

WEALTH KNOWLEDGE

JULY 2021



HOME MOVERS FUEL SPIKE IN MORTGAGE BORROWING AS PRICES RISE

A record proportion of mortgage borrowing in the first three months of the year was fuelled by home movers as the 'race for space' hotted up.

The Financial Conduct Authority said this group accounted for 42% of total mortgage lending – the highest proportion since records began in 2007.

The regulator said the movers' lending figure was 15% up on Q1 2020, compared to a 2% rise for first-time buyers.

With mortgage lending records being broken, demand for family homes currently outstrips supply and is driving up house prices.

According to the Office for National Statistics, UK house prices increased at their fastest rate for more than a decade at the start of 2021.

It said property prices were 10.2% higher than a year earlier – the fastest annual rate of growth for 14 years.

But unlike recent booms, the biggest house price rises have been outside of London and the South East of England.

The biggest rises are being seen in Cornwall, Northern England, and Wales as buyers seek bigger homes closer to open spaces.

While the stamp duty holiday fuelled the spike in demand, various lockdowns have seen people reassess their priorities.

The first £250,000 of a residential house purchase completed after 1 July is free from stamp duty until 30 September (£300,000 for first-time buyers).

📩 Contact us to discuss mortgage deals.

CONSUMER GROUP REVEALS PRICE TAG FOR A COMFY RETIREMENT

Savers should aim to have a pension pot worth £305,000 to enjoy a happy retirement, according to a new report.

Consumer group Which? polled more than 6,800 of its members who are retirees in 2021 to identify their spending and saving habits.

With an average state pension payout of £8,060, savers need their pensions to provide £12,548 for a total of £19,000 a year after tax.

This should be enough to cover the essentials plus regular short-haul holidays, gifts to charity, and any vices such as alcohol or tobacco.

For married couples hoping to achieve the same perks in a 'comfortable retirement', the annual total climbed to around £26,000.

A life of luxury in retirement is estimated to cost around £31,000 for a person on their own, or £41,000 for married couples.

Which? said a basic retirement that covers food, bills, essential travel and insurance in 2021 would cost around £13,000 a year for a single person.

Therefore, savers in this situation would roughly require an extra £5,000 on top of a full state pension just to make ends meet.

Most people kept their pensions invested in the stock market and drew down retirement income, rather than buying an annuity, the report said.

📩 Get in touch for a pension review.

FAMILIES GET BIG BILLS AFTER BELIEVING GIFTS WOULD NOT BE TAXED

Almost 2,000 people who thought they'd reduced the values of their estates by making gifts have seen an inheritance tax break stripped away.

Inheritance tax is charged at 40% on individual estates worth more than £325,000, although this threshold can double for married couples.

Other allowances and exemptions are available to increase this threshold or taper the inheritance tax rate down from 40%.

One such relief is the seven-year rule, which sees people give away assets to reduce the value of their estates in a bid to ensure more wealth is passed on.

But a Freedom of Information request by the *Telegraph* found that since 2016, 1,830 gifts worth £624 million have been deemed taxable at 40%.

Most of these 'gifts gone wrong' related to property, while 13% were cash gifts. Shares and securities accounted for 8%, the rest were classed as "other assets".

If HMRC discovers an individual continues to benefit from an asset they'd given away, it's known as a 'gift with reservation of benefit'.

The best example is where someone continues to live in, and therefore benefit from, a property they'd gifted to a descendant.

When this happens and HMRC finds out, no tax break applies and the gift's value forms part of the gift-giver's estate for inheritance tax purposes.

Should HMRC find any discrepancy or continued benefit from the gift, the executor of the estate will be liable to pay the tax bill after the giver's death.

There are other options to giving some of your property or money away to reduce the value of your estate.

[!\[\]\(f60b7a900783ac3fd531bfd9c111be6d_img.jpg\) Speak to us about inheritance tax.](#)

OTS CONSIDERS BRINGING THE END OF THE TAX YEAR FORWARD

The Office of Tax Simplification (OTS) is to explore changing the end of the tax year from 5 April to either 31 March or the end of the calendar year.

The OTS published a document last month setting out the scope of a review into the benefits, costs and wider implications of changing the date.

It said 31 March was the end of a calendar quarter and the nearest month-end date to the current tax year on 5 April.

It was also the UK financial year-end date, to which the Government makes up its own accounts, and by reference to which UK corporation tax rates apply.

The other option under consideration by the OTS is to run future tax years to 31 December, similar to the regimes in place in the United States, France and Germany.

Should this be pursued, a transitional tax year could in theory run from 6 April to 31 December – three months and six days shorter than the typical tax year.

The OTS said:

"For historical reasons, the UK's tax year for individuals runs from 6 April to the following 5 April. This has been the case for hundreds of years and the UK's modern tax system and infrastructure has been developed around this date.

"By contrast, accounting systems used by businesses have been developed around month and quarter-ends.

"Across businesses and internationally, it is common to account to a month-end date. The UK financial year for government accounting and for companies runs from 1 April to 31 March.

"While primarily addressing tax simplification issues, the review will also take account of the implications of any change in other areas, such as in relation to tax credits and benefits."

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IMPORTANT INFORMATION

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

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