The Efficient Wealth Update

Efficient Portfolio

May 2019

Changing Lasting Powers of Attorney

You will know how important it is to have Lasting Powers of Attorney (LPAs) in place. They appoint people you trust to make the important decisions for you when you might not be able to – it's a no-brainer really. But what happens when things change, as they always seem to?

Of course, we always recommend you have reserve attorneys ready to step in if your first attorneys are no longer able to act for you, but what if you want different people to act as your attorneys after you have made the initial appointment?

Unfortunately, there is no way to amend an LPA. The process must be started again from scratch and so the first step is to create new LPAs; this is obviously something we can help you with as we are well acquainted with the process. Once new LPAs are completed and registered, they will sit alongside your existing LPAs and both sets of attorneys would be able to act on your behalf. Naturally, this could cause some conflict.

So, if you want only your new attorneys to act for you, then your old LPAs need to be revoked. This process is relatively simple and uses standard wording within a Deed of Revocation. All you need to do is tell us about your old LPAs and we will arrange for you to sign the Deed. Easy!

If you don't currently have LPAs, then why not? Get in touch and we can help make sure that the people you trust will protect your assets if you are no longer able to!

Everything You Need to Know About LISAs

As many of you already know, the Lifetime ISA (LISA) is a new type of ISA that allows individuals to save tax free. It was introduced in 2017 and has been designed specifically to help those who wish to save for their first home or build savings for when they retire in addition to a traditional pension. Whilst LISAs have not been a huge hit with the public to date, they do provide a valuable opportunity to receive £1,000 of free bonus cash.

The maximum contribution that can be invested into a LISA is £4,000 per year and, in addition to this, the government will pay a bonus of 25%, capped at £1,000 per year, to every contribution you make.

Of course, there is no such thing as a free lunch and there are certain criteria you must meet in order to be eligible for a LISA. You must be between the ages of 18 and 39, and the government bonus is only paid every year until you turn 50. For withdrawals to be tax free, the funds must be used for a deposit on a first property worth up to £450,000 or taken from the age of 60 for retirement. If you withdraw the money for any other reason you will pay a penalty charge of 25%.

You can open as many LISAs as you like, provided that you pay into only one in each tax year. You also have the freedom to transfer between different LISAs if you see a better rate.

Important Note: One of the rules about using the LISA for a property purchase is that 12 months must have passed since the first payment into the LISA. This becomes more complicated if you transfer your LISA. In these circumstances, the ISA manager's guidance confirms that the 12-month rule applies from the date that the original account was opened. Whilst this seems straightforward, the situation can be more problematic if the investor already holds a LISA with the receiving provider. In these circumstances, the date of the first payment for the receiving provider's LISA will always be the date that the first payment was made into this LISA. This will be the case even if the transferred LISA has an earlier start date

As the younger generation are finding it so hard to get into the property market and are also not really in the habit of saving for their retirement, this may be a great way for yourself, or your children and their children, to start saving for their future.

We have existing clients who are looking to the future and have LISAs for their children and grandchildren, so if this sounds like something you think your family could benefit from then just get in touch.

New Job Opening … Governor of the Bank of England

After more than six years in the job, Mark Carney will step down from his current role as Governor of the Bank of England on 31st January 2020.

If you think you could be the person for the role, the government has issued a job description, with an annual salary listed at £480,000 (but in reality, Mark received approx. £880,000 last year) and a requirement "to demonstrate the ability to lead a complex and powerful financial institution". They are hoping to appoint the right person for the job by the Autumn.

There is speculation that the uncertainty about Brexit may mean some potential candidates will pass on the role, but I am sure that discussions with certain individuals are already underway behind closed doors. The government has even employed a head-hunter for the first time to make sure they get the very best replacement possible.

Given the current political situation, it is likely the new Governor will be from outside of the EU. Whoever is appointed, let's hope that the transition is smooth, and that the economy suffers no ill effects from the changeover.

Part 1 of 4 – ISAs: Cash ISA versus Stocks & Shares ISA

Stocks & Shares ISAs are becoming more popular as people increasingly ditch their cash holdings as returns from the banks are so minimal. It is not a good idea to ditch cash altogether – everyone needs some easy access to emergency funds – but if you are holding most of your savings in cash ISAs you are missing a trick.

An ISA is an 'individual savings account' – a type of wrapper that allows you to take advantage of tax breaks while you save or invest. There are different ISA options available and finding the best one for you is important. Your goals, budget, risk tolerance and capacity for loss are all important factors when considering your best ISA option and should be discussed with a financial adviser.

You have a £20,000 allowance that can be spread over a number of different ISA vehicles.

A Stocks & Shares ISA might be preferable if:

- you already have an emergency fund
- you have long-terms goals and can wait for results
- you won't need to access your money for at least three years
- you are willing to accept short-term losses for the chance of greater long-term growth

To help you, here is a basic comparison:

	Cash ISA	**Stocks & Shares ISA**
Who can open an ISA?	16+ UK residents	18+ UK residents
How much do you need to get started?	You can start saving with any amount of cash	You need enough to diversify your investments
How much can you save tax free?	£20,000 In the 2019/2020 tax year	£20,000 In the 2019/2020 tax year
What time period is it recommended for?	1–3 years Over longer periods inflation could erode the value of your savings	3+ years You need enough time to ride out market fluctuations
What is the potential for growth?	Very low Low interest rates mean you will get back about what you put in	Low–very high Different strategies have different growth potential
What is the level of risk?	Very low You will only really lose money to fees or value to inflation	Low–very high There is always a risk you could get back less than you put in
How quickly can you access your money?	Instantly Unless you lock money away in a fixed-rate ISA, usually for 1–5 years	Within 10–15 days But withdrawing at the wrong time could mean you get back less than you put in

Source: https://beta.clickandinvest.com/our-blog/isas/cash-isa-vs-stocks-and-shares-isa

If your focus is on returns over the longer term and you are not discouraged by market fluctuations, then a Stocks & Shares ISA is likely to be more suitable for you, but until we discuss your complete financial situation we cannot know. So, if you have a lot of money in cash or have family members who need help understanding investing – get in touch and we can discuss how we can help make your money work for you.

DWP Spends £800,000 on Advertising

In an attempt to promote the benefits of saving for retirement, the Department for Work & Pensions has partnered with *Gogglebox* to produce specific adverts to be communicated in a more relatable way.

The stars of the popular show discuss their own pension savings as well as reviewing a previous DWP advert. Along with advertising on social media platforms such as Facebook, Twitter and others, this would seem to be an attempt to access a much younger and much wider audience.

As the average retiree is unlikely to receive an income that meets their expenditure in retirement, and as many people do not have a private pension at all, there is a pensions crisis potentially on the horizon.

DWP's new strategy, whilst not the most slick or upbeat (it is about pensions after all), is a step in the right direction, because to get youngsters investing early means they will be able to have a more comfortable and enjoyable retirement. Whilst this may not seem important to the 18–30 year olds, it is vital that they start thinking about these things now to make sure they do not have a huge retirement deficit.

You may or may not know that for a non-taxpayer, e.g. a child or person who is not earning an income, you can put £2,880 into a pension and the government will add tax relief to this to make it up to £3,600. Of course, you can put more into the pension up to the annual allowance but you won't receive any government tax relief.

So, if you want to help your children or grandchildren to get started with their retirement savings, we can help. If you are an existing client, their account can sit alongside your own, meaning it is simpler and more efficient to manage.

TED – Helping Others Makes Us Happier

Research shows that helping others makes us happier. But in her ground-breaking work on generosity and joy, social psychologist Elizabeth Dunn found that there is a catch: it matters how we help. Learn how we can make a greater impact – and boost our own happiness along the way – by making one key shift in how we help others. "Let's stop thinking about giving as just this moral obligation and start thinking of it as a source of pleasure", Dunn says. Click on the link below to watch to Elizabeth's inspiring TED talk:

https://www.ted.com/talks/elizabeth_dunn_helping_others_makes_us_happier_but_it_matters_how_we_do_it

Notes on Brexit

The Brexit has officially been kicked a little further down the road, to 31st October – unless the PM can get MPs to vote for her deal, in which case we can leave the EU earlier. But since her deal has been defeated in Parliament three times now, that doesn't seem likely.

This means we will almost certainly have to take part in the European Elections at the end of May. It also means a return to politics for Nigel Farage, who has unveiled his new Brexit Party candidates for the EU elections. He is hoping to sweep up the seats held by his former friends at UKIP by distancing the new group from the far-right radicals with whom UKIP are associated.

Meanwhile, ministers are still attempting cross-party talks with Labour to agree some next steps and break the deadlock. Perhaps everyone will be more agreeable now they have had an Easter break?

Bookmakers still have relatively high odds that we will leave the EU this year, but these odds are drifting while the odds of revoking Article 50 and cancelling the whole Brexit thing altogether are climbing ever higher.

Mortgage Blog

The number of landlords who have fallen into significant mortgage arrears on their buy-to-let mortgages has increased by 12% in the last year, according to new data from UK Finance. This brought the number of buy-to-let mortgages in serious arrears (over 10% of the outstanding loan) to 1,200 during the first quarter of 2019.

During the same quarter, the total number of buy-to-let mortgaged properties in any arrears (2.5% or more of the balance) increased by 3% to 4,620.

The question is, why is this happening? Could the changes in taxation on landlords be pushing these numbers up? These changes, coupled with softening rental yields, don't make for the greatest of outlooks.

The residential market fared better as new data showed the number of homeowners in arrears remained at a historic low. There were 76,580 homeowners in low level arrears, down 4% on the same period last year, and the number of consumers in serious arrears decreased by 3%.

This fall is likely to have been expected due to interest rates being so low.

Arrears led to 1,380 residential properties and 570 buy-to-let mortgaged properties being repossessed in the quarter.

Landlords have been subject to a number of regulatory changes in recent years, with the introduction of an additional 3% stamp duty surcharge on second homes in April 2016, which was closely followed by cuts to mortgage interest tax relief.

Buy-to-let borrowers are also now subject to more stringent affordability testing under the Prudential Regulation Authority's tightened underwriting rules.

Book of the Month

This month's book complements Nick Littlehales' book called *Sleep* that we recommended last year. In *Why We Sleep*, by neuroscientist Matthew Walker, we get the "why" to Littlehales' "how". Do we need to know these things? After all, we all sleep. Well, that may be the case but how good is your sleep? Is it making your life better? Or is it making your life worse?

I believe both books are required reading for anyone who sleeps! I know that sounds crazy, but if you spend one-third of your life asleep, doesn't it make sense for it to be worthwhile and for you to get the most from that time? For example, did you know that your memories from the day are stored in the hippocampus, and when you sleep (during NREM sleep cycles) they move to your long-term memory? Therefore, if you don't reach NREM sleep, you will lose some of those memories. This is why, when you drink alcohol, you often cannot remember what happened because alcohol blocks NREM sleep.

Read this book and make your life better.

Charlie's Mini Blog

On Sunday 14th April, Katie, Tim, Dan and I arrived at the start line of the Brighton Marathon, all attempting to run 26.2 miles for the first time. Katie had been suffering with hip problems, so had not managed to run more than 13 miles in training; in her words, "If I hadn't been sponsored by people, there is no way I would be attempting it." Tim and Dan had repeatedly had injury problems of their own too. I had a number of trips to the physio with what appeared to be Morton's Neuroma developing, a problem in your foot that ultimate requires surgery. So, to say we were limping towards the start line, let alone the finish line, is an understatement.

We all set up at our respectively predetermined paces, trying to give ourselves the best chance possible of completing our first marathon. Tim, Katie and Dan were less worried about times, but with Ironman on the horizon, I was conscious I really wanted to get over the line in less than 4 hours. I had created a plan to run for 9 minutes, walk for 1 minute, and target an average pace of 9 minutes per mile. This is my strategy for the marathon at the end of the Ironman and I wanted to test the theory. It also reduces your chance of injury and recovery time, perfect with Ironman in mind, and for hitting my sub 4-hour time.

With varying degrees of confidence in hitting our respective goals, amazingly we all achieved them. The guys all finished in times they were happy with, and I managed to come in at 3.57. None of us would say it was easy, but despite a varying levels of experience and fitness, we all finished unscathed and having raised money for our respective charities. That would not have happened was it not for 2 things; a plan and a commitment. The latter in the form of sponsorship for some amazing causes. The former in building a training program and event plan that gave us the best chance of success possible. Financial Planning is just the same. It is about creating a commitment to make a better financial future for yourself and creating a plan to help you get there.

I hope you are flourishing!