Smitton Wealth Solutions

Spring Newsletter 2021

Do you have enough for a rainy day?

Uncertainty causes people to reassess their financial resilience

Inside this issue

Will you have enough for a rainy day?
Are you certain you have enough savings to get by in the event of a big life change? Saving up for a rainy day means putting money aside that you can dip into if you need it in an emergency.

The State Pension Age (SPA) is continuing to change
The State Pension Age is continuing to change, because it is regularly reviewed to ensure it is affordable and fair. Could a change to your SPA impact your retirement plans?

Highlights from the Budget
The Chancellor Rishi Sunak presented his Spring Budget to Parliament on Wednesday March 3rd. We've included a brief summary of what was announced.

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

If you have any questions in relation to the articles contained within this newsletter please do not hesitate to contact us and we will be happy to provide any guidance required.

Whatever your financial need, we are always pleased to speak with you.

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Will you have enough for a rainy day?

Will you have enough for a rainy day?

Are you certain you have enough savings to get by in the event of a big life change? Saving up for a rainy day means putting money aside that you can dip into in an emergency. Your rainy day fund could cover expenses like:

- Car repairs
- House repairs
- Unexpected dental treatment
- Paying for basics if you lose your job
- Paying your bills if you are unable to work for health reasons

Given recent events with the pandemic which has transformed the world's economy, many people have realised that savings aren't just nice to have – they can be essential.

With the risk of redundancies and furlough wiping out or reducing household incomes, it can be sensible to consider the importance of savings.

How much should you save?

Three months of your usual wages or income can be a good amount to aim for. Putting enough aside to pay all your most important bills for several months, if you or your partner lose your job.

The exact amount you need will always depend on your circumstances.

Savings tips

- Aim to build up a savings pot of emergency cash equivalent to three months' income
- Always take a close look at charges and fees on financial products to check how much you're paying
- You could use a rule called '50/30/20' – spend 50% of what you earn on necessities, 30% on savings, and 20% on luxuries
- Try to save something – no matter how small – into a pension as soon as you can
- Make use of your annual ISA allowance, but never invest in an account or fund you don't understand
- Don't buy an item on credit if you wouldn't pay cash for it

Pay off your debts instead

The interest you pay on your loan, credit card or mortgage is likely to be much higher than the interest you can get on a savings account.

This means paying off your debts could save you more money than a savings account could make you in interest. But raiding your savings could leave you short of money in an emergency.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.
The Financial Conduct Authority does not regulate taxation advice.
Tax treatment of pensions and investments varies according to individual circumstances and is subject to change.

The State Pension Age (SPA) is continuing to change

The age at which you can get your State Pension is continually changing.
Could a change to your State Pension Age (SPA) impact your retirement plans? The phased increases to SPA reached 66 for both men and women in October 2020.

This is because the State Pension age is regularly reviewed to ensure the State Pension is affordable and fair. People are living longer now, and spending a larger proportion of their adult life in retirement than in the past. The exact date that you can claim your State Pension depends on when you were born.

For men and women born between 6 October 1954 and 5 April 1960; you will start receiving your pension on your 66th birthday. There will be a phased increase in State Pension age for men and women to age 67 in 2028, and eventually to age 68 (2037-2039).

Your date of birth	Date Pension age reached
6 April 1960 – 5 May 1960	66 years and 1 month
6 May 1960 – 5 June 1960	66 years and 2 months
6 June 1960 – 5 July 1960	66 years and 3 months
6 July 1960 – 5 August 1960	66 years and 4 months (1)
6 August 1960 – 5 September 1960	66 years and 5 months
6 September 1960 – 5 October 1960	66 years and 6 months
6 October 1960 – 5 November 1960	66 years and 7 months
6 November 1960 – 5 December 1960	66 years and 8 months
6 December 1960 – 5 January 1961	66 years and 9 months (2)
6 January 1961 – 5 February 1961	66 years and 10 months (3)
6 February 1961 – 5 March 1961	66 years and 11 months
6 March 1961 – 5 April 1977*	67

*For people born after 5 April 1969 but before 6 April 1977, under the Pensions Act 2007, State Pension age was already 67
1. A person born on 31st July 1960 is considered to reach the age of 66 years and 4 months on 30th November 2026.
2. A person born on 31st December 1960 is considered to reach the age of 66 years and 9 months on 30th September 2027.
3. A person born on 31st January 1961 is considered to reach the age of 66 years and 10 months on 30th November 2027.

Your date of birth	Date Pension age reached
6 April 1977 – 5 May 1977	6 May 2044
6 May 1977 – 5 June 1977	6 July 2044
6 June 1977 – 5 July 1977	6 September 2044
6 July 1977 – 5 August 1977	6 November 2044
6 August 1977 – 5 September 1977	6 January 2045
6 September 1977 – 5 October 1977	6 March 2045
6 October 1977 – 5 November 1977	6 May 2045
6 November 1977 – 5 December 1977	6 July 2045
6 December 1977 – 5 January 1978	6 September 2045
6 January 1978 – 5 February 1978	6 November 2045
6 February 1978 – 5 March 1978	6 January 2046
6 March 1978 – 5 April 1978	6 March 2046
6 April 1978 onwards	68^{th} Birthday

The State Pension Age (SPA) is continuing to change

It's not all bad news

It's not all bad news. Since the default retirement age (except for certain occupations) has been phased out, older workers can now choose when they want to retire. This means they can reduce their hours and work part time, rather than retiring from work entirely. The law also protects you against discrimination if you're over State Pension Age and want to stay in your job or get a new one.

The State Pension Age is going to be kept under review, which means that it could change again in the future, depending on different factors, such as changes in life expectancy.

You might decide that you do not want to stop working when you reach State Pension Age. If you do, you'll no longer have to pay National Insurance.

Working past State Pension Age

Reaching State Pension age doesn't mean you have to give up work. You can continue working and still receive your State Pension. Find out about your options and the advantages of working longer.

Retirement age is not the same as State Pension Age which can differ, depending when someone was born and if they're male or female. Anyone can continue working past State Pension Age.

Choosing when to retire

Retirement age is when an employee chooses to retire. Most businesses don't set an age that their employees must retire at. If an employee chooses to work longer they can't be discriminated against. However, some employers can set an age that employees must retire at if they can clearly justify it.

If you decide that you want to continue working, you may want to think about flexible working options. Flexible working describes any working pattern adapted to suit your needs. This includes reducing your hours to give you more personal time.

Phased retirement can help you create the work-life balance that suits you. It can help those who are approaching retirement age to continue working with a reduced workload, and eventually transition from full-time work to full-time retirement.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

Spring Budget Highlights

Covid-19 investment

Income Tax thresholds frozen

Furlough Scheme extended

5% VAT extended

Stamp duty holiday extended

Mortgage guarantee scheme

Business Rates holiday extended

Corporation Tax to increase

Support for museums and theatres

Alcohol and fuel duty frozen

Chancellor Rishi Sunak's Budget this Spring, set out to protect jobs and livelihoods of the British people and to begin fixing the public finances and work on building our future economy.

Covid-19 investment

An extra £1.65 billion to ensure the roll-out in England continues to be a success and a further £50 million to boost the UK's vaccine testing capability.

Personal taxation

Income Tax personal allowance and the higher rate threshold will rise in the next tax year as planned and will then be maintained at that level until April 2026. The personal allowance will rise to £12,570 and the higher rate threshold for 2021/22 will increase to £50,270, as previously announced. From 2022/23 to 2025/26, both the personal allowance and higher rate threshold will be frozen.

National insurance contributions (NICs)

The NIC upper earnings limit and upper profits limit will remain aligned to the higher rate threshold at £50,270 for 2021/22 and through to 2025/26.

Furlough Scheme will be extended

The Furlough Scheme will be extended to September 2021 and the Self-Employment Income Support Scheme will continue with a fourth and a fifth grant.

Spring Budget Highlights

5% VAT extended

The temporary reduced rate of 5% for hospitality, holiday accommodation and attractions is to be extended until 30 September 2021. A new reduced rate of 12.5% will apply from 1 October 2021 to 31 March 2022, at which point the rate will revert to the 20% standard rate.

Stamp Duty holiday

Chancellor Rishi Sunak has extended the stamp duty holiday (up to £500,000) to 30th of June. After June 30th, the limit will be lowered to £250,000 until the end of September.

Mortgage guarantee scheme

A new mortgage guarantee scheme will enable all UK home-buyers who meet standard requirements in terms of the assessment of the borrower's ability to pay the mortgage, for example a loan-to-income and credit score test to secure a mortgage up to £600,000 with a 5% deposit.

Business Rates holiday

A Business Rates holiday was announced until the end of June. After that, business rates will be discounted. Reducing from 100% rate relief to 66% business rates relief for the period from 1 July 2021 to 31 March 2022.

Restart grants

The government has announced a £5 billion grant scheme, a one-off cash grant of up to £18,000 for hospitality, accommodation, leisure, personal care and gym businesses in England.

Community fund to buy out pubs

Because pubs and hospitality venues have been hit hard by the pandemic, the government announced a £150 million community ownership fund to help your local community save it from closure.

Alcohol and fuel duty frozen

Motorists and drinkers received a boost in the Budget as fuel and alcohol duties were frozen.

Corporation Tax

Corporation tax will stay at 19% rate for profits up to £50,000, tapering to a rate of 25% for profits over £250,000, from April 2023.

Museums and theatres

There is to be an extension of the Film & TV Production Restart scheme in the UK, with an additional £300 million to support theatres, museums and other cultural organisations in England through the Culture Recovery Fund. An additional £90 million funding was also announced to support government-sponsored national museums in England due to the financial impact of Covid-19.

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