



NARPO FINANCIAL INSIGHT  
**BULLETIN**

AUGUST 2019



## FINANCIAL REVIEW SERVICE FOR NARPO MEMBERS AND FAMILY

### THE 'B WORD' AND YOUR FINANCES

**It's hard for anyone to predict right now what will happen next in the long saga of Brexit negotiations. Many experts believe we can expect continued volatility in financial markets for some time to come, especially whilst political uncertainty remains unresolved.**

Whether the next few months will see a no deal exit, another referendum or a general election, remains unclear.

Unsurprisingly, many people are questioning what all this means for their money and what if anything they should do right now. If you are considering re-mortgaging, speak to your adviser, their expert advice can help you make sure you're not paying more than you need to.

Saving money and having an emergency fund that equates to three to six months' worth of expenses is sound advice, whatever the state of the economy and markets.

The advice for investors is to avoid kneejerk reactions and to stay focused on the longer-term prospects of their portfolio. Keeping investments diversified is always a smart strategy; no-one wants to have all their eggs in one basket right now, or indeed, ever.



### Five Topics to think about in the Current Economic Climate

#### Revisit your investment goals

It makes sense to take stock of your investment goals. Over time your priorities can change and your appetite for risk may alter too. Arranging a free review will help ensure that your portfolio remains well diversified and provides a good opportunity to see if any of your holdings need rebalancing.

#### Plan for the future

If you made your Will a while ago, does it still reflect your wishes? You might want to review its contents to ensure that everyone you want to benefit is included.

#### Think about your IHT position

Each year, more families find themselves drawn into the Inheritance Tax net. There are a number of ways that you can legitimately dispose of your estate to reduce the tax payable. Taking professional advice will help you assess your liability and put appropriate plans in place.

#### Don't fall for scams

The sad fact is that scams are becoming more sophisticated every day. Many involve bogus or unauthorised investments or promise to liberate your pension savings before age 55 and are backed up by glossy brochures and authentic-looking websites. As has often been said, if it looks too good to be true, then it probably is.

#### Get good advice

Before making any major financial decisions, it pays to talk to us; At Hanson, we are experienced and qualified to provide you with a range of solutions tailored to your individual circumstances.

**You can call us on 0191 495 2254 or find us at [www.hansonwealth.co.uk/narpo/](http://www.hansonwealth.co.uk/narpo/) if you need any advice in these turbulent times.**

## MORE THAN £5.2BN PAID IN INHERITANCE TAX – HOW CAN YOU CUT YOUR TAX BILL?

**Inheritance Tax (IHT) is paid if a person's estate (their property, money and possessions) is worth more than £325,000 when they die. Your estate will owe tax at 40% on anything above the £325,000 Inheritance Tax threshold (or 36% if you leave at least 10% of your net estate to charity).**

Married couples and civil partners are able to pass their possessions and assets to each other tax-free (if UK-domiciled) and the surviving partner is allowed to use both tax-free allowances (when not utilised at the first death), effectively doubling their combined nil-rate band to £650,000.

### The Residence Nil-Rate Band

From April 2017, the new family home allowance, the residence Nil-rate band (RNRB), applies if you leave a main residence to a direct descendant like a child or grandchild, including adopted, step or fostered children.

The RNRB is £150,000 in the 2019-20 tax year, then increases to £175,000 in 2020-21. As the RNRB can be added to the existing threshold of £325,000, this would potentially mean an overall allowance of £500,000 from 6 April 2020 for those who are single or divorced, or £1m for those who are married or in civil partnerships.

However, where an estate is worth over £2m, the family home allowance (but not the individual allowance of £325,000) reduces by £1 for every £2 of value over £2m.

### Seven-year rule

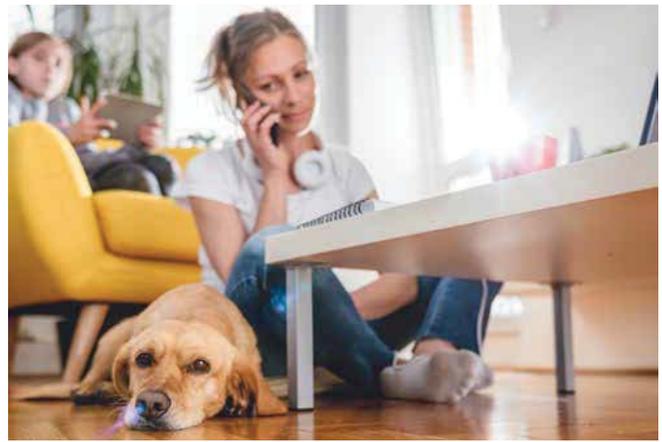
Under what's referred to as the 'seven-year rule', gifts made during a donor's lifetime can be totally exempt if they survive for seven years after making the gift. If death occurs within this timeframe, IHT is payable, although taper relief applies following the third year after the gift was made, and each subsequent year up to the seventh.

### Other ways to reduce your IHT liability

You can make gifts of up to £3,000 (in total, not per recipient) plus any number of gifts up to £250 per other recipient during each tax year.

In addition, before the wedding day, each parent of a bride or groom can give up to £5,000; grandparents or other relatives can give up to £2,500, and any well-wisher can give £1,000.

If you're able to do so, consider making regular gifts under the 'surplus income exemption'. This enables you, subject to a number of conditions, to make a series of gifts from your spare income, free of IHT, as long as the person who makes the gift is able to maintain their standard of living after making the gift.



## NEW TACTICS FOR SCAMMERS – DON'T GET CAUGHT OUT

**With the government's pensions cold-calling ban now in place, scammers are employing fresh tactics to target unsuspecting victims.**

A new scam doing the rounds involves victims being called and informed that HMRC is starting legal action against them for unpaid taxes. Some of these calls are automated, with a recorded message telling people to press '1' to speak to a case worker to make a payment. Victims are told if they don't pay £1,000s immediately they will be arrested.

In March, HMRC revealed that it had received over 60,000 reports of scam calls in the six months to January 2019. A huge increase of over 360% compared to the previous six-month period.

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**HMRC REVEALED THAT IT HAD RECEIVED OVER 60,000 REPORTS OF SCAM CALLS IN THE SIX MONTHS TO JANUARY 2019. A HUGE INCREASE OF OVER 360% COMPARED TO THE PREVIOUS SIX-MONTH PERIOD.**

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### Don't hang around

With scams like this one, calls often appear to come from a telephone number which looks similar to a genuine HMRC number. The caller will sound professional and will ask the victim to confirm their details before telling them the amount they allegedly 'owe'.

If challenged, the fraudsters claim that unless you make an instant card payment, you will face immediate arrest, or your passport will be cancelled.

HMRC has confirmed that it will never call people out of the blue demanding payment. They will only ever call asking for payment of a tax demand that they have already made the recipient aware of in writing.

Their advice is never to divulge your PIN password or bank details to strangers. If you're contacted in this way, don't give out any personal information, reply to text messages, download attachments or click on links in emails you weren't expecting.

## Appetite to Risk

**We are all concerned about financial risk, in other words the risk associated with investing in certain investment types and the potential returns from those investments. Each of us is different and we all have a level of risk we would be uncomfortable taking.**

Investment returns are not usually guaranteed and any investment strategy brings with it the potential for loss. Each type of investment carries a different level of risk. Your first option will usually be to consider saving money in a bank because it's perceived as risk-free and your money remains easily accessible. However, the reason you may not want to keep all your money in the bank is because historically the rates of interest received have been low and not kept pace with the cost of living (inflation).

To get a higher return than inflation you need to take some risk. Generally the amount of risk you take is linked to the reward. In other words the more risk you take, the greater the potential for higher returns.

Your attitude to risk is only one factor in determining your risk profile and a suitable investment strategy. Potential loss must also be considered in relation to your financial objectives. Your financial adviser will help you to understand what level of potential loss you could afford and feel comfortable with. This is known as capacity for loss.

It is important that you understand the potential risk of any investment and the financial impact this may have on you. Your attitude to risk and your capacity to take risk may differ. For example, you would like to invest in an adventurous way with your savings to maximise the potential growth, but your savings are your emergency fund and you cannot afford to lose any of their value.

You may not be comfortable with taking any risk with your investment, but there may be a need to take some risk to meet your objectives. Your financial adviser will discuss and explain the implications. Once we have established your attitude to risk, your capacity to take risk and need to take risk and how that fits with your investment objectives, we will be able to agree your overall risk profile.

**It is important to understand the level of risk you are prepared to take with your investment. To get your view on risk we will need to understand a number of key factors:**



## Spreading the Risk - Diversification

Spreading risk is one of the most important principles of investing, not only between several different investment types (also known as asset classes) but also between different companies. By taking this approach, even if a particular asset class or company goes through a bad patch, the rest of your investment need not be affected. Deciding which asset classes to invest in to match the return you are looking for links to your chosen risk profile.



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**It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.**