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Budget 2016

**personal finance
& investing
briefing note**



About the authors

Martin Bamford is managing director of Informed Choice. He is a Chartered Financial Planner, Chartered Wealth Manager and SOLLA Accredited Later Life Adviser.



Martin is proud to be a Certified Financial Planner (CFPTM) Professional; this is the only globally recognised mark of excellence in Financial Planning. He is also a Fellow of the Personal Finance Society.

In addition to his work with elderly clients and trustees, Martin is responsible for the day to day running of Informed Choice, managing the investment management research and all aspects of marketing.

Shelley McCarthy is a Chartered Wealth Manager and Certified Financial Planner (CFPTM) professional. As Financial Planning Director at Informed Choice, she specialises in Financial Planning including lifetime cash flow forecasting and Inheritance Tax Planning.



Shelley has over fifteen years of experience in retail financial services, previously working with a national IFA firm in a number of different roles, including as a wealth adviser.

She holds the Diploma in Financial Planning from the Chartered Insurance Institute (CII) including advanced qualifications in taxation and trusts, personal investment planning, pensions and investment portfolio management.

About Informed Choice

We help people just like you find the answers to the big financial questions, making sure you can live a meaningful life as a result.

As an award-winning firm of Chartered Financial Planners working in Cranleigh since 1994, we know a thing or two about Independent Financial Planning.

Our team of Financial Planners use their knowledge and experience to deliver impartial and unbiased independent financial advice which will remove stress, bring your goals closer and deliver real financial security.

We are a firm of Chartered Financial Planners. This means we have satisfied rigorous criteria relating to professional qualifications and ethical good practice. It means you can be confident that you are dealing with one of the UK's leading firms that is wholly committed to providing you with the best possible advice, service and support.

To find out more about our advisory and planning services, please visit www.icfp.co.uk or follow us on Twitter @InformedChoice. You can call us on 01483 274566 if you have any questions.

Introduction

The Chancellor of the Exchequer George Osborne delivered his annual Budget to parliament at lunchtime today, a politically important Budget ahead of the EU referendum in June.

This was a Budget set against the backdrop of a difficult global economy, with a 'materially weaker' outlook. With the UK vulnerable to this global slowdown, Osborne had to balance the need to appease Tory backbenchers ahead of the EU referendum with fiscal reality.

The Office for Budget Responsibility once again cut their forecast for UK economic growth, but the Chancellor went on to deliver capital gains tax and corporation tax cuts regardless.

Savers will be encouraged with a higher ISA allowance and the introduction of a new lifetime ISA for the under 40s, which could act as an alternative to pensions for long-term retirement planning.

With continued low oil prices, there was support for the Scottish oil and gas industry, and also a continued freeze on fuel duty which will please motorists.

Within this briefing note we have described the main Budget announcements as they relate to personal financial planning.

As with every Budget and Autumn Statement, the devil is often in the detail. As more details come to light, we will add blogs on specific planning topics to our website at www.icfp.co.uk.

Do call us on 01483 274566, email hello@icfp.co.uk, or follow us on Twitter @informedchoice if you would like to discuss your own investment, pension or Financial Planning as a result of the Autumn Statement or any of the contents within this document.

Economic Environment

Once again, the Office for Budget Responsibility revised down their growth forecasts for the UK economy. They now expect the UK economy to grow by 2% this year, 2.2% next year and then 2.1% in subsequent years.

Despite this downwards revision, the UK economy is expected to be the best performing major developed economy in the world.

Their inflation figure was 0.7% for this year, with a mention that several central banks have adopted even looser monetary policy, adopting negative interest rates.

George Osborne highlighted the growth in jobs, with one million extra jobs forecast to be created by the end of this parliament.

Osborne announced plans for a further £3.5bn in public spending cuts by 2020, with a review of Whitehall departments about to be undertaken.

As expected, he missed his self-imposed debt targets; a recurring theme for Chancellors. Debt as a share of UK GDP is expected to be 82.6% in 2016/17, an upwards revision.

Pensions

Major reforms to pensions were expected in this Budget until that speculation was largely squashed in the press earlier this month.

Public sector employer contributions will rise as a result of a revaluation applied to the discount rate used for public sector pensions. This is designed to ensure public sector pensions remain sustainable.

The reduction to the lifetime allowance, from £1.25m to £1m, will proceed in April. Higher earners will face a reduced annual allowance, tapered down to as low as £10,000 a year depending on the level of their earnings.

Taxation

There were big cuts to capital gains tax, with the two rates of this tax cut from 28% and 18% to 20% and 10% respectively.

These CGT cuts come into force at the start of the new tax year in April, although the tax will remain at its current rates for gains on residential property and carried interest.

The income tax personal allowance will increase to £11,500 in April 2017, on track to reach the government target of £12,500 by the end of this parliament.

Also from April 2017, the higher rate income tax threshold will rise to £45,000 from its current level of £42,385.

Savings

This was a Budget for savers, with the under 40s getting access to a Lifetime Individual Savings Account (ISA) from April 2017. This will allow younger savers to contribute up to £4,000 a year, with the government adding a £1 contribution for each £4 saved, up to age 50.

Early access to this Lifetime ISA will be possible, although the government contribution will be withdrawn and a 5% penalty imposed. The entire value of the fund can be withdrawn tax- and penalty-free from age 60.

The government plans to consult on adding flexibility to the Lifetime ISA in the future, making it broadly the same as the American 401k system where withdrawn monies can be added back into the product in the future, with government contributions restored.

It will be possible to roll-over the existing Help to Buy ISA into the Lifetime ISA, retaining the £4,000 contribution limit.

For conventional ISAs, the allowance will be increased to £20,000 from April 2017.

3.5 million lower earners will get access to a new Help to Save scheme, with a government bonus added of up to £50 a month.

Businesses

The main rate of corporation tax will be cut to 17% in 2020. It currently stands at 20% and is scheduled to be reduced to 19% next April, before falling to 18% in April 2020.

Business rates will be cut for all properties in England, with the small business rate relief threshold increased to £15,000 from £6,000 permanently from April next year.

From midnight tonight, the 0% rate on commercial stamp duty will apply on purchases up to £150,000. Commercial property stamp duty will be 2% on next £100,000 and 5% top rate above £250,000.

The Chancellor also introduced a new 2% rate for high-value commercial leases with net present value above £5m.

There were some more anti-avoidance schemes announced in the Budget for big businesses, designed to raise an additional £12bn of tax revenue by 2020.

Miscellaneous

- Crossrail 2 in London and the HS3 rail link between Manchester and Leeds received a green light in the Budget.
- Fuel duty was frozen for a sixth consecutive year, saving the average driver £75 a year.
- All schools in England are expected to be converted to academies by 2020, or to have an academy order in place to convert by 2022.
- The soft drinks industry will face a new 'sugar levy' designed to reduce childhood obesity. This levy will fund a doubling of the primary schools sports premium to £320 million per year from September 2017.
- The Money Advice Service, a free government backed financial guidance service funded by regulated financial services firms, will be scrapped.
- £700m extra will be spent on strengthening flood defences.
- Cities and towns in southern England will receive new elected mayors.