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# WEALTH KNOWLEDGE

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## One in four buy-to-let landlords plan to sell up in 2022

**Almost a quarter of landlords plan to sell up over the next 12 months as buy-to-let becomes increasingly difficult to navigate, a report has claimed.**

Research from the National Residential Landlords Association (NRLA) found that 23% of property investors intend to dispose of an additional residential property this year.

Buy-to-let landlords said tougher tax rules, extra costs to make green upgrades, and tighter restrictions on evicting problem tenants were their motives.

Nick Clay, research officer at the NRLA, said:

"Those planning to sell cited changes in tax and regulation, as well as increased costs as the key reasons for selling property.

"The fear of not being able to take back possession of property was the single most important regulatory reason why landlords were selling.

"On tax, the changes in mortgage tax relief continue to bite."

Unincorporated landlords can no longer deduct any of their mortgage expenses from their rental income to reduce their income tax bills. Instead, they receive a basic-rate tax credit which is worth 20% of their mortgage interest payments.

The old system offered higher-rate and additional-rate taxpayers more generous 40% or 45% tax relief on mortgage payments.

## Savers warned about the threat posed by rising inflation

**Savers should not be "lulled into a false sense of security" if interest rates continue to increase, due the threat of higher inflation throughout 2022.**

Ongoing low interest rates on cash savings and rising inflation will pose a risk to savers this year, despite the Bank of England raising the base rate of interest.

The main rate of inflation, as measured by the Consumer Prices Index, is expected to average over 5% in 2022, peaking at close to 6% in the spring.

In response, the central bank increased the base rate of interest from the historic low of 0.1% to 0.25% in an attempt to dampen the effects of soaring prices.

That may pass onto savings accounts, but Aegon warns that any domino effect from the increase is likely to be small and it will have little impact on consumers' purchasing power.

Instead, it urges savers to think carefully about where they put any additional cash that is not needed in the short term.

Steve Cameron, pensions director at Aegon, said:

"Savers hoping for a boost to their cash savings should not be lulled into a false sense of security if interest rates, currently just scraping above zero, rise a little.

"The lurking threat of inflation in 2022 and beyond could far outweigh any small changes in interest rates for those with large amounts of money in cash savings."

## Consumers lacking knowledge of protection products

**Most adults in the UK do not fully understand financial protection products or what they cover, according to research.**

MetLife UK polled 2,000 UK workers and found that around one in five had never heard of income protection.

A further 17% had never heard of mortgage payment cover, while 16% were unaware of what critical illness cover is.

Although some respondents had heard of such products, others admitted they still did not understand what each one offers.

Around a fifth (18%) had heard of critical illness cover but they did not understand what it covers. This type of policy helps to minimise the financial impact on the policyholder if they become critically ill.

A similar figure (20%) said the same about income protection products, which pay out when a policyholder is unable to work because of injury or illness.

Rich Horner, head of individual protection at MetLife, said:

“Financial protection products are often overlooked as a non-tangible product that you won’t ever need, but the reality is the unexpected can and does happen.

“The issue for consumers is two-fold: not understanding what is available and what it covers, and associated costs.

“By having the right financial protection in place, it can help alleviate some of the stress and worry that not having anything in place often brings.”

The research showed there are often misconceptions among consumers that products are expensive and reluctant to pay out, but that’s simply not true.

There are affordable ways to protect ourselves and our loved ones through valuable insurance policies, which help to put protection plans in place for the future.

## Some individuals keep families in the dark over wealth

**People with assets of more than £250,000 are more likely to discuss plans for passing on their wealth with an adviser than their families.**

Market research firm Censuswide polled 1,002 respondents with investable assets of £250,000 or more.

Most (91%) had started making plans for their estates in a bid to minimise inheritance tax, but only a handful had shared those with their families.

Less than half (45%) had made a legally-valid will, while only 36% had discussed their plans with their partners.

Only 38% had sought professional advice from an independent financial adviser. 8% hadn’t made any plans whatsoever.

As far as will writing goes, 13% of people over the age of 55 had not made a will, compared to 83% of over-65s.

Even of the over-65s who had started managing their estates, only 28% had discussed inheritance with their children.

Mike Stimpson, partner at Saltus, which commissioned the study, said:

“While it’s encouraging to see that most people have at least made some plans for passing on their wealth, a surprisingly large minority have not discussed it with their children.

“It’s not uncommon for clients to say they don’t want their partner to know the extent of their wealth, however, where possible it’s advisable for clients to be open and honest with their family – particularly partners – in order to make the most of tax breaks available.”

Being married can offer major tax benefits when it comes to capital gains tax and inheritance tax, and (to a lesser extent) income tax.

Important Information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

ISA eligibility depends on individual circumstances.

Pension eligibility depends on individual circumstances. Pension benefits cannot usually be taken until age 55.

Your home may be repossessed if you do not keep up repayments on your mortgage.

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