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WEALTH KNOWLEDGE

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Are major tax changes on hold until the autumn?

Chancellor Rishi Sunak is expected to shelve plans to introduce tax rises in next month's Spring Budget, according to reports.

The Chancellor will deliver his second Budget on 3 March 2021 and his first since COVID-19 began to engulf the UK last March.

Since then, the Government has provided more than £280 billion in support, causing debt to surpass 100% of UK GDP.

Last month, Sunak announced a further £4.6 million support package for businesses after England went into a third national lockdown.

He also refused to rule out extending the furlough scheme, which covers 80% of workers' wages for hours not worked up to £2,500 a month, beyond April 2021.

Speculation has been rife about how the Treasury plans to recoup such colossal expenditure, but the can might be kicked down the road.

A senior government source said Spring Budget 2021 is the "wrong time" for tax rises and they are likely to be put off until the autumn at the earliest.

"We'll be in the midst of a recession and living under severe lockdown restrictions," the source said.

"The mutant strain of the virus has changed our entire perspective on this. It's too soon."

That could spell the end for the nine-month stamp duty land tax holiday in England and Northern Ireland, which is due to end on 31 March 2021.

Equity release bounces back from coronavirus-induced slump

The number of people releasing equity from the value of their homes increased by 41% towards the end of last year.

Figures from the Equity Release Council (ERC) showed 10,351 lending plans were agreed at the end of September 2020 – up from 7,341 in Q2 2020.

This was 9% lower year-on-year than the end of Q3 2019, when 11,419 plans were approved for homeowners over 55.

Equity release is becoming an increasingly popular source of retirement funding as more over-55s seek to unlock money tied up in their homes.

Typically, this is done by either taking out a lifetime mortgage or selling a percentage of a house to a home reversion company.

Equity release does not pay the full value of a home, however, and it reduces the value of an estate left to pass on.

David Burrowes, chairman at the ERC, said:

"Equity release is a carefully considered choice and last year's events make it more important than ever [for savers] to weigh up their decisions through regulated financial advice.

"The key market drivers are people living longer and retirement finances are increasingly squeezed as

generous final-salary pensions edge further to extinction.

"Many older households are already facing a situation where their expenses outweigh their disposable income, which makes access to property wealth an important pillar to support later-life living standards."

Employee pension contributions fall 11% during pandemic

The amount of money saved into defined contribution workplace pensions fell sharply after the first national lockdown, official figures show.

Figures from the Office for National Statistics (ONS) showed employee contributions fell 11% in the three months to the end of June 2020, while employer contributions dropped 5%.

The fall suggests many employees voluntarily opted out of their workplace pension as a result of experiencing financial difficulties during the pandemic.

Alternatively, the coronavirus could have shifted the priorities of furloughed workers, who might have preferred to have accessible savings rather than a pension.

Under the first iteration of the furlough scheme, the Government covered employer contributions on furloughed wages into defined contribution workplace pensions.

This ensured employer contributions continued to be paid into furloughed workers' auto-enrolment pensions until 31 July 2020.

From 1 August 2020, the furlough scheme no longer covered the costs of employer contributions into the workplace pensions of furloughed staff.

Kate Smith, head of pensions at Aegon, said:

"Employer auto-enrolment duties continued for all eligible employees, including furloughed employees, so the good news is contributions continued to be paid during this time for many.

"But the impact of lower furloughed wages and job losses has been demonstrated with this dramatic drop in contributions.

"Alarmingly, these figures represent just the start of a trend, as furlough has continued and job losses are increasing.

"The longer-term impact of this could put a massive dent in people's retirement plans and their ability to save for the future."

FCA warns cryptoasset investors of potential to lose the lot

Investors in so-called cryptoassets have received a stark warning from the Financial Conduct Authority (FCA).

The watchdog said investors "should be prepared to lose all their money" if the value of their unprotected investment collapses.

The latest warning came after Bitcoin – the best-known cryptocurrency – soared to a 12-year high last month.

In early January 2021, the price of a single Bitcoin peaked at $40,000 – just short of £30,000 at current exchange rates.

As a result, some firms jumped on the bandwagon by falsely promising investors high returns for such investments.

The fluctuations lured in scores of investors, despite inherent price volatility meaning there is a high risk of big losses.

The FCA said cryptoasset investors will not have access to the financial ombudsman or the financial services compensation scheme (FSCS).

The FCA said: "Investing in cryptoassets, or investments and lending linked to them, generally involves taking very high risks.

"If consumers invest in these types of products, they should be prepared to lose all their money."