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FINANCIAL VIEWPOINT

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Autumn Budget 2024: Winners and Losers

Chancellor of the Exchequer Rachel Reeves outlined the Government's financial plans for the next five years. The measures, which will raise up to £40 billion for public finances, aim to "restore economic stability" and put "more pounds in people's pockets".

On 30 October 2024, Chancellor of the Exchequer Rachel Reeves announced the UK Government's Autumn Budget alongside the Office of Budget Responsibility's economic and fiscal forecast. The measures aim to raise more than £40 billion in taxes, plugging an alleged £22 billion black hole in public finances left by the previous government. Reeves committed to drive economic growth, but also said that the Government wouldn't borrow to fund current spending whilst maintaining the Bank of England's inflation target of 2%.

Commenting on the Budget, Reeves said: "This Government was given a mandate to restore stability to our economy and begin a decade of national renewal. To fix the foundations and deliver change through responsible leadership in the national interest. That is our task, and I know we can achieve it."

So, what are the potential impacts of these new measures? Below we outline who stands to benefit from these changes and who might be negatively affected. Let's start with the positives.

The Winners

The NHS

The Chancellor pledged to significantly increase public spending on the NHS. Reeves promised a £22.6 billion increase to the "day-to-day" budget of the NHS alongside a £3.1 billion boost to its capital budget over the next two years. The Chancellor commented that this would be the "largest real term increase in NHS spending outside of COVID since 2010."

Sustainable transport and energy

Reeves also announced that the National Wealth Fund would be used to invest in key areas like gigafactories and green hydrogen plants across the country. Meanwhile, over £2 billion will be invested in supporting the automotive sector's transition to electric vehicles.

Property developers

Funds for the Affordable Homes Programme will increase to £3.1 billion to help Labour deliver on its promise to build over 1.5 million homes. Reeves said the Government would hire hundreds of new planning officers and make reductions to Right to Buy discounts, putting more money into the pockets of local councils. This news could incentivise investment in the UK's property market and make it easier for property developers to build new homes in the UK.

Driver

Reeves confirmed that the freeze on fuel duty will continue for another year, meaning drivers could save approximately £60 a year at the pumps. The freeze will cost £3 billion a year, but the Chancellor was clear that she wanted to ease "the burden on motorists". This move could help relieve the fiscal pressure on delivery drivers, couriers and supply chains throughout the country.

Young and low-income workers

The Chancellor announced that the Government is increasing the National Living Wage for workers aged 21 or over by 6.7% to £12.21 an hour (which could be worth up to £1,400 a year for a full-time worker) and increasing the National Minimum Wage for 18–20-year-olds by 16.3% to £10 an hour. Reeves also confirmed that National Insurance won't be increasing for workers. Increases to the National Living and Minimum Wages are intended to provide much-needed support to those on the lowest incomes.

Small businesses

The employment allowance for business will increase from £5,000 to £10,500, reducing the National Insurance liability of small businesses. The Chancellor said that this would mean around 865,000 would pay no National Insurance in 2025, providing welcome relief for SMEs who are struggling to retain an effective workforce and attract applicants without a hit to their profits.

The Losers

Employers

Reeves confirmed that employers' National Insurance contributions will increase to 15% from April 2025. The Government is also reducing the threshold at which employers start paying National Insurance from £9,100 to £5,000 per year. Furthermore, the Chancellor announced that the current freeze on income tax thresholds would end in four years. From 2028, personal tax bands will be updated in line with inflation.

These changes will have a direct impact on British employers, but they could also have a knock-on effect for employees. Many businesses use savings on National Insurance to fund pension contributions or employee benefits. If the increased burden of National Insurance contributions proves too harsh, employees could lose these benefits as a result.

New businesses and investors

The Chancellor announced an increase in the lower rate of Capital Gains Tax (CGT) from 10% to 18% and the higher rate from 20 to 24%. She noted that, even with these increases, the UK will still have the lowest capital gains tax rate of any European G7 economy. But some analysts argue that the move could alienate investors and even decrease tax revenue overall if investment is pulled from UK startups.

Foreign investors

Reeves also announced sweeping changes to the tax status for non-domiciled high-net-worth individuals operating in the UK. The Chancellor said that Labour would "abolish the non-dom tax regime, and we will remove the outdated concept of domicile from the tax system from April 2025."

The government is also set to extend the Temporary Repatriation Relief to three years with the aim of bringing billions of new funds into the UK. The independent Office for Budget Responsibility estimates that this could raise £12.7 billion over the next five years.

Second homeowners

The Stamp Duty land tax for owners of second homes (known as the Higher Rate for Additional Dwellings) increased to 5% from 31 October 2024. The Chancellor said that the move is designed to "support over 130,000 additional transactions from people buying their first home or moving home over the next five years." However, this increase could have an impact on landlords, property developers, and the owners of holiday homes and other rental properties.

Private schools

All education, training and boarding services provided by private schools will now be subject to VAT at the standard rate of 20% from 1 January 2025. Private schools also won't be able to claim back VAT on the supplies and services they pay for.

What's next?

The Autumn Budget contained several key changes that are likely to have significant impacts on individuals and businesses across the UK. There's a lot of information to process and it may not be immediately clear how the changes set out in the Budget will affect you. If you have any questions about whether you are a winner or a loser from the Autumn Budget, and how it will affect you and your finances, please get in touch.

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Don’t fit the mortgage mould? We can help you

If you’ve ever felt like you don’t quite fit the conventional mould when it comes to securing a mortgage, you’re not alone. In fact, more and more people are in the same boat, challenging the standard lending rules.

If you’re self-employed, had a credit blip or over 50 you may have encountered challenges when applying for a mortgage because traditional mortgages don’t always cater to everyone’s needs. Luckily, there are specialist mortgage products designed just for people like you and we can help.

Self-employed?

Do you feel like you have to jump through more hoops when applying for a mortgage just because you’re self-employed?

We understand the complexities of self-employed finances and can help you find the right mortgage product tailored to your needs.

Whether you’re a sole trader, in a partnership, a company director, or a contractor, we’ll guide you through the process and help you gather the necessary documents to prove your income.

Dealing with a credit blip

Don’t let past credit issues hold you back from getting a mortgage.

We have access to specialist lenders who work with people with varying credit histories.

Whether you’ve had late payments, past debts, or no credit history at all, we’ll help you explore your options and find a mortgage solution that works for you. We understand that life circumstances can impact credit, and we’re here to help you.

Over 50 and need a mortgage?

Getting a mortgage in your 50s and beyond used to be a challenge, but things have changed!

With access to a wide range of mortgage products, including those with age-friendly terms, we’ll guide you through the process and ensure you find a mortgage that fits your needs.

Whether you’re looking to downsize, renovate your home, or explore new living arrangements, we’ll help you find the right mortgage solution for this exciting chapter of your life.

How we can help you

We offer personalised guidance tailored to your unique circumstances and can help you if your financial situation, age, or employment status don’t fit the traditional mortgage mould. Together, we can explore the options available to you.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Approved by The Openwork Partnership on 13/09/2024

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Here's how financial protection can offer security for parents

Serious illness can place immense stress on our families. The cost of caring for an unwell child, worry over access to essential services, and the emotional toll of serious illness are all things that no parent wants to think about.

We can't predict what the future will hold for the health of our families, but we can take proactive steps to prepare for the risk that we or our children might become critically unwell.

Appropriate financial protection can be a vital safety net for parents, providing essential cover for children and easing the pressure of caring for them.

Critical illness payouts can help you care for your child

No parent wants to consider the possibility of their child becoming seriously ill, but planning for the worst can offer the greatest peace of mind. Robust and appropriate financial protection can help shore up your finances and allow you to focus on caring for your child.

Critical illness cover pays out a lump sum if you are diagnosed with an illness covered by the policy. Many of these policies include cover for a child of the policyholder, paying out a proportion of the full amount if they become seriously ill. This payout provides a financial safety net, covering your expenses and allowing you to take time away from work to care for your child.

Critical illness cover may also come with other benefits that can offer further support for your family, such as:

- A payout if your child is hospitalised because of an accident.
- Cover for the cost of accommodation so that you can be close to your child if they're in hospital.
- Childcare costs if you're diagnosed with a serious illness that's covered by your policy.

The cost of critical illness cover varies depending on how large you want a potential payout to be, as well as other factors like your age and general health. It's important to note that you'll only be covered as long as you keep paying your premiums.

Children are often automatically included in critical illness cover but this isn't guaranteed. Contact your provider for clarification and be aware that your premiums could rise if you add a child to a policy that doesn't already cover them.

Cover for a child typically starts from the first few weeks after birth and lasts until they're 18, or 21 if they're in full-time education, but this can vary between providers. There may be other restrictions to critical illness cover that you should be aware of – some policies will only allow one claim per child whilst others might exclude certain conditions that are present from birth.

It's important to check the details of critical illness cover thoroughly when comparing your option to make sure that you're buying the right cover for your circumstances.

Private medical insurance could help provide better care for your family

You may want to consider taking out private medical insurance to compliment the security that financial protection could offer you. The Guardian reports that the private health insurance market has grown by £385 million in the last year. At the same time, rising wait times and staff shortages are causing public satisfaction with the NHS to slump according to the long-running British Social Attitudes survey.

Private medical insurance can help to put your mind at ease by reducing waiting times for a range of services (like tests and consultations) whilst giving you a wider choice of treatment providers. It could also help to cover the cost of a private room, giving you and your family greater privacy if you need to stay in hospital overnight.

Private health insurance can cover much more than just physical illness. Some providers offer access to counselling and mental health services which are becoming increasingly important for the wellbeing of younger generations – the number of children and young people seeking support for their mental health increased by 25% from 2022 to 2023 according to data from Aviva.

The cost of private health insurance and the level of cover you'll receive are influenced by a range of factors, including who you want the policy to cover, your lifestyle, and family medical history. It's important to take the time to understand how comprehensive your options are and any exclusions that might affect your family.

Talk to us to see how we can help protect your family

Financial protection is just one way that you can prepare for the unexpected. Get in touch if you'd like to know more about financial protection for your family against serious illness.

Please note: Financial protection plans typically have no cash in value at any time and cover will cease at the end of the term. Cover will lapse if premiums are unpaid. Cover is subject to terms and conditions and may have exclusions. Definition of illnesses vary between providers and will be explained in policy documentation.

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Three ways to teach children the value of money

Teaching children about money doesn't have to be complex or overwhelming. Starting with simple principles like saving, spending and sharing can help them develop lifelong positive financial habits.

1. Make saving exciting

Delayed gratification can be challenging for children, so the key is to make saving exciting. Set up a "goal jar" for something your child wants (like a toy or a special outing), put it somewhere prominent and encourage them to put money towards it.

Literally watching their savings grow teaches kids patience but also helps them understand the value of saving for specific goals. For older children, consider a savings account that allows them to check their balance online. This turns the jar on the counter into a digital experience that can help prepare them for real-world banking.

2. Learn smart spending

Kids, like adults, can be tempted by impulsive purchases, but encouraging them to spend wisely is just as important as teaching them to save. If they have their eye on two items, encourage them to compare the prices or features and think about which one they want more. Talking through these choices with your child shows them how to budget and make compromises.

Setting a spending limit for things like toys, games, snacks or experiences can also be helpful. You could give them a set amount of money each month for these extras and let them decide how to allocate it. This helps kids learn to manage their own money and empowers them to make choices that reflect their priorities.

3. Teach generosity and compassion

Teaching children to share their resources is another valuable lesson that helps build empathy and show them that money isn't just for buying things. You could introduce this idea by designating a small portion of their allowance for something charitable and letting them decide how it's used. For example, they could donate it to an animal shelter or use it to buy items to give to a food bank.

You could also set up a "giving jar" for causes that matter to your family and set a good example by regularly putting money into it. Seeing their money make a difference to others is a powerful lesson in generosity and compassion, but it also reinforces the idea that money can be used as a tool for positive change.

Build lifelong financial confidence

Teaching children about saving, spending and sharing can help them develop good financial habits and make the most of their own money when they grow up.

A Junior ISA (JISA) is a great way to give them a helping hand towards things like their first car, university fees or deposit for their first home, as well as setting them a good example. You can save up to £9,000 a year into a JISA and, just like other ISAs, the interest is tax free. Your child can take control of the account when they're 16 and start withdrawing the money when they turn 18.

Get in touch if you want to know more about JISAs or to make plans to secure the financial security of the children in your family.

Figures based on the ISA allowance figures for the 2025/2026 tax year.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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Tools for successful estate planning

Successful estate planning is about balance and compromise.

It means you can avoid 40% inheritance tax (IHT), by ensuring that your estate is worth less than the tax-free threshold of £325,000 when you pass away.

But life is complex. You don't know when you're going to pass away or how much money you may need in later life. You also can't predict what will happen to your loved ones, and you may want your assets to be used in a certain way.

Let's consider some ways that could help reduce your IHT liability:

1. Lifetime gifts

You can give away up to £3,000 tax-free each year to one person or split the £3,000 between several people (this is known as your annual exemption). You can give a further £250 per person each year to individuals who haven't benefitted from your annual exemption.

Other gifting options such as wedding gifts, gifts from your surplus income and gifts to help with living costs are also available.

2. Exemptions and reliefs

There are lots of other legal ways to reduce IHT besides gift giving, including:

- Any amount left to a spouse or civil partner is exempt from IHT.
- Any unused IHT allowance will also pass to your spouse (note that you must be married or in a civil partnership for these conditions to apply).
- Leaving your home to your children or grandchildren could boost your tax-free allowance by up to £175,000 to a total of £500,000.
- Any money you leave to a UK registered charity, community amateur sports club is free from IHT and the IHT rate on your taxable estate falls from 40% to 36% if you leave more than 10% of it to one of these groups.

3. Trusts

Trusts help you control what happens to your assets after you pass away. Trustees are legally obliged to manage the assets on behalf of your beneficiaries, and you can make the terms as rigid or flexible as you like. Trusts can also be useful for minimising IHT.

4. Pension arrangements

Currently, you can pass many pension products on to loved ones when you die and they're not usually subject to IHT so it can be a smart way to leave a legacy if you don't think you'll use all your pension in your lifetime. But it can be complex, and the person inheriting may have to pay income tax.

The Government has announced its intention to make changes to inheritance tax (IHT) on pensions. From April 2027, most pension funds will fall into the estate for IHT purposes. Any funds that pass to a spouse or civil partner will remain free of IHT on first death.

5. Life assurance

Estate planning may not eliminate the IHT liability on your estate, but the payout from a life assurance policy can be used to pay off all or part of the eventual tax bill. Alternatively, your Executors might need to take out a loan to cover the cost because the assets in your estate can't be realised until they've been granted probate, and that doesn't happen until IHT is paid.

We can help you create a legacy to be proud of

Setting up your estate to support your loved ones can bring you real peace of mind. We'll work with you to explore your options and explain the best way to achieve your goals.

Figures based on the IHT figures for the 2025/2026 tax year.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes, which cannot be foreseen. Please contact an accountant or tax specialist for specific tax advice.

Trusts are not regulated by the Financial Conduct Authority.

Is it better to gift a property or leave it in your will?

Before passing away, Maggie gifted her house worth more than £700,000 to her son Bruce but still remained living there, paying a token amount of rent. Nine years later, following Maggie's death, Bruce was surprised to be landed with an inheritance tax bill for the property.

What did Maggie do wrong?

Maggie knew if she died within seven years of gifting Bruce her house that he may well end up paying inheritance tax on it. She also knew enough to pay Bruce rent after gifting him the property. However, the amount she paid was well below the market rate and this is where she fell foul of inheritance tax laws. By only paying a token amount of rent, the house remained part of Maggie's estate and Bruce was hit with a hefty inheritance tax bill.

How to decide whether to gift a property or leave it in your will?

There are no easy answers to this. There are a lot of complicated tax rules to consider and the best approach will depend on your individual circumstances. Whatever the situation, it's an important decision and one best made as a family. We've looked at the pros and cons of both to give you an idea of the kind of things you'll need to consider.

Leaving a property in your will

The first thing to do is find out the residence nil rate band (RNRB) allowance for the property in question. If, like Maggie, you're leaving your main home to a child or grandchild, they'll benefit from an extra £175,000 tax-free allowance on top of the standard £325,000. This means you could leave an estate worth up to £500,000 and there'll be no inheritance tax to pay. And if you and your spouse are leaving a joint estate, that doubles to £1m.

Maggie's husband Bill died in 2019 and the executors of the estate can also claim Bill's residence Nil Rate Band. This means that the £675,000 can be claimed as an amount where no inheritance tax is applied, meaning this £675,000 remains inheritance tax free.

The benefits of leaving a property in your will are that you'll retain control of it, it isn't generally at risk from anyone else's divorce, death, or bankruptcy and, currently, there's no capital gains tax to pay for the beneficiary.

Working with a professional financial planner, it would have been possible for Bill to leave 'assets to the value of the Nil Rate Band' and have what is called a 'Will Trust' written into the will. As this is a specialist area, it is important to discuss with a professional and consider the options.

Gifting a property

If, as in Maggie's case, the property is worth more than the RNRB, you may want to consider passing full ownership to a child. You then need to move out or, as Bruce found out to his cost, pay rent at the going market rate.

There are many reasons people choose to gift a property: to minimise inheritance tax; to provide financial help to loved ones sooner rather than later; or to avoid care home fees. If you're considering it for the latter reason, you should be aware that anti-avoidance rules are designed to stop people doing this.

If you gift a property, you'll lose control of it. But once the transfer of ownership takes place, so begins the seven year countdown for removing the property from inheritance tax liability.

Right sizing

Another option for improving your quality of life into old age and helping the kids out at the same time is right sizing. In other words, selling the family home and buying somewhere that is easier to manage and better suits your needs as you get older. This option generally releases equity, which can be used to give loved ones a financial boost while you're still alive. Alternatively, you could investigate a lifetime mortgage as an option for releasing money to gift away now.

Insuring against inheritance tax

Another possibility Maggie could have considered is taking out whole of life insurance. This would have provided a tax-free lump sum on death to cover Bruce's inheritance tax bill. Writing the policy into trust would have ensured any payout wasn't included as part of Maggie's estate.

However, policies can be expensive and HMRC would have treated the premiums as a lifetime gift if Maggie paid them herself. Bearing this in mind and considering Bruce would have been the person to benefit from the insurance cover, it would have made sense for him to pay the premiums if he was keen to go down this road.

Key takeaways:

- When deciding whether to gift a property or leave it in your will, you need to focus on what you're trying to achieve.
- The benefits of leaving a property in your will are that you'll retain control for the rest of your life, it isn't generally at risk from anyone else's divorce, death or bankruptcy and, currently, there's no capital gains tax to pay for the person who inherits it.
- Gifting a property can be used to minimise inheritance tax and allow you to provide financial support to loved ones before your death.
- Right sizing may improve your quality of life and release equity.
- It's possible to insure against inheritance tax but it can be expensive so it may be more appropriate for beneficiaries to pay the premiums.
- Professional advice can help you and your loved ones understand the various implications of the different options and allow you to make informed decisions.

The importance of professional advice

As you can see, estate planning is far from straightforward so it makes sense to work with a financial adviser who can look into different scenarios and help you and your loved ones make informed decisions.

Get in touch

If you'd like help to create a financial plan to structure your assets to be more tax-efficient before your death, we can help. Please get in touch to arrange a time to chat.

Reasons to consolidate your pensions

If you've worked for more than one employer, you will doubtless have more than one pension plan. How long is it since you last looked at them? Are they languishing in poor performing funds?

Combining some or all of your pensions into a single plan could save you money, achieve better growth and make your life easier. Here are some things to consider:

5 benefits of pension consolidation

1. Consolidating could save you money. Each pension plan has its own annual charges so combining multiple pensions into one means you'll only pay one annual fee. Shopping around could also help you find a plan with lower charges than your current ones.
2. It gives you greater flexibility. Modern pensions may offer benefits that older ones don't, like flexible drawdown of your pot or income for your loved ones after you pass away.
3. It keeps things simple. You only have to remember one set of login credentials and, if your address changes or you want to change the recipient of any death benefits, you only have to tell one provider.
4. You could get better opportunities. Bringing your pensions together could increase the overall value of your savings and a different plan or provider might give you access to a wider range of investment funds.
5. It makes it easier to plan for the future. An important part of retirement planning is understanding what you've got and what you'll need. Having everything in one place makes it easier to track your plan's value against your goals.

Things to be aware of

You could be charged exit fees. Some plans still have exit penalties so make sure you're aware of these and the impact they might have on your pot.

It may be better to stay in a final salary (also known as defined benefit) scheme. These offer a guaranteed income in retirement alongside other benefits (like a pension for your spouse when you die) which you'll lose if you transfer out.

There's no guarantee you'll be better off consolidating. Your current pensions may have benefits like early access or guaranteed annuity rates that might be worth keeping, and annual fees on other pensions may not be competitive.

Get advice before you consolidate

We're here to help. We can assess your situation, explore your options, and help you understand if pension consolidation is right for you.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

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