



# FINANCIAL VIEWPOINT

OYSTER FINANCIAL SOLUTIONS LLP

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# Start of the tax year checklist

The new tax year on 6 April 2022 marks a great time for your adviser to help you organise your money and make the most of the allowances available to you.

A new tax year means annual allowances are back to zero and ready to be filled or topped up, to make the most of your money.

This is a good time to work with your adviser and run through your existing pensions and investments and review the allowances available to you, as well as looking into opening any new forms of investment.

With interest rates on the rise, your adviser is ideally placed to guide you through ways to grow your savings, depending on your needs.

*Note: The following figures are applicable to the 2022/2023 tax year, which starts on 6 April 2022 and ends on 5 April 2023.*

**HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.**

**The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.**

## ISAs

The maximum you can invest across your ISAs (if it's a cash ISA, stocks and shares ISA or innovative finance ISA) is £20,000. For a lifetime ISA, the annual allowance is £4,000.

## Junior ISAs

If you're looking to put some cash aside for your children, Junior ISAs (JISAs) are a great option and often come with higher interest rates. In the new tax year, you can save or invest up to £9,000 in a cash JISA, a stocks and shares JISA, or a combination of the two.

## Pension allowance

Your personal pension contribution allowance is £40,000, although it can be lower for higher earners and where pension savings have been flexibly accessed already. Any contributions you (or your employer) make receive tax relief from the government (based on your income tax band) of 20% or more – and the money in your pension pot will grow tax free.

## Child's pension

A child's pension can be set up by a parent or guardian, but anyone can contribute. You can pay up to £2,880 in the new tax year into a pension on behalf of a child and the government automatically tops this up with 20% tax relief on the total amount contributed, taking the figure up to £3,600.

## Gift allowances

A financial gift is a great way of using tax-free allowances, and your adviser can help explain the options available.

Making a cash gift can help a loved one (and help with your estate planning). Everyone has an annual gifting limit of £3,000 that is exempt from inheritance tax (IHT). This is known as your annual exemption. If you fail to use it one year, you can carry it over to the next tax year (so if you didn't use the gift last year you could give away £6,000).

It's worth remembering that any gift you give, even to family members, could be subject to capital gains tax (CGT). CGT is the tax you pay on any profit or gain you make when you dispose of an asset, such as a second home or shares. If you gift an asset and it has risen in value compared to what you have paid for it, you could be liable to CGT. The CGT allowance for the new tax year is £12,300. This is the amount of profit you can make before CGT is applied.

## Marriage allowance

If you are married you might be able to take advantage of the marriage tax allowance. It allows one half of a couple who earns less than the income tax threshold (£12,570) to transfer up to £1,260 to their higher-earning spouse (who must be a basic rate taxpayer).

*Our financial advisers can help you make the most of your annual allowances now that we are into a new tax year.*





# How to protect your business

What is business protection insurance and how does it work? Find out why it could be right for your business.

If you own or run a small business, protecting it is always a priority, especially if something were to happen to a key member, which could affect the financial health of the company. In this situation, business protection insurance could provide some peace of mind.

## What is business protection?

Business protection provides coverage in the event that a director, business partner or other key employee of your business suffers a critical illness or long-term disability, or passes away. It's a way of protecting the business and ensuring continuity. Business protection can help support forward planning in terms of succession and gives you ways to provide stability during what could be an uncertain time, especially if the company is small.

## What are the types of business protection?

Business protection insurance usually offers cover in three ways:

### Key person protection

This protection provides cover to replace key staff and cover income lost by their absence that could affect the business. It can cover any key employee from a head of department to the CEO.

### Business loan protection

This protects the business by helping to repay business debts like a loan or bank overdraft if the owner or a key member (like a partner) dies or suffers a critical illness.

### Shareholder protection

This cover is also known as 'ownership' or 'partnership' protection. It specifically covers the business owners if a shareholder dies, or suffers a critical illness, by ensuring that funds will be available to buy shares from the deceased shareholder's estate.

These three forms of business protection also come with the option to add critical illness cover if you think it necessary. You could also get coverage for more than one person within the business. It's always important to speak to an adviser who

can help you figure out the the right type of business protection for your business and any extra coverage (like critical illness) your business and employees could benefit from.

## What are cross-option agreements?\*

Cross-option agreements are usually required with shareholder protection insurance. The agreement is set up with the directors or partners of the business, and means that if one of these members dies, the remaining directors or partners have the option to *buy back* the shares from the deceased shareholder's estate. It also gives representatives of the deceased's estate the option to *sell* the shares to the remaining shareholders (which could be the preferred option for both sides).


*\*Before setting an agreement up legal advice should be sought.*

## What are the benefits of business protection?

One of the benefits of business protection is the knowledge that should anything happen to a crucial member of the business – or someone with a financial commitment within the company – there would be some protection financially. It also gives other members of the business some peace of mind knowing this. Business protection can protect any loans or mortgages tied to your business, too, meaning lenders (knowing that you have *business loan protection* in place) are less likely to refuse a future loan, and will not approach the guarantor of a loan or their estate to recoup any existing loans.

In a small business that relies on a few key employees, the risk to the business from a financial point of view might increase if one of the team were unable to contribute because they die or are critically ill. In that situation, business protection is a wise plan to have in place.

***An adviser can help you find out which type of business protection plan works for you and your company.***



# Feel more secure with income protection

When it comes to insurance, we're more likely to protect our pets than our income. Here's why it's important to have some income protection in place.

## What is income protection?

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. It gives you a buffer between finding yourself without an income, paying the bills and protecting your family's security. Building an emergency fund (which covers around three months' worth of bills and essentials) is a good start to give you some financial back-up, but income protection insurance can also provide peace of mind.

## How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end. We can help you determine how much coverage you'll need.

## How much does income protection pay?

It could be anything from 60% to 65% of your pre-tax income, and the regular payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter and the percentage of your income is larger. This type of protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead provide one-off lump sums in the event of your death or the diagnosis of a critical illness.

## Do you need income protection?

With the rise in the cost of living and cost of borrowing right now, many people are worried about paying the bills should anything happen that leaves them unable to work. Recent surveys have shown that the average UK family doesn't have enough in savings to be financially secure for long if they're no longer receiving an income.

That's where income protection can give you some financial resilience, especially if your workplace does not provide statutory sick pay (or only starts to pay out after a period of several months). Your adviser can help you navigate the income protection policies that could best suit you and your needs, weighing up how much your premiums might be with the amount of cover you're after.

As with any insurance policy to do with your life and health, things like your age, health, occupation and other factors (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

We can guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

*Your adviser is best placed to help you find an income protection policy to suit your needs and provide some security for you and your family.*

## Peace of mind for the self-employed

Sarah is self-employed and she approached her financial adviser for some advice. As a single mum, she worried that her emergency savings fund wouldn't be enough to cover the rent or bills if she found herself unable to work. Sarah's financial adviser found her an income protection plan with an affordable monthly premium that covers 65% of her earnings.





# What are value-added services?

Value-added services are benefits included in an insurance policy that you might not be aware of – but could help improve your overall health and wellbeing.

When you take out an insurance plan like life insurance, critical illness or income protection, you get the financial protection in the form of a payout, but there are also other services available to you as complementary parts of those plans.

These 'value-added services' or 'wellbeing services' are designed to provide customers with a range of emotional and practical support services throughout the life of the plan, not just when you may need to claim. Most services are included within the price of the plan and can often be accessed by family members too.

It's a good idea to check your policy first (and contact your provider to see if any of their services carry a charge) but you may find some of the following complementary value-added services are part of your policy:

These are just some of the extra-value services that your insurance plan could offer, covering a wide range of needs.

*If you're unsure about how to find out more information from your policy, our advisers are here to look at the small print and help you make the most of any value-added benefits available to you.*



## Annual health check

A range of tests to check various health markers such as cholesterol and blood sugar levels. This may be followed by a consultation with a nurse or GP to discuss the results, depending on how your policy works.



## Bereavement counselling

Giving you access to emotional and practical support at a difficult time, if you have been affected by bereavement.



## Mental health support.

Being mindful of mental health is more important than ever. These value-added services help those facing mental health challenges, with counselling through various health providers.



## GP services

Ability to see or speak to a medical professional from your home or faceto-face, without facing long waiting times, and at a time that suits you.



## Second medical opinions

Second medical opinion services give you the chance to check with a second medical professional about the course of treatment or a diagnosis you've received.



## Nutritional support

Gives you access to a nutritionist to help improve your diet, which could boost your overall health.



## Fitness services

These services give you access to fitness services to enhance your overall health and wellbeing.

## Investment Update

# Shaken but not stirred

Persistently high inflation is putting pressure on central banks to raise interest rates, which unsettled markets during the first few weeks of the year.

At the start of 2020 the World Bank issued a warning that the global economy faces a variety of challenges, including new Covid variants, high inflation and an uncertain geopolitical landscape. Its economists lowered their growth forecasts and suggested that some richer countries might not reach pre-pandemic levels of output until 2023, with poorer ones taking longer.

Central bank monetary policies are another uncertain factor. After the US Federal Reserve (Fed) said it could raise interest rates multiple times this year and sooner than expected – to curb inflation – stock markets dropped in early January. The Fed is worried that inflation could spiral out of control, and a strong labour market has added to these pressures.

Stocks in the technology sector were among the hardest hit. The Nasdaq Index had its worst start to a new year since 2008 and European technology shares fell too. By the middle of January conditions had stabilised, with investors reassured by the Fed's announcement that it would tackle the surge in inflation. However, tech share prices suffered again towards the end of the month.

## Inflation soars

The annual rate of inflation in the US jumped to 7%, which is its highest level since June 1982. Several factors are sustaining rising prices, with energy costs the largest contributor. In the UK, figures released in January showed inflation at a 30-year high, increasing pressure on the Bank of England to raise rates. The euro area's annual inflation rate crept up to 5%, another record high for the currency bloc. Energy prices were again the main factor.

Yet the underlying investment environment remains buoyant with the global economy continuing to expand at a decent pace, and companies delivering decent profits growth. Notably, the UK's economy has already recovered to its pre-pandemic level following a strong period of growth in the last few months of 2021, due in part to early Christmas shopping and an increase in dining out.

China's economy has been suffering from a variety of pressures, including a heavily indebted property sector, and it slowed at the end of 2021, which prompted a cut to one of its key interest rates. However, full-year growth was 8.1%, exceeding the government's target of 6% and rebounding from the 2.2% growth registered in 2020. With much of the world dependent on Chinese exports, the country posted a record trade surplus of \$676 billion in 2021 – the highest since 1950.

## The triumph of tech

With so many aspects of our lives shifting online during the lockdowns and ongoing digitalisation trends, it's not surprising that the technology sector often dominates the headlines. Notably, Apple became the first company to reach a market value of \$3 trillion. The company's share price has more than tripled since the depths of the pandemic in March 2020.

Meanwhile, Microsoft announced a massive \$69 billion deal to buy the games publisher Activision Blizzard. The move shook the gaming industry and after news of the acquisition, rival Sony saw \$20 billion drop in its market value. The deal promises to turn Microsoft into one of the world's biggest interactive entertainment players.

# How does a remortgage work?

A remortgage could help you save money if you weigh up the fees involved with the savings you could make. Here's how it works.

A remortgage is the process of moving your home's existing mortgage to one with a new lender.

People remortgage for many different reasons, including:

- Finding a better deal elsewhere – you might be on a standard variable rate (SVR) and want to move to a fixed-term rate.
- Coming to the end of a fixed-term deal on your current mortgage and wanting to lock in a lower rate with a new lender.
- The loan-to-value on the home is lower (as more of the mortgage has been repaid).
- Wanting to get ahead of a rise in interest rates, which would affect mortgage rates.

## How a remortgage could help you save

One of the big reasons people remortgage is to save money on their monthly payments. If you're on a standard variable rate that is higher than the fixed-rate deals currently available, you could save by switching – either to a fixed-rate mortgage or one that 'tracks' the Bank of England's base rate.

If your home has gone up in value and you've paid off enough of your mortgage to give you a lower loan-to-value, it means you own more of your home and have less to pay off.

Remortgaging could result in lower monthly mortgage payments because you're paying off less of a loan amount (and in turn, less interest on it too).

## How long does the remortgage application take?

The process can take between four to eight weeks from the time you apply so it's good to start planning early. If you're coming to the end of a fixed-rate or tracker term, your lender should tell you that your mortgage will move onto their standard variable rate<sup>1</sup>. This could be an ideal time to move if you find a better deal elsewhere, or you may even find an attractive deal with the same lender and go through a 'product transfer' (see box).

## How much does a remortgage cost?

### Existing lender fees

Your existing lender could charge you a fee if you're leaving them early into a fixed period in your mortgage. This is known as an 'early repayment charge' and could be in the range of 1% to 5% of your outstanding mortgage balance. They will also charge you an 'exit' fee of around £50 to £100 to cover their administration costs.

### New lender fees

Your new lender could charge you a range of fees, so before you commit it's important to check what you will pay. This will help you calculate whether a move is financially beneficial overall.

Their fees could include:

- **Application fee** to set up your new mortgage. Could also be called an 'arrangement', 'product' or 'booking' fee. This could be around £1,000.
- **Valuation and conveyancing fees.** Some providers won't charge for these, but it's worth checking if you are moving to a new lender.
- **Solicitor's fee** covering the legal paperwork to do with managing the transfer of your mortgage.

## Is a remortgage right for you?

Whether or not you remortgage all depends on your situation and the type of mortgage plan you're currently on. You may want a mortgage that lets you make overpayments, or you could be coming to the end of your current deal's fixed term and think the lender's SVR will be too high. One of the most important things you can do before you decide is gather your current mortgage paperwork, look at the fees and get some expert advice on your next steps.

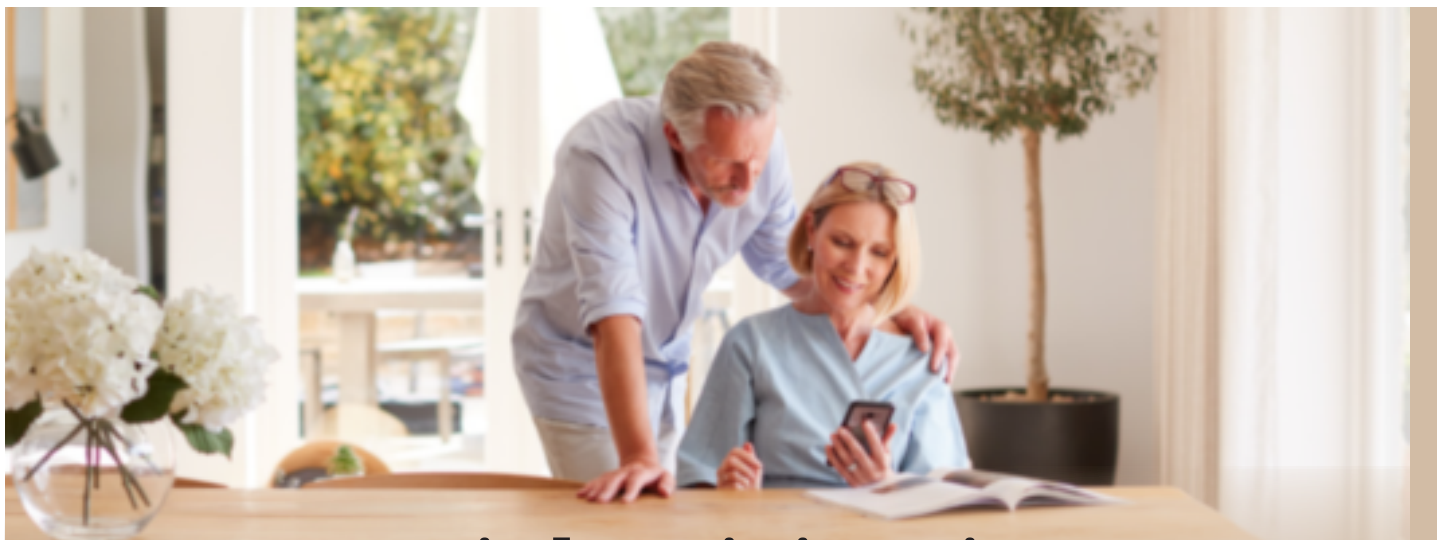


## What about product transfers?

If your mortgage is coming to its maturity date but you'd prefer to stay with your current lender, you could consider a product transfer. Switching to a new mortgage product with the same lender could save you money and time. Our financial advisers can help guide you through choosing the right product to make it worthwhile and explain the logistics of transferring your mortgage product.

***Our advisers can help you work out the pros and cons of a remortgage, and what could work best for you.***

<sup>1</sup> [www.investorcoms.com](http://www.investorcoms.com)



# How might rising interest rates affect your mortgage?

The Bank of England has raised interest rates which means bigger mortgage bills for some homeowners.

At the start of February 2022, the Bank of England raised interest rates for the second time in three months from 0.25% to 0.50% to combat soaring inflation. This move will have a knock-on effect as mortgage lenders raise interest rates in response, which will increase monthly payments for some borrowers.

## What does a rise in interest rates mean for your mortgage?

Anyone without a fixed-rate mortgage is likely to see their borrowing costs rise, although how they are affected will depend on the type of product they have. Your adviser can help you assess your mortgage deal and figure out ways to make some much needed savings.

- Only borrowers with a mortgage that moves up or down with the base rate will be affected by the interest rate change.
- This includes tracker mortgages and standard variable rate mortgages (which you revert to when a mortgage deal ends).

## Fixed-rate mortgages

Most mortgage holders are on fixed-rate deals so won't see any change in their monthly payments. This is because the interest rate you pay stays the same for the length of the mortgage deal.

## Standard variable rate mortgages

You will usually be moved on to a standard variable rate when your existing tracker or fixed rate mortgage deal ends. For example, if you take out a two-year fixed deal and you don't remortgage, you will be moved to the lender's standard variable rate. The rate is likely to be considerably higher than what you were paying before, so your monthly payments will increase, and lenders can raise the standard variable rate whenever they want.

## Tracker mortgages

Homeowners with a tracker mortgage will find that their interest rate payments will now go up, but when this happens will depend on their lender. Tracker mortgages are a type of variable rate mortgage that follow the Bank of England's interest rate. So, when official interest rates go up, the rate on your tracker will rise as well.

As a rule, they do not exactly match the base rate, but are set a level just above it. For example, if the lender's rate is the base rate +1%, the interest you'd pay in total on your loan would be 1.5%.

Whatever type of mortgage you have, we can advise you about how the interest rate rise might affect you and address any questions or concerns you have.

## How to save on your mortgage costs

The best thing you can do is to speak to your financial adviser. For example, if you're on a tracker mortgage, they will be able to advise whether changing to a fixed-term deal to protect yourself from any further rises is a good idea. They will also let you know about the fees involved when making changes to your mortgage. If you are on a standard variable rate you can switch at any time, so with interest rates rising, your adviser can help you look at available fixed-rate deals.

Homeowners on fixed deals don't have to worry about their mortgage going up until their current term ends. Most lenders will let you lock into a new deal six months before the current one ends so it's a good idea to plan.

*Whether you're looking to remortgage or are a first-time buyer, we can help you find the most suitable deal for your circumstances and help keep your costs down.*

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS  
ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT**