

# Building a retirement portfolio – surveying the savings landscape

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# Risk warnings

- The value of your investments can go down as well as up and you may get back less than you originally invested.
- We don't offer advice, so it's important you understand the risks, if you're unsure please consult a suitably qualified financial adviser.
- Tax treatment depends on your individual circumstances and rules may change.
- Past performance is not a guide to future performance and some investments need to be held for the long term.

# What we're going to talk about

1. Workplace pensions and SIPPs
2. ISAs
3. LISAs
4. Building a retirement portfolio
5. End of tax year – some last minute tips





- Pensions tax relief like the January sales all year round!
- Tax relief granted at your marginal rate of income tax (20%, 40% or 45%)
- £10,000 in a pension costs 40% tax payer £6,000; 45% taxpayer just £5,500



- Automatic enrolment – you pay in, your boss pays in too
- From (April 2019) employers must match at least your first 3% of contributions
- Guaranteed 100% return on your investment

# Saving for retirement



- Annual Allowance (£40,000)
- Lifetime Allowance (£1,030,000 from April 2018)
- Money Purchase Annual Allowance (£4,000)
- Tapered annual allowance (Annual Allowance could fall to £10,000)

# ISAs

- ISAs used to be simple!
- Now a complex mess of allowances and rules
- SIX different types of ISA available:
  - Junior
  - Stocks and Shares
  - Cash
  - Innovative Finance (P2P)
  - Help-to-Buy
  - Lifetime (more on this later)



- Taxed-Exempt-Exempt (versus pensions: Exempt-Exempt-Taxed)
- Junior ISA
  - 2017/18: £4,128; 2018/19: £4,260
  - Must be under 18 and UK resident
- Cash/Stocks and Shares ISA
  - 2017/18: £20,000; 2018/19: £20,000
  - Best buy Cash ISA rates: 1.16% (instant access); 2.15% (fixed term) (*Source: MoneySavingExpert*)
  - Current UK inflation (CPI) rate: 3%
- Innovative Finance (P2P)
  - 2017/18: £20,000; 2018/19: £20,000
  - Higher potential returns than Cash...but greater risks too!
  - Not as safe as cash!



# Lifetime ISA

## ➤ Help to Buy ISA

- Pay in up to £1,200 in first month; £200 per month thereafter
- 25% bonus added on completion of first property purchase
- Min bonus = £400; Max = £12,000

## ➤ Lifetime ISA

- Must be aged 18-39
- Pay in up to £4,000 a year
- 25% bonus added monthly
- No max/min
- Continue paying in until 50<sup>th</sup> birthday
- Withdrawals tax-free for purchase of first home; after 60<sup>th</sup> birthday; or if you become terminally ill
- Beware early exit penalty!



# Building a retirement portfolio

- Retirement saving is a bit like building a house
- The foundation – workplace pensions
  - Employer contribution
  - Tax relief at marginal rate
- The bricks and roof
  - SIPPs
  - Lifetime ISA (basic-rate taxpayer only)
- The extra luxury – ISAs
  - More flexible
  - Useful for those lucky enough to be threatening the annual/lifetime pension allowance limits



# Last-minute tax tips

- Use your pension/ISA allowances (if you can)
- Carry forward – utilise unused annual pension allowances from the last three tax years
- One-off H2B – Lifetime ISA transfer opportunity
  - Transfer H2B ISA funds built up before 6<sup>th</sup> April 2017
  - Complete transfer by 5<sup>th</sup> April 2018 without using up £4,000 LISA allowance
- Dividend allowance to drop from £5,000 to £2,000 from April this year
  - Dividends above allowance taxed at 7.5% (basic-rate), 32.5% (higher-rate), or 38.1% (additional rate)
  - £5,000 of dividend income in 2018/19 would cost extra £225 (basic-rate), £975 (higher-rate) or £1,143 (additional-rate)



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