ASSET Advantage

Your quarterly newsletter from ASSET Investment Management Ltd

wealth management specialists

Spring 2017

LISA

Only a handful of providers (and at the time of writing, no banks or building societies), have launched a LISA. However, Transact have done so on the 6th April.

This new Wrapper can hold investments and cash. Transact will accept new subscriptions as well as transfers of ISA subscriptions from other ISA Wrappers and ISA providers. ISA transfers into a LISA do qualify for the government bonus and count towards the LISA £4,000 LISA annual allowance, but do not count towards the overall £20,000 ISA allowance.

There is usually a penalty if money is withdrawn from a LISA before the age of 60 and the funds are not used to purchase a first home. Withdrawn funds subject to an HMRC early withdrawal charge of 25% mean an investor may get back less than their original investment. The early withdrawal charge will not, however, be applied in the 2017/2018 tax year and there are no early withdrawal charges when clients die or are in serious ill-health.

The Government will add the bonus of up to £1,000 a year until the holder is aged 50, so in theory up to £32,000 of bonuses could be added. However, if someone invested £4,000 and had a 25% bonus of £1,000, total £5,000 and this grew to say £10,000 before they were 60 and they wanted to withdraw it, they would be penalized £2,500 (25% of the amount withdrawn) which is 250% of the amount of the bonus the Government gave in the first place.

Also, unlike pensions, the LISA remains inside the estate for Inheritance Tax Purposes and cannot provide a tax free income for dependants.

Well, article 50 has been triggered and we look forward to 24 more months of arguing and dealings before we know what the implications are for the UK - if indeed it is a "UK" by then.

We will just continue to provide a good, transparent and straightforward service throughout and beyond!

Our Services

We are able to offer qualified advice in areas other than pure investment, such as:-

- Equity Release
- Care Fee Planning
- Income Protection
- Life & Critical Illness cover
- Pension Planning
- Inheritance Tax Planning
- Wills and Estate Planning
- Lasting Powers of Attorney

Peer to Peer Lending

This can be a contentious area, but asset-backed lending is one of the oldest asset classes around, and involves making loans to individuals or companies secured against assets. We have used a company called Octopus for VCTs and Inheritance Tax mitigation plans in the past and they have launched a new product - Octopus Choice – which targets the rewards of secured 'asset-backed' lending. (cont....)

Asset Investment Management Ltd,
Drayton Old Lodge, Drayton, Norwich,
Norfolk, NR8 6AN. Tel: 01603 869988
e-mail; info@asset-im.co.uk
web; www.asset-im.co.uk

Peer to Peer Lending continued

Investors may choose the amount they wish to invest (from just £10), and Octopus will invest their money in a portfolio of up to 40 high-quality, asset-backed loans – entering into loan agreements with individual borrowers on their behalf. The interest that each borrower pays combines to create a personal rate, which is paid to investors each month. This rate will vary slightly over time as the loans in investors' portfolio change – and, of course, the actual interest that an investor receives will depend on how the loans perform. The targeted annual rate of interest is 4-5%.

In addition, Octopus puts its money where its mouth is and contributes 5% of the capital in each and every loan – and would lose its money first. In each loan, investors will get their initial investment back before Octopus; and they will also earn all of their interest before Octopus earns any.

Please bear in mind however that this is not a cash savings product, nor is it eligible for FSCS protection.

New death tax confirmed: probate fees of up to £20,000 will apply from May

The Government has ignored overwhelming opposition and pushed ahead the introduction of a dramatic rise in probate fees, taking effect from May 2017.

In the most extreme cases, estates worth £2m or more will have to pay £20,000 to execute the wishes of the deceased's will. Currently, a £215 flat fee applies if probate is applied for by friends or family, or £155 if a solicitor completes the process, but the system will be replaced by a sliding scale based on the value of an estate.

Estates below £50,000 will pay nothing at all - this applies to 58pc of all estates in England and Wales, according to the Government, but all estates worth more than £50,000 will be forced to pay increased fees. Those between £50,000 and £300,000 will pay £300; estates worth over £1m but less than £1.6m will pay £8,000; and those above £2m, £20,000 - a 9,000pc increase (see table, below).

Value of estate (before inheritance tax)	Proportion of all estates in England and Wales	Proposed Fee
Up to £50,000 or exempt from requiring a grant of probate	58pc	£0
£50,000 - £300,000	23pc	£300
£300,000 - £500,000	11pc	£1,000
£500,000 - £1m	6pc	£4,000
£1m - £1.6m	1pc	£8,000
£1.6m - £2m	0.3pc	£12,000
Above £2m	0.5pc	£20,000

These proposed changes will add further complexity to estate planning. Using trusts can help reduce the value of an estate for inheritance tax purposes, meaning a lower charge will apply.

People concerned about how beneficiaries will pay the probate fees could leave sufficient funds in a life insurance policy, and provided the policy is written in trust, it can be accessed immediately on death, without the need for probate.