Future Directions Newsletter 5 – August 2019

Welcome to our August newsletter.

As before, we have put together a few articles that we hope you may find useful.

We hope that you have had a great 2019 so far.

From all at Future Directions

Article: The Lifetime ISA

Savers aged between 18 and 40 can choose to open a Lifetime ISA ("LISA"). Announced in the March 2016 Budget, the LISA is designed to help young people to save not only for a first home, but also for their retirement, without having to prioritise one over the other. Up to £4,000 of your annual ISA allowance can be saved into a LISA each year by savers between the ages of 18 and 40. LISA savers will receive a 25% annual government top-up, to a maximum of £1,000 per year. A LISA that is opened at the age of 18 offers the opportunity for 32 years of saving and bonuses. If you save the annual maximum of £4,000 per year over 32 years – a total of £128,000 before any capital growth or interest is included – this could net a total government bonus of £32,000. The money saved into a LISA may be used towards a deposit on a first home worth up to £450,000 or can be saved until the age of 60 to help fund retirement. Any contributions to a LISA will sit within the overall annual ISA allowance of £20,000 for the tax year 2019/20. LISAs are limited to one per person rather than one per household; therefore, two first-time buyers will both receive the government bonus when they buy a home together. Meanwhile, the "Help to Buy ISA" will remain open to new savers until 30 November 2019 and open to new contributions until 2029. Savers can save into a "Help to Buy ISA" and a LISA, but may only use the government bonus from one account to purchase their first home. LISAs are not without their critics: the rules have been criticised for their complexity; moreover, if you make any withdrawals before the age of 60 that are not for the purpose of buying a first home, you will pay a 25% withdrawal penalty on the full amount withdrawn – so accessing your money early could prove expensive. Above all, you should not assume that a LISA is a substitute for a pension scheme. Pension contributions enjoy significant tax breaks; moreover, employees benefit from their employer's contributions to their workplace pension scheme. Therefore, it is vital to ensure that you take expert advice before making any far-reaching decisions.

Future Directions Financial Services Limited is authorised and regulated by the Financial Conduct Authority and are entered on the Financial Conduct Authority Register (http://www.fca.org.uk/register) under number 690603.

Director : Marc Carter

Article: Managing debt

For many people, debt is a necessary part of everyday life –few people, for example, are in a position to purchase a home without a mortgage. If properly managed, debt can be a useful tool, but it is essential to remain in control. You are unlikely to receive more interest on your savings than you will pay on your borrowings. It is generally prudent therefore to concentrate on paying down your debts before you focus on savings. Nonetheless, you should still aim to have a cash buffer that you are able to access in an emergency; as a rule of thumb, this should be enough to last you for three months. Don't ignore your debts – they will not disappear. If you have debts on top of your mortgage, the most sensible strategy is to try to pay off any outstanding loans, using your savings if necessary. You should always clear your most expensive loans first, although you should check in case there are charges for early repayment. According to the Money Advice Service, the most expensive debts are incurred through credit or store cards, unauthorised overdrafts, catalogue shopping, pay-day loans and door-to-door loans. For credit-card debt, it is worth considering a balance transfer, switching your debt to a different card with a lower rate of interest in order to reduce the overall cost. Nevertheless, bills such as mortgage or rental payments, electricity or gas bills, council tax, income tax, and VAT remain your top priority. Failure to keep up with these payments could result in loss of energy supply, perhaps the loss of your home and maybe even a prison sentence. Although credit-card debt is expensive, failure to pay will not end in prison, although you might face court action and the seizure of your possessions. Debt consolidation services allow you to combine all your loans into one. However, they are a relatively high-risk strategy; their long-term cost can be very high, and they are usually secured against your house, putting your home at risk if you do not manage to keep up with the loan repayments. If you are having problems, take expert advice from your financial adviser or a free debt advice agency, or talk to the Citizens Advice Bureau. Above all, make sure you are in control of your debt – don't allow your debt to control you.

Article: Mitigating CGT

When you sell an asset, the taxman is likely to take a look to see if you've made a profit. Often, this is not an issue; as anyone who has ever sold a car can attest, losing money is easy. However, with investments, the whole idea is to make a profit, and this profit is what interests the taxman. Whenever you profit from the sale of a qualifying asset, you are considered to have made a 'capital gain'. This is calculated on the difference in value between the price at which you bought the asset (or its original value if you were given it) and the price at which you sold it, minus any expenses incurred in the transactions. Nevertheless, very few people pay Capital Gains Tax (CGT) in full, because a bit of planning can minimise your liability. First, you have some exemptions; for example, your main residence and anything with a limited lifespan, such as your car. Moreover, you have an annual allowance (£12,000 for 2019/20) below which any gains realised are tax-free. It may also be possible to stagger the sale of your assets so that you use this allowance every tax year, or use a sale to help reset the base value of an asset against which future gains will be measured. Finally, you can use your partner's allowances – as transfers between spouses are CGT-free – or Individual Savings Accounts, which shelter investment gains from CGT completely.

Contact :

Address: 93 Croydon Road, Beckenham, Kent, BR3 4AQ
Email: info@futuredirections.co.uk
Phone: 0208 658 6464
Fax: 0208 658 3357