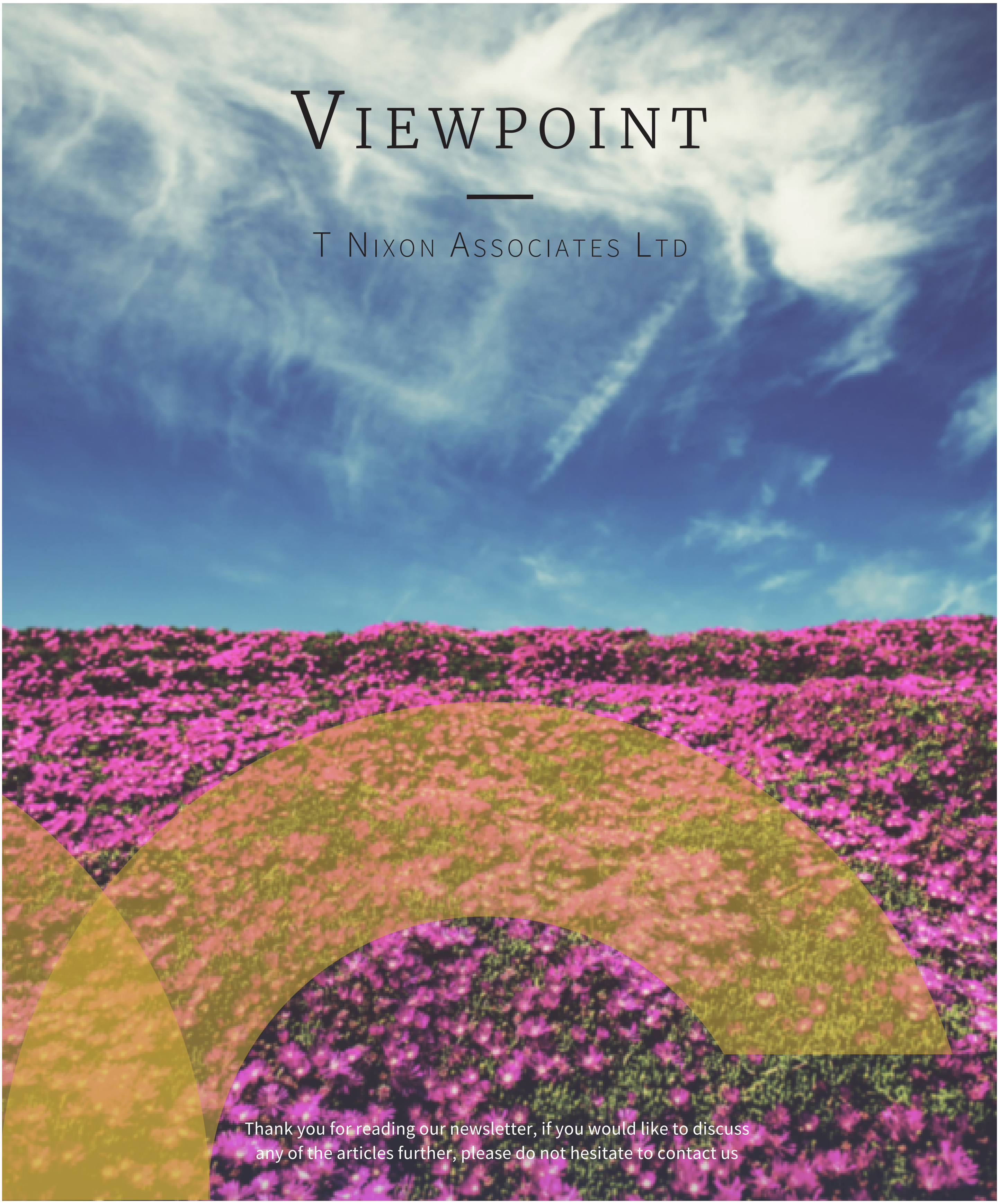
Viewpoint

T Nixon Associates Ltd



Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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Home improvements to add value to your home

Evidence suggests that many more of us are putting down roots and choosing to stay in our current homes for longer. The average time a homeowner in the UK stays in their property is 21 years.

This contrasts with the 1980's, when a fast-rising property market encouraged a move every eight years on average. However, high prices in some regions, Stamp Duty and the other costs of moving, are now encouraging us to stay put and spend money improving our properties.

With so many more people staying put and embarking on some home improvements, it's a good idea to select improvements and renovations that will add value to your property in case you do decide to move on one day.

Some of the best improvements to add value to your property include *(plus potential value added)*:

- Converting your cellar *— 30%*
- Converting your garage to living space *— 15%*
- Extending the kitchen *— 15%*
- Loft conversion to add a bedroom *— 15%*
- Increase living space with a conservatory or similar *— 10%*
- Kerb and garden appeal *— up to 10%*
- Fitting a new bathroom *— 5%*
- Making the living area open plan *— 3-5%*

Here are some useful tips to bear in mind before embarking on your chosen project:

Check your deeds

There could be restrictions on what you can do, you may require planning permission, especially if it affects a boundary or external modifications are involved.

Check your policy

If you're going to make any major changes to your home, you should contact your buildings and contents insurance provider first to avoid unintentionally invalidating your policy and check your policy covers you for accidental damage.

Get your paperwork in order

If you are looking at a large undertaking such as converting your loft, ensure you have the correct paperwork and certification, otherwise the money you spend may not be realised in the sale price.

Preserve bedroom space

Try not to reduce your bedroom count, you may want to convert a third bedroom into an en suite, but by losing a bedroom you will reduce the value of your property.

Be commercially-minded

Consider the neighbourhood you live in and the types of buyers likely to want to live there, for example spending money landscaping your garden may not appeal to a younger professional couple who want low-maintenance outside space.

Avoid personalisation

Unless you are prepared to redecorate when you come to sell, use a neutral colour scheme, introduce colours in soft furnishings and accessorises and personalisation with pictures or photos.

Hire a professional

Avoid a DIY disaster by only taking on projects you are confident you can complete.

We can help

Please get in touch if you are looking to fund your home renovations with a remortgage or second charge loan.

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

Spotlight on Enterprise Investment Schemes and Venture Capital Trusts

Complex tax-efficient investments such as Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCT) are a consideration for those who may be able to tolerate a high level of investment risk.

EIS and VCT are investment vehicles which encourage investment in small, unquoted trading companies in their early stages, who are typically trying to raise capital. These initiatives benefit the economy by promoting innovation amongst the small higher-risk business community, which in turn drives productivity, creates jobs and boosts economic growth.

Since their launch in the 1990s, they have become popular features on the investment landscape. Both schemes still provide an attractive proposition for experienced investors today, looking for the chance to invest in new businesses with the added benefit of portfolio diversification.

High volume of inflows to the small business sector

The schemes have proved successful in terms of generating cash for the small business sector. Data shows since their launch in 1994, over £20bn of funds have been raised through the EIS scheme, with 29,770 individual companies benefiting from investment. VCT have had a similarly positive impact, raising £8.4bn of funds since their creation in 1995.

How do they work and how much can I invest?

In the case of the EIS, investors typically purchase shares directly in firms. VCT are listed companies that allow investors to spread the investment risk over a number of companies by subscribing for shares in the VCT itself, a similar approach to investment trusts.

Currently both offer 30% tax relief and tax-free capital growth, provided an EIS investment is held for at least three years and a VCT for five years. The maximum amount anyone can invest in an EIS is £1m per tax year, or £2m, as long as at least £1m of this is invested in 'knowledge-intensive' companies. Individuals can invest up to £200,000 each fiscal year in new shares issued by a VCT.

A further attractive benefit of EIS is their eligibility for Business Relief. This means if the investment is held for two years, and until death, the value of the assets will not be liable for Inheritance Tax.

Potential risks

While there are plenty of benefits associated with these schemes, they are only suitable for investors who are comfortable holding high-risk investments. This enhanced risk element stems from the fact that EIS and VCT invest in small, fledgling enterprises.

Although some of these companies will flourish and deliver strong returns, some will fail. As a result, these schemes have a high-risk profile, which is something any prospective investor needs to carefully consider. EIS and VCT investments are only suitable for a relatively small proportion of an investor's overall portfolio. As these schemes invest in small companies with shares that are illiquid, they can be hard to sell.

As long as the risks are fully understood, these schemes are worth considering for investors seeking a long-term investment that maximises tax-efficiency and provides portfolio diversification.

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.

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The insurance policy that could prove critical

Some people might be put off buying a critical illness policy because they believe it's unlikely to pay out, despite the proportion of ***claims paid by insurers standing at just over 92%.***

So why is there such a gap between perception and reality among consumers?

There have been well-publicised stories in the past where a policyholder has had a claim refused because their circumstances didn't meet the insurer's terms and conditions. But in reality, the number of critical illness claims declined are actually a tiny minority compared to the total paid out. Take a look at these numbers from 2017 from some of the UK's leading insurers:

Insurer	% of critical illness claims paid
Aviva	93%
Zurich	95%
Vitality	92%
Legal and General	92%
LV=	89%

Reasons why an insurer may not pay a claim:

- The policyholder didn't inform the provider about important medical or health information when they took out the policy
- The condition claimed for didn't meet the definition within the plan
- The policyholder tried to claim for conditions that were excluded from their plan

Separating fact from fiction

A critical illness policy pays out a tax free lump sum on diagnosis for any of the specified serious illnesses – around 100, including cancer, heart attack or stroke. There are additional benefits available with these policies which can be life-changing when called upon.

The cover might seem costly; a policy from Aviva for a 35-year-old non-smoker needing £200,000 cover over 25 years would cost £64 a month and it gets more as you get older but the value of this type of protection makes it absolutely worth considering. In fact, the Association of British Insurers reported that a total of 96% of critical illness claims made for cancer were paid out across the industry, demonstrating the positive impact these products can have during the worst of times.

The insurance market can be complex and confusing. Price comparison sites can make it easier to search and compare critical illness policies, but there's such a large choice and variety of products and you might end up paying for something that doesn't quite fit your circumstances.

Don't leave it to chance, seek professional, face-to-face advice from someone who will get to know your circumstances, your family history and your likely protection requirements and recommend critical illness cover that's right for you.

If you'd like to know more about how we can help you arrange serious or critical illness cover, or you'd like a better understanding of the options available, please get in touch.

Reviewing your pension contributions

Did you know...?

Gender pay gap
Pensions for women are £7000 less than mens on average and yet on average women live for six to eight years longer than men.

A nation unprepared for retirement
80% of the British population may not be saving enough for retirement.

The rise of pensioners
In 1901, there were ten people working for every pensioner. By 2050 it has been predicted that there will be one pensioner to every two workers.

The value of your investments can fall as well as rise, and you may get back less than you invest.

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

As you approach retirement, you probably want to know when you can afford to stop working. Having worked hard throughout your career you deserve to enjoy your retirement without having to worry about your finances. It may be worth reviewing your pension contributions to make sure you are taking advantage of the incentives offered by the government and your employer.

Make the most of tax relief...

The government tops up your pension contributions in the form of tax relief at your highest rate of income tax to encourage you to save. Basic rate taxpayers receive tax relief of 20%, while higher rate and additional rate taxpayers can claim back 40% and 45% respectively through their tax returns.

..and understand employer contributions

Since 2012, employers have been legally obliged to automatically enrol employees in a pension scheme, although you can opt out. As an incentive, employers top up employee contributions. The government increased the minimum contribution to 8% from April 2019 - at least 3% from employers with employees making up the balance. It is worth remembering that the employee's contribution includes tax relief.

Are you saving enough?

There are no fixed rules about how much you should contribute to your pension because of course everyone's circumstances are different. However, one rule of thumb is to take the age you started saving and divide it by two to give you the percentage of your salary which you might wish to put away each year. So, if you set up your pension at the age of 30, you could aim to pay in 15% of your salary.

Stick within the limits

There are rules covering how much you can contribute, and you could face a hefty tax bill if you break them. The annual allowance for the 2020/21 tax year is £40,000 or your full salary (whichever is lower), although it is tapered for anyone earning over £200,000. You can carry forward any unused annual allowance from the previous three years.

There is also the lifetime allowance – the maximum amount you can withdraw from a pension scheme. It is currently £1,073,100 and likely to increase with inflation. It's probably wise to keep a close eye on the value of your pension if it starts approaching this limit.

Deciding whether or not you can afford to retire is a significant consideration, and so it makes good sense to regularly review how much you are saving and ensure you are taking full advantage of any incentives.