

This month: April

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The Budget – a new saving initiative

Chancellor George Osborne delivered his latest budget on 16th March. Whilst covering a range of issues and initiatives, including education, business, the deficit and the regions, he also focused on pensions and savings.



The Chancellor introduced a new Lifetime ISA

PENSIONS AND SAVINGS

Following wide consultation last year, the Chancellor announced that there was no consensus on pension reform. It was previously expected that he would use the Budget to announce radical reforms regarding pensions tax relief, but these plans have been temporarily put on hold largely due to the unrest surrounding Brexit.

The Chancellor reiterated the plans about 'Help to Save', a scheme open to around 3.5 million adults who receive universal credit or tax credit, incentivising them to save. These accounts will be available from April 2018 and consultations on their implementation will begin after the Budget.

A new 'Lifetime' ISA was announced, allowing under-40s (from age 18) to save for their first home or retirement. Available from April 2017, people will be able to save £4,000pa and receive a 25% additional bonus from the government. Savers can access the money at any point, but will lose the bonus and incur a small charge. Osborne will consult the industry on whether customers can return money to the account to reclaim the bonus. Those who have already taken out a Help to Buy ISA will be able to roll it into the new Lifetime ISA and preserve the government match. By investing £4,000, the government will contribute £1,000. For the basic rate tax payer, this is the equivalent of tax free savings into a pension, but unlike a pension, tax will not be payable on withdrawal. As with the Help to Buy ISA, the bonus comes with certain conditions.

The Chancellor praised the benefits of ISA investment and said he would increase the annual ISA limit from £15,240 to £20,000 from April 2017.

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