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Private Client UPDATE

## Could you help your children to buy a home?


A further 1.5million people aged 18-30 will be forced into renting in the next eight years, according to new research by the Joseph Rowntree Foundation. The number who can't afford to leave their parents' home is expected to rise by half a million to 3.7million over the same period.

It makes grim reading for both generations and it is little wonder that many parents feel compelled to help, but they need to think carefully before going ahead.

Everyone's circumstances will differ but as a general rule, parents should avoid dipping into their retirement funds to help their children. A lot of things can go wrong. If you are handing over money, even as a loan, you should be able to stand losing it if the worst comes to the worst.

You should also be certain that you are helping for the right reasons. If your children are financially responsible and can afford to repay a mortgage but just can't raise a deposit then it may make good sense to help them. However, if they haven't been sensible with money then you may need to think carefully before getting involved.

If you do decide to go ahead there are various ways you can help. Most parents do so by making a contribution towards the deposit for a mortgage. You could simply give them the money, but if you want it to be repaid at some point in the future, you should draw up a written agreement so everyone knows where they stand.



This is important because memories get blurred over time. The agreement should include details of the repayment schedule, preferably with a 'promissory note' so it's a proper formal arrangement. You may also want



to draw up a deed of trust outlining how much you have contributed to the purchase so you can get your money back when your child sells the property in the future. If you are buying a home and renting it back to your children, make sure you can meet the repayments if they can't.

If you don't have enough money to help, you could borrow using your own home as security, but this carries considerable risks as you could lose your home if you cannot meet the repayments.

You could consider a guarantor mortgage. This would enable your income to be taken into account when assessing your child's mortgage. However, you would be liable for the repayments if your child defaulted. The same would apply to joint mortgages.

As a parent, it's only natural that you should wish to help your children but you must do so in the right way. If you get it right, it could help them build a brighter future; if you get it wrong, it could lead to financial hardship and even family splits.

Please contact us if you would like more information about buying and selling a home.

## Workers over 50 'are still being discriminated against'

People over 50 are still being discriminated against by many employers, according to the research organisation Policy Exchange.

It found that despite being better educated and healthier than ever before, older workers are more likely than younger colleagues to be unemployed for more than a year if they lose their jobs.

As part of the research, Policy Exchange applied for 977 bar jobs as a 25-year-old woman and as a 51-year-



old woman. They also applied for 250 jobs as personal assistants as a 24-year-old woman and as a 50-year-old woman. All relevant experience and qualifications were equal; the only difference was the age of the applicant.

The younger applicant received 125% more positive responses for the bar job, and 45% more positive responses for the personal assistant position.

The findings are contained in Policy Exchange's report, Too Much to Lose: Understanding and Supporting Britain's Older Workers. The report

also says that the support offered to older people who are looking for work is inadequate.

It says that while it is important for the Government to help young people who are out of work, they haven't focused enough on the older generation. It calls on the Government to help people with the greatest need rather than those who fall into a certain age group.

Anyone who is discriminated against in the workplace because of their age is entitled to claim compensation.

Please contact us if you would like more information about employment law and workplace issues.

# Your charitable donations and inheritance tax

It is now possible to reduce the Inheritance Tax (IHT) payable on your estate by 10% if you leave 10% of your assets to charity.

This cuts the rate from the standard 40% to 36%. The new system came into effect on 6<sup>th</sup> April but many people are still unclear how it works. With this in mind, HM Revenue and Customs have released a guidance document.

The guidance makes it clear that to qualify, you must leave at least 10% of the net value of your estate to a qualifying charity.

The net value is the sum left after deducting any debts, liabilities, reliefs, exemptions and the nil-rate band.

That sounds quite straightforward but, as HMRC points out, there are “different ways you can own assets such as money, land or buildings”.

The HMRC statement says: “To see how much you need to leave to charity to qualify or whether your estate can pay a reduced rate of Inheritance Tax because of a charitable donation left in a will, you have to work out the value of each of the separate parts of an estate.

“These are known as ‘components’. It’s possible that one part of your estate may pay Inheritance Tax at 36% and another part pay tax at the full rate of 40%. To work out whether the



reduced rate applies, your estate and your assets are broken down into three components as follows:

- *assets that you own jointly with someone else that pass by ‘survivorship’*
- *assets in trust*
- *assets that you own outright or as tenants in common*

“It’s also possible to merge one or more components to gain the maximum benefit from the reduced rate.”

At this point, the process becomes more complicated and it would be wise to seek expert advice to ensure you make the most of the benefits available.

Please contact us for more information about the issues raised in this article or any aspect of inheritance tax planning.

## Want a bigger home? NewBuy Guarantee may help

People who need a bigger home but can’t afford to trade up may be able to benefit from the NewBuy Guarantee scheme.

The scheme was originally aimed at first time buyers. It’s backed by the Government, construction firms and mortgage lenders.



It aims to make it easier to buy a home by providing 95% mortgages on newly built properties. It means that instead

of a typical buyer having to provide a deposit of £40,000, which many lenders demand, they only have to provide £10,000. The scheme covers houses up to £500,000 and could help 100,000 prospective and current homeowners.

Housing Minister Grant Shapps, pictured right, said: “For years increasing numbers of people have outgrown their homes but been unable to move.

“They expected to trade up - because that’s what their parents were able to do. But now they’re boxed-in, home outgrown - stuck in a flat, when really what they want is a family home.

“The NewBuy Guarantee will give our second-time buyers a second chance, as this is the first scheme of its kind not confined to first time buyers, but available to anyone looking to buy a newly-built home.”



Please contact us if you would like more information about buying or selling a home.

## This space could be used to promote your firm

We could add another one of our legal news stories here, or you could use a panel like this to give more details about your services.

Occasionally, you might want to advertise a surgery or seminar.

We can include that for you at no extra cost.

The choice is up to you.

# Digital approach to Lasting Powers of Attorney

Lasting Powers of Attorney (LPA) are a well established way of appointing someone you trust to make decisions on your behalf if you ever lose the ability to manage your affairs at some point in the future.

They are often set up as people get older and fear their health may begin to fail. Alternatively, people use them if they are going to be out of the country or preoccupied for some other reason and need someone to look after their interests for them.

You can appoint someone to make decisions on your behalf about your welfare, money or property. LPAs should be drawn up with the help of a solicitor

to ensure that they properly reflect your wishes and that your interests are fully protected.

LPAs have to be registered with the Office of the Public Guardian (OPG), which administers the system.

The OPG has now announced that it wants to introduce a new online service to replace the current paper based approach.

Alan Eccles, the Public Guardian, said: "More and more people are now taking the important decision to apply for Lasting Power of Attorney and we want to make sure we provide the best possible service for them – one that is



simple, straightforward and effective. The proposed new online application process will make applying simpler and quicker."

Please contact us if you would like more information about the issues raised in this article or any aspect of LPAs.

## Directors and farmers seeking safety in pre-nups

Rising land prices have led to an increase in the number of farmers drawing up marital agreements to protect property that may have been in their family for several generations.

There's been a similar trend among company directors anxious to protect their businesses.

Marital agreements such as pre-nups or post-nups set out in advance what should happen if the marriage ends in divorce. They can cover a wide range of topics but mostly they describe how the couple's money should be divided if they separate.

The price of agricultural land has doubled over the last five years to an average of £6,000 an acre. It means a divorce settlement could be much higher now than in the past.

To fund such a settlement, farmers could face the prospect of having to sell some of their land, or trying to borrow money at a time when banks are reluctant to lend.

The answer for many farmers is to negotiate agreements that are fair to both sides without jeopardising the value and



integrity of the inherited family property. There has also been an increase in the number of people from other professions using marital agreements, particularly among company directors.

Like farmers, many people running family businesses don't want to see the firm's viability threatened by money being taken out to fund a divorce settlement.

Many business owners are also asking their children to draw up pre-nups. This is seen as a way of protecting family interests many years down the line after the children have inherited the firm.

Some companies are urging all their directors to draw up agreements.

They don't want to find that a director suddenly has to sell his or her interest in the business because it could be very damaging and destabilising.

Financial pressure and the growing legal status of marital agreements has convinced many people who were previously sceptical that it is now worthwhile to use them as a way of protecting their interests.

Please contact us if you would like more information about marital agreements or any aspect of family law.

### Man compensated for loss of hearing caused by work

A man has been awarded £8,000 after exposure to excessive noise at work caused him to lose his hearing.

The man worked in a warehouse for eight years between 2001 and 2009. It was a noisy environment with pump trucks, wagons, auto-pickers and dock levellers often being operated simultaneously.

During his time at the warehouse, the man sustained permanent bilateral hearing loss of 11.4dB and mild tinnitus as a result of the noise.

It became compulsory for employees to wear protective earplugs in 2007, six years after he had joined the company. He always wore his earplugs

after 2007 but too much damage had already been done.

He found it difficult to engage in conversations as he would often miss parts of what people were saying. He brought an action against his employers, saying they had been negligent in failing to provide him with protection from the excessive levels of noise in the workplace.

He was awarded £8,000 in an out-of-court settlement.

Please contact us if you would like information about making a personal injury claim.

# Judge wants more rights for cohabiting couples

A leading judge has called for cohabiting couples in England and Wales to be given the same legal rights as those in Scotland to prevent the kind of injustice and hardship that can occur when relationships come to an end.

The call from Lady Hale is important because thousands of cohabiting couples are under the illusion that they have the same legal rights as people who are married. It's a misconception that all too often leads to heartache.

It could be that someone lives with their partner for 20 years yet ends up homeless and penniless when the relationship breaks up. Or they may find they lose out because their partner dies without making a will and the estate they helped to pay for and expected to inherit is instead divided up between family members they hardly know.

Women have no automatic right to maintenance from their partner, even if they stayed at home for years to look after their children. Men may find it difficult to recover money they spent on a home in their partner's name.

With marriage there is an automatic presumption that both partners are equal irrespective of their differing contributions. Unless there are special circumstances, assets and wealth are divided equally when a couple divorce. With co-habiting couples there is no such presumption.

Many people think the law is out of touch with the way people live today. There are currently more than two million cohabiting

couples in the UK. In 2006, the Scottish Parliament recognised this and introduced legislation giving cohabiting couples more legal rights, though stopping short of the full protection provided by marriage.

Now Lady Hale, a Supreme Court justice, has called for couples here to be given similar rights. She said the changes in the law had achieved a lot for Scottish cohabitants and their children, and unmarried couples here deserved no less.



In the absence of any new legislation, many couples protect themselves by drawing up living together agreements which state in advance how their assets should be divided if their relationship fails.

A few years ago, the government started a campaign urging couples to draw up such agreements to cover things like finances, property and pensions.

Please contact us if you would like more information about cohabitation agreements and family law issues.

## Pregnant teacher wins her claim of unfair dismissal

A teacher who was dismissed by an independent girls' school after she became pregnant has won her claim of unfair dismissal.

Rebecca Raven had worked at Howell's School in Denbigh, North Wales since 2008 and became a full time art teacher in 2009.

She told her employers that she had become pregnant in May 2011 and would need to take maternity leave

from the following November. However, her employers dismissed her and said she would have to leave when the school closed during the summer holidays. She made a claim of unfair dismissal.

The employment tribunal at Shrewsbury held that the school had been in breach of the Employment Rights Act 1996 and the Equality Act 2010.

In giving the tribunal's judgment,

Judge D Thompson said: "We unanimously conclude this dismissal was discriminatory on the grounds of the claimant's pregnancy/maternity leave request."

The tribunal said that the amount of compensation due to Mrs Raven should be decided at a further hearing.

Please contact us if you would like more information about the issues raised in this article.

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Partner's Name



Partner's Name



Partner's Name

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