Clocktower
FUND MANAGEMENT

NOVEMBER/DECEMBER 2013

DO YOU HAVE A LONG-TERM INVESTMENT STRATEGY?

TAX-EFFICIENT INVESTING MADE EASY

ENJOY THE TIME OF YOUR LIFE

MAKE WRITING YOUR WILL YOUR TOP 2014 NEW YEAR RESOLUTION

ARE YOU MAKING THE MOST OF YOUR FINANCES?

Clocktower Fund Management Ltd, 21a High Street, Cobham, Surrey, KT11 3DH
Tel: 01932 863400 **E-mail:** office@clocktowerfm.com **Web:** www.clocktowerfm.com

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.

CONTENTS NOVEMBER/DECEMBER 2013

IN THIS **ISSUE**

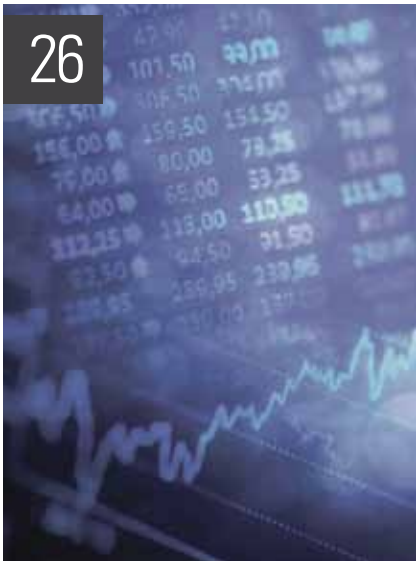
Welcome to the latest issue of our magazine designed to help you make more of your money by protecting and growing your wealth. As the year end approaches and you start to contemplate your New Year resolutions, we look at some of the main areas you should be considering.

Retirement planning involves thinking about your plans for the future now – that means investing your money with the aim of maximising its value ready for when you retire. On page 06 we consider how the importance of careful financial planning, the right mix of assets and starting sooner rather than later could all help lead to the retirement you are looking for.

The complexity of today's economic and global conditions, coupled with uncertainty in Europe, North America and China, have combined to create a degree of cautiousness among many investors. Turn to page 13 to read why having a long-term investment strategy will provide you with a clear advantage during uncertain times.

As much as we might not want to think about it, we are all going to die one day. Most of us know that we should write a will, but most of us never get round to it. Do you fall into this category? If the answer is 'yes', as the New Year approaches make writing your will your top 2014 resolution. Read more on page 16. A full list of all 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.



GIFTS OF THE **FINANCIAL VARIETY**

The best gift you can ever make to your grandchild or grandchildren this festive period will have a longer-lasting impact

Your grandchild or grandchildren may want the latest toy or gadget this Christmas, but how about giving them a present that can help their financial future? UK tax laws allow children to receive pension contributions of up to £3,600 a year from the moment they are born.

HM Revenue & Customs will currently give tax relief of £60 per month on a £240 a month contribution. The money is locked away until the recipient reaches age 55, but it means they can't 'fritter away' their inheritance!

MORE SELF-RELIANT

Instead, the money becomes available at a time when they may really need it – to pay off a mortgage or fund their lifestyle in retirement. After all, children born today are unlikely to enjoy the same level of retirement funding that the current baby boomers are enjoying. They'll need to be more self-reliant, as dependence on the State is likely to diminish and company benefits such as final salary pension schemes disappear.

TAX-EFFICIENCY

There's another reason why it may make sense for you to do this, and that's tax-efficiency. If you've taken your tax-free lump sum from your own pension, the remaining fund will either be in 'income drawdown' or you will have purchased an annuity. What you may not realise is that even if you are not actually taking an income from your remaining pension fund, it's still classed as 'in drawdown'. This means it could be subject to a 55 per cent tax charge when you die, so your beneficiaries could receive just 45 per cent of your remaining pension fund [1].

INHERITANCE TAX PURPOSES

Using income from your drawdown fund could help move the money out of this 55 per cent death tax environment. Similarly, if you've taken out an annuity and have surplus income, then putting the money into your grandchild's pension may also help move money out of your estate for inheritance tax purposes.

Once the contribution is made into the grandchild's pension, the future investment growth of those contributions belongs to your grandchild, creating significant longer-term value compared to leaving the money within your estate. ■

THE MOST VALUABLE GIFT EVER

Opening a pension for your grandchild or grandchildren this festive period could significantly improve the amount they eventually inherit. With both tax and estate planning benefits, together with the prospect of giving them financial independence in their retirement years, this really could be the most valuable gift you ever make to them. To discuss this and any other retirement planning concerns you may have, please contact us.

[1] Drawdown money is subject to a 55 per cent death tax if paid as a lump sum to beneficiaries.

While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement. The value of investments and the income from them can go down as well as up. You may not get back as much as you invested.

ENJOY THE **TIME OF YOUR LIFE**

Have you given full consideration to your long-term pension investment strategy?

Retirement planning involves thinking about your plans for the future now – that means investing your money with the aim of maximising its value ready for when you retire. Careful financial planning, the right mix of assets and starting sooner rather than later could all help lead to the retirement you are looking for. Many years ago the traditional view of saving for retirement was to simply put your money into a pension, with few decisions to make in the run-up to your retirement date and no choice over how the pension was taken.

REVIEWING YOUR RETIREMENT PLANNING

Having a pension today is recognised as just one important step along the path to achieving your dreams once you have stopped working. Now, not only must you carefully consider where you actually invest your pension money and how you are going to use your pension, but if appropriate you should also review other forms of retirement savings. Reviewing your retirement planning is critical, and probably the single most important decision you can make to help you realise your long-term goals.

Different investment choices produce different results. It's essential that you review all your retirement investments to make sure they are heading in the right direction. If your circumstances change, some investments may no longer be appropriate. It's important to get these things right as you will be relying on the provisions you make now to generate income after you retire.

FACTORS THAT WILL DETERMINE YOUR STRATEGY

When building or reviewing your pension portfolio there are a number of factors that will determine your strategy, including the level of risk you are willing to take. This is likely to change throughout your life, which means your investment strategy will also need to change. Receiving professional financial advice plays a vital role in helping to make sure that your pension holdings match your risk profile and your investment goals.

Typically, people in the early years of the term of their pension may feel they have time to take more risks with their investments to increase the potential for higher returns. As they approach retirement and the duration of the investment is shorter, they may prefer more predictability to start to plan for their future after work. Alternatively, if they have reached their pension age and are still investing part of their fund while drawing benefits, they may prefer to keep an element of greater risk in return for higher potential growth.

WHEN IT COMES TO RETIREMENT PLANNING

Your 40s is 'the golden decade' when it comes to retirement planning. This is when you should be putting as much as possible into your pension to give your contributions time to grow.

In your 50s you may want to start making decisions about your retirement. If you are going to convert all of your retirement funds into income the moment you retire, you may wish to start reducing risk now. If you expect to keep it mainly invested, you may wish to keep a good weighting in investments based on shares. After all, with the growing trend towards taking work in retirement, many people may feel they can afford to keep their pension invested for longer while drawing an income.

Delaying the start of your retirement provision will have an obvious impact on the potential growth of your pension. Not only will the time period for growth potential be reduced, but you could also be passing up the opportunity for valuable tax relief.

STREAMLINED PENSION REGIME

Pensions have always provided a highly tax-efficient environment for long-term retirement investments. However, in April 2006, a streamlined pension regime introduced a number of extra benefits, including the potential to contribute larger sums into your pension fund when the timing is right for you.

Since the rules were simplified, pensions have become easier to navigate. Whether you have

IN YOUR 50S YOU MAY WANT TO START MAKING DECISIONS ABOUT YOUR RETIREMENT. IF YOU ARE GOING TO CONVERT ALL OF YOUR RETIREMENT FUNDS INTO INCOME THE MOMENT YOU RETIRE, YOU MAY WISH TO START REDUCING RISK NOW.

occupational pensions, personal pensions or both, you now have one overall annual and one Lifetime Allowance for pension savings. You can save as much as you like into any number and type of registered pension schemes and receive tax relief on contributions of up to 100 per cent of your earnings (salary and other earned income) each year, provided you paid the contribution before age 75. But the amount you save each year towards a pension from which you benefit from tax relief is subject to the 'Annual Allowance'. The Annual Allowance for the tax year 2013/14 is £50,000.

EXCESS TAXED ON INCOME

The Lifetime Allowance, the amount you can save in total in all your pensions, is for most people £1.5 million in the current tax year 2013/14. It applies to all the pensions you have, excluding your State Pension. In 2014/15 the Lifetime Allowance will reduce to £1.25 million. If you save more than this, you will be taxed on income from the excess at an effective rate of 55 per cent if taken as a cash sum, and 25 per cent if taken as pension benefits. These charges are on top of any income tax due on the pension payments.

CONSOLIDATING FUNDS

Another feature of pensions is that you can consolidate payments from one UK registered pension scheme to another. This could be either to access different benefit options or simply to consolidate your funds in one place. It is important to note that there are costs involved, and obtaining professional financial advice is essential to ensure that you take the appropriate course of action for your specific situation.

If you have more than one pension plan in your name, there could be a number of advantages to consolidating all your plans into one. Having one pension can make it much easier for you to keep track of funds, monitor performance and change strategy if necessary. Consolidation may also cut down on paperwork and could make estate planning simpler.

Again, it's possible that consolidating pension funds may not be beneficial for your particular circumstances. You should always receive professional financial advice before deciding if it is the right course of action for you.

YOUR 40S IS 'THE GOLDEN DECADE' WHEN IT COMES TO RETIREMENT PLANNING. THIS IS WHEN YOU SHOULD BE PUTTING AS MUCH AS POSSIBLE INTO YOUR PENSION TO GIVE YOUR CONTRIBUTIONS TIME TO GROW.

POST-RETIREMENT

The array of post-retirement options is vast and will need to be considered carefully. The best option for you will depend on factors such as the size of your fund, your ongoing involvement, the risk you are willing to take and the level of benefit flexibility you want.

Annuities have long been the mainstay of turning your retirement pot into income. When it comes to buying a pension annuity you can choose from any provider in the market, with the option of inflation-proofing it or buying a guarantee so that it continues to pay out for a set period of time. You might also want an income to continue for your spouse after your death. All these options will reduce the amount you initially receive.

You have other options besides buying an annuity, such as using a drawdown facility and leaving your pension invested but receiving an income from the fund. If you do this, you can still take your 25 per cent tax-free lump sum out of your pension.

There are many choices to make during the pre- and post-retirement years. However, these choices are some of the most important you will ever make, so careful consideration is essential in order to safeguard your financial future and give you the retirement you are dreaming of. We can provide professional help and advice on retirement planning, so please contact us to arrange a meeting. ■

ARE YOU PROACTIVE?

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. But retirement planning isn't just paying money into your pension each month and forgetting about it – you need to be proactive. To review your current situation or requirements, please contact us for more information.

Some occupational schemes may not be able to offer you all the options referred to within this article. While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement. The value of investments and the income from them can go down as well as up. You may not get back as much as you 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.

WHY IT PAYS TO BE **SMART** WHEN PLANNING YOUR

ENSURE YOUR INHERITANCE GOES TO LOVED ONES AND NOT THE TAXMAN

Inheritance tax (IHT) is becoming an issue for an increasing number of people in the UK. None of us likes to entertain the thought of our own death and what would happen to our family after such an event. However, a financial plan for your death is vital, especially if you have dependants.

IHT is a tax on money or possessions you leave behind when you die and on some gifts you make during your lifetime. However, a certain amount can be passed on tax-free, utilising your 'tax-free allowance'. This is also known as the 'nil rate band'.

Everyone in the current 2013/14 tax year has a tax-free IHT allowance of £325,000. The allowance has remained the same since 2010/11 and will stay frozen until at least 2018.

Failing to think about how to tackle a potential IHT liability could have serious consequences for your loved ones. No one wants to leave people they care about with an IHT bill that could have been substantially reduced, or even eliminated altogether.

We have provided five steps to consider if appropriate to your particular situation:

1. WRITE A WILL

In the UK, if you don't have a will your estate will be distributed according to rules set out by law. These are known as the 'Rules of Intestacy' (some areas of the law and legal procedures are different in Scotland).

For example, in England and Wales, if you're married with children, the first £250,000 of your estate (plus any personal possessions) would pass to your spouse. The remainder would be split equally, half going to your children when they reach the age of 18 and the other half used to generate an income for your spouse, passing to the children on your spouse's death.

If you're not married your estate will go to your blood relatives, even if you've been living with someone for several decades. This could be far from what you wish. Think about where you want your money to go and why. A will makes your wishes concrete and clarifies who should get what, but can also be reviewed over time.

2. MAKING USE OF LIFE ASSURANCE

Life assurance can play a big part in your IHT planning. Rather than reduce the liability, by taking out a plan to cover your estate's potential IHT liability and writing it in an appropriate trust, the proceeds can be used to meet the IHT amount payable. More importantly, by putting it in an appropriate trust it will fall outside your estate so it won't form part of your estate and will not be liable for IHT currently at 40 per cent.

3. GIVE IT AWAY

Giving your wealth away to another individual while you are still alive will also save on IHT. Some gifts are immediately outside your estate. You can give as many people as you like up to £250 each in any tax year. If you want to give larger gifts, either to one person or several, the first £3,000 of the total amount you give will be exempt from IHT with the balance after 7 years.

You can also make a regular gift as long as it is out of your income and doesn't affect your standard of living. For example, if you don't spend all your salary or pension each month, you could redirect any funds that are left over to another person. The gift does need to be regular, which could perhaps be a birthday or Christmas present, or a monthly payment.

A wedding can also be a good excuse for an IHT-exempt gift. A parent can give up to £5,000, a grandparent £2,500 and anyone else £1,000.

Legislation stops the tax saving if you continue to benefit from whatever is given away.

4. MAKE AN INVESTMENT AND USE A TRUST

This could be useful if you wanted to give some money to, for example, your children or grandchildren but fear they might not spend it wisely during their teenage years. Or, if you wanted to give away capital while keeping control over how it is managed and, in some instances, still being able to receive an income from it.

Tax charges can also come into play on the money placed in trust, but generally if this remains below the nil-rate band you won't need to pay any tax. And in many cases the level of tax suffered will be less than the 40 per cent headline IHT rate. Most IHT planning uses a trust arrangement of some sort.

5. MAKE IHT-EXEMPT INVESTMENTS

Where planning to reduce the liability is not possible, then life assurance is an option. More importantly, by putting it in an appropriate trust it will fall outside your estate so it won't form part of your estate and will not be liable for IHT, currently chargeable at 40 per cent. Be aware that premiums must be maintained throughout your remaining lifetime and if they lapse, so will the cover. It's therefore essential that you ensure the continued affordability of the premiums, which may be payable for the rest of your life. ■

PROTECT YOUR WEALTH

It is essential that you receive the highest standard of professional financial advice to enable you to plan effectively and achieve the most tax-efficient strategy to protect your wealth. We can help you achieve peace of mind for your financial future – please contact us for further information.

Investments in unquoted companies usually carry higher risks and may not be suitable for all investors. Accordingly, professional advice should be obtained before making an investment. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. The Financial Conduct Authority does not regulate Taxation & Trust advice or Will Writing.

PLANNING FOR A **COMFORTABLE RETIREMENT**

Do you know how much income to expect when you retire?

The vast majority of under-45s with pensions are not aware of the total value of their pension pots or the income they can currently expect to receive in retirement, according to recent research from Standard Life.

Only around a quarter (26 per cent) of under-45s with pensions know what their pension pots are currently worth, and just one in five (21 per cent) say they know what income they are expecting when they retire. Furthermore, many of them (34 per cent) already have more than one pension pot.

THE RUN-UP TO RETIREMENT

The research shows that most of us don't really know the value of our pension until we are older and in the run-up to retirement, despite the fact that we are likely to be receiving annual pension statements. By not keeping a close eye on our pensions in the earlier years, we run the risk of falling behind and leaving any top-ups until the last minute, when it may be too late to catch up.

Alongside our homes, our retirement savings are likely to be one of our biggest assets. So by not keeping track of the value of our pension pots and how they are performing, we may be missing out on opportunities to take action and leaving ourselves vulnerable at a later age.

PENSION CONSOLIDATION

The research has also found that over two fifths (43 per cent) of people in the UK with pensions have two plans or more, perhaps built up over time as they move jobs. And many of the under-45s (34 per cent) with pensions already have more than one, despite being younger.

Having multiple pension pots could make it more difficult for people to get a clear picture of the total value; it could also be why people totally lose touch with their pensions. Therefore, consolidating your pension pots could help and is something to consider.

When you consolidate your pensions, you have just one provider to keep in touch with and one annual statement to look at and review. Consolidating can also potentially mean you pay lower charges and possibly have more choice and buying power when you come to retire too. For example, pension drawdown is generally not an option if you have a smaller pot, but combining pots could change that. A larger combined pot could also help you find a better rate when you choose an annuity.

IMPORTANT BENEFITS

Following the introduction of auto-enrolment, the Government is looking at how to ensure that pension pots will follow people as they move around jobs. Going forward, they hope that people won't have this confusion of multiple pension pots. But many people have already built up several different pensions and consolidating some or all of them is something to consider.

We often consolidate other things like our utility providers or combine our TV, phone and broadband packages with one provider to make things simpler to keep tabs on and generally cheaper too. The same theory could potentially be applied to pension pots. But before consolidating your pensions in one place, you should always check to make sure you are not giving up important benefits, like defined benefits, 'with profits' bonuses and enhanced tax-free cash.

Ten tips to help with pension planning:

1. Develop a plan so that you're clear on what your goals are for retirement and how you're going to achieve them. Keep your plan under review and make changes when it's appropriate.
2. Always keep track of your pension savings, so you know to top-up earlier on if you realise you aren't saving enough to achieve your goals.
3. Make sure your money is invested in the funds that reflect your attitude to risk. Keep this under review particularly as you get closer to the time when you intend to retire.
4. Keep an eye on the Lifetime Allowance (£1.25m from 6 April 2014) and whether you are likely to breach this limit and risk a hefty tax charge. Remember the Lifetime Allowance may reduce further before you're ready to take your pension.
5. Remember to take the state pension into account when you work out how much extra income you will need.
6. It's important to start saving for your retirement early to maximise the time your money is invested.
7. Remember that, in most cases, if you are a basic-rate tax payer, for every £80 you invest in a pension it is automatically topped up by £20 tax by the Government.
8. If you are a higher-rate tax payer, then you can receive higher-rate tax relief on your contributions - don't miss out, and remember to claim this through your tax return. If you're investing through your workplace, you don't need to do this as payments are deducted from your salary before tax.
9. If you have more than one pension plan, then consider bringing them all together into one pot to make it easier to see how your pension is doing. But before doing so, make sure you are not giving up important benefits such as defined benefits, 'with profits' bonuses and enhanced tax-free cash.
10. Consolidating your pension plans may mean lower annual charges, and you could also benefit from a discount for having a bigger pension pot. ■

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,018 adults, of which 1,361 have a pension. Fieldwork was undertaken between 9-12 August 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

RUSHING INTO MAJOR FINANCIAL DECISIONS

Are you investing enough time in retirement and pension planning?

As many as four million Britons admit to rushing into major financial decisions and then regretting them afterwards, and the majority of us put more time into planning for Christmas and picking a satellite TV provider than we do into thinking about our financial future.

These are among the findings estimated from a nationally representative survey of 2,000 British adults, which was commissioned by NFU Mutual and conducted by ICM Research during January 2013.

INCREASING DEMANDS

So why do people spend so little time thinking about financial planning? The increasing demands of modern life mean we are now expected to make thousands of decisions every day, with an increasingly mind-numbing number of options to choose from.

Something as simple as choosing which TV channel to watch can now involve surfing through 500+ channels, where only a generation ago you were lucky to get all five terrestrial channels clearly.

And even something as simple as buying a cup of coffee can now mean choosing between countless flavours, sizes and extras. ■

TIME TO TALK ABOUT YOUR OPTIONS?

We all want the future taken care of, which is why we combine genuine insight into your needs and circumstances with a comprehensive understanding of the different options available. To find out more, please contact us.

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.

DO YOU HAVE A LONG-TERM INVESTMENT STRATEGY?

Keep focused on your end goals and don't let market noise sway you

The complexity of today's economic and global conditions, coupled with uncertainty in Europe, North America and China, have combined to create a degree of cautiousness among many investors. A long-term investment strategy could provide you with a clear advantage during uncertain times.

ONE OF THE WORLD'S RICHEST INVESTORS

Warren Buffett is one of the world's richest people and is a highly successful investor. He's achieved this partly by identifying companies that he believed were worth more than their market value, investing in them and, crucially, holding that investment for the long term. It sounds remarkably simple, but given the ups and downs of the global markets, it takes a high level of discipline, nerve and conviction in your decisions.

KEEP FOCUSED ON YOUR END GOALS

It's important to have in place a sound investment strategy to keep you focused on your end goals and not to let market noise sway you. If appropriate, consider investing at regular intervals over the long term. Keep on investing through market lows when share prices are undervalued, so that you gain more wealth when markets rise again. This can help smooth some of the stock market ups and downs and you avoid investing all of your money when the market is at a peak.

YOUR ATTITUDE TOWARDS INVESTMENT RISK

Understand your time horizon and your attitude towards risk. They affect how you invest. We're all different, and our personal risk attitude can change with our circumstances and age. The nearer you approach retirement, the more cautious you're likely to become and the keener you're likely to be to protect the fund you have already built. Note that the value of your fund may fluctuate and you may not get back your original investment.

SPREAD RISK THROUGH DIVERSIFICATION

Diversify your portfolio so that when one part of the market does not perform it is balanced out by another part of the market that does. View your investment portfolio as a whole. Asset allocation is the process of dividing your investment among different assets, such as cash, bonds, equities (shares in companies) and property. The idea behind allocating your money among different assets is to spread risk through diversification – the concept of not putting all your eggs in one basket.

ASSETS THAT BEHAVE DIFFERENTLY

Balance your portfolio and maintain a sensible balance between different types of investments. To benefit from diversification, you need to invest in assets that behave differently from each other. Each asset type has a relationship with others – some have very little or no relation to each other (known as a 'low correlation'), whereas others are inversely connected, meaning that they move in opposite ways to each other (called a 'negative correlation').

MIRRORING THE PERFORMANCE OF A PARTICULAR SHARE INDEX

There will always be times when one asset class outperforms another. Generally, cash and bonds provide stability while shares and property provide growth. Funds are either actively managed, where managers make decisions about the investments, or passively managed (typically called a 'tracker'), where the fund is set up to mirror the performance of a particular share index rather than beat it.

BENEFIT FROM COMPOUND GROWTH

Think long term. It is time in the market that counts – not timing the market. The longer you are invested in the market, the greater the likelihood of making up for any losses. What's more, the sooner you start investing, the more you will benefit from compound growth.

INVESTING AS TAX-EFFICIENTLY AS POSSIBLE

Different investments have different tax treatments. Tax is consequential to many wealth management decisions. Our understanding and experience can help you manage and protect your wealth, whatever form it takes. We can advise you about the tax treatment of your current investments, and of any investments you are considering, to ensure that you are investing tax-efficiently. It's important to remember that your requirements are unique to you. What's a good investment for one individual is not automatically a good investment choice for you, so don't follow the latest investment trends unless they fit with your plan. ■

REQUIRE ADVICE?

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.

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.

THE FINANCIAL IMPACT OF LONG-TERM **ABSENCE FROM WORK**

Do you have a back-up plan in place if you are unable to work?

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

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.

STRESS AND DEPRESSION

According to the latest figures 131 million days are lost per year due to sickness absences in the UK (equivalent to six per worker), and over 13 million of these were lost due to stress and depression[2]. LV='s 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.

Whilst the emotional and physical impact of stress and depression is accepted and clearly highlighted, the financial impact which can be just as significant often remains untold. This report reveals that more than a third (36 per cent) of workers do not get 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.

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 per cent) – if they took the average amount of time off to recover.

FEELING THE FINANCIAL PINCH

Whilst the average amount of time someone has off with stress is 81 days, over 650,000 (2.9 per cent) 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 per cent) underestimated how long they would take to recover when they fell ill.

It's not just stress that could leave working Brits 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.

Being off sick can have a big impact on an individual's finances and lifestyle. The fact that one in three would only receive Statutory Sick Pay indicates that many would be out of pocket and struggling financially, especially if they were off work for a long period of time; it is clear from the report that many people are.

MAKING ENDS MEET

When asked about their company's sick pay policy, more than half (52 per cent) of workers admitted to being in the dark as to what they would be entitled to and a quarter (26 per cent) 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 per cent) of respondents said that they would dip into their savings to bridge an income gap. However, a quarter (23 per cent) 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.

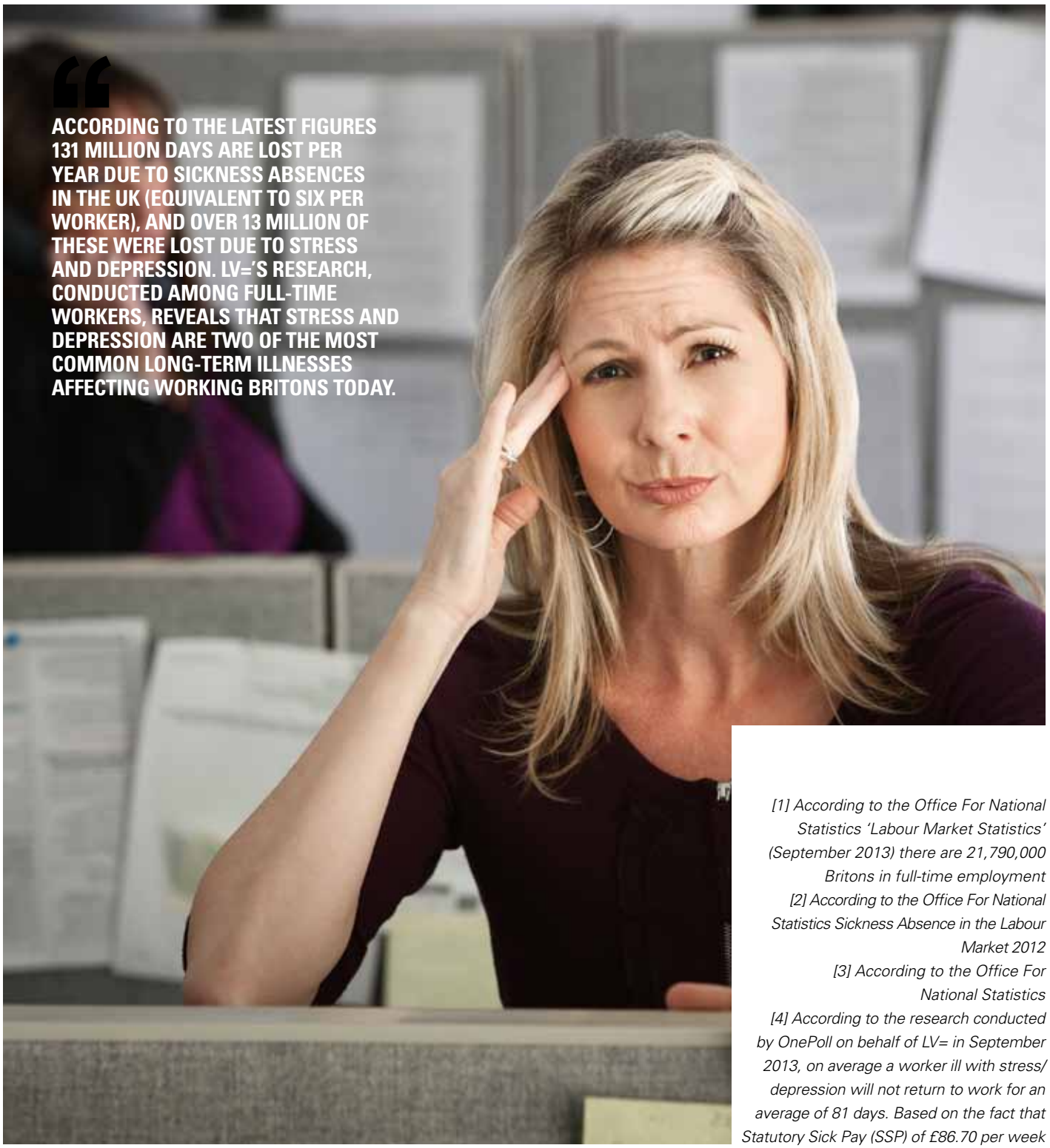
A CONTINGENCY PLAN

As just one in ten has a policy in place that would provide them with a replacement income if they were unable to work, it is clear that many Britons would be unable to meet their financial commitments if they were out of work for a considerable amount of time. Indeed, almost half (44 per cent) of all workers who had been off sick admit that they had returned to work before they were ready, as they were concerned about the financial impact of taking any more time off.

Whilst 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. Having a contingency plan, such as income protection, in place offers peace of mind that if our financial circumstances change due to illness we can focus on recovering. ■

NEED HELP?

The unexpected could happen at any time, so it is essential that you obtain professional advice. Don't hesitate to get in touch to discuss your requirements.



ACCORDING TO THE LATEST FIGURES 131 MILLION DAYS ARE LOST PER YEAR DUE TO SICKNESS ABSENCES IN THE UK (EQUIVALENT TO SIX PER WORKER), AND OVER 13 MILLION OF THESE WERE LOST DUE TO STRESS AND DEPRESSION. LV='S RESEARCH, CONDUCTED AMONG FULL-TIME WORKERS, REVEALS THAT STRESS AND DEPRESSION ARE TWO OF THE MOST COMMON LONG-TERM ILLNESSES AFFECTING WORKING BRITONS TODAY.

THE FIVE MOST COMMON AND COSTLY ILLNESSES AFFECTING WORKING BRITONS (ORDERED BY RECOVERY TIME AND COST):

Illness	Average time off work	Maximum cost to employee
Stress/Depression	81 days	£4,671
Bad back	57 days	£3,215
Severe migraines	18 days	£849
Ear infection	13 days	£545
Flu	10 days	£363

[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 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 whilst they were off. The average UK salary is £26,664 which works out at £73.05 per days, 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.

MAKE WRITING YOUR WILL YOUR TOP 2014 **NEW YEAR RESOLUTION**

Save your loved ones from any additional stress at what is likely to be a very difficult time

As much as we might not want to think about it, we are all going to die one day. Most of us know that we should write a will, but most of us never get round to it. Do you fall into this category? If the answer is 'yes', as the New Year approaches make writing your will your top 2014 resolution.

Writing a will gives you peace of mind that your wishes will be respected after you die and, by making those wishes clear, you can save your loved ones any additional stress at what is likely to be a very difficult time. Not writing your will could have serious consequences for those you leave behind. If you die without getting your financial affairs in order, your money, personal belongings and even your home could go to the person you least want to have them, and your loved ones could lose out.

GET YOUR FINANCIAL AFFAIRS IN ORDER

- Specify exactly how you want to divide up your assets, including any property, savings, business interests, personal effects and even pets – known in legal terms as your 'estate'
- Appoint a guardian to care for your children as well as making specific financial provisions to help them do so (otherwise, it will be up to the courts to decide who looks after any children under 18 who are left without a parent)
- Use your will to save tax and potentially reduce or eliminate the amount of inheritance tax that may need to be paid on your estate
- Protect your assets for future generations and give yourself peace of mind that your affairs are in order

HOW WILL YOUR ESTATE BE SHARED OUT?

In England or Wales (some areas of the law and legal procedures are different in Scotland), if you die without a valid will, laws known as the Rules of Intestacy will determine how your estate is shared out. Importantly, only spouses or registered civil partners and certain blood relatives can inherit under these rules – unmarried partners who are not in a civil partnership cannot benefit, nor can relations by marriage or close friends, even if there are no qualifying blood relatives (in which case your estate will pass to the Crown).

A DIFFICULT FINANCIAL POSITION

Not having a will can mean lengthy delays in distributing your assets, in some cases years, which could leave your nearest and dearest in a difficult financial position, depending on your situation.

Family lives are often now more complicated, with more couples divorcing and second marriages and second families on the rise. In such cases, it is even more important to have a suitable will in place.

It is also essential you remember to review your will, especially when life changes occur. Life events such as a second marriage will revoke any previous wills, and a divorce will cancel any benefit to a former spouse, unless the will specifically states that divorce should not affect the entitlement.

REDUCE A POTENTIAL TAX BURDEN

Currently, if you leave behind an estate worth more than £325,000 (2013/14 tax year), inheritance tax (IHT) is levied at 40 per cent on anything above this threshold. If this is likely to apply to you, writing a will could help you reduce the potential tax burden on your beneficiaries.

It makes sense for a married couple to write their wills in conjunction with each other as, usually, the IHT is only an issue on the second death. Careful planning on the first death can, however, sometimes reduce the total eventual tax liability

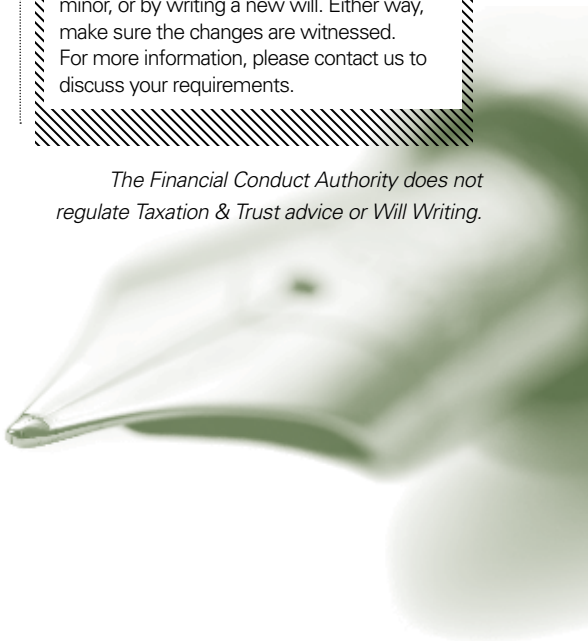
This is because bequests between spouses are exempt from IHT and so it is easily possible to avoid any tax liability at that stage. The issue is delayed rather than avoided altogether, so the will of the first to die should be written with that in mind.

Also exempt are gifts to charities. Any money you leave to charity is not taxed, and if you leave more than 10 per cent of your estate to charity, any IHT payable on the remainder will be charged at a reduced rate of 36 per cent. ■

WHERE THERE'S A WILL, THERE'S A WAY

If you haven't written a will, whether your affairs are straightforward or complex, it's important to obtain professional financial advice. Or, if you already have a will and are getting married, divorced or having your first child, or more children, make sure that your existing will reflects this. Ensure that it is properly changed – either with an official change called a 'codicil' if the change is minor, or by writing a new will. Either way, make sure the changes are witnessed. For more information, please contact us to discuss your requirements.

The Financial Conduct Authority does not regulate Taxation & Trust advice or Will Writing.



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.

THE GENDER **SAVINGS GAP**

Preparing adequately for retirement is at an all-time low

The number of women preparing adequately for retirement is at an all-time low and remains well behind the preparation levels of their male counterparts, according to the Scottish Widows 2013 Women and Pensions Report. Just 40 per cent of women, compared to 49 per cent of men, are preparing adequately for later life, a drop from 42 per cent last year and 50 per cent in 2011.

ADEQUATE PREPARATION

The ninth annual survey of over 5,000 people found that while over a third (37 per cent) of women have no pension whatsoever, the same applies for just over a quarter (27 per cent) of men. The picture is little better for those women who are saving, with the report finding that they are only managing to put aside £182 a month on average, well below the average amount of £260 amongst men. This creates a gender pension savings gap of nearly £1,000 a year.

The number of women preparing adequately for retirement has dropped from last year to a record low. This growing gender gap in retirement savings means that women are facing an ever-increasing shortfall when it comes to retiring and must act now to ensure they will not be left exposed in later life.

SHORT-TERM FINANCIAL PRESSURES

The report found that women are coming up against barriers to saving at every stage of life, with different lifestyle factors taking their toll on women of different ages.

Women in their 20s were found to be tied down by short-term financial pressures and are prioritising living expenses (42 per cent), paying off debts (26 per cent), travel and holidays (23 per cent), or saving for a property (18 per cent) over saving for retirement. Over half (54 per cent) of 22-29-year-olds don't have a pension, compared to 37 per cent of the general female population.

Perhaps due to family commitments, only 50 per cent of women in their 30s work full-time compared with 81 per cent of men of the same age, meaning 30-something women bring in an average gross income of £19,200 – way behind the £28,700 that the average 30-something man takes home. Career breaks and cutting back on hours have a knock-on effect on women's ability to save, with women in their 30s only saving £87 a month on average towards retirement, outside of pension and property investments. This is compared with the £151 that their male counterparts are saving each month outside of pensions and property.

CHANGING PRIORITIES

By the time women reach their 40s, their financial priorities have changed, with almost 1 in 4 (23 per cent) 40-49-year-olds saying they had prioritised financially supporting their children over retirement saving in the last five years. 24 per cent also said they expect their partner's income to help support them in retirement, despite the fact that 79 per cent do not know what their partner would be entitled to from their pension fund if they were to separate.

Despite their proximity to retirement age, paying off debt is still at the forefront of the minds of women in their 50s, with 1 in 4 (24 per cent) women of this age still considering paying off debt a bigger priority than saving for retirement. Women in their 50s still owe an average amount of £11,400, slightly higher than the £11,000 of average debt women in their 40s have.

DIFFERENT BARRIERS

The report has identified the different barriers preventing women from saving at every life stage and shows where this gender savings gap is coming from.

Of particular concern is the number of women in their 40s who are planning to rely on their partner to help support them in retirement, but are unsure of what their pension provision would be were they to separate. ■

The Scottish Widows UK Women and Pensions Report is based on an online sample of 5,200 UK adults and is one of the largest surveys undertaken into women's attitudes on pensions. The research was conducted by YouGov and forms part of the Scottish Widows ongoing consumer research programme, which aims to better understand the context within which people plan for their retirement.

AMOUNT OF PEOPLE PREPARING ADEQUATELY FOR RETIREMENT, BY GENDER:

Year	Amount of people preparing adequately for retirement**	Amount of men preparing adequately	Amount of women preparing adequately
2013	45%	49%	40%
2012	46%	49%	42%
2011	51%	53%	50%
2010	48%	52%	43%
2009	54%	59%	47%
2008	51%	55%	46%
2007	49%	54%	41%
2006	46%	49%	41%

WORKPLACE **PENSION PLANNING**

10 key tips for small and medium-sized businesses implementing auto-enrolment in 2014

As many as four million Britons admit to rushing into major financial decisions and then regretting them afterwards, and the majority of us put more time into planning for Christmas and picking a satellite TV provider than we do into thinking about our financial future.

1. DON'T LEAVE IT TOO LATE

The auto-enrolment 'to-do' list will take some time to complete so don't leave it too late. Collating data can mean sourcing information from various systems. In addition, enrolling employees to the pension scheme could involve changes to their contracts of employment depending on the joining method chosen by employers. This would require a three month consultation period, so start early - ideally six to twelve months ahead of your staging date.

2. UNDERSTAND YOUR KEY DATES

It is crucial you not only understand when your staging date is but also your key company dates such as pay reference period and payroll cut off. Documenting these dates and then overlaying them with the new dates of when actions need to be completed as a result of pension reform legislation will help you to understand the impact on your business. It will also help you to make decisions such as whether you need a waiting period and, if so, how long it should be.

3. ENGAGE EARLY WITH BUSINESS PARTNERS

You are likely to need to support from not only your financial adviser or pension provider but payroll providers too. Contact them early on in the process so everyone is clear on roles and responsibilities.

4. QUALITY OF DATA IS KEY

It is easy to underestimate the complexity of the data required. You need to pull together data for employee eligibility assessment, joining, contributions and opt-outs. Inevitably this will come from various sources and systems. It takes a significant amount of time to do this within payroll cycles, and how often that data is needed also adds a layer of complexity. The quality of the data and the processes for sourcing the data for each payment cycle will be crucial to how smoothly that works each pay period.

5. CHOOSE YOUR CONTRIBUTION BASIS

There is more than one acceptable contribution basis so you may need to consider what will work best for your business. The key point is that you can decide your contribution basis and definition of earnings providing you pass one of the four tests which can be found on the Pension Regulator's website. Salary Exchange should also be considered as this can offer significant cost saving benefits. However, where salary exchange is being used, this decision should be made prior to the scheme staging, otherwise it can cause additional administration for employers.

6. EXISTING JOINING METHODS MAY BE FIT FOR PURPOSE

Many employers believe they will need to change the way they currently join employees to their pension scheme; however, your existing method and processes for joining may already be suitable. For example, if employees already join the pension scheme via their contract of employment then there may not be any need to introduce a different method.

7. USE WAITING PERIODS TO FIT YOUR BUSINESS

The majority of employers have used waiting periods aligned with payroll so employees join on the first day of the pay reference period. This avoids having to calculate, explain and manage part payments. You can also build in a waiting period to avoid one-off events such as bonus payments. Remember: while you can delay assessment and auto-enrolment, you cannot delay the statutory communications to your employees.

8. COMMUNICATE WITH EMPLOYEES EARLY

Engaging with employees and clearly communicating the changes in advance of auto-enrolment will make sure that, when it happens, employees understand why money is being deducted from their pay. This will also ensure they appreciate the value your contribution is adding while also reducing employee questions.

9. REVIEW YOUR EXISTING DEFAULT INVESTMENT FUND

Employers have a regulatory responsibility to make sure the auto-enrolment default investment option is suitable for those employees that will be enrolled to the scheme, so you shouldn't assume that your existing investment solution will be appropriate. You also have a responsibility to have an ongoing investment governance framework in place, so you should speak with your adviser or provider regarding how they can support you with this.

10. REMEMBER TO REGISTER WITH THE PENSIONS REGULATOR

You must register your scheme with the Pensions Regulator within four months of your staging date. You must give details of your qualifying workplace pension scheme and how you have gone about enrolling employees to the scheme. ■

CREATING BESPOKE SOLUTIONS

We understand the importance of creating bespoke solutions. Compliance with auto-enrolment doesn't have to be heavy duty. If you would like to find out more about how we can help, please contact us for further information.

EQUATING MONEY WITH HAPPINESS **IN RETIREMENT**

Financial security outweighs companionship for over-55s

Money trumps companionship when it comes to happiness in retirement, according to Aviva's latest Real Retirement Report. Having enough money to live comfortably emerges as the single most important factor for over a quarter of over-55s (27 per cent) – more so than sharing retirement with a partner (17 per cent), a happy family life (12 per cent) or devoting more time to hobbies and interests (3 per cent).

The autumn 2013 edition of the report examines the financial pressures affecting the UK's three ages of retirement – 55-64s (pre-retirees), 65-74s (the retiring) and over-75s (the long-term retired) – and explores the perspective they have gained on money matters. The findings show the over-55s value financial stability second only to good health (38 per cent) in retirement.

LIVING COMFORTABLY

The importance of being able to afford to live comfortably in retirement transcends age, gender and income differences. It is the second most pressing priority after good health for both sexes and all three age groups over the age of 55 – regardless of their actual income.

Among over-55s with annual incomes of up to £15,000, almost three times as many place greater value on having enough money to live comfortably than sharing retirement with a partner (34.1 per cent vs. 12.4 per cent). While the gap closes further up the income scale, even those receiving more than £30,000 annually put financial stability on a slightly higher pedestal than companionship (20.4 per cent vs. 19.9 per cent).

A shared retirement becomes more important with age and is the main priority for 23 per cent of over-75s compared with 13 per cent of 55-64s. More of the younger demographic prioritise finances than any other age group (32 per cent). This suggests that the recession and savings squeeze has increased the importance of money for those currently approaching retirement.

CHANGING CAREER

Changing priorities during their working lives adds to the impression that the over-55s are becoming more financially motivated. Just 15 per cent say they chose their original or main career because of the salary, with men far more likely than women to have done so (19 per cent vs. 10 per cent).

In comparison, 27 per cent of over-55s were inspired down a particular career path by a genuine passion for it (including 30 per cent of men and 23 per cent of women.)

However, when it comes to changing career – a move made by 57 per cent of over-55s – salary considerations surpass personal interests or passions as a primary motive (17 per cent vs. 14 per cent). Men are again more likely than women to have moved in pursuit of more money (20 per cent vs. 14 per cent).

Construction and property is the career path where salary features as the biggest motivation (29 per cent). It is also the sector where a need for money is most likely to have prompted those who work in it to seek a change of career (29 per cent).

A SIMPLE MESSAGE

With hindsight, over-55s identify paying off a mortgage or buying their home outright as the best financial decision they have made: 60 per cent have done and 96 per cent of those are glad they did.

Taking a break from work to raise their family is the second best decision made, with 95 per cent of those who have done (36 per cent of over-55s) pleased with their choice in retrospect. Similarly, 94 per cent of those who took out a workplace pension are glad they did.

When it comes to less prudent decision making, investing in the stock market qualifies as the most widely regretted choice. Nearly one in five over-55s have done (19 per cent) – typically between the ages of 35 and 39 – and nearly a third of those regret it (29 per cent).

One in twelve over-55s have emigrated at some point in their lives (8 per cent) but over a quarter (27 per cent) regret doing so, while among the 24 per cent of over-55s who started their own business, nearly one in five (18 per cent) now see this as a mistake.

On reflection, over-55s have a simple message about financial planning for retirement: save more on a monthly basis. Exactly half (50 per cent) would give their younger self this advice, with 40 per cent emphasising the importance of making better use of savings products such as ISAs.

Another common theme is the importance of contributing earlier to a pension: 39 per cent would recommend starting a personal pension earlier than they did (only 13 per cent opened one before they were 30), while 38 per cent

say the same about workplace pensions (only 35 per cent started one by the same age).

FREEDOM FROM STRESS

More than half of over-55s see freedom from stress as the most important benefit of financial stability in later life (51 per cent). More than one in five treasure the luxury of enjoying holidays or hobbies (21 per cent), while twice as many over-55s value the financial clout to support themselves (18 per cent) rather than the ability to support others (9 per cent).

Among those whose lives have been impacted by financial worries (42 per cent), almost half have had to sacrifice their original retirement plans such as travelling or holidays (48 per cent). Almost one in five have had to continue working part-time as a direct result (16 per cent) and a similar number have had to continue working full-time (15 per cent).

This helps to explain why – for 15 per cent of over-55s – financial pressures in retirement have made them more stressed than they were during their working lives.

NO MAGIC RECIPE

Some people may be tired of hearing about the importance of saving for retirement, but listening to those who know what it means to be retired in 2013 leaves little doubt that financial stability can in fact buy happiness, and certainly help towards a stress-free lifestyle.

The report's findings suggest there is no magic recipe or secret formula that works better than regular saving and prudent decision making, whether that means taking steps towards paying off a mortgage or seizing opportunities to pay into pension schemes. The fact that over-55s are grateful for time spent raising their families' shows that financial planning needn't take over your life – but a bit of careful thought can be priceless in the long term.

Clearly the pressure of living costs and economic difficulties mean some over-55s find themselves in a less than comfortable position and harbour regrets about the past as retirement looms. It is important to remember there is a range of financial choices open beyond the age of 55 that can work to steer their finances back on track and help deliver the stress-free retirement they aspire to. ■

RETIREMENT MATTERS?

To discuss your retirement planning options, don't leave it to chance - please contact us for more information. We look forward to hearing from you.

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. This data was used to form the basis of the Aviva Real Retirement Report.

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.

"SOME PEOPLE MAY BE TIRED OF HEARING ABOUT THE IMPORTANCE OF SAVING FOR RETIREMENT, BUT LISTENING TO THOSE WHO KNOW WHAT IT MEANS TO BE RETIRED IN 2013 LEAVES LITTLE DOUBT THAT FINANCIAL STABILITY CAN IN FACT BUY HAPPINESS, AND CERTAINLY HELP TOWARDS A STRESS-FREE LIFESTYLE.

WHAT TO CONSIDER IF YOU ARE **APPROACHING YOUR RETIREMENT**

Make sure you have enough income to provide for your needs in the future

Sooner or later we will retire, and the decisions we make today are the ones that will determine the standard of living we will enjoy in the future. If you are approaching your retirement there are some very important choices you need to make that will determine how much income you live on once retired.

Firstly, you'll need to check your personal, company and State Pensions. You must make sure you have enough income to provide for your needs in the future. If you are planning on using your pension to buy an annuity when you retire, it is essential that you don't just accept the deal offered by your pension provider, as you could potentially lose out on a significant amount of money over the lifetime of the annuity.

EXERCISE YOUR 'OPEN MARKET OPTION'

You should always exercise your 'Open Market Option' that will enable you to get the best possible deal for your pension fund. Comparing the different rates available – instead of buying an annuity from the company with whom you have built up your pension savings – could result in an increase to your retirement income of up to 40 per cent depending on your circumstances.

You can buy your annuity from any provider and it certainly doesn't have to be with the company you had your pension with. The amount of income you will receive from your annuity will vary between different insurance companies, so it's essential that you receive professional financial advice before making your decision.

DON'T FORGET ABOUT INFLATION

As you are likely to spend around 20 or even 30 years in retirement, remember that inflation could have a serious impact on the purchasing power of your savings. If you have opted for an inflation-linked annuity rather than a level annuity, then you will have protection against the rising cost of living.

WORK OUT CAREFULLY HOW MUCH INCOME YOU NEED TO DRAW

When you retire, you don't have to go down the route of purchasing an annuity. An alternative to purchasing an annuity is to leave your pension invested and take a portion of the pension pot each year as an income, hence the phrase 'income drawdown'. This option may also mean that you could possibly leave your family some legacy when you die, as your pension pot, after tax of 55 per cent, passes on to your family according to your wishes. However, if you take out too much, your capital could soon be eaten away. But the upside of not buying an annuity is that your funds remain invested with the potential for further growth.

ANOTHER ROUTE WORTH CONSIDERING IS FLEXIBLE DRAWDOWN

To qualify for flexible drawdown you must have a guaranteed pension income of £20,000, known as the 'Minimum Income Requirement'. If you are eligible, then you can withdraw the rest of your pension fund in a manner that best suits your circumstances, whether that's in its entirety or in part withdrawals. It is often sensible to make withdrawals over several years though, as you still pay income tax on any withdrawals, so the larger the withdrawal the more tax you'll pay.

HAVE YOU FORGOTTEN ABOUT ANY OTHER PENSIONS?

It can be easy to lose track of pensions over time, especially if you move from job to job, but you can locate a lost pension by contacting the Pension Tracing Service online at www.gov.uk/find-lost-pension. This service is free, and if they locate your pension they'll give you the address of your scheme provider. ■

RETIRING SOON?

Not sure about your retirement options? There is a lot to think about as you approach your retirement. Contact us to discuss your retirement options and we'll help you decide what's right for you. We look forward to hearing from you.

While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement.

TAX-EFFICIENT **INVESTING MADE EASY**

Don't miss out, start reviewing your options now

An Individual Savings Account (ISA) is a tax-efficient 'wrapper' designed to go around an investment. You've got until 5 April 2014 to use your current 2013/14 tax year annual ISA allowance before you lose it forever.

SPLITTING THE INVESTMENT

The crucial thing to remember is that in every tax year – which runs from 6 April one year to 5 April the next year – you're only allowed to invest a certain amount in your ISA. In this 2013/14 tax year, which ends on 5 April 2014, you can invest a total of £11,520 – made up from just the money you pay in, not the interest or growth earned.

This amount can be split in a few different ways. For example, you could save up to a maximum of £5,760 in one Cash ISA. The other £5,760 could be invested into a Stocks & Shares ISA with the same provider, or a different one. Alternatively, you may wish to invest up to the full £11,520 in just a Stocks & Shares ISA.

TAX-EFFICIENT RETURNS

Any ISA investment growth, no matter how much, is free from income and capital gains tax (a 10 per cent tax credit is still payable on UK share dividends and cannot be reclaimed).

Make sure that you don't miss out on tax-efficient returns and start reviewing your options now.

TRANSFERRING OTHER ISAS

As well as currently being able to invest your full ISA allowance of £11,520 in a Stocks & Shares ISA, you can also transfer some or all of the money held in previous tax year Cash ISAs into a Stocks & Shares ISA. A Stocks & Shares investment is a medium- to long-term investment, but remember the value of your investment can go down as well as up and you may get back less than you originally invested.

ANY ISA INVESTMENT GROWTH, NO MATTER HOW MUCH, IS FREE FROM INCOME AND CAPITAL GAINS TAX (A 10 PER CENT TAX CREDIT IS STILL PAYABLE ON UK SHARE DIVIDENDS AND CANNOT BE RECLAIMED).

JUNIOR ISAS

A Junior ISA (JISA) is a long-term, tax-efficient savings account for children. Your child can have a JISA if they are under 18, live in the UK and weren't entitled to a Child Trust Fund account.

There are two types of JISA: a Cash JISA, and a Stocks & Shares JISA. Your child can have one or both types of JISA. Children aged 16 and 17 can open their own JISA, or it can be opened by the person with parental responsibility for the child.

Anyone can pay money into a JISA, but the total amount can't exceed £3,720 in the current tax year. For example, if your child has £1,000 paid into their Cash JISA from 6 April 2013 to 5 April 2014, only £2,720 could be paid into their Stocks & Shares JISA in the same tax year. ■

WHAT DO YOU NEED TO DO NEXT?

Our financial planning service can help to ensure that 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.

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.

ARE YOU MAKING THE **MOST OF YOUR FINANCES?**

Keeping your tax bill to a minimum is not a matter of aggressive or complex tax schemes

During this period of austerity, why pay more tax than you need to? Sensible tax planning is an essential tool in making the most of your finances. Keeping your tax bill to a minimum is not a matter of aggressive or complex tax schemes, but rather of identifying which of the many tax reliefs and allowances specifically granted by law are available to you.

Here are some ways to help you keep hold of more of your hard-earned money:

CHECK YOUR TAX CODE

If applicable, look at your pay slip or ask your tax office for a coding notice. This details your allowances and any deductions due to state benefits or taxable employee benefits. If you're not sure it's accurate, query it. Errors will affect how much you pay and may result in a large tax demand if you're paying too little. You may be paying too much if, say, you change jobs and your correct tax code isn't used – or if you have more than one job. You can claim back overpaid tax for up to four years.

MAXIMISE PERSONAL ALLOWANCES

Ensure that you are making the most of your individual tax-free personal allowance (PA), which for 2013/14 is £9,440 for those aged under 65, or the age-related allowances which are worth up to £10,660 assuming your maximum income doesn't exceed £26,100, after which your PA would reduce by £1 for each £2 earned above this figure, until it reached £9,440.

If your spouse or registered civil partner has little or no income, consider transferring income (or income-producing assets) to them to ensure that they are able to make full use of their PA. Care should be taken to avoid falling foul of the settlements legislation governing 'income shifting'. Any transfer must be an outright gift with 'no strings attached'.

MAKE THE MOST OF YOUR INDIVIDUAL SAVINGS ACCOUNT (ISA) ALLOWANCE

Up to £11,520 can be invested in an ISA this tax year, of which up to £5,760 can be invested in a Cash ISA. Most income accrues tax-free, although the tax credit on UK dividend income cannot be recovered.

All investments held in ISAs are free of CGT. And don't forget, the new Junior ISA (JISA), for those aged under 18 who do not have a Child Trust Fund account, allows investment of up to £3,720 in 2013/14. 16 to 17-year-olds can also invest up to £5,760 in an adult Cash ISA, even if they already have a JISA.

USE YOUR CAPITAL GAINS TAX (CGT) ALLOWANCE

Make the most of your CGT exemption limit each year (£10,900 in 2013/14). It may be possible to transfer assets to a spouse or registered civil partner, or hold them in joint names prior to any sale to make full use of exemptions. Individuals with a particularly large gain may want to realise it gradually to take full advantage of more than one tax year's allowance. (You should only consider spreading a disposal of, for example, shares if you will not be putting your gain at risk in the meantime.)

USE YOUR OCCUPATIONAL PENSION SCHEME

Opting out of your occupational pension scheme could mean that you are missing out on valuable pension contributions from your employer. If you are offered a pension scheme by your employer, then it is worth considering joining. If your employer makes a contribution to your pension, this is like receiving additional pay. Some employers may even be willing to match the contributions that you make, doubling the amount saved towards your retirement.

GET A TAX BOOST FOR YOUR PENSION CONTRIBUTIONS

If you're a UK taxpayer, in the current 2013/14 tax year you'll receive tax relief on pension contributions of up to 100 per cent of your earnings or a £50,000 annual allowance, whichever is lower. For example, if you earn £60,000 and want to put that amount in your pension scheme in a single year, you'll only get tax relief on £50,000. Any contributions you make over this limit will be subject to Income Tax at the highest rate you pay. However, you can carry forward unused allowances from the previous three years, as long as you were a member of a pension scheme during those years. The annual allowance is reducing from £50,000 to £40,000 in the tax year 2014/15.

NON-TAXPAYER? DON'T PAY TAX AT SOURCE ON YOUR SAVINGS

As a non-taxpayer, you can pay too much tax on your savings, as tax on interest is deducted at source. If this has happened, complete an R40 Tax Repayment Form for each year you've paid too much. A form R85 from your building society or bank will stop future interest being taxed. Often non-taxpayers fail either to elect to have interest paid gross or to reclaim any overpayment from HMRC. This could result in you paying unnecessary tax and reduces the value of your savings. ■

WHAT DO YOU NEED TO DO NEXT?

If you require advice in relation to mitigating tax, and saving and investing tax-efficiently, please get in touch with us to discuss your requirements – we look forward to hearing from you.

Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested.

PROTECTING **YOUR INCOME**

Two fifths of workers admit they couldn't live on Statutory Sick Pay

More than half of all employees have been made redundant or suffered long-term illness during their working life, highlighting the value of insurance to protect income, new research[1] by MetLife Employee Benefits shows.

The nationwide study shows 32 per cent of workers have suffered redundancy at some stage in their career – which equates to more than 9.3 million staff - while 23 per cent, or 6.7 million people, have been off work for periods longer than four weeks.

Men are more likely to have suffered redundancy, with 36 per cent of male employees losing their jobs compared to 27 per cent of female staff. Women, meanwhile, are more likely to have suffered long-term illness, with 26 per cent of female staff being forced to take time off compared with 21 per cent of men.

TOUGH ECONOMIC CLIMATE

MetLife believes the research highlights the value of insurance to protect income - particularly as its research shows 41 per cent of workers admit they could not afford to live on Statutory Sick Pay, which is currently £86.70 a week. Another 18 per cent believe they could survive a month.

The ongoing tough economic climate has increased the financial pressures on all workers and the risk of redundancy is real, with a third of workers suffering redundancy during their working career.

The risk of long-term ill health during a working life is also an issue that employees need to be aware of and to guard against where possible. Many employers are generous but it is clear that Statutory Sick Pay would be a financial shock for millions.

BENEFITS PACKAGE

Insurance that protects against uncertainties is essential and can be very valuable as part of a well-designed employee benefits package.

Across the country, workers in Scotland reported the highest rate of long-term ill health at 28 per cent, falling to 18 per cent - the lowest rate - for those living in Yorkshire and Lincolnshire.

But workers in Yorkshire and Lincolnshire are the most likely to have suffered redundancy, with 39 per cent reporting losing their jobs, while employees in London are the least likely to be made redundant at 21 per cent. ■

MAKE AN INFORMED CHOICE

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

[1] Research conducted by Vision Critical among a nationally representative sample of 1,067 employed adults aged from 18 upwards between 25-28 January 2013.

SAFEGUARDING YOUR INCOME AND FAMILY WEALTH

We can help provide significant peace of mind to you and your family

What would happen to your family if something were to happen to you or your partner? We all want to protect what's important to us. And while most people recognise the importance of taking out insurance to cover valuable possessions such as their homes and cars – even pets – far fewer have sufficient protection in place to protect themselves or their families should something unexpected happen to stop them earning income.

FINANCIAL PROTECTION

Could you and your loved ones cope financially if you had an accident or fell ill and couldn't work? According to figures from the Office of National Statistics in 2010 [1], 20 per cent of British men and 10 per cent of British women died before their 60th birthdays. Thousands of Britons under the age of 60 are also diagnosed with a critical illness every year and even more are involved in accidents that affect their ability to work.

Many of us expect the Government – or our employers, if applicable – to step in should we become unable to work. However, even if you are employed full-time, your employer will generally stop paying your full salary after a period of time and the State benefits you qualify for can offer only limited help – particularly if you have a mortgage. While most major life events can't be foreseen, they can be planned for, and here we explain some of the different types of protection available that could help support you or your family in times of crisis.

LIFE INSURANCE

If the worst should happen, life insurance will provide your family with a guaranteed cash lump sum or income to help them cope financially in the event of your premature death.

You can choose between cover that pays out the same amount no matter when you die, cover that increases in line with inflation, or perhaps cover that's related to your mortgage, decreasing in line with any outstanding balance. It is worth checking whether your employment contract includes a death in service benefit that will go to your family should you die.

CRITICAL ILLNESS INSURANCE

More than eight in ten cancer patients find themselves in a difficult financial position, according to charity Macmillan Cancer Support [2], who estimate that cancer costs the average patient £570 a month due to hospital travel and loss of earnings.

Critical illness cover can offer a financial lifeline to people who develop a serious medical condition. It pays out a tax-free lump sum if the policyholder is diagnosed with a life-threatening specified illness covered by their plan – and you can use any payment you receive any way you want.

While most of us tend to worry about the most common serious illnesses such as heart attack, cancer and multiple sclerosis, critical illness cover can also protect you against a much wider range of specified conditions.

It also makes sense for individuals with no dependants to consider critical illness cover to help maintain their current standard of living.

INCOME PROTECTION INSURANCE

Income protection insurance is designed to help cover your outgoings while you are unable to work – right up to your chosen retirement age.

It essentially pays a selected percentage of your monthly income. Depending on the provider, you can choose to receive up to 75 per cent of your gross salary, but again, you will pay less for cover if you think you can survive on a lower percentage.

Payments usually start after a specified period, for example, 4 or 13 weeks. Many people will defer the start of payments until after any sick pay they are entitled to with their company has finished - most insurers would reduce a claim by any sick pay you are entitled to anyway.

You could even choose to defer the benefit payments for up to two years, perhaps based on having other plans that could support in the interim, such as critical illness cover. ■

ENSURE THAT YOU – AND YOUR FAMILY – ARE FULLY PROTECTED

Life insurance, critical illness insurance and income protection insurance are designed to protect you in different financial and emotional situations. For many, having a combination of the three is the best way to ensure that you – and your family – are fully protected should the unexpected happen. If you have no dependants, a combination of critical illness cover and income protection may be more appropriate. To review your particular protection requirements, please contact us for more information.

[1] Office of National Statistics: Mortality in the United Kingdom 2010, released 20 January 2012
[2] Macmillan Cancer Support – Cancer's Hidden Price Tag 2013 report

Published by **Goldmine Media Limited**,
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL

goldmine media