



John Gaulton

Independent Financial Advisors

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Out and About in the Financial World

Welcome to our newsletter sharing items that we feel may be of interest to you, our clients, as well as your family and friends.

If you read anything of interest and we can be of further help please don't hesitate to give us a call.

Mortgage rates drop below 1%

New mortgage deals are at their LOWEST EVER rates, with two-year fixes down to 0.95% and five-year fixes at 1.17% (though in some cases they load the cost in the form of hefty fees).

The cause? A perfect storm of...

- Ultra-low UK interest rates
- A house-buying boom boosted by a stamp duty cut
- Banks with a glut of cash to lend as so many people built up savings during the pandemic

The result is ferocious lending competition for the best customers. That means, for some, remortgaging - switching deal without moving property - can result in phenomenal savings.

Source: Home Owners Alliance August 2021

We suggest you review your current mortgage to see if a new arrangement could save you money allowing for any costs incurred.

Give us a call.

Government to correct women's underpaid state pensions

The issue of the missing state pension benefits affects women who were married and reached state pension age (SPA) before April 2016, who can claim the basic state pension.

Six groups of women may have been underpaid:

- Married women whose husband turned 65 before 17 March 2008 – if they never claimed an uplift to the 60% rate.
- Widows whose pension was not increased when their husband died.
- Widows whose pension is now correct, but who think they may have been underpaid while their late husband was still alive.
- Over-80s – who are receiving a basic pension of less than £82.56.
- Widowers and heirs of married women – where the woman has now died, but who was underpaid state pension during her life.
- Divorced women who are not benefiting from the contributions of their ex-husband.

Women who have been affected won't need to notify the DWP. However, even though you don't need to do anything to claim back your cash, you can still check if you're owed money by using LCP's dedicated calculator.

To read more and use the calculator visit:

<https://www.which.co.uk/news/2021/05/government-to-correct-womens-underpaid-state-pensions-by-the-end-of-2023/>

Risk vs Return

We were fascinated to see a table in Defaqto's DFM Market Update 2021 which we reproduce below.

To explain, a DFM is a discretionary fund manager who looks after the investment of money for clients of advisors, or directly. They provide two types of investment - bespoke or MPS (managed portfolio services) - the table relates to the latter and shows results for the 5 years ending 31 December 2020.

Two things stand out for us - the first is the demonstrable historic correlation between risk and reward, and the second is the wide range of results between DFM's from good to less good - some even losing money in lower risk categories. Even allowing for the relatively short time in investment terms of 5 years, the unusual last 5 years with the impact of Covid and Brexit, and the standard warning that past performance is no guarantee of future returns the message is that some degree of risk is necessary to find good returns.

You should always take advice before selecting any investment and should consider the length of time you wish to invest for, together with how much risk and volatility is comfortable for you.

As advisers it is our job to find our clients a DFM who is at the top end of historic performance results, and who offers competitive pricing like ours.

Defaqto Risk Rating	Average annualised return - 5 years %	Total return - 5 years %	Total return - low %	Total return - high
2	2.75	14.76	-2.43	31.94
3	4.53	25.00	-6.14	37.59
4	5.52	30.99	-9.24	46.48
5	6.59	37.82	-0.64	55.35
6	7.48	43.73	9.91	62.05
7	8.62	51.53	20.49	82.14
8	10.24	63.29	23.22	85.17
9	10.79	67.06	56.52	91.15
10	12.24	78.31	66.68	97.47

MPS portfolio risk vs return (Performance to 31 December 2020)

Marriage Tax Allowance

If you're married or in a civil partnership, you may be entitled to a £1,260 tax break called the marriage tax allowance - something 2.4 million qualifying couples miss out on.

If your claim is successful, it will lower the higher earner's tax bill for the tax year, but you can also backdate your claim if eligible.

How it works

Marriage Allowance lets you transfer £1,260 of your Personal Allowance to your husband, wife or civil partner. This reduces their tax by up to £252 in the tax year (6 April to 5 April the next year).

Who can apply

You can benefit from Marriage Allowance if all the following apply:

- you're married or in a civil partnership
- you do not pay Income Tax or your income is below your Personal Allowance (usually £12,570)
- your partner pays Income Tax at the basic rate, which usually means their income is between £12,571 and £50,270

You cannot claim Marriage Allowance if you're living together but you're not married or in a civil partnership.

Backdating your claim

You can backdate your claim to include any tax year since 5 April 2017 that you were eligible for Marriage Allowance.

Your partner's tax bill will be reduced depending on the Personal Allowance rate for the years you're backdating.

For more information go to

<https://www.gov.uk/marriage-allowance>