money matters

Ancojada Group are Proud Sponsors of

In This Issue....

© Ancojada Group
Tel. 0333 433 0246
Web. www.ancojadagroup.com

Ancojada Limited trading as Ancojada Group is not authorised or regulated to provide financial advice. All financial advice is provided by other regulated businesses.

The Revival of Small Self Administered Schemes

A New Era for Commercial Property Investment

The recent announcement of the abolition of the lifetime pension allowance cap has sent ripples throughout the UK financial industry.

This groundbreaking change has rekindled interest in Small Self Administered Schemes (SSAS) as an attractive investment vehicle, particularly for those looking to invest in commercial property. With the newfound flexibility that comes with this legislative change, SSAS pension schemes offer renewed benefits for investors looking to grow their retirement savings.

What is a Small Self Administered Scheme?

A Small Self Administered Scheme (SSAS) is a type of UK pension scheme specifically designed for small and medium-sized businesses. It allows company directors and employees to pool their pension funds and invest them collectively in a broad range of assets, including commercial property. Unlike other pension schemes, SSAS offers greater control and flexibility in investment choices, making it an ideal choice for those seeking to diversify their retirement portfolios.

The Lifetime Allowance Cap Abolition: A Game Changer

The lifetime allowance cap, which limited the total amount of pension savings an individual could accumulate before facing additional tax charges, had previously hampered the growth potential of SSAS investments. However, the government's recent decision to abolish this cap has removed this barrier, giving investors greater freedom to pursue more ambitious investment strategies.

Renewed Benefits of SSAS in Commercial Property Investment

With the abolition of the lifetime pension allowance cap, the benefits of using a Small Self Administered Scheme (SSAS) to invest in commercial property have become even more attractive. These benefits include:

- Enhanced Growth Potential: SSAS investors can now accumulate larger pension savings without worrying about additional tax charges, allowing for more aggressive commercial property investments and potentially higher returns.
- Tax Efficiency: SSAS investments in commercial property remain tax-efficient, with rental income exempt from income tax and capital gains from property sales free from capital gains tax. The removal of the cap enables investors to fully capitalise on these tax benefits.
- Increased Borrowing Power: SSAS schemes can borrow up to 50% of their net asset value to finance commercial property investments. With the cap removed, SSAS investors have access to greater borrowing power, which can help them secure larger or more lucrative investment opportunities.
- Improved Cash Flow: SSAS schemes can lease commercial properties back to the sponsoring company, generating rental income that can be used to cover the pension scheme's costs and investment expenses. The abolition of the cap allows for larger investments, potentially resulting in higher rental income.

Please note that the information provided is for educational purposes only and should not be considered as financial advice.

For more detailed and bespoke information and advice about how you could personally take advantage of the new opportunities that have arisen in the light of the lifetime pension allowance cap being abolished, contact us to arrange a free consultation.

Looking forward to a Happy New Tax Year?

The new tax year starts on 6 April, heralding a raft of changes that will make an early tax review of the year ahead a wise move.

There is always plenty of attention given to planning for the end of the tax year, making use of allowances that are otherwise lost at midnight on 5 April. A March Budget normally adds to the focus as speculation mounts about what might change even before the tax year ends. Much less attention is paid to planning for the start of the new tax year, but that can be just as valuable an exercise.

In 2023/24, there will be important personal tax changes – and, in the face of double-digit inflation, non-changes – taking place: The personal allowance and higher rate threshold will be frozen again (and will remain so until April 2028). In Scotland, the higher rate threshold will also rise by 1% to 42%.
The income thresholds for child benefit tax (£50,000) and personal allowance taper (£100,000) will also be frozen, as they have been since they were first introduced.

The additional/top rate threshold will be reduced from £150,000 (originally introduced at that level in 2010/11) to £125,140. At this lower figure, in theory the rate kicks in immediately until the personal allowance has been tapered away to nil. In Scotland, the top rate will also rise from 46% to 47%.

The dividend allowance will be halved to £1,000 (and halved again in 2024/25). The annual exempt amount for capital gains tax will be cut from £12,300 to £6,000 (again ahead of another halving in 2024/25).

As a result, personal tax bills could increase in 2023/24, even if income does not. For example, if you are a higher rate taxpayer, the halving of the dividend allowance could cost you an extra £337.50 in tax (and £506.25 in 2024/25). Worse still, you might find that you have been 'promoted' from higher rate to additional/top rate. HMRC estimates that nearly a quarter of a million taxpayers will fall into this unhappy category.

There are a variety of actions to ease the increasing tax burden if taken early in the tax year. For example, investing in an ISA in April 2023 rather than March 2024 removes the income that would be generated from the investment from your 2023/24 tax calculation. Some other strategies are more complex, so advice is essential.

Rising prices can wipe years off retirement pots

How to protect your pension income from inflationary pressures

For anyone feeling the effects of rising inflation rates, it's important to ensure that your retirement fund isn't significantly impacted. While this can be challenging in such an uncertain economic climate, there are measures you can take to ensure that your savings don't suffer.

Here are some tips to help you protect your pension income for the future.

Postponing retirement

Retiring later can have multiple advantages. It can be a financially wise decision to postpone retirement when inflation is high. Postponing retirement also gives you more time to invest and contribute funds towards your pension pot, allowing you to enjoy a larger sum of money when you eventually retire. Additionally,

individuals who choose to retire later can benefit from longer periods of regular income which can be used for extra retirement savings to combat the impact of inflation in retirement.

Furthermore, delaying retirement will allow you to better prepare for future financial commitments such as mortgage repayments and other cost of living outgoings. If appropriate, by postponing your retirement you can make sure that you have the financial security and peace of mind needed for a comfortable retirement.

Consider where your pension is invested

When inflation rates are high, it's important to take steps to ensure that your retirement savings aren't adversely a#ected. Not only will this give you peace of mind about the future value of your pension pot, but it may also prove to be financially rewarding in the long run. One of the most effective ways to do so is by diversifying your investments and spreading out your money across different asset classes.

Having a diverse portfolio can help protect you from losses due to market volatility or inflation and provide access to a broad range of investments while reducing risk. Keeping track of these fluctuations enables you to plan ahead and adjust your investment strategy as necessary.

By taking all these factors into consideration, you can ensure that your retirement savings are secure even in a period of high inflation.

Keep contributing

Despite inflationary pressures, continuing to contribute to your pension pot can be a wise decision. Not only is your retirement fund likely to outperform cash savings, but it also allows you to take advantage of the tax relief top-up on contributions offered by the government.

The amount of relief you receive is based on the rate of Income Tax that you pay. If you are in the highest rate Income Tax bracket you can claim additional relief through your selfassessment tax return, enabling you to save even more for your retirement. However, depending on how your pension scheme works, if you don't pay tax you might not receive tax relief.

Already withdrawing a pension?

For those with a defined contribution pension who are already taking an income, it might be beneficial to reduce the amount you are withdrawing in order to keep more of your pot invested. This strategy can help protect your retirement fund against volatile markets and rising inflation levels as the fund manager will monitor the investment performance, making necessary adjustments.

Those with a defined benefit pension need not worry about adjusting for inflation as this is taken care of automatically.

Where are you on your retirement journey?

Regularly revisiting your financial plan and retirement planning is essential in order to ensure your long-term security and prosperity.

No matter what strategies you decide to implement going forward, we will provide valuable insights into making the right choices for your future. Please contact us to discuss your future plans.

Time to retire?

Planning your finances to be sustainable for the long term is key.

There are signs and targets that can signal that you are prepared to retire,but it can be difficult to figure out when you are truly ready to retire.

We may think of retirement as being centred around a particular age or monetary amount.

When we get to 'X' years old or have 'Y' amount of money, we can move on to our 'golden years'. The turbulent times we're living through have given many people pause for thought to consider their work-life balance and think more seriously about what makes them happy.

While happiness for many increases in retirement, others find their inances take the strain when they retire early and money worries are one of the biggest factors resulting in people returning to work. If you aspire to retire early, it's vital you plan your finances to be sustainable for the long term.

6 questions to ask yourself for a secure financial future.

1. What impact could inflation have on my retirement plans?

Inflation is a major factor when planning for retirement because it can reduce the purchasing power of your money over time. If the amount you receive in retirement is based on a fixed income, it will not be able to keep up with future inflationary rises, meaning that you may likely be unable to afford the same lifestyle that you enjoyed before retirement.

Therefore, it is essential to plan for retirement by ensuring that your savings and investments are able to grow in real terms, above the rate of inflation. This can be done through a combination of investing in assets that aim to provide returns above the rate of inflation, as well as ensuring that your retirement income is not linked to a fixed amount but instead grows with inflation over time.

2. What is my retirement timeline?

When it comes to planning for your retirement, it's best to get a plan in place far ahead of your intended retirement date. That way, you can take the time to gain a full understanding of your financial situation and identify any issues or opportunities for improvement. Ideally, you should start saving for retirement in your 20s and 30s, even if you don't plan to retire for many years. This will help you build your savings over time and ensure that you have enough money to sustain yourself during retirement.

Of course, if you find yourself nearing retirement without a plan already in place, don't fret, we are here to help. With our expertise and experience, we can work with you to optimise your retirement plans no matter how close you may be to retirement.

When considering your retirement timeline, there are several factors to consider: your age, income level and lifestyle, all of which will have an effect on your retirement plans.

3. Could retirement cash flow modelling help me?

Retirement cash flow modelling is very useful in making assessments about your future retirement requirements. It enables you to consider all of your potential sources of income in retirement and how they can best be used to satisfy your expenditure needs.

This means considering a number of factors such as your underlying investments, tax and, most importantly, how well your different income streams are protected against inflation. Another benefit of using cash flow modelling is that you can easily change those assumptions if your circumstances change, factoring in different investment returns, tax rates and inflation. This allows you to assess how much you need to have accumulated prior to your retirement.

4. Would an annuity be beneficial?

Retirement is an important milestone in life, and it's essential to make sure you have enough money to ensure a comfortable lifestyle afterwards. One of the options available to those retiring is an annuity. With fewer employers now offering the guarantee of a final salary pension, annuities could be an appropriate option to consider for some retirees. An annuity provides a regular income for the rest of your life, and can make sure you have enough money to last you throughout retirement.

But in order to decide whether an annuity is right for you, it's important to look at the different types of annuities available, consider the tax implications and other factors such as inflation. An annuity could be beneficial for those who have no capacity for their income to fall in the future, and those with reduced health.

5. Am I sitting on too much cash?

Even during periods of high inflation, investments that are in real assets can provide a hedge against the erosion of wealth. Cash holdings are ill-advised in this situation as the current interest rates barely meet inflation and its real value is guaranteed to decrease. Investing in assets is one of the best ways to safeguard your retirement savings against the effects of inflation.

Inflation can erode the value of your savings over time. By investing in real assets, you can help to ensure that your retirement savings remain secure even in a rising inflation environment. Investing in assets can provide you with the opportunity to create a sustainable and secure retirement plan that is protected from the effects of inflation. Ultimately, investing in real assets is an important part of any comprehensive retirement savings strategy.

6. What is my attitude to investment risk?

When making investment decisions, you need to establish the level of risk that you are comfortable with. This will vary from person to person, so it is important to obtain professional advice to help you assess your risk tolerance.

Understanding your attitude to investment risk is an important factor when planning for retirement. Taking the time to learn about how you respond to different kinds of market volatility and levels of risk will help you create a more informative and effective retirement plan.

Knowing what kind of investor you are – conservative, balanced or aggressive – will enable you to make informed decisions about where to invest your money and how much risk you are comfortable taking on. It can also help you avoid some of the common pitfalls associated with retirement planning, such as being too conservative or overly aggressive in your approach. This will help you to save and invest more effectively, allowing you to make the most of your retirement savings.

Do you need help with your retirement plans?

We understand that everyone's retirement plans are different. That's why we're here to help you make sense of your future, whatever that looks like. To get your retirement plans in motion, talk to us about your finances. We look forward to hearing from you.

Cost of living crisis

Almost one in three Over 55's mortgage repayment plans derailed.

The cost of living crisis is a concerning and long-term problem for those trying to pay off their mortgage, especially over-55s who are already having difficulty saving enough for retirement.

Higher mortgage rates and the rising costs of living are making it harder for some mortgagors to afford their mortgage repayments.

This could lead to some households defaulting on their mortgage or having to cut back sharply on their spending, posing a significant risk to their financial stability.

Derailed mortgage plans

More than 3.3 million over-55s in the UK still have mortgages to repay and the cost of living crisis is making it more difficult for them. According to new research, 30% of this cohort feel that their ability to repay these loans is hindered due to the current climate, equating to around 879,000 people with potentially derailed mortgage plans.

Of those who have yet to pay off their mortgage, 16% say they plan to do so ahead of retiring but are concerned that it may be harder due to the cost of living crisis while 13% suggest it will take longer and 1% worry about their investments not performing as expected.

Income during retirement

Those who have already paid off their mortgage, amounting to 40% of over-55s in Britain, are not exempt from financial worries either. The research identified that 4% admitted borrowing could be a necessity in order for them to secure an adequate income during retirement and maintain a healthy standard of living.

The research also highlights that the proportion of people planning to pay off their mortgage before they retire has risen to 19%, but it is likely some have chosen to delay leaving work in order to do so. Additionally, there has been a 5% increase in those who say they will still be able to satisfy their repayment goals despite the difficult climate, although it could prove more challenging for them.

Long term challenge

The research identified that almost 900,000 in the over-55s age group will find it tougher to service their borrowings, with the rising cost of utilities and groceries taking a larger portion of their income. For those already living frugally, pressure could soon become intolerable.

The cost of living crisis has been an increasingly long-term challenge for those looking to pay off their mortgage, especially for over-55s. This age group is already struggling to save enough money for retirement and this situation can put them into further financial difficulty. It is important to be aware of the potential issues that could arise as a result of the cost of living crisis and how to prepare for them.

Time to discuss how to achieve your financial freedom?

A carefully designed fnancial plan can give you the freedom to do even more of the things you want – and maybe even others you never thought possible. To find out more and discuss your options, please contact us.