Money@IFA Ltd

Spring Newsletter 2025

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Why not lend a helping hand and pass on your pension?

Many young people are finding it increasingly difficult to buy their first home. Your pension could help your loved ones get on the housing ladder.

Don't be caught by scammers

Citizens Advice has estimated that 1 in 5 people across the UK may have fallen victim to a financial scam in the last year. We have put together a list of the top ones.

Young people are finding it harder to save

Young people are finding it harder to save. They may need support in learning how to get started.

Furnished holiday lettings - the end to their special status

From April 2025, the tax rules will be changing for furnished holiday lets. If you're effected there may be ways to reduce your tax liability.

Young people urged to claim their cash from unclaimed Trust Funds

Did you know that hundreds of thousands of young adults have an average of £2,000 waiting for them in their unclaimed Child Trust Fund account?

Welcome to the spring edition of our quarterly client newsletter, which provides topical financial articles.

These newsletters are intended to bring a few key topical issues to your attention. If you would like to discuss any of them (or any other aspect of your financial planning) in more depth, please contact us.

Please note: We may not necessarily advise on all the topics in each newsletter, but thought they may be of interest to you.

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Any information in this newsletter does not constitute advice and should not be acted upon without taking professional guidance.

The value of pensions and investments and the income they produce can fall as well as rise and you may not get back the full amount that you originally invested.

Providing a helping hand to your loved ones

Leaving any untouched pension funds to your grandchildren (or loved ones) could be a great way to give them a helping hand. If you have a defined contribution pension in a fully flexible scheme, it may be possible for unused funds to pass in full to a nominated beneficiary which could be an ideal way for them to benefit from your savings.

Many young people are finding it increasingly difficult to buy their first home. Your pension could help your loved ones get on the housing ladder and they won't need to reach pensionable age in order to withdraw money from an inherited pension, as inherited pensions can be drawn at any time.

There's lots to consider

The Autumn Budget in October 2024 included a measure to bring most unused pension funds and death benefits within the value of a person's estate for Inheritance Tax purposes (from 6 April 2027). This may mean that it may not be as tax efficient as it once was, as your pension would most likely form part of your estate.

If you die after the age of 75, there is income tax to pay on any withdrawals by your beneficiaries. This means that they could be taxed at 20 per cent, 40 per cent or even 45 per cent.

Next steps

The pension landscape may feel quite complicated. You need to check you have completed an expression of wish and nomination form. This tells your pension provider who you would like to inherit your pension on your death. There are a few key steps you should take to make sure your pension savings go to the right people.

1. Tell your pension provider who you want your pension to go to.

While there can be practical, financial and emotional benefits to making a will, what people don't always realise is that your will doesn't usually control who inherits your pension savings.

2. Regularly review your beneficiaries.

Once you've nominated your beneficiaries - don't just stop there and forget about it. It's important to review them regularly and update when necessary. Wishes and plans change, especially after big life changes like the birth of children or grandchildren, marriages and divorces.

3. Consider the tax they'll pay when they receive your pension.

Taxes, such as income tax, may apply. If you die before the age of 75, your beneficiaries will normally inherit your pension pot tax-free. If you die after the age of 75, then your beneficiaries will pay income tax on anything they withdraw from your pension savings.

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The Financial Conduct Authority does not regulate Estate Planning, Inheritance Tax Planning, Taxation Advice, Wills and Trusts.

Don’t be caught out by scammers

1 in 5 fell victim to a finance scam last year

Citizens Advice has estimated that 1 in 5 people across the UK may have fallen victim to a financial scam in the last year (as at August 2024).

As part of its Scams Awareness campaign, Citizens Advice wants to help people stay safe by exposing scammers’ top tactics.

https://www.citizensadvice.org.uk/wales/about-us/media-centre/press-releases/9-million-people-caught-out-by-financial-scams-in-the-past-year

Data was collected from 23rd August to 26th August 2024

The top financial scams of the last year were as follows, with some individuals surveyed having experienced more than one of these:

1. Fake debt advice via social media

A person searches for ‘debt help’ on social media but gets snared by scam accounts. These accounts offer help with personal finances, including debt solutions, then push forms to get hold of personal data.

2. Friend-in-need scams

A scammer poses as someone a person knows to either ask for money or ask the person to forward a 6-digit verification PIN number (which will then give access to the victim’s accounts).

3. Pension scams

The scammers get in touch unexpectedly to offer free pension reviews with big promises. They then move the person’s money into what are actually badly run, high risk or entirely fake investments.

4. Investment scams

The scammer convinces a person to move their money into a fictitious fund, or to pay for what later turns out to be a fake investment, including gold, property, carbon, cryptocurrencies or even wine.

5. Parking QR code scams

Stickers with bogus QR codes placed over genuine codes at car parks and railway stations, directing consumers to fake payment websites where their personal and financial information is stolen.

What action you can take

Talk to your bank or card company immediately if you’ve handed over any financial and/or sensitive information, or made a payment and report the scam to Action Fraud on 0300 123 2040.

You may have heard of Daisy Bot?

Virgin Media O2 recently launched “Daisy”, a revolutionary, human-like chatbot designed to combat scams.

Designed to mimic the conversational style of a wise and witty grandmother, Daisy engages with fraudsters in real time, wasting their time and resources. Daisy works by answering calls in real-time, mimicking human conversation to engage scammers, ultimately reducing the number of successful scams and protecting vulnerable consumers.

O2 are using the interactions “Daisy” has with scammers to kick-start a wider campaign, raising awareness about the methods scammers use.

Young people and saving - it's getting harder

People's expectations about their ability to save money has reduced from 2022 to 2023. Between 25 January and 5 February 2023, more than 4 in 10 adults (42%, equal to around 22 million people) said they did not expect to save any money in the next 12 months. This is an increase from a third (36%) of those surveyed between 19 and 30 January 2022.

More than a fifth of adults in Great Britain (22%, equal to around 11.5 million people) reported borrowing more money or using more credit because of the increased cost of living (between 25th January and 5th February 2023, this is an increase from 17% between 19 and 30 January 2022).

Private rent has increased more than house prices too, making it more difficult for young people to save. With average UK private rents increasing by 8.7% in the 12 months to October 2024 (provisional estimate). This was up from 8.4% in the 12 months to September 2024, but was below the record-high annual rise of 9.2% in March 2024.

https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/howarefinancialpressuresaffectingpeopleingreatbritain/2023-02-22

https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/privaterentandhousepricesuk/november2024

When young people first start to support themselves financially, there are a lot of things to think about and having an understanding of all their outgoings is a good place to start. Helping them with a budget is a good way to support them. Their income should be able to cover their monthly living expenses and making a budget can be helpful in getting a clearer picture of the money coming in, and the costs that need to be covered.
When moving into a new home a detailed budget is likely to include:

- Mortgage payments
- Utility bills
- Food
- Mobile, TV, broadband, and landline costs
- TV license fee payment
- Car payments, insurance, and tax
- Buildings, contents, pet, life, and health insurance costs
- Any other debts or loan payments

They can use a spreadsheet to track their monthly costs, and they can use predicted figures from utility suppliers.

It's never too early to start saving

Whether a young person is living independently or still at home; it's never too soon for them to start saving and getting into good habits. A pension or Lifetime Individual savings account (LISA) can offer a way to grow their money in a tax efficient way, and get tax relief. Either will help to boost their savings and build up a pot of money which they can use to live off later in life or put towards a house. The sooner they start saving, the more they will save in tax and for the future.

The favourable tax treatment of ISAs may be subject to changes in legislation in the future.

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Furnished holiday lettings: end of special status

April 2025 will see the abolition of the furnished holiday lettings (FHL) tax regime. The normal residential property Capital Gains Tax tax rate - currently 24% - will apply, and the 'rollover' of gains will no longer be possible.

This measure removes the specific tax treatment and separate reporting requirements for FHLs.

Income and gains from a furnished holiday let (FHL) will then:

- form part of the person’s UK or overseas property business
- be treated in line with all other property income and gains

You could consider moving to business rates?

One alternative to FHL status is to move your property onto business rates.

There could be benefits to switching your holiday home to business rates rather than sticking with standard council tax.

It would be a good idea to get professional advice to help you understand the financial implications and ensure that moving to business rates is the best option for your property.

1. Small Business Rates Relief

If your holiday home has a rateable value below a certain threshold, you may qualify for Small Business Rates Relief. This could result in either a significant reduction in the amount you pay in business rates or, in some cases, no business rates at all.

2. VAT Registration Threshold

If you choose business rates and your turnover remains below the VAT registration threshold (currently £90,000), you may not be required to charge VAT on your bookings, which can be beneficial when it comes to pricing your property competitively.

3. Tax Deductions and Business Expenses

Operating under business rates allows you to claim various business-related expenses such as marketing costs, property maintenance, and services, which can help lower your overall taxable income.

4. No Council Tax

Once your property is moved onto business rates, you’ll no longer be responsible for paying council tax on it. If your property is available to let for at least 140 days and actually let for at least 70 days a year, it will be considered a business.

If you are not sure about retaining the property, you should seek to understand the financial impact of the various changes in tax rules on FHLs and consider your options.

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HMRC urging young people to cash in government saving pot

Young people urged to claim their cash

The government has said recently that "Thousands of young people could have £2,200 sitting unclaimed in their Child Trust Fund account." https://www.gov.uk/government/news/671000-young-people-urged-to-cash-in-their-government-savings-pot

Has your "child's" Trust Fund matured?

The first Child Trust Fund (CTF) matured in September 2020, when the oldest account holders turned 18. The last CTFs will mature in 2029.

On maturity, CTFs can either be cashed in or transferred into an adult ISA.

Child Trust Funds

"A Child Trust Fund is a children's savings account that was made available to children born between 1 September 2002 and 2 January 2011. They have since been replaced by Junior ISAs, but those with existing Child Trust Fund accounts or vouchers can still keep their accounts and pay in".

A Child Trust Fund (CTF) is a long-term tax-free saving account for children. They were introduced to encourage long-term saving and to give all children a financial boost by the time they reach 18. The money is locked away, but when the child turns 16 they can legally take over responsibility for their account and make decisions about the fund, such as switching to another provider or transferring to a Junior ISA (JISA).

You can continue to add up to £9,000 a year to your CTF account. The money belongs to the child and they can only take it out when they're 18. There's no tax to pay on the CTF income or any profit it makes. It will not affect any benefits or tax credits you receive.

All money earned on the CTF is tax-free, including capital gains, interest payments and any other money earned on the account. This means all the money in the fund belongs to the account holder and none of it will be lost in tax deductions.

Finding a lost Child Trust Fund account

It is believed that thousands of CTF holders do not know they have one or have forgotten that one has been set. This can be because HMRC set up the account with a starter payment amount on their behalf (if the parents did not open one), or because it has been forgotten and the parents have not updated their address.

However, lost accounts can easily be located. You can find out where a lost Child Trust Fund is, even if you don't know the provider.

You can fill out a form online or apply by post: https://www.gov.uk/child-trust-funds/find-a-child-trust-fund

HMRC will send you details of the Child Trust Fund provider by post within three weeks of receiving your request.

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