

Clocktower

FUND MANAGEMENT

JANUARY/FEBRUARY 2014

CASHING IN ON ALTERNATIVES IN 2014

WILL YOU ENJOY YOUR RETIREMENT?

DESPERATELY
SEEKING
INCOME

IS YOUR NEST EGG CRACKED?

Making sufficient
financial preparations
for the future

IT'S GOOD TO TALK

Don't leave tricky money
conversations hanging in the air
this New Year

IN SICKNESS OR IN WEALTH

Could you lose
thousands from your
wages due to sickness?

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Financial planning is our business.

We're passionate about making sure your finances are in good shape.

Our range of personal financial planning services is extensive, covering areas from pensions to inheritance matters and tax-efficient investments.

Contact us to discuss your current situation, and we'll provide you with a complete financial wealth check.



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IN THIS ISSUE

We hope the latest issue of our magazine brings you financial inspiration at the start of the New Year.

Now is the perfect time to re-evaluate your current financial planning provision and, in particular, if you are making high levels of pension contributions you need to make sure that you know whether you will be affected by the impending new lifetime allowance (LTA) limit changes. On page 06 we look at why thousands of pension savers could be impacted by the forthcoming changes unless they act swiftly.

It has been a torrid time for cash savers over the past five years. The Bank of England Base Rate has been on hold at its 300-year low of 0.5% since March 2009. Even though there have been murmurings of a possible rise in interest rates on the horizon, on page 10 we consider some alternatives for savers to explore to generate a return from your savings.

No one likes to pay more tax than they have to but one of the challenges of wealth is the high taxation it attracts. With real-terms tax increases the prospect for the foreseeable future, the pressure is on to make the most of every available tax-planning opportunity. Turn to page 29 to read all about it.

A list of the articles featured in this edition appears on page 03.

WE HOPE YOU ENJOY READING THIS ISSUE. TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US.

WILL YOU ENJOY YOUR RETIREMENT?

How to improve your golden years no matter what your current stage of life

Retirement may seem a long way off for you at the moment but that doesn't mean you should forget about it. Consider our 4 tips, which could help you increase your retirement income – no matter what your current stage of life – and pursue the retirement you envisage.



YOU CAN VISIT
WWW.GOV.UK/FIND-LOST-PENSION
TO TRACK YOUR LOST PENSION
OR PENSIONS.

HOW MUCH STATE PENSION WILL YOU RECEIVE?

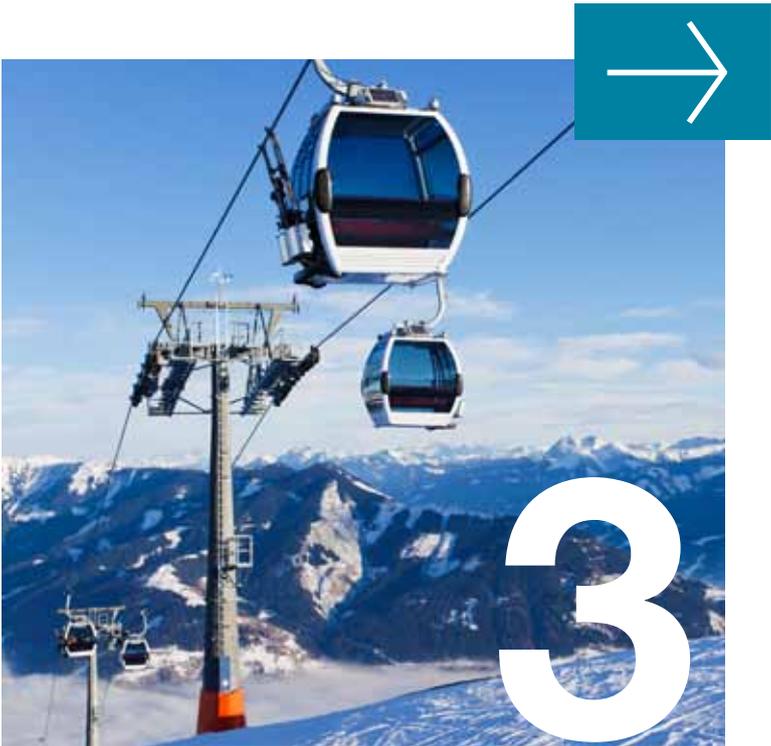
The State Pension is a valuable foundation on which to build your retirement income, together with any workplace or personal pension provision you have. If you work, you're required to contribute, and if you don't work, you might be making voluntary contributions or being credited as though you were contributing. You can log onto www.gov.uk/calculate-state-pension to get a State Pension forecast.

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TRACK DOWN YOUR MISSING PENSION(S)

You might move jobs a number of times during your working life and pay into a number of pensions. It can be hard for you to keep track of your pensions. If you do lose track, you can visit www.gov.uk/find-lost-pension to track your lost pension or pensions.



HOW MUCH HAVE YOU SAVED FOR YOUR RETIREMENT?

If you don't know, what are you expecting to live on later in life? When thinking about your income in retirement, you need to consider the sort of retirement you want and how much money you'll need. We can help you to review how much you've saved for retirement so far and explore your options if you're not saving enough.

THINK ABOUT THE 'WHAT IF' SCENARIO – WHO INHERITS YOUR PENSION POT?

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Make sure your pension paperwork is up to date or there could be confusion over who the beneficiary should be. This is particularly important if you're not married and you want to safeguard your partner's position. Most pension providers have an Expression of Wishes form where you can state a preference for who should receive your pension pot once you're no longer here. There are typically different choices depending on the type of pension and also whether you've started to take an income yet. ■






YOU CAN SAVE AS MUCH AS YOU LIKE TOWARDS YOUR PENSION BUT THERE IS A LIMIT ON THE AMOUNT OF TAX RELIEF YOU CAN GET.

WILL YOU BE AFFECTED BY THE **IMPENDING NEW LIFETIME ALLOWANCE LIMIT CHANGES?**

Thousands of pension savers could be impacted unless they act swiftly

If you are making high levels of pension contributions you will need to obtain professional financial advice to make sure that you know whether you will be affected by the impending new lifetime allowance (LTA) limit changes. Thousands of pension savers could be impacted by the forthcoming changes unless they act swiftly.

YOUR TOTAL PENSION SAVINGS

You should check what the value of your total pension savings will be as at 6 April 2014. It is also particularly important to bear in mind how much money you have accumulated in any legacy pension schemes from a previous employer, as your current employer will not necessarily know you have one and will therefore not count this towards your total amount.

According to Standard Life, if you're ten years from retirement with a current pension fund of £700,000 you could exceed your allowance if your pot grows at 7% a year – even if you don't pay another penny into it. Yet it's unlikely you were even aware you had a problem. Of course, growth could be higher or lower depending on your investment performance and we don't know what the allowance is likely to be in ten years' time.

LINKED TO YOUR FINAL SALARY

It's even trickier with some company pension schemes that are linked to your final salary. It's easy to underestimate just how valuable a final salary pension is – or how it's tested against the LTA. You could be surprised to learn, for example, that a £25,000 paid-up pension from a previous job already eats up £500,000 of your allowance. Adding in revaluation for leaving up to retirement, at say 3.3% over ten years, takes the pension up to £34,590 – using up almost £692,000 LTA. You can



save as much as you like towards your pension but there is a limit on the amount of tax relief you can get.

AN INDIVIDUAL'S ENTIRE PENSION SAVINGS

From 6 April 2014 the LTA will reduce from £1.5 million to £1.25 million. It applies to an individual's entire pension savings (apart from the State Pension). The figure may sound high but many thousands of people could be affected, especially those in final-salary schemes who have built their entitlement through many years' work.

If your pension savings are worth more than the LTA when you take your benefits, you'll have to pay the LTA tax charge on the excess unless you have some form of LTA protection. The rate depends on how this excess is paid to you. If the amount over the LTA is paid as a lump sum, the rate is 55%. If it is paid as pension, the rate is 25%.

Many people had built up pension pots worth more than £1.5 million before 6 April 2006 when the LTA was introduced. LTA protection was introduced so that they didn't have to pay the LTA tax charge on pension funds built up before this date.

TWO WAYS YOU CAN PROTECT YOURSELF

There are two ways you can protect yourself from paying the LTA charge. The most common is to apply for 'Fixed Protection', which effectively caps your LTA at £1.5 million.

The scheme, termed by HMRC as Fixed Protection 2014, allows savers with pensions likely to exceed the £1.25 million cap to apply now – before the deadline of 6 April 2014 – for an extension to the limit. Applying for the protection will benefit those near to retirement and wanting to maximise the value of their pot, as well as savers who expect the value of their pension to grow without making any new contributions.

There are a number of restrictions to be aware of. Individuals in defined-contribution pension schemes cannot add new benefits to

their existing pot. Pension savers in defined-benefits schemes can only build up benefits in line with inflation on an annual basis. No new pension arrangement may be started, other than to receive a transfer of rights from an existing pension arrangement.

AN ATTRACTIVE ALTERNATIVE SOLUTION FOR INDIVIDUALS

The second way to avoid the 55% tax penalty is to apply for 'Individual Protection'. This option may be an attractive solution for individuals who will not receive any alternative remuneration from their employer if they opt out of their pension scheme. Savers can apply for this protection from 6 April.

It is possible to apply for both Individual Protection and Fixed Protection. This would give you a LTA of £1.5 million (Fixed Protection) and contributions must stop. If you choose to restart contributions in the future, your Fixed Protection would be lost. But you would still benefit from your Individual Protection allowance rather than the standard £1.25 million LTA.

The annual allowance, meaning the amount of pension savings or contributions that can be made in any one year, will also reduce commencing 6 April 2014 from £50,000 to £40,000. The rules for the annual allowance are more complicated than those for the LTA. ■

Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

IT IS IMPORTANT THAT YOU LOOK AT YOUR PENSIONS

There is no one-size-fits-all solution. Each person's individual circumstances will require a different solution. It is important that you look at your pensions to see if they could be impacted and seek professional financial advice. The sooner you act, the better. If you leave it too late then your options might be restricted. To review your current situation or requirements, please contact us for more information.

DESPERATELY SEEKING INCOME

Yields have dropped across the asset classes, except for equities

He may only have been in the job for just over six months, but Mark Carney, the Governor of the Bank of England, has already signalled his intention to do things differently and this is most noticeable in his concept of 'forward guidance'.

ONGOING PROBLEM IN THE UK'S PRODUCTIVITY LEVELS

In the past, the Monetary Policy Committee minutes focused their thoughts on the current situation for the economy, the dangers for inflation and their plans for interest rates. However, Mark Carney has added in a commitment (albeit with a few caveats) that they won't even consider increasing interest rates until unemployment drops below 7%. This is designed to help the Bank address an ongoing problem in the UK's productivity levels, which appear to be well behind those of other developed economies.

AN INVESTOR'S POINT OF VIEW

However, from an investor's point of view, the consequences of this promise might be somewhat stark. Based on the Bank's projections, it looks as though rates could stay where they are until the third quarter of 2016 at the earliest. That said, these things are never quite as simple as they appear – and in this case, the market doesn't appear to agree with the Bank. The UK's borrowing costs continue to rise and many traders are predicting that rates will actually go up in late 2015.

FUNDING FOR LONG-TERM GROWTH

There are now some indications that the Bank may use quantitative easing to bring the market in line, but even if it doesn't, investors could be facing two years of rock-bottom income from their cash investments. As a result, many are being forced to look further afield for a higher income and are discovering the

benefits of equity income funds. These are funds that invest in established companies paying regular dividends. Investors can choose to have this income paid directly to them or reinvest it back into the fund for long-term growth.

ACHIEVING A DECENT INCOME

It's easy to see the appeal of equity income in this environment. Equities are the only major asset class that has managed to increase its yields over the six years since the financial crisis started[1]. In addition, UK equities towards the latter part of 2013 were yielding 3.7%, which is significantly more than cash and UK government bonds did[2]. It is important to remember that this is not guaranteed and past performance is not a guide to the future.

HIGHER-YIELDING SHARES

Of course, the current market situation isn't the only reason to choose a fund that focuses on higher-yielding shares. For a start, these shares actually tend to outperform lower yielding stocks over the years[3] – and their prices don't tend to fluctuate in value as much. In part, this performance may be down to the dividends themselves. Companies don't like to cut their dividends, so even if their share price is falling, they will try to maintain (or even increase) their payments, which helps protect an investor's total returns.

HELPING THE SHARE PRICE RISE AGAIN

What's more, when the share prices of these companies fall, their yield (the dividend they pay, expressed as a percentage of the share price) goes up. A high dividend yield that is seen as sustainable can attract more investors and this interest may then help the share price rise again. It's also the case that dividends are normally paid by larger companies and these businesses tend to be comparatively lower risk.

AN OPTION FOR LONG-TERM GROWTH

When the income payments are reinvested, they provide investors with a second source of

returns. Over the long term, compound growth can magnify these returns dramatically – nearly 60% of the total return from UK equities can be attributed to the reinvestment of dividends over the past 25 years[4].

ACCESSING THIS POTENTIAL

There are two main types of equity income fund. Some focus on the UK, which has a long-established dividend culture, while others aim to benefit from the greater opportunities offered by a global approach (as a rule, the global funds are considered riskier than the UK-focused ones).

LOOKING AHEAD

The start of 2014 could be a good time for investors to explore new options, particularly as inflation will be silently eroding the value of their savings if they leave their money in cash. Equity income funds could give you a steadier ride, while the dividend payments have the scope to provide an income or help boost returns through all conditions. ■

A RANGE OF WAYS TO HELP, BASED ON YOUR REQUIREMENTS

We offer a range of ways to help, based on your requirements. You can choose any of these options or combine them to create a solution that is exactly right for you. Our service can help to ensure your holdings are structured in a tax-efficient manner and a clear plan is established that will help you meet your objectives. To review or discuss your particular situation, please do not hesitate to contact us.

Source:

[1] Datastream 30.9.13

[2] Datastream 9.10.13

[3] Citigroup 30.9.13 in US\$

[4] Datastream 1.9.88 to 30.8.13 based on the FTSE All-Share Index

Past performance is not necessarily a guide to the future. The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.



IT'S GOOD TO TALK

Don't leave tricky money conversations hanging in the air this New Year



PARENTS WITH CHILDREN UNDER FIVE ARE MUCH MORE LIKELY TO ASK THE FAMILY FOR MONEY (79%) OR FOR FINANCIAL ADVICE (75%)



RESEARCH IDENTIFIES THREE DISTINCT FAMILY TYPES AS THE 'TALKERS', THE 'GIFTERS' AND THOSE THAT ARE LEAST LIKELY TO BENEFIT AS A FAMILY, THE 'AVOIDERS'



DESPITE SHARING THOUSANDS OF POUNDS EACH YEAR, ONLY ONE IN FOUR (25%) PEOPLE SAY THAT PLANNING FAMILY FINANCES INVOLVES ALL GENERATIONS

The Family Financial Tree report from Standard Life looked at the family money tree over four generations and makes some surprising findings. It reveals how families collectively manage and have talked about their personal finances.

The findings, based on survey data of over 4,000 adults in Great Britain, draw compelling conclusions about what is effectively one of the last taboo subjects for families – the uncomfortable discussions around money, inheritance and retirement.

HOW MONEY FLOWED ACROSS FOUR GENERATIONS

The research tracked how money flowed across four generations of a family and also established how this flow of cash is reliant on families having some tricky conversations. The report also finds that many of us remain typically British and private about our finances. While we might involve our spouse or partner in discussions and future planning, few people say they communicate freely with others in their family about their finances.

FAMILY FINANCIAL PLANS INVOLVE ALL THE GENERATIONS

More than a third of parents (35%) and two fifths (43%) of grandparents would not ask anyone within their family for advice about finances. And despite evidence that a large volume of money is moving freely between generations, only one in four (25%) people say that their family financial plans involve all the generations. However, the attitude of new parents is very different. Almost four in five parents (79%) with children under the age of five would ask the family for money

(79%) and three quarters (75%) would ask the family for financial advice.

THREE DISTINCT TYPES OF FAMILIES

The research has identified three distinct types of families: 'talkers' and 'gifters', who are likely to benefit from discussing the family money tree, and 'avoiders', who are failing to release the power of the family financial tree.

WHICH TYPE OF FAMILY ARE YOU?

'Talker families' are the 25% of the population who involve all of the generations when planning family finances – they are likely to be open with each other, discussing salaries, upcoming bills and even inheritance.

'Gifter families' are families who gift money between the generations to help with both big and small purchases, whether it be a mum paying for Gran's supermarket shopping or a granddad contributing to his granddaughter's education. 'Gifters' are also likely to be 'talkers'.

'Avoider families', however, are the least likely to benefit from the family financial tree, as they avoid money chat in their household, particularly the more difficult conversations. This means they could be missing out on the combined strength of planning for the future together and could be making decisions based on little information about future commitments or needs. ■

TIME TO START APPROACHING THESE TRICKY CONVERSATIONS?

We can help you approach these tricky conversations with your family and seek to understand future family goals and future commitments. Please contact us for more information and to review your particular situation.

Source:

The research is based on survey data. 4,071 UK adults were surveyed by YouGov on behalf of Standard Life between 4 and 7 October 2013, weighted to nationally representative criteria. Of the base sample, 1,633 (unweighted) parents, who were not also grandparents, were asked a series of specific questions based on their status. In addition, of the base sample, 885 (unweighted) grandparents were asked a series of specific questions based on their status. The survey was conducted online.

CASHING IN ON ALTERNATIVES IN 2014

Taking a step up the risk ladder means assessing your appetite for risk

It has been a torrid time for cash savers over the past five years. The Bank of England base rate has been on hold at its 300-year low of 0.5% since March 2009. Although there have been murmurings of a possible rise in interest rates on the horizon, you should still explore all the options available to generate a return from your savings.

In a period of low interest rates and persistent inflation, people are beginning to realise that the purchasing power of their savings is being eroded, yet they are struggling to identify better ways to balance their short-term and long-term financial priorities.

This might mean taking a step up the risk ladder, but before venturing away from cash deposits, you need to assess your appetite for risk. Can you afford to tie your money up for a length of time, or will you need to be able to get your hands on it without delay? What is your ability or capacity to take risk? How much risk are you willing to take?

SHARES

History suggests that returns from shares outstrip the returns from other assets, including cash, over the long term. Although past performance is not necessarily a guide to the future, investing in shares is an option for those who can withstand (both emotionally and financially) the ups and downs of stock markets.

You can invest in funds such as a unit trust, an OEIC (pronounced 'oik') or an investment trust. These funds invest in a number of shares and are managed by specialist fund managers.

There are blue-chip funds, tracker funds and mid-cap funds – and that's only the beginning. All have different aims and performance can vary considerably from one type to another. Some will be aggressively managed, investing in a small, concentrated portfolio of stocks, while others may invest in recovery stocks – companies that have fallen out of favour with investors.

Remember the old saying 'speculate to accumulate'? That's very true of investing in shares, but you can position your investment

at a level that you're comfortable with. We can help you to review your options – generally the more you want to get back, the higher the risk to your original investment.

BONDS

Bond funds remain popular with more cautious investors looking for a better level of income than cash, and these range from the security of government-backed gilts through to more speculative and higher yielding corporate bonds. Bonds are investments representing the debt of a government, company or other organisation.

Effectively they are loans, or 'IOUs' issued by these organisations and bought by banks, insurance companies, fund managers and private investors. The decision on which bond fund to choose can be a tricky one: different types of bonds perform differently depending on the economic conditions.

PROPERTY

Commercial property was badly tarnished by the property crash during the credit crunch – it left many investors who had turned to the asset class for the first time nursing substantial losses.

Historically, commercial property has had a place in a portfolio for income investors. Its long-term track record is strong and it offers diversification from shares.

HELPING YOU ACHIEVE YOUR FINANCIAL GOALS

The investment world is changing rapidly and many investors are holding cash to keep their money safe. But with interest rates held at historically low levels, and even low rates of inflation capable of reducing your long-term purchasing power, keeping too much in cash may not help you achieve your financial goals. If you are ready to take on more risk and step out of cash in search of higher returns, it is essential to obtain professional financial advice. To discuss the options available to you, please contact us for further information.

You should be aware that moving out of cash in search of higher returns will involve accepting a greater risk of capital loss. There are no guarantees that financial market investments will provide an effective way of combatting the impact of inflation on your savings. Past performance is not a guide to future performance. The value of your investment can go down as well as up and you may not get back the full amount invested.

You've protected your most valuable assets.

But how financially secure are
your dependents?

Timely decisions on how jointly owned assets are held, the mitigation of inheritance tax, the preparation of a will and the creation of trusts, can all help ensure your dependents are financially secure.

Contact us to discuss how to safeguard your dependents, wealth and assets, don't leave it until it's too late.

A GUIDE TO THE
**AUTUMN
STATEMENT
2013**



The key announcements from the chancellor

Chancellor George Osborne delivered his fourth Autumn Statement on 5 December 2013, describing it as a plan to deliver a 'responsible recovery'.

He outlined a brighter economic climate than a year ago, but said that 'difficult decisions' still had to be made.

He took the opportunity to announce eye-catching plans about the State Pension and taxes on small businesses.

A number of measures had already been announced, including some during the Budget in March 2013.

FROM APRIL 2014

PERSONAL TAX

The tax-free personal allowance will increase from £9,440 to £10,000.

The 40% tax band, which was previously £41,450, will increase to £41,865, while the £150,000 tax band remains at 45%.

The Individual Savings Account (ISA) contribution limit will be raised to £11,880, half of which can be saved in a Cash ISA.

Disposals of shares that result in a controlling interest in a company being held by an employee ownership trust will be relieved from Capital Gains Tax (CGT).

The Government will reduce the final period exemption for CGT for private residence relief from 36 months to 18 months.

From October 2014, bonus payments made to employees of indirectly employee-owned companies which are controlled by an employee ownership trust will be exempt from Income Tax up to a cap of £3,600 per annum.

BUSINESS TAX

The Share Incentive Plan annual limits will increase to £3,600 per year for free shares, and to £1,800 per year for partnership shares.

The maximum monthly amount that an employee can contribute to Save As You Earn savings arrangements will increase from £250 to £500.

The Income Tax relief for interest paid on loans to invest in close companies and employee-controlled companies will be extended to investments in such companies' resident throughout the European Economic Area.

A 50% business rates relief for 18 months up to the State Aid limits for businesses that move into retail premises that have been empty for a year or more will be introduced. Businesses which move into empty premises between 1 April 2014 and 31 March 2016 will be eligible for the relief.

The doubling of Small Business Rate Relief will be extended for a further year from 1 April 2014.

PENSIONS

Individual Protection 2014 (IP14) will be introduced as a consequence of the reduction in the lifetime allowance to £1.25 million from 6 April 2014. Individuals with IP14 will have a lifetime allowance of the value of their pension savings on 5 April 2014 subject to an overall maximum of £1.5 million.

An increase in State Pension age to 68 could come forward to the mid 2030's, and the State Pension age could increase further to 69 by the late 2040's. The State Pension will also rise by £2.95 a week.

OTHER

There will be a new tax relief for equity and certain debt investments in social enterprises.

Investments that are conditionally linked in any way to a Venture Capital Trust (VCT) share buy-back, or that have been made within six months of a disposal of shares in the same VCT, will not qualify for new tax relief.

The Government will remove the stamp duty and Stamp Duty Reserve Tax (SDRT) charge on purchases of shares in exchange-traded funds (ETF) that would currently apply if an ETF were domiciled in the UK.

Further changes to filing and payment dates for Inheritance Tax (IHT) relevant property trust charges will be announced in due course.

There will be funding to support universal free school meals for children in reception, year 1 and year 2 and disadvantaged students in sixth form colleges from September 2014.

From 1 October 2014 a paper tax disc for vehicles will no longer be required.

FROM APRIL 2015

PERSONAL TAX

The 40% tax band will start at £42,285.

From 2015/16 spouses and registered civil partners will be able to transfer £1,000 of their Income Tax personal allowance to their spouse or registered civil partner. Couples where neither partner is a higher or additional-rate tax payer will be eligible to transfer.

There will be no employer National Insurance Contributions (NICs) for those under the age of 21, with the exception of those earning more than the Upper Earnings Limit, which is £42,285 a year (£813 per week) in 2015/16.

In October 2015 there will be a new class of voluntary NICs to allow pensioners who reach State Pension age before 6 April 2016 an opportunity to top up their Additional Pension records.

OTHER

CGT on future gains made by non-residents disposing of UK residential property to apply from April 2015. A consultation on how best to introduce the new CGT charge will be published in early 2014.

During 2015/16, HMRC will provide an online service for IHT, reducing administrative burdens for customers and agents. ■



**AUTUMN
STATEMENT
2013 AT A
GLANCE**

ECONOMIC GROWTH

Forecasts for the next few years are: 2.4% in 2014, 2.2% in 2015, 2.6% in 2016 and 2.7% in 2017.

Revised figures from the Office for National Statistics show that UK GDP declined by 7.2% in 2008/09, not 6.3% as previously thought, equivalent in value to £112bn.

GOVERNMENT BORROWING

The UK's 'underlying' deficit - a measure that excludes the acquisition of the Royal Mail pension scheme and the effects of quantitative easing - has been revised down by the Office for Budget Responsibility (OBR) to 6.8% this year, and to 5.6% next year. It is then expected to fall to 4.4%, 2.7% and 1.2% in the subsequent financial years.

The OBR predicts there will be a small cash surplus in 2018/19.

Borrowing is expected to come in at £111bn for this year, falling in 2014/15 to £96bn, then down to £79bn in 2015/16, £51bn the year after and £23bn the year after that.

Public debt this year is due to total 75.5% of GDP - £18bn lower than forecast in March - rising to 78.3% next year, before peaking at 80% the next year. By 2017/18, debt is expected to be more than £80bn lower than forecast in March.

Departmental budgets will be cut by about £1bn next year and the year after.

BENEFITS AND PENSIONS

Overall welfare spending is to be capped.

Anyone aged 18 to 21 claiming benefits without basic English or Maths will be required to undertake training from day one or lose their entitlement. People unemployed for more than six months will be forced to start a traineeship, take work experience or do a community work placement, or lose benefits.

TAXES AND ALLOWANCES

From April 2015, Capital Gains Tax will be imposed on future gains made by non-residents who sell residential property in the UK.

From 1 January 2014, the rate of the bank levy will rise to 0.156%, and is estimated to raise £2.7bn in 2014/15 and £2.9bn each year from 2015/16.

Employer National Insurance contributions are to be scrapped on 1.5 million jobs for young people.

Stamp duty on shares purchased in exchange-traded funds is to be abolished.

The personal Income Tax allowance will rise

to £10,000 from April 2014, and then increase from 2015/6 by the Consumer Prices Index (CPI) measure of inflation.

A married couples and registered civil partners tax break, which is set to cost about £700m a year, is proposed to start in April 2015, enabling people to transfer £1,000 of their Income Tax allowance to their partners.

Business rates in England to be capped at 2% rather than linked to RPI inflation, with some retail premises in England to get a discount. Businesses moving into vacant high-street properties will have their rates cut by 50%.

From April, a new tax relief is to be introduced for investment in social enterprises and new social impact bonds.

JOBS AND TRAINING

The number of people claiming unemployment benefits is down 200,000, with unemployment now forecast to fall from 7.6% this year to 7% in 2015. Unemployment is then expected to fall further to 5.6% by 2018.

The total number of jobs to rise by 400,000 this year and 3.1 million jobs predicted to be created by 2019.

A boost in the Government's start-up loans scheme will aim to help 50,000 more people start their own businesses.

Export finance capacity available to support British businesses will be doubled to £50bn.

TRANSPORT

Petrol taxes will stay frozen - a planned rise of 2p per litre for this year is to be scrapped.

Regulated train fares will rise in line with inflation, not at 1% above RPI as planned.

EDUCATION AND FAMILIES

An extra 30,000 places at English universities will be created in 2014/15. The following year, the current cap on student numbers will be abolished entirely.

Science, technology and engineering courses will receive increased funding, and a new science centre in Edinburgh University is to be named after Prof Peter Higgs, the discoverer of the Higgs boson particle.

The proportion of young people from disadvantaged backgrounds applying to university is up.

An additional 20,000 apprenticeships are to be funded over the next two years.

All pupils at state schools in England in reception, year 1 and year 2 are to get free school lunches from next September, at an estimated cost of £600m a year.

HOUSING

The Government hopes £1bn in loans will boost housing developments in Manchester and Leeds, among other sites.

The housing revenue account's borrowing limit is to rise by £300m.

Councils are to sell off the most expensive social housing, rundown urban housing estates are to be regenerated, and workers who live in council houses are to be given priority on housing lists if they need to move home to find a job.

INFRASTRUCTURE

Tax allowances aiming to encourage investment in shale gas to cut tax on early profits by 50%.

More investment in 'quantum technology', which involves attempting to apply the strange behaviour of materials on a tiny scale to practical purposes, is promised.

OVERSEAS AID

The Government's pledge to spend 0.7% of gross national income on international development is to be met without an increase to the current aid budget. ■

The content of this article is for your general information and use only and is not intended to address your particular requirements. It should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.

No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of reliefs from taxation are subject to change and their value depends on an individual's personal circumstances.

DON'T LET YOUR HOLIDAYS GO OFF-PISTE THIS WINTER

Almost one in seven people never take out the necessary insurance cover for winter sports

As many Britons embark on their winter breaks this year to snowier climes for the new ski season, new research from Aviva[1] shows that almost one in seven (15%) winter sports-goers don't take out the appropriate insurance cover for winter sports such as skiing, snowboarding or tobogganing.

This is despite almost half (46%) of snow-lovers admitting to being involved in an accident or a near miss while on holiday, resulting in three quarters (76%) of them needing emergency medical treatment paid for by their insurance.

UNAWARE OF THE FACTS

Almost half (43%) of those surveyed who didn't buy winter sports insurance said it was because they didn't think they would ever need it, with 36% wrongly believing that they don't need insurance if they have an European Health Insurance Card (EHIC)[2] and 11% forgetting to buy it. Yet when asked if they could afford to pay for any medical treatment themselves, without insurance, 64% of the respondents admitted they couldn't.

The research showed that many winter sports fans are unaware of the actual cost of receiving medical treatment abroad for winter sports-related injuries.

When asked what they could afford to pay if they needed emergency medical treatment (and didn't have insurance), the average amount respondents said they could afford was £492, but in fact the average winter sports claim last year was £740 – a difference of £247!

A RANGE OF COSTS

Mishaps can happen to anyone, and the cost of even a minor accident can run to hundreds of pounds. It is worth taking the time to make sure you have the right insurance when you book up your winter holiday. It could save a lot of worry and inconvenience should something go wrong.

Treatment for extreme injuries, such as a damaged spinal cord, can be very costly. In one actual claim the cost of emergency medical treatment was £31,000.

Given a range of costs to choose from

for actual winter sports injury claims, the survey revealed that the costs were grossly underestimated for serious injuries – in the case of one specific injury, by up to £12,000. ■

Source:

[1] Based on research commissioned by Aviva 15-20 November 2013 in One Poll survey of 1,000 adults who go on winter sports holidays

[2] The EHIC card entitles you to state-provided emergency medical treatment in EEA countries. However, the level of state-provided emergency medical treatment will vary between countries and it may not cover all the treatment costs and services that are free through the NHS.



Isn't it time you had a financial review?

We'll make sure you get the right advice for your individual needs.

We provide professional financial advice covering most areas of financial planning, including, tax-efficient savings, investment advice, retirement planning, estate & inheritance tax planning, life protection, critical illness cover and income protection.

To discuss your options, please contact us.

PARENTS CONTRIBUTE FINANCIALLY TO HELP THEIR OWN PARENTS

Receiving a financial top-up from younger members of the family

Research from Standard Life has revealed how in the past 12 months, almost a quarter (24%) of parents have contributed financially to help their own parents. Despite the widespread belief that older generations tend to hold the largest proportion of wealth and are supporting their children, that is not the case for all of them – some even receive a financial top-up from younger members of the family.

The parents who helped their own parents out financially in the past year gave them an average of £2,251 per parent. Financial top-ups have most commonly been used to help parents with ad-hoc expenses such as shopping (16%), holidays (10%) and utility bills (9%).

Some grandparents now find themselves helping their own parents too. In the past 12 months, 17% of grandparents provided the ‘great-grandparent’ generation with an average top-up of £1,819.

FINANCIAL HELP

Despite the fact that some people are actively supporting the older generations in their family, the report found that the majority of grandparents (62%) say they wouldn’t turn to any family member if they needed financial help. Only a third (34%) of grandparents say they openly discuss finances with their family, while a quarter (25%) only discuss money when it becomes necessary.

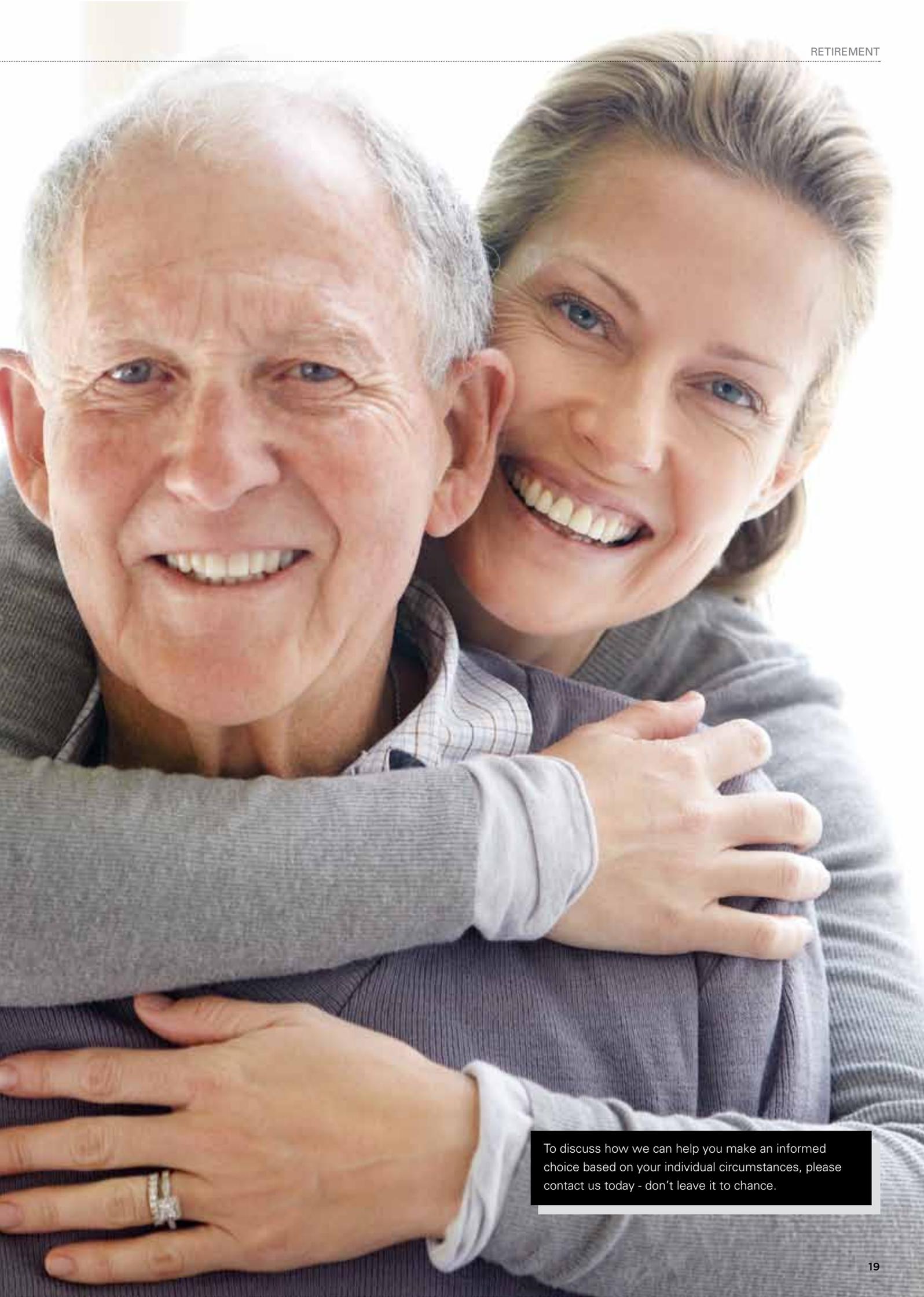
Of those grandparents who do talk about money with their family, the top six topics for discussion are wills (32%), current monthly expenditure (19%), current budgeting (19%), current savings (18%), potential inheritance (18%) and insurance (18%).

The fact that some people, even if they are grandparents themselves, are providing financial support to their parents these days shows the two-way traffic in terms of how money is moving around. It’s not all about the trickle-down effect and inheritance planning. Many older members of the family clearly find it difficult to ask their family for help, even if they are finding their income has fallen below the cost of day-to-day living. That’s why it’s important to try to talk about money as a family, to share worries and to tap into any help that is available. ■

The research is based on survey data. 4,071 GB adults were surveyed by YouGov on behalf of Standard Life between 4-7 October 2013, weighted to nationally representative criteria of adults aged 18+. Of the base sample, 1,633 (unweighted) parents who were not also grandparents were asked a series of specific questions based on their status. In addition, of the base sample, 885 (unweighted) grandparents were asked a series of specific questions based on their status. The survey was conducted online.

FIVE KEY CONVERSATIONS THAT FAMILIES SHOULD TRY TO HAVE WITH OLDER GENERATIONS:

- 1 Do they have a legally binding will? Where is it?**
Only 18% of people have discussed their will, and 64% have not discussed inheritance at all with their family.
- 2 If they were incapacitated, who would have power of attorney to make decisions for them?**
Only 10% of people have discussed power of attorney with their family.
- 3 Do they have a pension that gives them enough income? Will it still pay out to their spouse if they die?**
Only 13% of people have discussed pensions with their family.
- 4 Are there ways they could better manage their cost of living, and do they need help finding better deals on monthly bills?**
1.8 million pensioners in the UK live in poverty [Age UK] yet only 38% of grandparents in Great Britain say they would turn to family for financial help.
- 5 What kind of care provision is in place in case they can no longer look after themselves?**
Only 2% of adults have ever helped their parents with care bills.



To discuss how we can help you make an informed choice based on your individual circumstances, please contact us today - don't leave it to chance.



THE BEHAVIOUR GAP

An emerging field in the investment landscape

Our innate need for emotional comfort is estimated to cost the average investor around 2–3% per year in foregone returns. For many, the figure is much higher. This shortfall – referred to as ‘the behaviour gap’ – stems from the fact that the financial decisions that are optimal for the long term are often very uncomfortable to live with in the short term.

LONG-TERM FINANCIAL OBJECTIVES

The classical principles of good investing are based on the assumption that we are all perfectly calm, unemotional beings, concerned only with long-term financial objectives and, therefore, stick staunchly to the following four principles of good investing:

- Put your wealth to work (being invested)
- Diversify to reduce risk (spreading your risk across markets, asset classes, geographies and industries)
- Ensure you have sufficient liquidity to withstand the journey (avoiding being forced to sell at a time not of your choosing)
- Rebalance (selling asset classes that have risen in value, and purchase those that have fallen, in order to continually buy low and sell high over time)

This model is neither new nor complex, but to be able to stick at it, investors must be emotionally comfortable enough to (a) enter the market and (b) stay in it.

THE MARKET CYCLE

In truth, as human beings our emotions are the biggest driver of our investment decisions and, therefore, our returns. In turbulent times, theory often goes out the window. Depending on the market cycle and how it makes us feel, we may leave large portions of our wealth uninvested. We may be overconfident and overactive with the portion that we do invest and, in the end, we often give in to our strong psychological tendency to buy high and sell low.

Behavioural finance seeks to help investors find a middle ground. This dynamic new discipline combines psychology with financial theory to understand the interplay between markets and our emotions, personality and reason. ■

We offer a range of services that we tailor to our clients' investment requirements. To find out more about how we could help you build and grow your wealth, please contact us to discuss the options available to you.

Achieving a comfortable retirement.

Do you need a professional assessment of your situation to make this a reality?

If you are unsure whether your pension is performing in line with your expectations, and that you've made the right pension choices – don't leave it to chance.

Contact us to discuss these and other important questions, and we'll help guide you to a comfortable retirement.



ARE YOU PREPARED FOR LEAVING A LEGACY?

New study shows 21% of inheritances left by UK retirees could top £250,000

Almost two thirds (64%) of British retirees expect to leave an inheritance to their children with an average value of £182,144, according to a recent study by HSBC.

The research*, which surveyed over 16,000 people in 15 countries, found many Britons could inherit even more, with one in five (21%) legacies left to children by UK retirees expected to be over £250,000.

This shows Britons are the third most generous in the world, after Australia and Singapore, with average expected inheritances of £321,743 and £237,799 respectively.

AN INSECURE FUTURE

For 12% of women in the UK expecting to leave an inheritance, the amount they end up leaving far exceeds what was their intended legacy when they were working. This compares to just 3% of men.

The findings reveal that many working-age Britons rely on inheritance to supplement their retirement. Almost two thirds (64%) said that they expect it will finance their retirement to some extent.

Young Britons in particular may be heading for an insecure future by relying heavily on their inheritance. A fifth (21%) of 25-34-year-olds who expect to receive an inheritance say it will largely fund their retirement compared to just 9% of 45-54-year-olds.

FINANCIAL GENEROSITY

On a more positive note, HSBC's research also found that more UK retirees expect to leave an inheritance (69%) than non-retirees expected to receive one (43%).

While the figures suggest that some people might be surprised by their parents' financial generosity, this comes with a warning: you cannot predict what may happen between now and receiving an inheritance. The earlier you start preparing, the more financially secure your own retirement is likely to be.

The study also found that many Britons are not waiting until after their death to pass on their wealth to their relatives. 31% of working-age people in the UK have already received a significant financial gift or loan from their family with a total average value of £8,189.

There are four actions which may help today's retirement savers plan a better financial future for themselves:

1. DON'T RUSH INTO RETIREMENT

There is a view among retired people that they might have been too hasty in giving up paid employment. Nearly two thirds (64%) who entered semi-retirement wished that they had stayed in full-time employment for longer. This regret is largely for positive reasons, with many retired people seeing work as an important means of keeping the body and mind active.

2. DON'T RELY ON ONE SOURCE OF RETIREMENT INCOME

With an average of three different sources of retirement income, the current generation of retirees has wisely chosen not to generate all of their income from one place. Instead, they have been successful in spreading their retirement income sources and the associated risks, so that not all their eggs are in one basket.

3. PLAN YOUR RETIREMENT WITH FAMILY IN MIND

Rather than family ties loosening in future, the family will continue to be a major consideration in retirement planning and may even grow in importance for the next generation. While many people (40%) aspire

to travel extensively during their retirement, nearly half (49%) of current workers expect to have some financial responsibilities towards others, even when they are themselves retired. This includes ongoing financial responsibilities for their adult children as well as supporting frail elderly parents.

4. BE REALISTIC ABOUT YOUR RETIREMENT OUTGOINGS

Many working people assume that their income needs will fall once they enter retirement. Yet 52% of people in retirement have seen no reduction in their outgoings, and 17% have seen their outgoings increase. Although people are familiar with the concept of increasing life expectancy, the consequent increase in future medical and nursing care costs may not be well understood, as people are still not doing enough to prepare themselves for these potential costs. ■

When it comes to planning for your retirement, time is your friend. The earlier you start, the longer your money has the potential to grow. To review your current situation or requirements, please contact us for more information.

Source:
*HSBC's *The Future of Retirement* programme is a world-leading independent study into global retirement trends. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world. The latest global report 'Life after work?' is the ninth in the series and is based on an online survey of 16,000 people in 15 countries between July 2012 and April 2013. Since *The Future of Retirement* programme began in 2005, more than 125,000 people worldwide have been surveyed.

THE 10 RICHEST PEOPLE IN THE WORLD

1

\$73BN

**CARLOS SLIM,
MEXICO, TELECOMS**

2

\$67BN

**BILL GATES,
USA, MICROSOFT**

3

\$57BN

**AMANCIO
ORTEGA, SPAIN,
ZARA**

4

\$53.5BN

**WARREN BUFFETT,
USA, DIVERSIFIED
INVESTMENTS**

5

\$43BN

**LARRY ELLISON,
USA, ORACLE**

6

\$34BN

**CHARLES KOCH,
USA, DIVERSIFIED
CONGLOMERATE**

7

\$34BN

**DAVID KOCH,
USA, DIVERSIFIED
CONGLOMERATE**

8

\$31BN

**8. LI KA-SHING,
HONG KONG,
DIVERSIFIED**

9

\$30BN

**LILIANE
BETTENCOURT
FRANCE, L'OREAL**

10

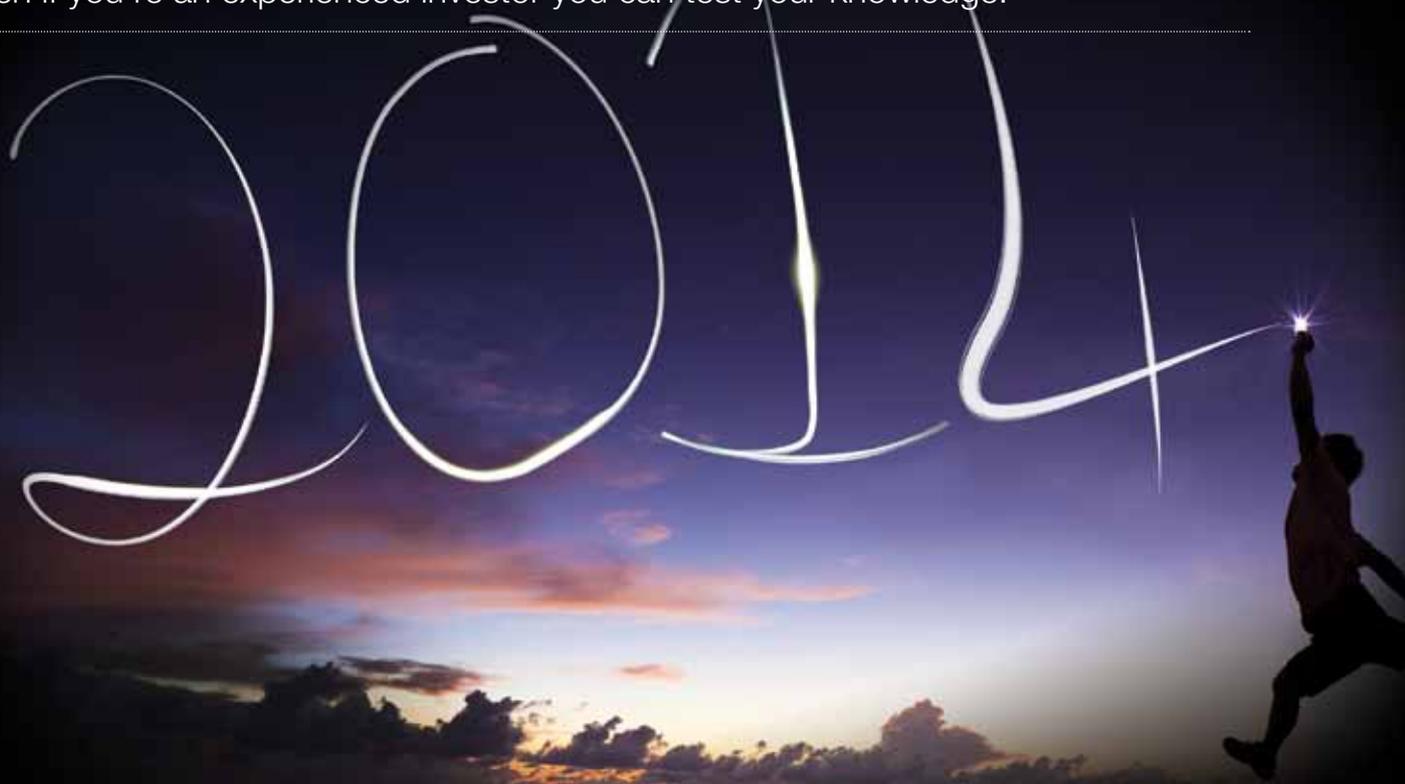
\$29BN

**BERNAUD ARNAULT,
FRANCE, LOUIS
VUITTON MOET
HENNESSY**



NEW YEAR FINANCIAL QUIZ

You don't have to be a financial mastermind to try our New Year Financial Quiz, and even if you're an experienced investor you can test your knowledge.



Q1. Which of the following is NOT a hard commodity?

- A) Gold
- B) Wheat
- C) Oil
- D) Gas

Q2. An investment of £10,000 in the UK equity index FTSE All Share on 31 December 1984 would have grown by how many times over the next 25 years?

- A) 3 times
- B) 7 times
- C) 11 times
- D) 15 times

Q3. Which significant event happened on 1 January 1992?

- A) Tony Blair became prime minister
- B) Enron scandal
- C) Formation of the European Union
- D) Introduction of the euro

Q4. Which of the following can you NOT normally hold in a Stocks & Shares ISA?

- A) Corporate bond unit trust
- B) Shares in a company listed on the London Stock Exchange
- C) A high-interest cash savings account
- D) Exchange-traded fund that tracks the FTSE 100 Index

Q5. Which of the following is NOT a type of investment?

- A) Venture Capital Trust
- B) Hedge Fund
- C) Capital Hedge Trust
- D) Enterprise Investment Scheme

Q6. The Alternative Investment Market is where...

- A) Gold is traded
- B) Unlisted sports shares are available
- C) You can sell your antiques
- D) Shares in small companies are traded

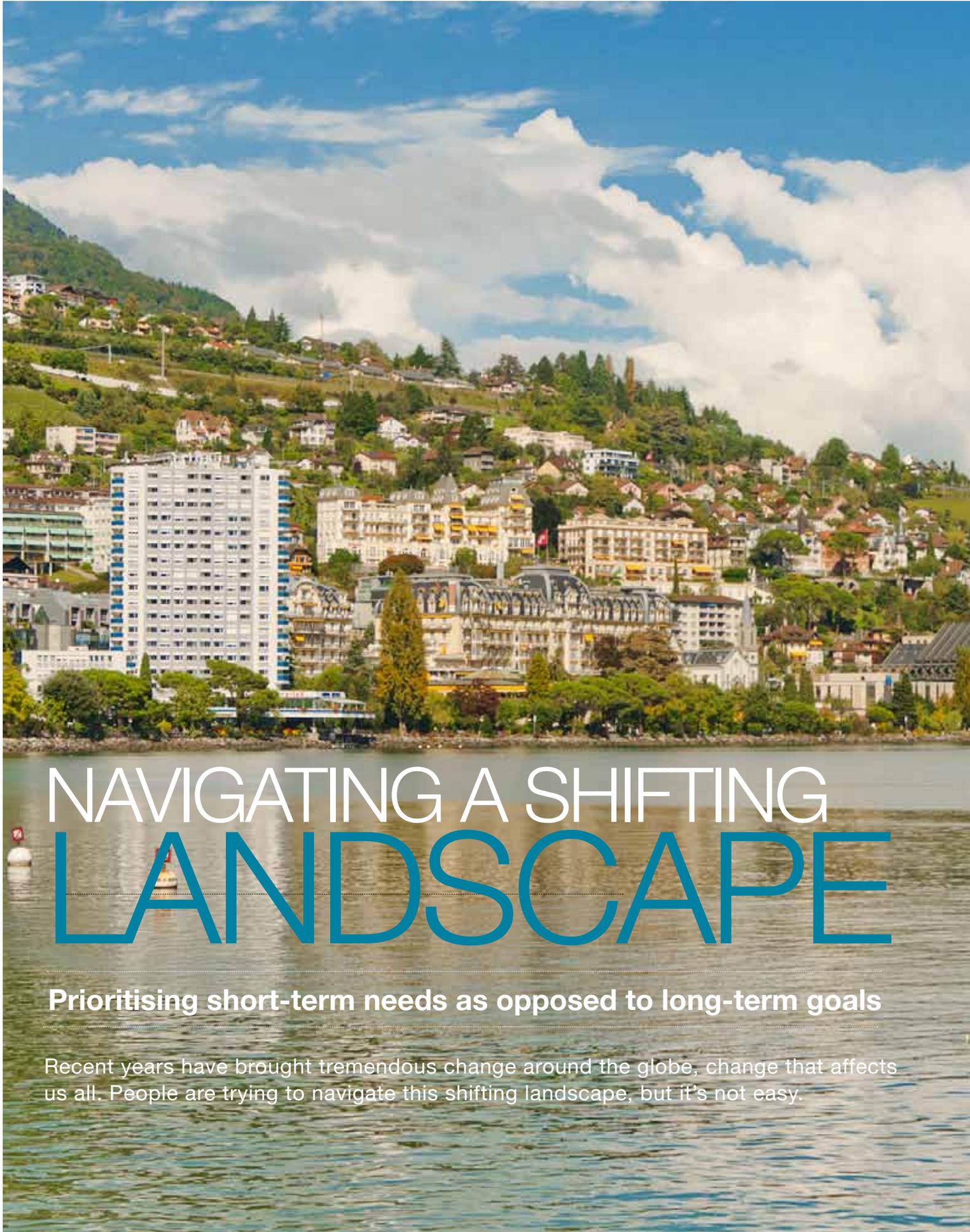
Q7. Which of the following is NOT a key feature of a structured product?

- A) Invests in shares directly
- B) Fixed term
- C) Capital is protected
- D) Fees are included in the return calculations

Q8. If you had £100 in February 1980 and placed it under the mattress for the next 30 years, how much would it have been worth in terms of buying power in February 2010?

- A) £100
- B) £70
- C) £52
- D) £27

Q1. Correct answer: C
 Q2. Correct answer: B
 Q3. Correct answer: C
 Q4. Correct answer: C
 Q5. Correct answer: C
 Q6. Correct answer: D
 Q7. Correct answer: A
 Q8. Correct answer: D



NAVIGATING A SHIFTING LANDSCAPE

Prioritising short-term needs as opposed to long-term goals

Recent years have brought tremendous change around the globe, change that affects us all. People are trying to navigate this shifting landscape, but it's not easy.



In the first Investor Pulse survey conducted by BlackRock, half (50%) of the people surveyed said they feel in control of their financial futures and are confident they are making the right savings and investment decisions. However, this means that many (50%) may still need to take steps to achieve their financial goals.

THE LONG-TERM IMPACT OF INFLATION

Only 19% describe themselves as 'active investors', with the majority choosing to hold their assets in what are perceived to be 'risk-free' assets, notably cash, often unaware of the long-term impact that inflation may have on their purchasing power, i.e. what they can buy with their money.

TOMORROW'S RETIREES ASPIRE TO AN ACTIVE LIFESTYLE

As more people look forward to a lengthy retirement, expectations about retirement lifestyles are rapidly changing. Aspirations for an active retirement are very strong as people expect to travel more, take frequent exercise and take up new hobbies.

Working patterns in particular look set to undergo massive changes: whereas one in ten of current UK retirees combine work and retirement, this figure is set to rise with 30% who see 'continuing to do some paid work' as a retirement goal.

BIGGEST CURRENT FINANCIAL PRIORITY

'Funding a comfortable retirement' came up as the biggest current financial priority for the people surveyed. However, there's a gap between people's retirement goals and their confidence in achieving them. Only four in ten (41%) of UK adults are confident that they will achieve the retirement lifestyle they aspire to.

The simple problem is that many are prioritising short-term demands over long-term planning, with retirement suffering greatly because it is such a distant goal. Over half of people in the UK (53%) admit to not saving anything specifically for retirement. That number remains the same among those aged 35-54, typically the age at which earning power should peak and planning for retirement should become more of a priority, especially as people are living longer.

A BETTER FINANCIAL FUTURE

People are adopting a broad range of positive aspirations for their later life, but it is clear that savings and investments behaviour often falls short of what is required to meet these aspirations. Over half claim to take their financial planning seriously, yet much of this planning is focused on meeting short-term goals.

Spending is often prioritised over long-term savings. Even where individuals are taking steps on the journey towards a better financial future, the sense of concern among savers

SO WHAT DO I DO WITH MY MONEY?

We offer a wealth of expertise and advice on how you can save, invest and plan more effectively for the future. The start of a New Year is the perfect time to re-evaluate your current attitude towards risks and returns and to consider whether your current investment approach is the right one. To review your options, please contact us – we look forward to hearing from you.

and investors means that half of all people remain very much risk-averse. Also cash is seen as the asset class of choice. ■

*Source:
BlackRock Investor Pulse survey, conducted in association with research agency Cicero Group in September 2013 amongst a nationally representative sample of 17,600 individuals in 12 countries aged 25 to 74 years old, of which 2,000 were UK residents. The results of this survey are provided for information purposes.*

The conclusions are intended to provide an indication of the current attitude of a sample of citizens in the UK to saving and investing and should not be relied upon for any other purposes.

You should be aware that moving out of cash in search of higher returns will involve accepting a greater risk of capital loss. There are no guarantees that financial market investments will provide an effective way of combatting the impact of inflation on your savings. Past performance is not a guide to future performance.

IN SICKNESS OR IN WEALTH

Could you lose thousands from your wages due to sickness?

A new report unveiled by LV= reveals that the average Briton spends almost a year (360 days) off sick. With on average 252 days in a working year, this equates to almost a year and a half of their working life.

CURRENT HEALTH OF THE UK WORKFORCE

The first National Sickness Report from LV= looks at the current health of the UK workforce[1], gauges their attitude towards sickness and looks at how they guard against the impact of long-term absence.

LONG-TERM ILLNESSES AFFECTING WORKING BRITONS

According to the figures, 131 million days are lost per year due to sickness absences, equivalent to six per worker in the UK, and over 13 million of these were lost due to stress and depression[2]. The research, conducted among full-time workers, reveals that stress and depression are two of the most common long-term illnesses affecting working Britons today. Workers who have suffered from stress or depression during their working lives say they took an average of two and a half months (81 days) off to recover.

The report reveals that more than a third (36%) of workers do not receive sick pay cover from their employer. This means that more than 7.8 million workers would only qualify for Statutory Sick Pay of £86.70 per week if they fell ill.

AVERAGE AMOUNT OF TIME OFF TO RECOVER

Assuming the average UK wage is £26,664[3], an employee suffering from stress and depression who only receives Statutory Sick

Pay could lose up to £4,671[4] – that's a sixth of their salary (18%) – if they took the average amount of time off to recover.

While the average amount of time someone has off with stress is 81 days, over 650,000 (2.9%) UK workers have been off with stress for more than a year during their career. Indeed, in the last three years 1 in 50 (435,800) workers have been off sick for more than a year. Of those workers who have been off sick, more than half (57%) underestimated how long they would take to recover when they fell ill.

It's not just stress that could leave working Britons feeling the financial pinch, however. Other serious ailments, such as a bad back, could cost a worker in excess of £3,000 in lost wages.

BRIDGING THE GAP – THE BACK-UP PLAN

When asked about their company's sick pay policy, more than half (52%) of workers admitted to being in the dark as to what they would be entitled to and a quarter (26%) admitted they didn't know how they would manage to make ends meet if they were sick and without their regular income. Over a third (35%) of respondents said that they would dip into their savings to bridge an income gap. However, a quarter (23%) said their savings would run dry after just two months, and only one in ten said they have enough put by to support themselves for more than a year.

NONE OF US ARE INVINCIBLE

While no one wants to think about getting ill, unfortunately none of us are invincible and the reality is that some people will need to be off work for a large chunk of time. When we buy a car, a washing machine or even a phone, we resign ourselves to the fact that at some point it might break down; however, far too few of us have a back-up plan in place that would protect our income if we found ourselves unable to work. ■

PEACE OF MIND IF YOUR FINANCIAL CIRCUMSTANCES CHANGE

Having a contingency plan, such as income protection, in place offers peace of mind that if your financial circumstances change due to illness, you can focus on recovering. Don't leave it to chance – to review your situation, please contact us for further help.

Source:

1. According to the Office for National Statistics 'Labour Market Statistics' (September 2013), there are 21,790,000 Britons in full-time employment
2. According to the Office for National Statistics 'Sickness Absence in the Labour Market' (April 2012)
3. According to the Office for National Statistics
4. According to the research conducted by OnePoll on behalf of LV= in September 2013, on average a worker ill with stress/depression will not return to work for an average of 81 days. Based on the fact that Statutory Sick Pay (SSP) of £86.70 per week is payable from the 4th consecutive day of absence average and would therefore be paid for 77 days or 11 weeks, an employee would receive £953.70 while they were off. The average UK salary is £26,664, which works out at £73.05 per day, so over 77 days an employee would receive £5,625. An employee on SSP would receive £4,671 less during the time they were on unpaid sick leave. All other calculations and statistics based on the research conducted by OnePoll on behalf of LV= in September 2013.



£4,671

ON AVERAGE, STRESS AND DEPRESSION FORCE WORKERS TO TAKE 81 DAYS OFF WORK, POTENTIALLY COSTING UP TO £4,671 IN 'LOST' INCOME



ALMOST HALF OF WORKERS WHO HAVE BEEN OFF SICK HAVE RETURNED TO WORK EARLY DUE TO FINANCIAL CONCERNS



THE AVERAGE BRITON SPENDS ALMOST A YEAR (360 DAYS) OFF SICK



A THIRD OF FULL-TIME WORKERS WOULD ONLY RECEIVE STATUTORY SICK PAY IF ILL

MAKE THE MOST OF EVERY AVAILABLE TAX-PLANNING OPPORTUNITY

You'd better get your skates on with the end of the tax year fast approaching

No one likes to pay more tax than they have to but one of the challenges of holding wealth is the high taxation it attracts. With real-terms tax increases the prospect for the foreseeable future, the pressure is on to make the most of every available tax-planning opportunity.

Different ideas will suit different people but you'd better get your skates on. With the end of tax year fast approaching on 5 April 2014, sorting out your finances now is vital. Please ensure that you take professional advice before acting. Here are some examples of the ways in which legitimate planning could save you money by reducing your tax bills.

DEFER INCOME

Whatever your top rate of tax, if you have some flexibility over the timing of income, consider arranging for investment income, earnings or profits to fall into a later tax year. So long as this doesn't increase the rate of tax you pay, deferring income may mean you can delay when you have to pay the tax.

MAXIMISE YOUR PENSION PROVISION

Pension tax relief is due to be restricted yet further from 6 April 2014, so do you need to maximise your contributions now to make the most of your annual and lifetime allowances? Currently, the annual pension contribution allowance is £50,000 but will reduce to £40,000 from 6 April 2014. You will only benefit from tax relief on pension contributions up to 100% of your annual income or £3,600, whichever is the greater. The lifetime allowance will also be reduced, from £1.5 million to £1.25 million, but many people may now find their chance to build their pension 'fund' up to the lifetime maximum restricted.

TAKE ADVANTAGE OF TAX-EFFICIENT INVESTMENTS

There are a number of tax-advantaged investments of varying complexity. Individual Savings Account (ISA) allowances provide a tax shelter for income and capital gains. The 2013/14 limit is £11,520 per person but, if not used, the allowance is lost.

Junior ISAs are now available too, enabling parents and grandparents to save up to £3,720 a year tax-efficiently for their children or grandchildren who do not have a child trust fund.

Enterprise Investment Schemes (EISs) can have significant advantages such as 30% Income Tax relief, Capital Gains Tax (CGT) exemption, a capital gains shelter and potential relief from Inheritance Tax (IHT) after two years.

Venture Capital Trusts (VCTs) also offer 30% Income Tax relief and exemption from both Income Tax on dividends and CGT.

The value of investments and the income from them may go down. You may not get back the original amount invested.

Some funds will carry greater risks in return for higher potential rewards. Investment in smaller companies can involve greater risk than is customarily associated with funds investing in larger, more established markets. Above average price movements can be expected and the value of these funds may change suddenly.

MAKE FULL USE OF CGT RELIEFS AND EXEMPTIONS

Individuals have a CGT-free allowance of £10,900 in the current tax year. If you have not realised gains of this amount, you should look at whether assets can be sold before 6 April 2014 to take advantage of this tax-free amount. If you are married or in a registered civil partnership and want to realise a gain on shares to use up the exemption, but want to keep the benefit of those shares in your family, your spouse or registered civil partner can buy back a similar number of shares to those sold – although a direct sale or gift to your spouse or registered civil partner will not achieve the desired result. If your relationship is not formalised by marriage or registered civil partnership, a gift to your partner will achieve the same result without the need to incur dealing costs.

REDUCE CGT CHARGES FROM 28% TO 18% OR 10%

If you own assets on which you qualify for Entrepreneurs' Relief (ER) you can claim to pay a reduced rate of 10%. This rate is subject to certain criteria being met for at least a year and there is a lifetime limit of £10 million, so it is extremely important to ensure your assets qualify for this rate where possible.

USE CGT LOSSES TO THE FULL

If you already have taxable gains, review your other assets to see if you can crystallise capital losses to reduce the gains on which you pay tax. If you do this, take care only to realise sufficient losses to reduce your gains to the level of the annual exemption to avoid wasting your losses. If you have made losses that you don't need to set off against this year's gains, you should still claim them so they can be used in future years.

ENSURE WILLS ARE UP TO DATE

You should ensure that your will is up to date and reflects your wishes. The will should be written in a way that both minimises tax and gives your family flexibility and protection in the future, for instance, by using tax-efficient trusts. Trusts may enable your heirs to make more tax-efficient plans than if assets were put into their hands absolutely, as well as helping to protect assets.

MAKE FULL USE OF ALLOWANCES AND RELIEFS

Inheritance Tax (IHT) allowances and exemptions to be aware of include:

- £3,000 annual allowance and any unused allowance from last year
- £250 per individual donee
- gifts in connection with marriage (limits may apply)
- lifetime gifts that are 'normal expenditure out of income'

A PURPOSEFUL AND INFORMED PLAN

Tax planning is inherently complex, so if you would like to discuss any of these opportunities, we'll take the time to understand your needs and wishes and recommend solutions that are tailored to your needs. To review your situation, please contact us.

Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

The Financial Conduct Authority does not regulate taxation and trust advice or will writing. The value of your investment can go down as well as up and you may not get back the full amount invested. Levels and bases of and reliefs from taxation are subject to change and their value depends on the individual circumstances of the investor.

IS YOUR NEST EGG CRACKED?

Making sufficient financial preparations for the future

Retirement savings have plummeted among those aged 55-64 over the past year as the cost of living continues to rise, according to Aviva's latest Real Retirement Report.

The report assesses the impact of financial pressures and concerns across the UK's three ages of retirement: the 55-64s (pre-retirees), 65-74s (retiring) and over-75s (long-term retired).

SAVINGS HABITS HAVE TAILED OFF

Savings habits among those nearing retirement have tailed off in the last year, leaving 40% of 55-64s – over 2.9 million according to the latest population estimates^[1] – finding it difficult to make regular monthly savings. The trend sets pre-retirees apart from both older age groups, who have succeeded in increasing their monthly savings habits in the last twelve months.

Pre-retirees have been rendered even more vulnerable by a 22% drop in their average savings

pot over the last year. One in five 55-64s – almost 1.5m people – have no savings or investments to fall back on, while almost one in three have less than £500 (30%).

FINANCIAL PREPARATIONS FOR THE FUTURE

As everyday living costs continue to rise, it is vital that you make sufficient financial preparations for the future, as any unexpected expenses that come your way could have a serious impact on your finances if you don't have savings to dip into.

It is therefore particularly alarming to see the slump in savings habits among those who are nearing retirement. Putting away even a small amount each month can make a real difference if you start early enough. ■

Source:

[1] Office for National Statistics, mid-2012 population estimates published on 8 August 2013 show there are 7,308,618 people in the UK aged 55 to 64. The Real Retirement Report was designed and produced by Wriglesworth Research. As part of this, more than 17,686 UK consumers aged over 55 were interviewed between February 2010 and October 2013. Wherever possible, the same data parameters have been used for analysis but some additions or changes have been made as other tracking topics become apparent.

FINANCIAL FREEDOM TO FUND AN ENJOYABLE RETIREMENT

Giving yourself some room to manoeuvre in the approach to retirement can prove invaluable, as it allows you the financial freedom to fund an enjoyable retirement regardless of any sudden expenses. If you would like to review your options please contact us.