very convincing.

The scammers' aim is to get you to cash in your pension pot and transfer the money. Once you've transferred your money into a scam, it's too late. You could lose all of your pension money, or face tax of up to 55% or huge additional fees.

How to tell if it's a scam

Watch out if an individual or company:

- 'cold calls' you about your pension money by phone, text, visiting you in person, or in other ways
- says you can access your pension money before 55 and that they can help you with this
- encourages you to take out a large lump sum, or your whole pension pot as cash, so that they can invest it for you
- asks you to transfer your money quickly, even sending documents to you by courier (you should never make a rushed decision about your pension money)
- uses words like 'pension liberation', 'loan', 'loophole', 'free pension review' or 'one-off investment'
- offers you an investment described as 'unique', 'overseas', 'environmentally friendly', 'ethical' or in a 'new' industry

How to protect yourself

Check if the person or company contacting you is on the Financial Services Register by visiting fca.org.uk/register or calling the Financial Conduct Authority (FCA) on 0800 111 6768. If you call the person or company back, use the phone number for them that's on the Register.

If anyone cold calls you claiming to be from the government, a pension provider or other organisation, and asks for your personal or financial details, don't reveal them. Hang up if you need to.

If you think you've been the victim of a pension scam, call Action Fraud on 0300 123 2040 or use the Action Fraud online reporting tool: *actionfraud.police.uk/report-a-fraud-including-online-crime*

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Fixed rate mortgages:
What you need to know

Despite the Bank of England Base Rate remaining unchanged for the past six years, fresh predictions from commentators and economists about when it might rise have continued unabated.

With rates at their lowest level in history, it seems that when they do eventually change, it's likely to be in an upward direction.

But when it comes to arranging your mortgage, you shouldn't let predictions about the future of interest rates dominate your decision-making. Fixed rate mortgages can offer protection from rate rises for an agreed period – but there are several considerations you'll need to think about before making your decision.

Predictable repayments – but you won't benefit from rate cuts

When choosing a mortgage, one of the main decisions to make is whether to go for a 'tracker' or a 'fixed rate' mortgage.

With a **tracker** mortgage, your monthly payment fluctuates in line with a rate that's equal to, higher, or lower than a chosen Base Rate (usually the Bank of England Base Rate). The rate charged on the mortgage 'tracks' that rate, usually for a set period of two to three years.

Tracker rates might be more appealing if you have a fixed budget and can tolerate a higher mortgage payment when rates rise, as you'll benefit from a reduced monthly mortgage payment if rates go down.

With a **fixed rate** mortgage, the rate (and therefore your repayments) will stay the same for an agreed period. A fixed rate mortgage makes budgeting much easier because your payments will not change - even if interest rates go up. However, it also means you won't benefit if rates go down.

Longer fixed terms will be more expensive

If you choose a fixed rate mortgage, you'll need to decide how long you want your fixed rate to last. Two-year fixed rate mortgages typically offer the lowest initial interest rate. If you want to fix your interest rate for longer, you will probably pay more for that longer-term security. The term you choose will depend on your current circumstances and future expectations.

A change in circumstances could cost you

Do you have any *known* changes on the horizon that will have an impact on your mortgage?

With a fixed rate mortgage, there is usually an early repayment charge if you repay all - or a certain percentage - of the mortgage during the fixed-rate period. If for example, you know that in 18 months time your employment contract is up for renewal and you may be asked to relocate, you'd probably want to avoid being tied into a longer deal.

If you have no known changes and want to benefit from a longer period of security, then a longer-term fixed rate of five years may appeal. It might cost more initially, but you'll benefit from knowing that your repayments will stay the same for that length of time.

Don't be drawn into trying to second guess what will happen with interest rates over the coming years. We can help you come to the right decision for your next mortgage.

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The matter of trusts

Taking out a life insurance policy gives you valuable peace of mind: you know you've protected your family against financial hardship, should the worst happen.

But how can you make sure your policy will pay out quickly, to those who'll need it most, should you die? The answer might be to write your policy in trust.

What is a 'trust'?

A trust is a legal document that allows you to specify what will happen to your money after your death. If your life insurance policy is written in trust, any payout will go to the trustees you've chosen, who will then ensure the funds are distributed to the people you'd like to benefit from the policy (the beneficiaries).

Why is a trust so important?

Putting your life insurance policy in trust gives you control over who the beneficiaries are, helps them avoid Inheritance Tax penalties and helps ensure they receive the money quickly.

Control

Every year, many people die without having put their life insurance policy in trust. As a consequence, the payouts become subject to the delays caused by the processing of a Will and, where there is no Will, the complex laws of intestacy come into play. This could mean the benefits of the policy will form part of your estate, and may not go to the people of your choosing. With your life insurance in trust, you can specify who you want the beneficiaries to be. This is especially important if you are not married or in a civil partnership.

Inheritance Tax

A life insurance policy that has been written in trust does not form part of your legal estate and is not subject to Inheritance Tax. This allows the entire policy payout to pass to the people you intended to benefit from it. Even if your partner is the named beneficiary of your policy (and therefore the claims payout would be exempt from Inheritance Tax under the current rules), it can still be worth putting your cover in trust to speed up the policy payout.

Faster payment

Using a trust should help ensure that your life insurance payout is passed to the people of your choice more quickly without waiting for lengthy legal processes, such as probate. This can be a welcome relief for those left behind during what is likely to be a very stressful time.

Setting up a trust

Trusts are usually simple to set up, but it's important to select the right type of trust and complete the documentation carefully.

If you're thinking of putting a life policy in trust, please talk to us first. We can tell you if it's the right choice for you, which type of trust is most appropriate for your circumstances - and help you put the trust in place.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

The Financial Conduct Authority does not regulate Trust Advice.

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Younger generation lacks pension understanding

Government research has found that many young adults fail to understand the value of saving for retirement, the details of the State Pension, and how the pensions system works.

When asked 'Do you need to find out more about saving for retirement?', 53% of 22-34 year-olds said they did. This is compared to 44% of those aged 35-49 and 30% of those aged 50-64.

Meanwhile, pupils quizzed by the Pensions Minister, Steve Webb, during a visit to their school, offered some surprising answers. Seven out of 10 of the teenagers asked thought the government would provide most of their income when they retired, while eight out of 10 thought they would retire in their mid-60s.

Expectations of how much income would be provided varied between £9 per week to £800 per week.

Automatic enrolment

Pensions are more relevant to young people about to enter the world of work than ever before, thanks to the introduction of auto enrolment. This compels employers to automatically enrol workers from age 22 into a workplace pension. Those aged 16-22 can opt in, provided they earn more than £10,000 (2014 to 2015) a year. Figures show that automatic enrolment into workplace pensions is playing a major role in reversing the decade-long decline in private sector pension saving. Young people working in the private sector showed the largest increase in the proportion saving into a pension, growing more than any other age group – 30% of those aged 22 to 29 saved in 2013 compared with 24% in 2012.

It is never too early to start saving

Pension planning should be an important part of everyone's financial plan. There is no minimum age for a personal pension, although contributions to a child's plan are currently limited to £3,600 per tax year. It's never too early to start saving so, if you don't have a pension in place, it might be time to consider your options.

If you, or a family member, need help understanding pensions, please get in touch.

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