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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.

Will Aid 2022 is Live!

Once again we remind you its 'Will Making Month'!

This November, participating solicitors are volunteering their time and waiving their fees for writing basic Wills. Instead, they invite clients to make a voluntary upfront donation to Will Aid.

Will Aid is a special partnership between the legal profession and nine of the UK's best-loved charities. Every November, participating solicitors waive their fee for writing a basic Will. Instead, they invite clients to make a voluntary donation to Will Aid – we suggest £100 for a single basic Will and £180 for a pair of basic 'mirror' Wills.

With Will Aid, everyone benefits. You get a professionally drawn-up Will and peace of mind, while the charities receive much-needed donations for their vital work.

For more information visit <https://www.willaid.org.uk/>

We advise all our clients that it is important to have a current will in place.

FSCS Cover

As you may know, the FSCS reimburses a customer up to £85,000 if their bank can't meet its financial obligations.

This month Virgin Money advised their customers that 'it was worth remembering that this figure applies to the total amount you may have across Clydesdale Bank, Yorkshire Bank and Virgin Money – any more is unlikely to be covered.'

We recommend you check the amount you are holding in your bank accounts and ensure that you are not exceeding £85,000 in a single account or accounts under a group.

Contact us if you need further advice.

Energy bills support

The government has announced the following immediate, short-term action to support households.

Energy Bills Support Scheme

The Energy Bills Support Scheme provides a £400 non-repayable discount to eligible households to help with their energy bills over winter 2022 to 2023.

A new Energy Price Guarantee

The Energy Price Guarantee will reduce the unit cost of electricity and gas so that a typical household in Great Britain pays, on average, around £2,500 a year on their energy bill, for the next 2 years, from 1 October 2022.

The consumer saving will be based on usage, but on average usage a household will save £1,000 a year (based on current prices from October). Energy suppliers will be fully compensated by the government for the savings delivered to households.

To read the full factsheet go to:

<https://www.gov.uk/government/publications/energy-bills-support/energy-bills-support-factsheet-8-september-2022>

For more information and advice see: Martin Lewis: 16 'Energy Price Guarantee' need-to-knows

<https://www.moneysavingexpert.com/utilities/energy-price-cap-guarantee/#5>

What do income tax cuts mean for pension savers?

Income tax cuts come with 'a sting in the tail' for pension savers who will see Government top-ups to their contributions reduced, say finance experts.

The reduction in the basic rate from 20 per cent to 19 per cent will benefit taxpayers in terms of take home pay but have a knock-on effect for pensions.

Taxpayers will no longer get an automatic 25 per cent top up to money paid into pensions to cover basic rate tax relief - taking them back to where they were before 20 per cent tax was charged - and will instead see a lower 23 per cent boost.

It could cause a rush of extra pension contributions, especially by higher earners with the most to gain, ahead of changes in April 2023, although some basic rate taxpayers will get an extra year's breathing space due to technical transitional arrangements.

Pensions tax relief allows everyone to save for retirement out of untaxed income. That means you get a bigger sweetener the more you earn.

The rebate or 'top up' is based on people's income tax rates - that is 20 per cent, 40 per cent or 45 per cent, until Chancellor Kwasi Kwarteng's changes take effect.

'The reduction in the basic rate of income tax from 20 per cent to 19 per cent will be good news for millions of individuals,' says Steven Cameron, pensions director at Aegon. 'There is a slight sting in the tail regarding pension contributions. Individuals receive a "tax relief" top-up based on their "highest marginal" rate of income tax.

'Currently, the "net" cost to an individual of investing £100 in their pension is £80 as when paying 20 per cent income tax, their pension receives a £20 top-up from the tax man. In future, a 19 per cent income tax rate means you'd need to pay in £81 from take-home pay to have £100 invested in your pension. So if individuals continue to pay in £80, their pension will benefit from a slightly lower £98.75.

'While the change in income tax rate is from April 2023, pension schemes which collect pension tax relief for their members using what's referred to as "relief at source" are being granted an extra year to continue to collect at the 20 per cent rate.'

'Those in a position to do so may want to make additional pension contributions before April 2023 to make sure they benefit from the maximum tax relief. We recommend seeking professional financial advice.'

Cameron notes that even with slightly lower tax relief, pensions still remain a particularly tax efficient investment, and those in work schemes get a generous top-up from their employers too.

James Jones-Tinsley, a pensions specialist at Barnett Waddingham, says: 'For consumers, the cut in income tax to 19 per cent is a double-edged sword. It is an immediate gain in income with a long-term sting in the tail from a smaller pension. The one per cent loss may sound inconsequential, but it compounds over a working lifetime - as Einstein said, it's "the eighth wonder of the world" and those who don't understand it, pay the price.

'Individuals now need to increase their personal contributions just to stand still; this might not be a tempting prospect with climbing interest rates and rising inflation.

This is Money 23 September 2022

If you would like to review your pension contributions give us a call.