**PPN Session Three - Budget Review\_Transcription**

[Daniel Hill] (0:06 - 26:26)

Oh, I feel more fortunate than Trump today. So we had the budget and it was obviously anticipated to be this big shockwave, this big detrimental impact to business, this big anti-wealth creation, anti-capitalist tax grab and we now know what was in the briefcase and what I'm going to do is I'm going to break it down for you in this session. So you may or may not have seen in the Facebook group some people saying, you know, what did you think of the budget?

I think Akash started the post. What did you think of the budget? And I thought it's a really good example of playing the game because if you've got to deliver someone bad news and you tell them that you're going to burn their house down and that everyone's running for the hills and then actually when you turn up you just steal their post box, they're actually quite pleased with a little bit of bad news and this is basically what the budget was.

It was anticipated to be this really bad thing. It has got some significance in it. In my opinion there's only really one business critical or wealth critical element we need to look at but what I'm going to do is I'm going to take you through all of the key points that you need and show you how it affects our strategy, business and deals through 2025.

So last month I shared this with you which is the master of the market forecast for 2025. I said that this was subject to the budget so I'm going to take you through the budget now and then I'm going to show you what adjustments I've made to this based on what was in the budget and when we go through this there's obviously a lot of detail because the budget is a huge document, there's lots of things to consider. So what I've done is you don't need to take loads of notes.

What I've done is I've summarised them on the slides, I'm going to talk you through them so you understand them and then I've actually produced a budget report for you which you'll find on the vault so afterwards you can download it and it's got all of the bullet points from the slide but it's also got the surrounding context with the detail for bits and pieces that you need. So for the case of this exercise I'm going to take you through it and just make it really simple so you can understand really all you care about, same as me, is what impacts you, what doesn't and what actions do we need to take. So what I've done is I've made it red, amber, green to keep it simple.

Red is the things that are really business critical and I think there's probably only one of those. Amber is things that are going to make a difference but we just roll with and green are things that are either good news or actually just points to note. So to kick things off with the greens, what are the things that came up that actually we were pleased about or things that we just need to note?

So the first, and all of this is in the budget review so don't worry about taking notes, you can listen to the recording, you can download the report from the vault, everything's there, just listen to me and understand it. So first up is corporation tax. So corporation tax has now been pledged to be frozen until the end of Parliament which is fantastic news.

The negative impact is we have got more corporation tax to pay. Those of you that are already in the sort of higher bounds of profitability, this year you will notice it and when I got my first draft of my corporation tax bill this year at £334,000, I was like wow, that extra 5% does actually make a difference. So the downside is there is tax to pay and some people will potentially look at offshore models.

I'm now in the process of reviewing my structure just because there are some games to play that you might choose to but I'll keep you noted with that. I'll update you in due course as to the way to go but I don't think we need to be going to Portugal, Dubai, things like that at this moment but I'll keep you posted what I do. The positive impact is you can now make plans.

You know what corporation tax is going to be. If you're one of those people that likes to keep retaining profits in the business and roll them up through capital investment and capital expenses, you can just keep doing that now and you know predictably what your corporation tax is going to be. Really the action for you to take is to have a really tax efficient structure and if you're at the point now where you are making, when you get to above about £100,000 a year in drawings and profit, you really want to start looking at advanced models which would be things like group structures, pensions, SIPs, SASSs, tax allowances within your immediate family, just looking at all of these little mechanisms to really get savvy about how you pay tax. You don't need to worry about that until you're paying loads of tax and when you're paying loads of tax, you'll be out there actively looking for it.

So reasonably good thing to know. Second is business rates. So you may or may not have any trade in and operating companies but for the highest impacted businesses, this is like retail, hospitality and leisure, their rates are going to be, the multiplier is going to be frozen and there's also going to be a 40% relief.

Now the good news about that is that it's going to support some of these challenging businesses to stay afloat. So those of you that are investing in primary or secondary commercial areas, it's going to keep that life in it until hopefully the economy comes back around. The consideration though is it's going to keep some zombie businesses on life support and if you remember at the super event before the budget, I did say, in fact, in September, the last event of the year, I think it was, I said there is a ticking time bomb on certain parts of the economy at the moment and for the other reasons I'm going to mention, things like retail, hospitality and leisure are going to be the hardest hit through some of the tax changes. It's just going to keep that part of the sector going.

So there's good to it, there's bad to it, it's just a point to note. The main point to note here is if you're doing deals, just make sure you're not overpaying for business rates. I would say there's deals to go and do in that sector where these businesses are failing, but I think you're going to see another six to 24 months of life support for these basically struggling businesses that ever since COVID, if you know anyone who owns a pub, a restaurant, a hotel, a leisure centre, they're all just getting hit from every angle, labour, utility costs, price competition, inflation, it's not an easy place to be. This is just kicking the can down the road. This is really interesting.

This is really actually quite significant. What the Labour government have done is restructured the way the books work, and actually it makes sense. What they're saying is previously if the government borrowed money to invest, it would go on the debt balance, which meant they couldn't borrow any more money.

What they've actually done is now classified, if it's what we would call asset-backed investment, so if they went and paid benefits, they're paying for the bibi barge to keep asylum seekers on, that's burning. You can't put that on the balance sheet. If they were to go and build a block of apartments to put asylum seekers in, you could put that on the balance sheet and it wouldn't be deemed as an expense.

Does that make sense? Because it's a capital expense. Or it's not, it's a capital investment.

The main significance here is they've created £50 billion worth of headroom, and when you compare that to the tax grab, it is significant, and it now looks like it's going to happen. What you're going to expect to see is significant public sector spending. This will be roads, infrastructure, hospitals, schools, you're going to see all sorts of local projects allocated to this fund, and it's going to get things going.

The downside to this is the government are now going to borrow more money. If you remember about six months ago, I said that's not really a bad thing. If you look at our debt against the rest of the G7, actually there's a logic that we can grow ourself out of it, which is what the Liz Trust, like Reaganomics budget or strategy tried to do.

We are borrowing more money though, so that's got to be noted, and those of you that have seen the Labour government before, they have got a habit of borrowing money and spending money and perhaps not always getting a return. The other consideration is we could see a return to inflation. If you think the British or the UK economy is going to grow by £50 billion worth of more activity, that's going to create jobs, but we don't have any employees.

It's going to put pressure on the labour and materials market, so it's quite possible we actually start to see inflation tick up, because the economy is already at capacity and now we're going to pour another £50 billion in. The other consideration is we could all basically end up working for the council. An extreme level is the public sector gets prioritised over the private sector, and actually lots of people start to move into that space.

The benefit for that is because there's investment, there's activity, there's growth, and if it does go from a private to a public sector focus, you can capitalise, because there's no contracts better to win for some reasons than public sector contracts. If you've got a construction company, a ground works company, a road works company, whatever it is, and you can win government contracts, they can be really good earners to stabilise what can otherwise be quite a competitive business. The main consideration here is just think pragmatically, if £50 billion is going into the economy and there's going to be loads of competition, the reality is day rates are going to go up, the supply of trades is going to go down, it's going to get more challenging.

Looking at your strategy for next year, coupled with what I said earlier, are you really teeing yourself up for an easy one to three years, or are you already struggling to get plasters on site, and actually this is going to be the straw that breaks the camel's back? Next one is affordable housing, so it's not really a huge chunk, but it's another £500 million, so there should be 5,000 social housing units built per year. It really is a drop in the ocean, but it's more the sentiment that this stuff's starting to move.

The negative impact is it's going to increase the demand, so the more the public sector get into construction, they're going to be filling up the order books of some of your medium-sized contractors, because they're probably not going to work with the small independents on a lot of jobs. If they're doing bigger sites, they're going to work with the medium contractors. It's going to put demand on that labour and materials.

Materials, global supply chains, the better it needs to be, shouldn't have a huge impact. Labour is localised, and at the same time, when we're shutting off the borders and we haven't got Eastern Europeans or any other nationality coming in to jump on the tools, whilst England or the English population aren't equally throwing themselves into three-year apprenticeships to become bricklayers, it's going to put pressure on that. The good thing is this whole thing of get Britain building, this is the first step.

It's been signed off, it's underway, the tyres are warming. I still don't know how the model's going to work, because I can't make it work, so I'm going elsewhere for a bit, not Dubai. I'm going elsewhere and doing my strategy that I shared with you earlier, but I would love to get into the affordable housing space, but I personally can't see how it works yet.

Hopefully it's the way to go. Big thing is consider it within your strategy, but then just watch and wait. Let's see what actually happens.

Obviously the big bit we haven't heard about yet is the planning reform. If we do get a big, bold planning reform statement where they just start pushing stuff through, that could be a great opportunity. A few things, just points to note.

The employment allowance, which is for your national insurance, liability has gone up to 10.5K. Those of you that have got medium-sized teams and are now subject to the high rate of national insurance, actually your allowance goes up to 10.5K. In the report, I've put the stats in there for you to qualify. Have a look. For those of you with small teams, you should be able to get away with that, which is really good.

Warm homes plan, we might see another big rush for wall insulation, loft insulation, maybe even some heating systems, but two-thirds of these units are going to be social housing, so there's 100 units. Unless you've got a real big incentive or current project, I wouldn't be getting too excited. This is probably a mixed one, it's one to be aware of, so the non-DOM status, so basically people who live in the UK and have special tax treatment because they're actually registered to be living in another jurisdiction, and this is actually being abolished.

The good thing about this is you've got people in the country who aren't paying a fair rate of tax, so actually it introduces more taxpayers, which makes sense. The consideration is actually there's an arbitrage because most of the non-DOMs are actually really wealthy people, they're buying property, they're spending money in the economy, we'll see what actually happens, but what you don't want is all the wealthy people who actually bring the money from other countries in here tax-efficiently and then spend it here, you don't necessarily want them to leave.

Equally, they're here for a reason. Finally, this probably doesn't apply to anyone, but if you are in the fund management investment space, they're basically just coming down on carried interest, which is how funds pay, not commissions, but profit shares, it's a little loophole, a little Wall Street loophole, that's basically just going to get, it's been reduced, it's going to get closed down, unless you're in that space, it's not really a huge point to note.

So they're all the sort of good things or points to note, and the things, so these are things that are going to impact you, but they're amber because they're not going to be business critical, you're just going to have to suck it up and roll with it, and actually in the scheme of things, I don't think it's going to be a big problem. First one is capital gains tax. Now, we got away with this, so any of you that have got property in your own name, it was excluded from the capital gains adjustment, which is just absolute music to everybody's ears.

If they had have done that, it would have been, have a very significant impact on the supply of rental property, but they still haven't avoided that, and they've screwed it up anyway, so I'll share that with you. But capital gains tax is being increased in your personal name, but residential property is being excluded, so that's actually really a good thing, and there's workarounds for all of this. So the negative impact is if you've got stocks and shares in your own name, and you're doing deals in your own name, with your own private cash, you're now going to have to pay more tax.

Equally, property was excluded, which is fantastic, and if you do still want to do things in your personal name, just do it in an ISA, use your ISA, your partner's ISA, I've even just set Harper up with a junior ISA at £9,000 a year. Anything that's traded within that ISA wrapper is tax free, and if you do have liquid post tax funds, I really would make the most of that, and I use my 20K every year religiously, because it compounds up, and when you've got 100 grand, a million pounds in your ISA, and you can invest it tax free, and you can draw it tax free, there is no other mechanism now that exists that I'm aware of that's legal, that falls into that category.

So it really is a very unique mechanism. Next one is business asset disposal relief, so this was entrepreneur's relief, I didn't think they'd take it away, but they're going to start chipping away at it, fair enough, you know, it is what it is, it's going to rise to 14% next year, and 18% in 26. It's unfortunate, but it's not the end of the world, it's just a sign of the times.

Actually the money they're going to raise from this is next to nothing, it's just a nod to capitalism that everyone has to pay their sort, there's no free lunch basically. Negative impact is there's more tax, the good thing is I know people who are in the thought process of selling, this is now going to be that reason for them to jump over the fence. So if you're in M&A, there will be people who are thinking about deals that now go and actually try and do deals, and you've basically got two years to get these deals done, because it's going to save them 14 to 18%, so they might take a 7% hit, and basically split the share with you to get the deal done as long as you meet the deadlines.

So yeah, definitely deals to be done. National minimum wage and national insurance, now this is really significant, but not necessarily for you guys, because if you follow the models we teach, and you've got strong margins, and you know how to build the right sort of teams we talk about, this won't have a huge impact. Basically for the average UK full-time salary, this will impact you about £1,000 a year, so it's an amount of money, but it's not going to kill you, it's not going to break the bank.

Equally, if you have small teams, you use that allowance that I talked about, and actually I don't know what the threshold is in people, but for most of you that have got small employed teams, you won't actually have to pay any of the increase at all, because that allowance has been increased, and the details for it are in the report that's on the vault. The big significance here, well the negative impact is it's going to reduce people's margins, and the considerable bit is, when I was talking about who's going to be most impacted, it's going to be the bottom end of the market, by bottom end of the market I mean it's going to be sectors that have large workforces of people on minimum wage, and you know that's going to be restaurants, leisure, hospitality, retail, all the stuff we talked about earlier, and the reality is those people are already running on fumes, this is going to have a high impact, they're not going to be able to absorb it, equally they're probably not going to be able to increase their prices that quickly, so what you're going to see in about three to six months, as it starts to phase in, is you're going to see prices go up, and I'm pretty convinced you're going to see a degree of inflation, because these things are going to have to be passed on, so actually it's going to push people up, and actually push the whole labour market up, so I think you're going to see some inflationary pressures. The positive thing is what it's going to do is just increase affordability, so for existing portfolios specifically, you're going to see rents go up, I think you're going to see property prices go up, in fact I'll talk to you about that afterwards, and remember inflation is actually really good, so you can own a property and not pay a penny off the mortgage, but if it doubles in value, off the amount of debt you have, inflation is actually good for portfolios, because the debt goes down with inflation, but the cash flow goes up, because normally the rent goes up, and the volume of debt, the gearing goes down, it's actually really good as an investor, as long as you know how to play the game. Main thing for you to know is adjusting your budgets, so you've got five months warning, looking at your budgets for next year, read the report, does it apply to you, can you be exempt, if it does, make sure you've got it in, and then next month I'll be talking to you about pricing, packages, and really for most of you, you're just going to bury it in your pricing, your products, and you'll be able to make it disappear.

Stamp duty land tax, so this is actually, I think it's actually quite a good one, everyone's like what, are you crazy, you've just cost me five grand, it's like, it wasn't my fault, blame Rachel, so basically this is effective immediately, came straight into force, and it's going to move that additional second home tax from two to five percent, now the negative impact is that it's a higher acquisition cost, and if you're mid-deal, you might have to chip the vendor, or you might have to just suck it up, not ideal, but the good thing is it's another barrier to entry, and I remember having lunch with a really, really well-known investor, one of the biggest in the UK, and we were talking about government moves, and our shared conclusion was as long as you're in this for the long game, the more punitive things that come into landlords, like higher taxes, more restrictions, not offset interest, et cetera, et cetera, is actually reducing supply, so all it means is there's less competition, there's higher rents, the returns go up, but only if you're playing the long game, the negative impact is acquisition costs for traditional buy-to-let properties are going to be higher, but the good thing of that is it's a higher barrier to entry, it's less competition supply, and it's just going to be higher rents, these rents are just going to go up, and up, and up, actions to take is you can dodge the bullet, so those blocks I shared with you earlier, there's no longer multiple dwellings relief, but there is non-residential stamp duty, so if you're buying more than six units, or you're buying commercial in a single transaction, it's actually the commercial rate, not the resi rate, and that saved me on that deal about, I'd have to work the numbers, probably the best part of £100,000, again, these are all just sort of playing the games.

Equally, if you're doing flips, and you're sitting in the middle, this is going to hit you for deals, if you're holding for the long term, it doesn't matter, if you want to get in and out, this extra 3% on all stock is going to have a significant impact, so what you want to do is work with the vendor, ideally, and just do creative strategies like EDCs, with the ability to assign, exchange-related completions, or options, assisted sales, any way where you can get into the deal, work your magic, and flip it, but don't actually exercise that stamp duty, because buying it, taking that foot in the bill, if you don't have to, is actually a really expensive thing to do. Any live deals, and then the reality is, for holding stock, you've just got to suck it up, it's a cost of acquisition, and you want to be buying these properties for a lifetime, most of the stuff you want to hold, so I don't actually see it as a bad thing, I think it's another really good reason why those who play the long game do really, really well.

And then finally, employee ownership trusts, so there was a change to this, there was a little loophole in there previously, I wasn't aware of it, I haven't practised it, I've never done them, but just so everyone's aware, there's a reform of the rules that closes the loophole over the control and input an outgoing owner can have when they exercise an EOT. The positive impact is it reduces a future claim, what you're seeing now is, now the HMRC is starting to get back in capacity post-COVID, you'll start to see the, they call them spotlights, you'll see them popping up, you've probably seen one for the LLP to limited company one, there's a big thing about that at the minute, there is already a post-COVID one, there's going to be a tax avoidance one, which the government have just funded, but all governments say that, but we'll see what it comes to. But the good thing about it actually being banned is if you haven't done it yet, it's another tripwire not to trip up, and the aim of the game there is just to know the rules really.

And then finally, this is the big one that I think is, was initially understated, but I'm starting to see it get some traction, on budget day, I think I put it, budget day on the night, I put it in the Facebook thread, I said there's only one thing that concerns me and it's this, anyone have an idea what it is? Yeah, IHT, inheritance tax. If you've got even a half decent estate, this inheritance tax change is significant, and the main significance is previously your pension was inheritance tax exempt, yeah free, you could pass it through a generation to get it in there tax free, you can pass it down tax free, and there was no inheritance tax, and also now business assets are being pulled in, so basically all of your business estate and all of your pension estate are now pulled into your personal inheritance tax calculation, and actually when you look at the things that exempt from IHT now, which is basically the exception of passing on to a spouse, as soon as you cross that, whatever you want to call it, inheritance line, the tax now is considerable, and it's not going to, so it's considerable, I mean like for my estate it would be millions, and also because my estate's worth, in fact the threshold for losing the second element of allowance is now two million, or is two million, so if you own more than two million in equity, actually you don't even get the second, yeah the second 200, 300, yeah the second nil rate band, granted in the scheme of things it's chicken feed, but it's, this is significant, and the, the, well the negative impact is the loss of relief, and the incorrect, this is the big bit as well, I don't think people know, it's an increase in tax liability, and the biggest one is you'll see it with the farms that have been pulled in, there's going to be uproar, because far, who's watched Clarkson's farm, yeah yeah grand, so nobody, none of the farmers are making any money right, and their estate, thousands of acres in some cases are worth millions, when it crosses that inheritance tax line, which was previously tax free, now they've got to pay 20 or 40 percent in tax, let's say it's worth 10 million quid, that's two to four million pounds of illiquid estate, and then either have to sell it, or what the government have introduced as a small print, is it's okay, we'll let you pay in installments over 10 years, how many, how many farms are out there that can afford 400 grand a year for 10, it's just a bit bonkers, the upshot is I know, I'm sure there's going to be a workaround, there's already two models which I won't share with you yet, which I'm currently working on, and I've got my first meeting on Monday to start exploring it, and hopefully you know, well hopefully I live to Monday, but hopefully this is one of those things that doesn't impact any of us in the next few few weeks or months, but just so you've got a heads up, if you've got a decent value estate, you really do want to be looking into this structure, because it is high impact, and really it's going to be bespoke for all of you, it depends what your assets are, depends what your family group is, it depends what your marital status is, children, trusts, there's no silver bullet, but I would say if you've got a decent estate, this is where you're going to make the money, and also the worst case scenario, can we get a mic for Tej please, the worst case scenario, you've probably seen it on the headlines, is if you do pay 40 percent into inheritance tax, and then they draw out your pension at 20 percent, or 27, or 30 percent, you could end up losing 50 to 70 percent of your estate in tax, and a lot of people put their money into pensions, because it's protected.

Tej?

[Speaker 2] (26:27 - 27:19)

Yeah I think you're right, this is the biggest hit that there's going to be for people, this doesn't come in until 27, and what they're doing in between is consulting on how you're allowed to pay the tax, because obviously if you get liquid assets, or you get a business passed over, and you've got to pay 40 percent tax, one of the only ways to do it is to sell the business, which isn't really what it's all about, so a lot of people, or a lot of people they're consulting with, are pushing for the pension to actually pay the tax that's associated with the pension, and possibly allowing the business to pay the tax for the business, because otherwise you've got to take out a loan from the business to pay the tax associated with the business, or you've got to sell the business to pay the tax associated with the business, so at the moment it's not clear exactly how they're going to make you pay it, but it could be that you can pay it from the two assets that you're inheriting anyway.

[Daniel Hill] (27:19 - 27:31)

Yeah, absolutely, it does actually say in the small print for the pensions that they'll basically, when they do the distribution and draw down from the pension, they'll basically say well that goes to the government, that goes to your estate, so that is in draft already.

[Speaker 2] (27:31 - 27:35)

But the problem there is going to be a lot of people using SASSes have just got commercial property in there.

[Daniel Hill] (27:35 - 33:33)

And it's going to be a nightmare. Yeah, exactly. And we would struggle to navigate that, let alone whoever's inherited it from you, so that's the big one to watch out for.

Like I say, hopefully we've got time on our side, I'll guide you through it over the coming months as to what I'm doing, but it will really be a bespoke solution for you based on your asset structure, your estate, and your family. So what do we think of the budget? Well, I would say I overlooked it, I was just like, phew, we got away with it again.

I don't know why, but sit through the pandemic, post-pandemic, everything for property investors in business and property with the exception of inheritance tax has been a great result for what it could have been. Remember, this is a Labour government coming in to make a name for themselves. I think it was well balanced, and let's hope it's effective.

What's it going to change for your strategies next year? Well, the first thing, so this is what I shared with you last month, and there's just two adjustments that I'm going to make based on it. So when we look at inflation, as I said, I think because of the increased government spending and increased national insurance and minimum wage, it's going to push that bottom line up.

I do think we're going to see inflation increase. So I wouldn't be surprised if it goes from 2% to 3% during this period, and obviously the big thing that we worry about there is interest rates. What's going to happen with rates?

Well, I think the main thing that I'm going to do is drop off this. I can't see rates now aggressively coming down here. I was thinking they could go to three and a half, between three and a half to 4% over the next 12 months.

I think I would probably scrap that and say that it's going to come down more gradual. The only reason I would reinstate this would be if we did see a huge spike in inflation, either due to Trump's election and bringing levies and tariffs in, or other political global issues, or government spending just opening the taps. But the reason I've only put it to this in this year is that spending, even to get traction, is going to take six to 12 months.

So I would expect, if it is going to cause inflation, to be later in the year. Yeah, so rate drop today was an eight to one vote. So interest rate, I could have told you, I would have said it would have been a dead cert.

What we're looking out for now is if we get a second consecutive, well, this is where we'll go with this, interest rates, I think you're going to see taper down, nothing aggressive, nothing crazy, unless inflation goes up. Just a nice gradual drop. It was eight to one vote today to bring it down.

The consideration here will be, if we get a second rate drop, and the reason we would get a second rate drop is if we get into November, early December, I think the next review is on 16th of December, I think it is, 18th of December it might be, if we see early retail reports low, so basically a slow retail market, I think you'll see a second interest rate drop. And if you see that, then I think the finance markets, post American election, post two consecutive rate drops, will artificially, they'll just get confidence, start throwing money out of the bank. And for that reason, I think rates are going to follow down, maybe even drop, although I've removed that bottom line, I think mortgage rates will keep coming down in line with this.

And I think if we get this second rate drop in December, I think you could see a really sharp drop here, like we did last year, if you remember I said, I refinanced the whole mortgage and started again to make the most of this little drop. I think you're going to get a drop here where rates come down, gets things going through the winter, then they realise they've overshot it, get all the money out of the bank, but then what will happen is you're going to see this property price here. I'm convinced this is going to happen.

In fact, did anyone see the head, if you might remember two or three months ago I said to you, the Bank of England are saying that record house prices are going to reach the spike in the next 18 months. And I sat on the stage at Property Magic about three months ago and said, I bet it's going to happen before Christmas. And everyone was like, no, never.

The front page of the newspaper this morning says Halifax House Price Index reports that we've just gone through, we've now hit a new high for house prices. I think house prices are just going to, there's pent up demand, there's liquidity, there's confidence, there's clarity. I think next year you're going to see this spring ping.

And if you've got developments to get out of, flips to do, refinances to do, I would be tearing everything up through April to July. April, May, June, July is going to be your spring ping. And then the final point to note is, obviously Labour government are really looking out for the tenants, they've gone really hard on landlords, they're really going to help the team out.

This rent is going to outer space. It's like, I'm going to track this on a monthly basis. I've added a little rocket here.

Don't worry about 2%, 5%, 10%. I think between tenancies, you're going to see £50, £70, £100 increases on rentals. And I just, it's going to go up and up and up.

The reason for the stamp duty in the budget says that Labour want to release an extra 130,000 properties to the first time buyer market that would otherwise be bought by buy to let landlords. I mean, what's that going to do? If it's effective, which it probably will be, some people will stop buying and people will exit, all it's going to mean is rents go up and up and up.

Demand for rents is going up, supply is going down. This thing's just shooting for the stars. So if you play the game, you'll do really well.

And GDP, I think we're going to see it start ticking up now, up to 1%, nothing crazy. All this stuff takes time, but everything seems to be coming together now, and it gives me a lot of confidence in this model. And I'm making my decisions based on this, and I'll update you if that changes.

So basically, we're back to business, we're open for business, we know what's happening in America, we know what's happening in the UK, we've got the budget, now it's time to go out there and play the game. Do we have a quick question before, or any quick questions before I go on? So two questions, Matt, I've got a mic at the front, two questions at the back.

Anyone got the catch box? Oh, there we go. Excellent.

[Speaker 5] (33:35 - 33:38)

What's your view on the 18-year property cycle? 18.

[Daniel Hill] (33:39 - 33:40)

Question on the?

[Speaker 5] (33:41 - 33:44)

18-year property cycle, do you believe in it or not, or do you not think?

[Daniel Hill] (33:44 - 34:40)

Yeah, I think all these models are great when you look backwards. It's easy to create a model looking backwards. It's really hard to do it moving forward.

I'd say the thing that's overdue is a correction, because they just happen. Something's going to happen, a black swan, and the whole thing's going to tank. What it's going to be, we don't know.

But what we do know is debt is really high. Just on historic things, debt is really high. And also, everyone's stopped talking about these toxic mortgage-backed assets, mortgage-backed securities that underpin a load of what was previously derivatives in the global financial crisis.

I think the fact of a cycle happening is absolutely true. It happens. If it will be 18 years, I don't think anyone knows, are we going to have a big correction and a big drop?

Absolutely. But it could be in three months and Trump says something stupid, or it could be in three years because Goldman Sachs go bust, something like that. Do you know what I mean?

I absolutely believe in models, but not that they're as cyclical as the seasons.

[Speaker 3] (34:41 - 35:08)

The question was related to this threat or feeling that we get that landlords are going to get rid of this no-fault eviction. And with rents, yes, great that they're going up, but they might just get to a point where the tenants can't afford it. And then suddenly you're stuck with a tenant that can't pay the rent.

And obviously, we all know that's terrible. Not that there's a way out of there, but do you think there's any way of mitigating that?

[Daniel Hill] (35:09 - 35:25)

Well, as far as I'm aware, that wouldn't be a no-fault eviction. No-fault eviction is a section 21, which is like you want to sell the property or you just don't know what color the hair is. That's like section 21.

Section 8 is a fault eviction, I think. And I don't think there's any change in legislation that if someone doesn't pay the rent, you can't kick them out.

[Speaker 3] (35:25 - 35:41)

It's only what I've read is that if at the moment you get or they get two months leeway before they have to evict, they're then going to change that into a four months. But then if they can play the game, they can then stay in for longer. And then obviously with the issues with the backup in the courts.

[Daniel Hill] (35:42 - 36:22)

Yeah, I mean, every level has another devil. And that is just what comes with the territory. It's the danger of playing this game.

The good thing that I shared today is with minimum wage going up, that rise in rents is artificial because it's inflationary. It's just they're getting paid another 12% minimum wage. It will filter through to various expense classes, one of which being rent.

So it's not necessarily, it's actually a reduction in the affordability ratio, not an increase. So it actually is better for us. But that risk is very valid.

And it's just part of playing the game. And you're either good at mitigating that risk or you're not. Cool.

One final question. I'm going to go on to the next bit. Yeah.

[Speaker 4] (36:24 - 36:32)

Would you say it's still a good idea to move the pension from a typical pension pot and move it into a SAS at this moment in time?

[Daniel Hill] (36:33 - 37:16)

Well, at the minute, the change with the inheritance tax wouldn't change it because ultimately it's still in the same wrapper and it would still have to cross that line. I think if you know how to effectively use, I have all mine in a set. I pay five grand a month into Vanguard and I just leave it on the S&P 500.

And that makes last month, maybe nine and a half grand just from leaving it there. It's the Warren Buffett strategy. I've done it for years.

I'll keep doing that. A SAS, if you know how to do it, I'm actually looking at moving some of my pension into a SAS to pay off the mortgage on Mancor House. If you know how to use that, it is also really effective, but it won't change your inheritance tax status.

I just think if you know how to play the game with a pension, then absolutely, there's always great things that you can do with a pension. Excellent. Fantastic.