LILAC FINANCIAL NEWSLETTER

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If you want to discuss how the details in this newsletter may affect your financial plan please contact us.

PART OF THE Openwork PARTNERSHIP

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Stamp duty and land tax

What you need to know

Following the lowering of the stamp duty threshold to £250,000 in July, the rate will drop further in October for buyers in England and Northern Ireland.

Stamp duty land tax applies to increasing portions of a property's price, starting at £40,000. There are different rates depending on how much you are paying for the property, whether you're a first-time buyer, where you live, and where the property is located within the UK. It's good to be aware of how much – if any – stamp duty you will pay, whether you're a first-time buyer, second homeowner, buy-to-let owner or in another situation.

Stamp duty bands from 1 October 2021

In England and Northern Ireland, as of 1 October 2021, you will pay stamp duty on a residential property's sale price over the first £125,000 (from 1 July 2021 up until 30 September, it was the first £250,000).

Property purchase price range	Stamp duty to be paid
Up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1.5 million	10%
Over £1.5 million	12%

For example, if you buy a house for £295,000, the stamp duty will apply as follows:

- 0% on the first £125,000. You pay: £0
- 2% on the next £125,000. You pay: £2,500
- 5% on the final £45,000. You pay: £2,250
- Your total stamp duty: £4,750.

First-time buyers

If you're a first-time buyer in England or Northern Ireland, it means you are about to buy your first main residential home and have never owned a freehold or leasehold on a property before (in or out of the UK):

- You will pay no stamp duty on the first £300,000 of your new home.
- Then, you will pay 5% on anything from £300,001 to £500,000.
- If your property price is above £500,000, the stamp duty from the rates paid by non-first-time buyers applies.

Second homes and buy-to-let properties

For those who are in the market for a second property, whether it's a buy-to-let or a second home, they will pay an additional 3% in stamp duty on top of those existing rate levels.

When is stamp duty not required?

There are some situations when you may not need to consider stamp duty. For example:

- When no money or form of payment is exchanged for a land or property transfer.
- If a property is left to you in a will.
- The property is transferred after a divorce or dissolution of a civil partnership.
- If the property you are buying is freehold costing less than £40,000.

These are a few examples in England and Northern Ireland. Scotland and Wales may have additional exemptions, so it's worth speaking to an adviser in those areas if you are buying a property.

Land and buildings transaction tax Scotland

Buyers in Scotland will pay a land and buildings transaction tax (LBTT) when buying a property, in place of stamp duty.

The Scottish system came into place in 2015, and is set up in a similar tiered tax rate level to that in England:

Property purchase price range	LBTT to be paid
Up to £145,000	0%
£145,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
Over £750,001	12%

If you are a first-time buyer in Scotland, you are exempt from LBTT for the first £175,000 of your property's sale price:

Property purchase price range	LBTT to be paid
Up to £175,000	0%
£175,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
Over £750,001	12%

For those in Scotland buying a second home or buy to let property, the additional rate of tax they will pay is 4% on top of the standard rates above.

When is stamp duty not Land transaction tax in Wales

In Wales, the land transaction tax (LTT) took over from stamp duty in 2018.

This means if you are in Wales and buying your main residential home (and do not own any other property) the LTT only comes into effect after the first £180,000 of the property's sale price.

However, a big difference in Wales compared to the rest of the UK is that there are no exemptions for first-time buyers, so the tiered system applies to all types of buyers (whether first-time or not).

For those in Wales buying a second home or buy to let property, the additional rate of tax they will pay is 4% on top of the standard rates below.

Property purchase price range	LTT to be paid
Up to £180,000	0%
£180,001 - £250,000	2%
£250,001 - £400,000	5%
£400,001 - £750,000	10%
£750,001 - £1.5 million	12%
Over £1.5 millionv	

Whether you are a first-time buyer, moving home or looking for a second home or buy-to-let, our advisers are here to help you through your journey.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

OW3807 Exp. 30/12/2022

Online trading - what you need to know

Although online trading has become more accessible, is it best to leave things to the experts?

Not so long ago, if you wanted to invest you'd have to go through a stockbroker or a financial adviser. Now, investors can use a DIY investing platform to trade from the comfort of their own homes with a laptop or a mobile phone. But is it worth the risk?

What is online share dealing?

An online dealing platform allows you to buy and sell shares from companies that are listed on the stock exchange. Many platforms also include readymade portfolios tailored to your risk appetite and some services offer different types of investments in addition to shares, including bonds and funds. It's worth noting that a ready-made portfolio may not always give you the best returns compared to using the expertise of a financial adviser.

Once you've set up an account you can start searching for companies and funds that you wish to invest in. You can then select the quantity or value of the shares you want to buy. You can hold any shares you purchase within the platform, so you do not need to retain any sales certificates.

Is online share dealing right for me?

Online trading is easy and convenient for experienced investors who can manage their expectations and the risks involved in going it alone. Of course, with a DIY investing platform, you won't have to pay any charges to a broker, but for investors that are new or less experienced there are a host of pitfalls:

- Online trading platforms don't provide advice or assess your attitude to risk, so you have to make your own decisions. Some people enjoy the flexibility and speed of this, but it can lead to problems if you don't fully understand how markets operate.
- Don't forget, the value of investment can go down as well as up, and you could lose most of if not all your money when you invest. Knowing the potential risk and return is an essential step before you start, along with what the worst-case scenario might be for your finances.
- Buying and selling online can be dangerous if you're an undisciplined investor because it's easy to act on emotion. A DIY investor might sell at the wrong time or start investing with a portfolio that is poorly suited to them.

Investors should also be aware of how much they are paying when choosing online share platforms and think about the combination of price and service. Avoid just looking at the admin fee or dealing charges, but instead think about how much they are combined. A low admin fee might look good, but costs could soar if you buy and sell a lot.

How much does it cost?

While you'll be saving money by not paying a broker, if you use an online platform, you'll still have to pay charges when buying, holding, and selling shares. Some charge a flat fee and others charge a percentage of your holdings. There will also be trading charges when you buy and sell shares. When purchasing UK shares you should expect to pay 0.5% stamp duty and an extra £1 on transactions above £10,000. You may also be charged an exit fee if you want to transfer to a different provider.

Benefits of financial advice

If you're uncomfortable going it alone, you might want to think about speaking to an adviser who can recommend which investments are appropriate for you.

- A financial adviser can assess your attitude towards risk and help you select a portfolio that is compatible.
- Advisers know the importance of staying invested for the long run to take advantage of upward trends in the markets.
- While some investment platforms offer ready-made portfolios, an adviser can build a more tailored investment approach.

It's always a good idea to make sure your portfolio is diversified so when one investment goes through a bad patch, there should be others that are doing well. A typical portfolio might consist of a mix of different assets, including shares, bonds and cash. A financial adviser is best placed to help you manage the risks associated with investing by building a welldiversified portfolio so your investments are always working hard for you.

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.

Due to the high risk nature of these product will not be suitable for everyone

OW3815 Exp. 04/01/2023

Protect your peace of mind when moving home

Moving home can be a hectic and exciting time, but don't forget about protection – taking out the appropriate policies can save you a lot of stress in the long term.

If you've just moved home or are about to, it probably feels like you've been caught up in a bit of a whirlwind over the past few months. With searching for a property during a pandemic, making the move before the stamp duty holiday ends and potentially getting caught up in the resulting conveyancing backlog, protection policies are probably not top of your priority list.

Yet it's important to take the necessary precautions to ensure your new home and possessions are looked after – now more than ever. Here are some of the main types of protection you should be thinking about.

Mortgage protection

If you're unable to work due to illness or injury or because you've lost your job, mortgage payment protection will cover the cost of your mortgage each month. These policies usually last for a year or until you return to work – whichever is soonest.

You can pick how much you want your policy to pay out each month, and this can include a buffer for other expenses, such as bills. It's important to bear in mind though that providers usually set monthly limits of between £1,500 and £2,000. You won't always be able to claim straight away, and there's usually a waiting period of one or two months. The cost of mortgage protection will depend on:

- your salary;
- the size of your mortgage repayments;
- the type of policy you choose; and
- how soon you want to be covered.

Income protection

Income protection provides you with a regular income if you've lost your job or are unable to work due to illness or injury. There's usually a minimum wait of four weeks before you can start receiving payments. There are different types available:

- A short-term plan covers you for involuntary redundancy, but is usually limited to a set time period.
- A long-term plan will usually cover you until you return to work, retire, die, or the policy ends – whichever is soonest.

Buildings insurance

If you've got a mortgage, you're likely to have buildings insurance to cover the cost of repairing damage or rebuilding the structure of your home if it's damaged. But have you looked carefully through the policy and made sure that it definitely covers everything you need it to? Once you've moved, you may realise that your new home has a slightly more complex structure than you first realised, and it's important to make sure your buildings insurance takes this into account. If you're lucky enough to not have a mortgage, it's still a sensible idea to invest in this type of insurance for peace of mind.

Contents insurance

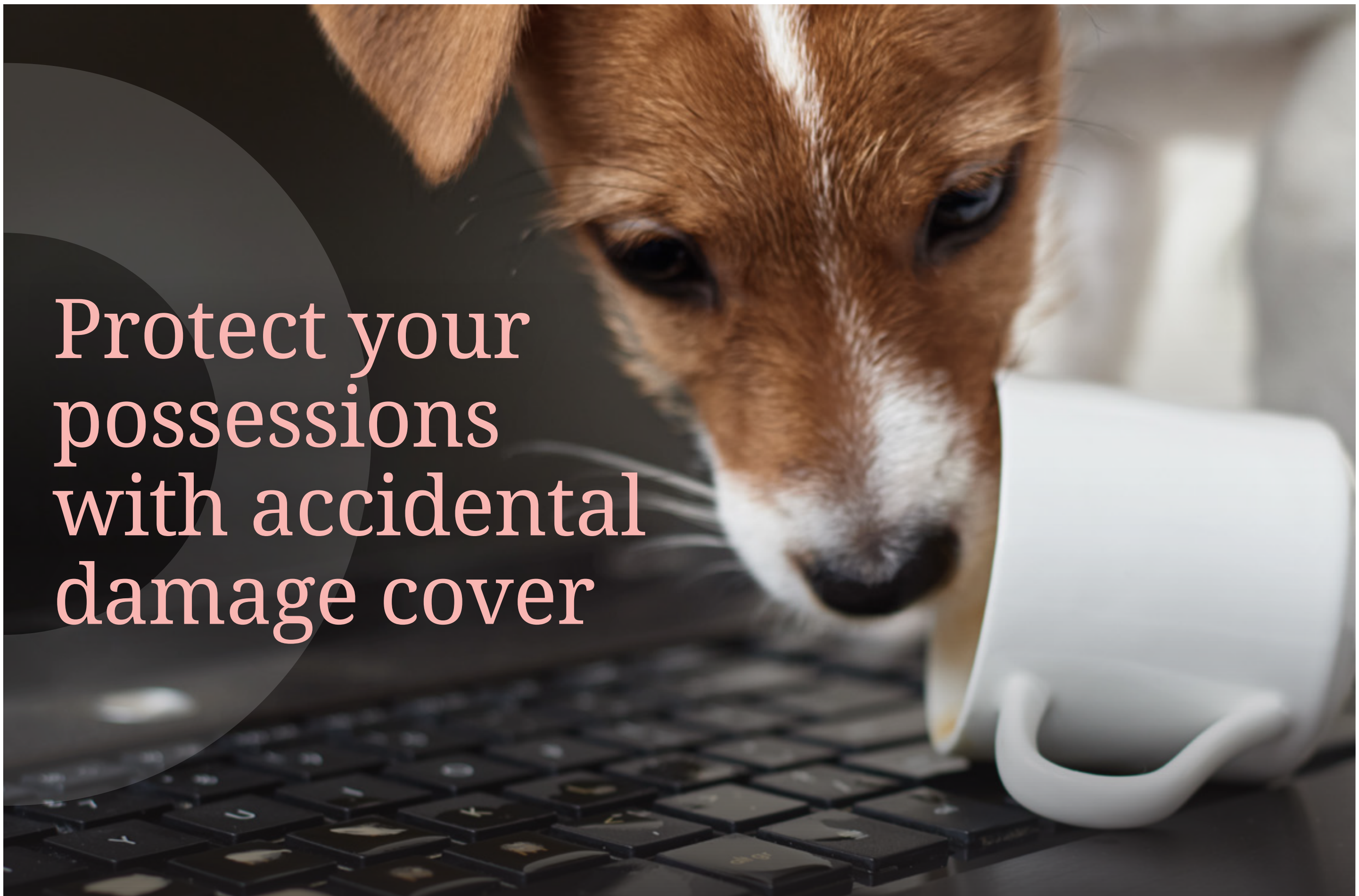
If you've bought new furniture and gadgets for your home, you might need to review your contents insurance. This type of insurance covers the cost of replacing possessions in your home if they're stolen, destroyed or damaged. It's a good idea to double check which of your items are covered so that you're not caught out if something does go wrong.

Act now

When you're caught up in the excitement of moving, thinking about protection might be the last thing on your mind. But remember that your circumstances can change quickly and it's important to make sure you're prepared now in case things don't go to plan in the future. For more information about protection and to talk about whether your current policies are right for your situation, speak to your financial adviser today.

OW3261 Exp. 19/04/2022

Protect your possessions with accidental damage cover



Insurance claims for accidental damage increased over the past year as more people worked from home, so it's a good time to check your own coverage.

Figures from some of the country's biggest insurance providers have shown a sharp rise in claims of accidental damage during the lockdown.

With many millions now working from home, the chances of accidents and damage to property have inevitably gone up. Halifax Home Insurance reported a rise of 35% for claims between July and September 2020 compared with the same period in 2019.

Types of accidents included damage to computers and other electrical items, broken windows and water leaks. With holidays cancelled, children home schooling and everyone staying in, appliances were used a lot more than normal, along with central heating systems.

Millions paid out in home insurance claims

One Insurance provider paid out £33 million in home insurance claims in 2020, with 15% going towards accidental damage claims. General claims not related to accidents accounted for 25% and were mostly related to appliance and pipework damage.

The biggest rise in claims related to damage to computers and electrical equipment because of spillages. As working from home turned many of us into amateur office managers, the usual health and safety measures within a normal office environment were not easy to replicate – especially with children and pets in the picture.

Admiral reported its accidental damage claims increased by 28% since the lockdown started in March 2020, compared to the previous year. Damaged laptop claims increased by 31% and claims around damage caused by home renovation also rose.

Check your accidental damage coverage

It's a good time to see what your home insurance policy includes when it comes to covering accidental damage to your property.

1. Check that you have the accidental damage cover in place, because it's often offered as an optional extra to your home insurance.
2. Check the limits and exclusions on your accidental damage cover, making sure there is enough to cover any new gadgets or equipment you bought during lockdown.
3. If you have made renovations and upgrades to your home during lockdown, try to calculate the extra value they bring to your home to ensure your home policy covers it.

How to avoid accidental damage in your home

Sometimes, accidents just happen. But there are ways to reduce the likelihood of an accident, like keeping drinks in a closed cup, away from computers, or tidying cables to avoid tripping.

With many homeowners installing wooden flooring, it's worth keeping rugs secure with non-slip backing, and encouraging children to be aware of risks in the home when they are playing.

And it's always a good idea to have your insurers' telephone number and the policy details handy for when you need them.

Along with helping you check the small print in your accidental damage policy, your financial adviser is here to help you find insurance plans that work best for you and your family, to make sure you're best protected.

OW3315 Exp. 29/04/22

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.

OW3822 Exp. 17/01/2023