

WEALTH **KNOWLEDGE**

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In this month's Wealth Knowledge newsletter...

the news that many higher rate tax payers could be missing out on pension tax reliefs. Staying with pensions, research suggested that next year's reduction in the lifetime and annual contribution allowances could affect thousands of scheme members. The Government launched the mortgage guarantee element of the Help to Buy scheme last month, helping those with a five per cent deposit onto the housing ladder. We look at the detail. Finally, we look at the value of gadgets in your child's schoolbag and ask: are they insured?

As always, please contact us if you would like to discuss any areas of your financial planning.

Higher rate tax payers miss out on pension tax relief

According to research from Prudential, around 182,000 higher rate taxpayers who are members of defined contribution pension schemes could be missing out on tax relief worth a combined £229 million on their pension contributions.

If you earn more than £41,451 you could be eligible for up to 40 per cent tax relief on your pension contributions. The first 20 per cent of relief is applied automatically and members of occupational pension schemes also receive the additional 20 per cent tax relief through their payroll. But those in personal pension schemes, SIPPs (Self Invested Personal Pensions) and stakeholder pensions usually have to claim the additional relief through their annual tax return.

The higher rate tax threshold was also lowered from £42,475 to £41,451 this year, meaning that many newly-eligible savers may be unaware that they can claim additional tax relief.

More than a quarter of those surveyed by Prudential are failing to claim the additional 20 per cent tax relief on contributions, while a further 15 per cent were unsure.

Prudential's tax expert, Clare Moffat, said: "Failing to claim higher rate pension tax relief can have a major impact on income and it is clear that a substantial number of higher rate taxpayers are not claiming the relief they are entitled to."

"There cannot be many people who would happily give up as much as £1,255 a year and substantial numbers of higher rate taxpayers can take action now to significantly improve their pension savings."

**We can advise on pension contributions tax relief.
Talk to us to find out more.**

Pensions lifetime limit cut to affect thousands

On 6 April 2014, the annual and lifetime allowances for pension contributions will be reduced. It's likely to affect a greater number of individuals than Government figures suggest, according to pension provider Standard Life.

What's changing?

- The **maximum** value of pension savings an individual can accrue in their lifetime before a tax charge is triggered **will fall from £1.5 million to £1.25 million**
- The **maximum** amount you can make in pension contributions each year without attracting a tax charge **is reducing from £50,000 to £40,000.**

Who will be affected?

According to Standard Life, the change to the lifetime allowance will immediately affect 30,000 people, and 360,000 will be affected in the longer term. This is more than the one per cent of pension savers that HMRC originally envisaged would be affected. Nearly £250 billion worth of accumulated pension savings could be at risk, according to Standard Life.

Head of customer consolidation at Standard Life, Alistair Hardie, said that those affected will "face the difficult decision of whether to protect their existing pension benefits and stop pension funding, or carry on contributing and face a tax charge."

He added that doing nothing or making the wrong decision could add significantly to the tax bill and stressed that "expert financial advice is the essential component to achieving the best possible outcome".

Talk to us about protecting your pension savings.

Help to Buy mortgage guarantee launches

The Government's Help to Buy mortgage guarantee scheme is now open for business after it launched three months ahead of schedule in October.

The flagship scheme is designed to help potential buyers who can afford the monthly mortgage repayments but who would struggle to save a 20 per cent deposit. Mortgage guarantees will give lenders the confidence to offer these people mortgages of up to 95 per cent of a property's value on homes worth up to £600,000.

Help to Buy consists of two elements:

- **equity loans** for borrowers - the Government will provide loans of up to 20 per cent of the property's value to those with a five per cent deposit, meaning a 75 per cent mortgage will be required to cover the rest
- **mortgage guarantees** for lenders - Government guarantees of up to 15 per cent of the property's value to banks who are willing to lend to borrowers with smaller deposits.

Launching the mortgage guarantee part of the scheme, Prime Minister David Cameron said: "Too many hardworking people are finding it impossible to buy their own home - people who can afford the monthly mortgage payments but haven't got rich parents and can't pay the deposit up front."

"Help to Buy is going to make the dream of home ownership a reality for many who would otherwise have been shut out."

School bags contain gadgets worth £122

School children carry electronic gadgets - such as iPads, smartphones and MP3 players - worth hundreds of pounds in their school bags, research from the Money Advice Service has revealed. It amounts to nearly £1 billion worth of goods being taken to UK schools each day.

Almost a quarter of parents admit their children may be carrying goods worth more than the contents of their own bags. More than a third of parents admit they would be 'upset' if their child lost their school bag but only 16 per cent have insured the bag's contents.

Key figures from the research include:

- Nearly a tenth of six to 10 year-olds take an electronic tablet to school
- More than half of 11-16 year-olds take a smartphone
- The average value of electronic devices taken to school is £81 for six to 10 year olds
- 11-16 year olds carry gadgets worth £159
- 19 per cent of parents are aware that their child will often leave their school bag unattended.

Jane Symonds, head of service delivery at the Money Advice Service, said: "Electronic devices are so integral to our everyday lives now. It's incredible how quickly they have become 'must-have' items – even for children as young as six years old."

"It's easy to underestimate the cost of replacing them or to simply forget to update your existing insurance cover to include newly-purchased gadgets. Given how attached we get to essential items such as smartphones or e-readers, it's worrying how many parents don't fully understand which valuables are covered by their insurance policies."