

New Year Resolutions for your money

Thomas Dickson, Chartered Financial Planner and Managing Director of Essential Money talks about the financial decisions he's resolving to tackle in 2017, and thinks the rest of us should consider as we plan for the year ahead.

On New Year's Eve, after our friends had left at 10pm (we know how to party in the Dickson house) my wife and I sat down and wrote our annual New Year Resolutions. Will we keep them all? Almost certainly not. Is it worth sitting down at least once a year to write them down? Absolutely Yes! And it's one of the rituals we have every year and helps us focus on the things we want to do more of and some of the things we want to do less. Here are my 2017 New Year's Resolutions for my finances:

- Set aside a date after 5th April 2017 to work out all the figures the accountant will need to prepare my personal tax return. I sent them the figures on 3rd January this year about 6 months later than I wanted. This year will be different!
- Re-check our household monthly spend (I can do an export from our personal HSBC accounts) and make sure our salary and dividends are set at the right level. This means we can manage the amount of tax we pay and still live comfortably within our means.
- Set up a monthly contribution to my stocks and shares ISA (maximum contribution £15,240 before 5th April 2017) and use up the new £20,000 allowance in the 2017/18 tax year. Doing it monthly saves having to organise a lump sum at the end of each tax year.
- Make sure there's enough cash in the business bank account by December 31st 2017 (our company year-end) for the company to pay a significant pension contribution. This is a great way of getting money out of the company tax efficiently.
- Think about a small VCT (Venture Capital Trust) investment. A £5,000 investment will generate a £1,500 tax rebate and I can invest in some exciting companies. It's worth pointing out that in my experience with these investments, they can generate a really useful tax free dividend each year, but the capital value rarely seems to increase that significantly.
- We have a cashISA that I've not reviewed for a couple of years and I'm fairly certain looking at the charts here, that it's not offering the highest interest rate.
- Spend some time thinking about our 3 children's financial education. They all have their original Child Trust Funds [of £250 each at birth] invested in the stock market, and I'd like to sit down with each of them when we get the next annual statement and explain what it all means. Our youngest is only 6 years old so not sure how interested she'll be in stock market volatility and performance returns.
- We signed up to a 2 year discounted variable rate with our mortgage lender in July 2015. So in May this year we need to start looking at some re-mortgage options. Looking at some of the rates below we're going to be saving quite a bit every month.
- We switched to Sainsbury's Energy last year and saved hundreds of pounds (dual fuel gave us an additional discount). So I need to make a note in the diary to review this before May 2017 when the 12 month tariff ends, and look to switch again.
- Increase my critical illness cover. You'd think that as an experienced, Financial Planner that I'd have enough critical illness cover. Well...having done a personal review towards the end of 2016, it turns out I wasn't quite as well insured as we'd liked. I had enough cover to pay off our personal mortgage, but there's no extra to cover medical bills, the investment property mortgages and any other additional expenses. I've already made an application on January 1st, so feeling confident I'll achieve this resolution.
- The above application actually fits in neatly with another New Year's Resolution as the insurer is going to reduce the premium every year if I can prove I'm living an active healthy lifestyle. To make this activity easier to track (for them and us) part of the deal is an Apple Watch Series 2 for only £69, another £300 saving!
- We're planning to choose another charity to give to monthly and will set up or increase our monthly direct debit from April. This means that at the end of the tax year, I can simply multiply the direct debits by 12 and save time working out how much additional tax we can reclaim.
- Continue the process of de-cluttering our house and either taking to Sue Ryder our local charity shop, or selling on e-bay. I've often thought of renting out storage space but have worked out that the savings on not paying for space would more than cover buying new stuff if we ever need it in the future!

Please let me know if you have any financial New Year Resolutions you'd like to share – just email me at thomas@essentialmoney.co.uk.