Clocktower
FUND MANAGEMENT

MARCH/APRIL 2014

PENSIONS LIFETIME ALLOWANCE CHANGES ON THE HORIZON

MAKE SURE YOU BEAT THE ISA DEADLINE

TAILORED INVESTMENT SOLUTIONS

WORDS OF WISDOM FROM UK RETIREES
What you need to know – don't leave it to chance

INVESTOR OUTLOOK
Tentative signs of economic growth

TAX ATTACK
Legitimate planning could save you money by reducing a potential tax bill

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.

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IN THIS ISSUE

Welcome to the latest issue of our magazine, at a time when we are entering a very important period in the tax and financial planning calendar, with some big changes waiting on the horizon that could have a significant impact on your finances both today and tomorrow.

According to HM Revenue & Customs, it is estimated that potentially over 360,000[1] people may be affected by the new pensions lifetime allowance (LTA) changes. If you are one of these people, you will need to act fast, and we recommend that you contact us immediately or you could miss out on the opportunity to protect yourself from an unnecessary tax charge. To find out more, turn to page 08.

With tax increases the prospect for the foreseeable future, it is essential that you make the most of every available tax relief. Using the tax breaks available to you also makes good financial sense. Different ideas will suit different people. On page 12 we've provided some examples of the ways in which legitimate planning could save you money by reducing a potential tax bill in the run-up to the end of the tax year on 5 April 2014.

When you want to access your pension pot, you have several choices. The changing nature of retirement means that you may work part-time or stagger your entry into full retirement. Opposite we consider an option for your retirement income and lifestyle needs that permits you to do this.

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

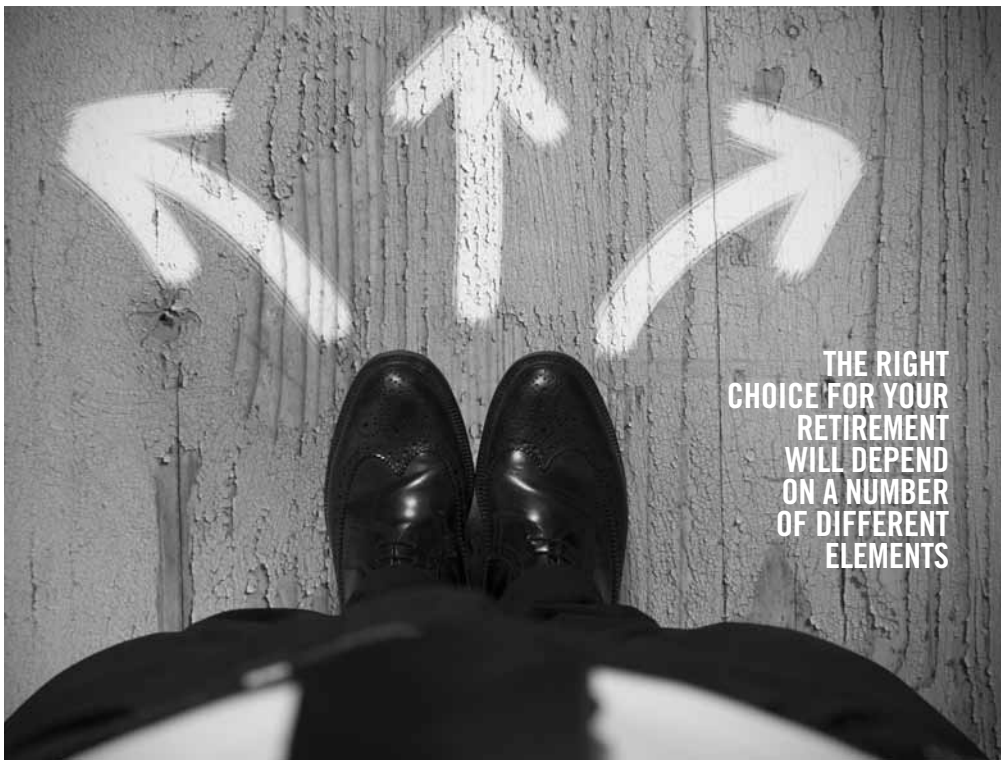
Source: [1] www.hmrc.gov.uk/budget2013/tiin-1046.pdf

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

THE CHANGING NATURE OF RETIREMENT

Looking for an alternative to buying an annuity?

When you want to access your pension pot, you have several choices. The right choice for you will depend on a number of different elements, such as your tax position, whether you have a partner, your attitude to risk and even your health.



On reaching retirement, you can buy an annuity to turn your pension into an income. However, the changing nature of retirement means that you may work part-time or stagger your entry into full retirement, so alternatives such as an income drawdown policy may be appropriate for your retirement income and lifestyle needs.

Government review of the rules

If you decide that the most appropriate option for your particular situation is to go down the income drawdown route, you may now receive more from your pension and could benefit from a recent government review of the rules (April 2013). Drawdown is one alternative to purchasing an annuity to provide pension income. It can offer flexibility and the potential to benefit from investment growth, but you need to be comfortable with some stock market risk.

With drawdown, you have a pot of money which is used to generate your income. To help ensure that your money will always provide you with an income, the Government has set

rules on how much you can take each year. However, despite this, you can still end up with less income than what you can get from an annuity.

Pensioners keep their pension invested

Drawdown allows pensioners to keep their pension invested and take an income from it each year. The amount of income that can be taken from a capped drawdown policy is based on calculations made by the Government Actuary's Department (GAD). These are known as the GAD rates, and they follow annuity rates and yields on government bonds or gilts. The income taken can currently be 120% of the GAD rate each year. Because your money is still invested, you are still taking risk with your money, and this includes your income.

Flexible drawdown allows unlimited income to be taken (subject to income tax), but retirees must have another pension income of at least £20,000 a year to rely on, made up of workplace pension, a state pension or a mixture – this is known as the minimum income requirement.

This is because your pension is still invested when it is in drawdown so is at risk of stock market fluctuations. The Government doesn't want you to fall into poverty and subsequently become reliant on the state.

Running out of money

The Government requires you to re-check your maximum income every three years (and yearly if you are aged 75 or older). If investment performance has been poor or you have taken out a lot of money, then you will have less income to take out in the future.

The government rules are intended to ensure that you don't run out of money. If investment performance has been good, or you haven't taken out too much money, your maximum withdrawals could increase. This would give you even more flexibility. However, if investment performance has been poor or you've withdrawn the maximum allowed, your withdrawals may decrease.

You don't have to wait for three years until your next review. You can choose to review your income every year. So if your fund value does increase, then you can benefit from this quickly. It's up to you.

Impact of announced changes

The gilt yield used in the income calculation has increased to 3.25%, which takes account of the impact of a change which happened in 2013. Last year, the maximum withdrawal limit was also increased from 100% to 120%. So taking these two changes together means that your maximum income could be 33% more if you chose drawdown now as opposed to 12 months ago.

But if you are already in drawdown on the lower 100% income maximum, then it is possible that you could increase your income withdrawals to the new maximum level, including taking account of the change to the gilt yield, but before you do this please seek professional advice. ■

Choosing the retirement option that's right for you

Your lifestyle in retirement will depend heavily on how you convert your pension into an income, so it's important to review your provision, particularly in the years approaching retirement. You should always take professional financial advice before making any decisions about how to invest for your pension. To discuss the options available to you, please contact us for further information.

The value of an investment can fall as well as rise and is not guaranteed. You may get back less than you put in. Taking maximum income every year will increase your chance of reduced income in the future.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation, are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future.

BEAT THE END OF TAX YEAR DEADLINE

Make the most of reliefs and allowances before the 2013/14 tax year ends on 5 April 2014. With time rapidly running out, please contact us to discuss how we could help you, your family and business.

WE LOOK FORWARD TO HEARING FROM YOU.

TAILORED INVESTMENT SOLUTIONS

Expert, flexible approach to accumulating and managing wealth

We provide clients with an expert, flexible approach to accumulating and managing their wealth. Understanding your financial circumstances is crucial in making sure we tailor the right investment solutions for you. Regardless of what stage of life you're in, we can help you to protect and grow your wealth.

The starting point and usual way to protect your portfolio is to spread your risk across several different types of investments. There are many different assets in which you can invest, each with different risk characteristics. The main assets available are shares, corporate bonds (also referred to as 'fixed interest'), cash and property.

While individual assets have a bearing on the overall level of risk you are exposed to, the correlation between the assets has an even greater bearing. The aim is to select assets that behave in different ways so, in theory, when one is underperforming, the other is 'outperforming'. Fixed interest investments and property, for example, usually behave differently to share-based investments, as they tend to offer lower, more consistent returns. This provides a 'safety net' by diversifying away from many of the risks associated with reliance upon one particular asset, as potentially whilst one asset class is showing poor returns, other asset classes may be countering this with more positive returns.

Simpler solution

Rather than track lots of individual assets, which can be a daunting task, a simpler solution is to invest into collective funds containing those assets and leave the diversification worries to professional management. If appropriate to your particular situation, you could spread your investments into different shares or bonds to ensure that your portfolio is exposed to a plethora of different types of investments rather than, for example, having shares in just a few large companies. In this way, share-specific risk can be reduced should one of those companies experience difficulties.

It is just as important to spread your investments across different sectors (a sector being an area of the economy where businesses share the same or a related product or service, for example, pharmaceuticals, telecommunications or retail. Companies are classified by the sector in which they reside, which is dependent on the goods or services they sell or provide. For many reasons, companies within different sectors perform in very different ways. By diversifying across sectors, you can access shares with high growth expectations, without over-exposing your portfolio as a whole to undue risk.

Sensible option

It's natural to feel more comfortable investing a portfolio in your home market, but this is not necessarily the most sensible option. Because investments in different geographical economies generally operate in different economic cycles, they have less-than-perfect correlation. That's why greater geographical diversification can help to offset losses in a portfolio and potentially help to achieve better returns over time.

This is another important aspect to consider when building an investment portfolio. Some investment funds use a 'passive' strategy. This means they simply track the performance of a chosen index, for example, FTSE 100. Other funds use an 'active' approach and aim to beat the index by using their own research and analysis to select shares they believe will achieve greater returns. There are many reasons for using both types of strategy, and we will be able to recommend an approach suited to your needs.

By investing in collective investment funds, this also potentially has the effect of reducing the overall risk taken, as you are spreading the risk with numerous other investors. As there are more investors, this usually means there is more capital for the fund managers to invest and, therefore, potentially allows the manager to invest in a wider range of investments and asset classes. ■

The value of investments and income from them may go down. You may not get back the original amount invested. This information sets out the basics of portfolio diversification. It is not designed to be investment advice and should not be interpreted as such. Other factors will need to be taken into account before making an investment decision.

Most appropriate blend of assets

Picking the right balance of assets for your portfolio depends upon your own risk profile. We take into account the information gathered about your own investment objective and your risk profile to establish the most appropriate blend of assets for you. For more information about how we can help you protect and grow your wealth, please contact us.

MAKE SURE YOU BEAT THE ISA DEADLINE

Sheltering up to £11,520 tax-efficiently means taking action NOW

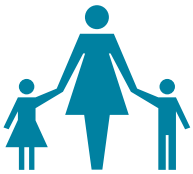
Time is running out if you want to make the most of this year's Individual Savings Account (ISA) allowance, so you'll need to get your skates on.

ISAs are a tax-efficient way of investing, helping you minimise the tax you pay on your savings and investments. No matter how little you can save, putting away a small amount regularly each month in a tax-efficient ISA can make a big difference in the long term.

An ISA is a tax-efficient wrapper into which you place your investments to protect them from the taxman. Any investment growth, no matter how much, is then free from income and capital gains tax (a 10% tax credit is still payable on UK share dividends and cannot be reclaimed). ■

Save time, tax and money with an ISA – what's the next step?

As another tax year end approaches, the message for all potential ISA applicants is the same: you either make use of your ISA allowance in this 2013/14 tax year or you lose it forever. And in a low-interest-rate environment, few of us can afford to do that. To discuss the options available, please contact us.



Stocks & Shares ISA	Cash ISA	Junior ISA
Invest up to **£11,520**	Up to **£5,760**	Up to **£3,720**
Entire allowance can be Stocks & Shares	Remainder in Stocks & Shares	Can be held in Cash or Stocks & Shares

The value of investments can go down as well as up and you may not get back the amount invested. The value of tax savings in an ISA depends on individual circumstances. Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation, are subject to change.

Stocks & Shares ISA Allowance 2013/14

- You can invest up to £11,520 in a Stocks & Shares ISA in the current tax year (2013/14)
- Invest in funds that in turn invest in shares quoted on stock markets around the world
- More risky than a Cash ISA, but with the potential for greater returns

Cash and Stocks & Shares combination

- Alternatively you can invest up to £5,760 in a Cash ISA and the balance in a Stocks & Shares ISA, or just cash if you prefer.

Junior ISA limit

- You can invest up to £3,720 in a Junior ISA
- You can invest in stocks and shares, cash or a combination of both
- You cannot invest in a Junior ISA if the child was eligible for a Child Trust Fund Account

PENSIONS LIFETIME ALLOWANCE **CHANGES ON THE HORIZON**

The countdown clock is ticking – will you be ready?

It is estimated that potentially over 360,000[1] people could be affected by the new pensions lifetime allowance (LTA) changes, according to HM Revenue & Customs (20 March 2013). If you are one of these people, you will need to act fast, and we recommend that you contact us immediately or you could miss out on the opportunity to protect yourself from an unnecessary tax charge.

Will you be subject to an unnecessary tax charge?

If you think you might be impacted, you need to obtain professional financial advice soon, well ahead of the April deadline. To find out what the best next steps for you could be, contact us for further assistance.

The LTA will reduce from £1.5m to £1.25m on 6 April 2014, so you now have a matter of weeks to make a decision. It applies to an individual's total pension worth. If applicable to you, there is a real need to act quickly and gather details of current values and growth projections for any private pensions, including self-invested personal pensions, as well as any workplace money purchase or defined benefit schemes.

Calculations by Standard Life show that due to investment growth, an individual ten years from retirement with accumulative pension savings of around £700,000[2] or a final salary pension income of around £60,000 could be at risk of breaching the £1.25m LTA.

Pension savers who don't check to see if they will be affected and who exceed the new LTA will expose up to £250,000 of their pension savings to a 55% tax charge – leading to an unexpected tax bill of up to £137,500 (this is based on the difference between the current and new LTAs) which could potentially be avoided if professional advice is taken now.

Salary earners most likely to be impacted by the change

Research by YouGov, on behalf of Standard Life, shows less than a fifth (19%) of people know what the LTA is, and only 31% of people earning more than £50,000 – the salary earners most likely to be impacted by the change – are aware of it.

Research for the Department of Work and Pensions shows that an individual will work for an average 11 employers[3] during their lifetime, which means some people are likely to have accumulated many different pensions over the course of their careers, making it more difficult to get a clear view of their overall pension fund value. ■

Source:
[1] www.hmrc.gov.uk/budget2013/tiin-1046.pdf
[2] Someone ten years from retirement with multiple pension pots worth around £700,000 could exceed their allowance if their pot grows at 7% a year, which includes a 1% charge – even if they stop paying into it now.
[3] www.gov.uk/government/uploads/system/uploads/attachment_data/file/220405/small-pension-pots-consultation.pdf The information in this article is based on our understanding in February 2014. Your personal circumstances also have an impact on tax treatment.

Tax treatment is based on individual circumstances and may be subject to change in the future.

LONG-TERM WORRIES FOR THE UK

Preparing for your financial future

Britons spend more time planning their next holiday, haircut and shopping excursions than they do making preparations for their financial future, according to new research.

The new Scottish Widows study examines the long-term worries of the nation and reveals that we're trapped in a vicious circle of our own making, as the things we worry about most are also the things that we tend to put off planning.

A nation of procrastinators

The findings reveal that the UK is a nation of procrastinators, with only 5% delaying plans for a weekend food shop, compared to 22% who delay planning for retirement. Nine out of ten people think it is important to have a plan in place for retirement, yet more than one in three (36%) have no plans at all.

Health is the number one worry for over half (57%) of the nation, but is also the area people are most likely to avoid taking action, with 28% of people putting off visiting the doctor or dentist.

An impact on wellbeing

Everyday long-term worries about the future are having an impact on our wellbeing and productivity, with more than one in ten (14%) admitting to spending an hour or more of their working day worrying about and sorting out personal admin related to their finances.

Removing this stress would result in more than one in four (26%) of people doing more exercise, and one in five (20%) spending more time with their partner. Almost a third (31%) even said they would sleep better, with a just over quarter (26%) of all those surveyed admitting that staying awake worrying about the future means that they are too tired to focus the following day at work.

The research showed 85% of people agree that having a plan in place helps to ease worries and anxieties.

Having enough to live on

When asked how far in advance people start planning their financial future, 39% of people admit to worrying about whether they'll have enough to live on after retirement, but only one in five (20%) worry about whether they should actually be contributing to a pension. Alarmingly, only a quarter (26%) would start planning for retirement 20 years ahead of time. ■

THE TOP 10 WORRIES WERE REVEALED TO BE:

Top 10 worries

1) Our own health
2) How much money we have to spend on an everyday basis
3) The health of our kids
4) Whether we'll have enough to live on after retirement
5) The health of our partner and relatives
6) How much we weigh and losing weight
7) How well our kids are doing at school and their later education
8) Relationship with your partner joint with clearing debts
9) Employment including redundancy and our next job
10) Whether you've locked the door to your home or car

Top 10 delayed plans

1) Going to the doctor or dentist
2) Saving for retirement
Losing weight (Both Tied)
3) Getting a haircut
4) Having a plan in place for our financial future
Getting a new job (Both Tied)
5) Buying a new house
6) I don't put off planning anything
7) My physical and aesthetical appearance
8) Saving for a holiday and planning an outfit for an occasion
9) Saving for a property
10) Buying gifts for an occasion

The need to save for their retirement

It is no surprise that many are losing sleep over their finances, given the squeeze on family finances in recent years. With life expectancy continuing to increase, it is encouraging that people are recognising the need to save for their retirement; however, those putting holidays and shopping before saving for their future need to urgently rethink their priorities to ensure a comfortable retirement and a less stressful life now. For more information on how we can help you, please contact us.

Source: This survey by OnePoll was conducted with 2,000 people currently in employment across Britain in December 2013 - January 2014.

INVESTOR OUTLOOK

Tentative signs of economic growth

Tentative signs of economic growth, receding risks, plentiful nearly free liquidity and financial markets on fire – what was not to like about the investment landscape at the end of 2013? It is tempting to believe that what happened 'yesterday' will happen again 'tomorrow' (especially if momentum has been paying off, as it did in 2013). So what is the potential outlook for investors this year?

Global bond markets for the remainder of 2014 are expected to pay close attention to the actions of the US Federal Reserve (Fed), which has started to wean the US (and global) economy off its $85bn per month quantitative easing programme.

The news that the Fed would initially taper its programme by $10bn per month according to Jupiter Investment Management Group (30 January 2014) was at the dovish end of expectations and was greeted well by bond and equity markets. The lower-for-longer tone to the Fed's forward rate projections was also positive. It underscored that the Fed believes the economic recovery still has some way to go and affirmed the central bank's desire not to relinquish control of the yield curve and cause undue weakness in the economy and markets.

Credit markets

The outlook for credit markets in 2014 is also optimistic, with economic data broadly meeting expectations and the market factors in an orderly process. Under this scenario, there is potential for high yield bonds to produce decent returns. However, the Fed faces a formidable task. There is a risk that economic data will come in a lot stronger than expected. This may lead to a market panic over the pace of rate rises and potentially bring forward expectations for a rate increase to later in the year, igniting a 1994-style market reversal.

This seems unlikely for now, as low US inflation is currently giving the central bank cause for concern and a justification for maintaining a gradual approach to tapering. In his speech, the former chairman of the Board of Governors of the Federal Reserve, Ben Bernanke, highlighted that the Fed may consider further action if inflation did not move up towards its 2% target. However, should growth start to accelerate, US inflation data will receive close scrutiny and is likely to be a particularly important indicator for shaping bond market sentiment in the coming year.

UK economic growth

Closer to home, the Bank of England recently responded to a pickup in UK economic growth by bringing forward expectations for when unemployment would fall to its 7% target to December 2014, some 18 months earlier than previously indicated. While this was largely expected by the market, a further acceleration of growth in the UK economy at a time when the Fed is withdrawing stimulus may cause headaches for the Governor of the Bank of England, Mark Carney, and push gilt yields higher.

In Europe there is mounting evidence that the economy is bottoming out and we are now in a situation where growth is not great anywhere, but growth is everywhere. Although mindful of the difficulties the European Central Bank (ECB) faces in addressing the economic divide between Germany and the region's weaker economies, there is encouragement by efforts (such as the bank asset quality review) to boost confidence and ultimately promote credit growth in the peripheral economies. However, the ECB may be forced towards more unorthodox policies should the shift in the Fed's stance force interest rates higher in the region.

European high yield bonds

In terms of strategy, the view is that European high yield bonds present some of the most compelling opportunities available for investors in fixed income. The region is enjoying low default rates, companies continue to focus on repairing balance sheets, the economic backdrop is stabilising and interest rates are likely to remain low for a prolonged period. These conditions contrast with those in the US where companies are more confident and therefore more willing to take on leverage. ■

TAX ATTACK

Legitimate planning could save you money by reducing a potential tax bill

With tax increases the prospect for the foreseeable future, it is essential that you make the most of every available tax relief. Using the tax breaks available to you also makes good financial sense.

Different ideas will suit different people. If you would like to discuss any of these opportunities, we can recommend solutions that are tailored to you. We've provided some examples of the ways in which legitimate planning could save you money by reducing a potential tax bill in the run up to the tax year end on 5 April 2014.

Retirement

Investing in a pension is one of the most tax-efficient ways to save for your retirement. From 6 April 2014, the pension lifetime allowance (LTA) is being reduced from £1.5m to £1.25m which could radically affect your retirement strategy. The LTA is important because it sets the maximum amount of pension you can build up over your life and benefit from tax relief.

If you build up pension savings worth more than the LTA, you'll pay a tax charge on the excess, potentially at 55%. However, some affected individuals could elect for 'Fixed Protection 2014' before 6 April 2014, and the £1.5m limit can be preserved. From 6 April 2014 (until 5 April 2017), individuals will also have a fall-back option of electing for 'Individual Protection 2014' to preserve their individual LTA at the lower end of £1.5m, the actual value of their pension fund at 5 April 2014 or the standard LTA (i.e. £1.25m in 2014/15).

If the total of all your pension funds is likely to be at or near £1.25m by the time you retire, you should quickly seek professional advice on whether opting for Fixed Protection 2014 and/or Individual Protection 2014 is appropriate.

The annual contribution limit for an individual (the total of personal contributions and those made by an employer) is £50,000, within pension input periods (PIPs) ending before 6 April 2014, and you receive tax relief for the contributions at your highest marginal tax rate. But from 6 April 2014, the maximum reduces to £40,000.

If you have not made contributions up to the limit in 2010/11, 2011/12 and 2012/13, then the unused relief may be available for carry forward into 2013/14. However, you must have been a member of a registered pension scheme in the tax year giving rise to the unused relief, and any contributions made in the year reduce the amount available to bring forward.

A pension contribution paid before 6 April 2014 also reduces both your tax bill for 2013/14 and, if appropriate, your payments on account for next year.

Tax relief is available even for non-taxpayers, so you can invest in a pension for a non-earning spouse. Non-earners can contribute £3,600 per tax year (the Government will automatically pay £720 in tax relief, reducing the amount you pay to just £2,880).

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

Individual Savings Accounts (ISAs)

Make sure that you use your 2013/14 ISA allowance to shelter your savings from tax. There is no capital gains tax or further income tax to pay on investments held in an ISA, making them one of the most tax-efficient ways to invest.

In the current tax year you are permitted to invest up to £11,520 into a Stocks & Shares, or alternatively you can invest up to £5,760 in a Cash ISA and the remaining amount in a Stocks & Shares ISA. In the new tax year (6 April 2014 - 5 April 2015), the limit rises to £11,880, meaning in the next few months a couple could shelter £46,800 from tax using both years' allowances.

Junior Individual Savings Accounts (JISAs) enable parents or grandparents to save up to £3,720 a year, tax-efficiently, for their children or grandchildren.

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

Inheritance

If appropriate, consider making individual gifts of up to £3,000, which you can do each year free from Inheritance Tax (IHT). You could also use any unused allowance from the previous year, meaning a couple can give away up to £12,000 now and a further £6,000 on 6 April, potentially saving £7,200 of IHT (charged at 40%).

Have you made a Will? A good Will should minimise tax and give your family flexibility and protection. Dying without one means your assets will be distributed to your family without reference to your wishes using the intestacy laws, potentially after IHT at 40% is paid.

If you already plan to make substantial gifts to charity in your Will, leaving at least 10% of your net estate (after all IHT exemptions, reliefs and the 'Nil Rate Band') to charity could save your family IHT.

In many family circumstances, the use of a formal trust can help you protect and enhance your family's future finances. The timing of creating a trust may have significant tax implications so, if you have long-term financial goals, the sooner you seek expert advice on your options the better.

Inheritance Tax Planning, Will Writing and Trust Advice are not regulated by the Financial Conduct Authority (FCA).

Capital gains

Everyone has a capital gains tax (CGT) free allowance of £10,900 in the current tax year. If you haven't realised gains of this amount, take a look at whether assets can be sold before 6 April 2014. If you have used up your allowance, consider deferring selling assets until the next tax year or transferring them to a partner. If your spouse either pays no tax or at a lower rate, you could reduce the tax bill substantially.

Bed & ISA is one effective way to use your CGT allowance. By selling your shares or funds and immediately buying them back inside this year's ISA as a contribution, you can harvest gains, sheltering future growth from tax.

You can increase your CGT annual allowance by registering any investment losses on your tax return. Once they have been registered, you can use them to offset gains made in the future, effectively increasing your CGT allowance.

If you have substantial investments, consider rearranging them so that they produce either a tax-free return or a return of capital taxed at a maximum of only 28%, rather than income taxable at a maximum of 45%.

Tax advice is not regulated by the Financial Conduct Authority (FCA).

Advanced investments

Tax-paying, sophisticated investors who are prepared to take higher risks in return for the potential for higher rewards should be aware that attractive income tax reliefs are available. If you are a tax payer, you will receive a tax rebate of up to 30% (subject to your total income tax bill) when investing in a Venture Capital Trust (VCT). Enterprise Investment Schemes (EIS) income tax relief of 30% - up to a maximum of £300,000 reclaimed tax in any year. Seed Enterprise Investment Scheme (SEIS) income tax relief of 50% for subscriptions for shares of up to £100,000, irrespective of the investor's marginal tax rate. ■

The value of investments and 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 company funds can involve greater risk than is customarily associated with funds investing in larger, more established companies. Above average price movements can be expected and the value of these funds may change suddenly.

EVERYONE HAS A CAPITAL GAINS TAX (CGT) FREE ALLOWANCE OF £10,900 IN THE CURRENT TAX YEAR. IF YOU HAVEN'T REALISED GAINS OF THIS AMOUNT, TAKE A LOOK AT WHETHER ASSETS CAN BE SOLD BEFORE 6 APRIL 2014.

Tax treatment is based on individual circumstances and may be subject to change in the future. Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation, are subject to change.

Make the most of reliefs and allowances before 5 April 2014

In this article we have covered some of the main areas that may allow you to make the most of reliefs and allowances before the 2013/14 tax year ends on 5 April 2014. This is a highly complex area of wealth protection and wealth creation and you should obtain professional financial advice before taking any action. With time rapidly running out to beat the deadline, please contact us to discuss how we could help you, your family and your business. We look forward to hearing from you.

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.

DO YOU HAVE ENOUGH MONEY TO **RETIRE COMFORTABLY?**

New data shows consumer confidence improving but worry is still strife

Data recently released by Aviva shows that over half (55%) of UK consumers worry that they will not have enough money to provide an adequate standard of living when they retire, with 18% of consumers saying they do not hold any form of savings or long-term investment products. Almost the same proportion of consumers (49%) think they will have to work beyond the normal retirement age.

The findings are the result of the latest edition of Aviva's Consumer Attitudes to Savings (CAS) survey, which asks people for their views on saving, financial planning and financial priorities. It represents the views of 13,000 consumers in twelve countries, and offers market overviews as well as UK regional analysis.

For the first time in three years, consumers' confidence in the economy has surpassed confidence in household finances:

Net confidence [1] among UK consumers in the general economic outlook, whilst still negative, has risen by 26 points from -33 to -7 percentage points over the past 12 months.

Meanwhile, net optimism over UK household finances only grew by 7 points to -11 percentage points over the same.

So, whilst economic confidence is growing, people's confidence in improvements of their own household finances is increasing much more slowly.

According to the data, these levels of concern are having an impact on consumer spending. Over two thirds of UK consumers (71%) are cutting back on discretionary spending such as eating out in restaurants (51%), holidays (46%) and clothing (46%).

Just under one third of UK consumers (34%) feel that they are 'just about getting by' financially, with 14% saying they are finding it difficult to cope with household finances.

Financial constraints

Across Europe, the latest survey shows that consumers remain similarly concerned about their own financial resilience.

Unexpected expenses (57%), such as home repairs and increases in the price of basic necessities (52%), are the two primary financial concerns for European consumers. As a result, over half of European consumers surveyed are cutting back on discretionary spending.

Financial constraints have an impact on Europeans' long-term planning. While two thirds of consumers have some type of savings product, only 38% of those surveyed in six European markets said they were taking steps to ensure they have an adequate level of income in retirement. Meanwhile, almost half of the pre-retired Europeans surveyed (49%) expect to work beyond their normal retirement age to fund their retirement.

Confidence in the general economy and household finances is improving slowly. Although net economic confidence remains low at -24 percentage points, the six percentage point improvement may be a sign of an initial recovery in European consumers' confidence across the region. ■

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of and reliefs from taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future.

Source:

1. The twelve markets surveyed as part of the Aviva Consumer Attitudes Survey were the USA, the UK, Ireland, France, Italy, Spain, Poland, Turkey, China, India, Singapore and Indonesia in November 2013.

2. The six European countries surveyed were Ireland, Spain, France, Italy, Poland and the UK. Together they represent over half the population of the European Union.

3. Aviva's Consumer Attitudes Survey surveys 13,000 consumers across 12 countries since 2004.

4. 1,000 consumers in the UK were surveyed as part of this work.

5. In each EU country a sample of 1,000 adults aged 18+ were surveyed online in November 2013. Data have been weighted to the known profile of the adult population of each country.

6. Fieldwork was undertaken by Ipsos on behalf of Aviva between 24 October and 8 November 2013.

Pressures on UK household budgets

Since the financial crisis, the pressures on UK household budgets have become stronger and have affected more families, leading them to cut back on savings, and it is understandable that some are unable to save. To find out how we can help you, please contact us today.

GENERATING MARKET-BEATING RETURNS

How much risk are you willing to take?

It is impossible for an active manager to always outperform the market, but through the process of stock selection, active management introduces the potential of generating market-beating returns.

For those willing to take on the additional risk that comes with stock market investment, an actively managed fund may help you reach your financial goals in a way that some other forms of investment, such as cash savings, cannot.

Continuing market uncertainty

With continuing market uncertainty, we understand investors' caution towards exposing their hard-earned money to risk in order to potentially achieve positive returns. However, we believe that even in turbulent times there is value to be found and that investing in shares and/or bonds over the long term could present a greater opportunity for reaching your financial goals.

These are a few key considerations for all investors:

1. Focus on your goals

As life expectancies continue to increase and with retirements often lasting as long as 20 years, planning ahead and investing for the future is becoming more and more important.

Yet with interest rates showing no imminent signs of rising, investors may not reach their financial goals if they choose to leave their money in cash over the long term. The reason being that current inflation levels are eroding away the real value of any interest earned. Therefore, a key challenge for investors is to decide whether they are prepared to take on a level of risk and to what extent in order to achieve their investment goals.

2. Why consider shares and bonds?

Making the investment decision to leave your money in cash until the markets recover could mean missing out on the opportunity of future market rises. Volatile markets can present some opportunities offering far more significant growth prospects than those found in stable and rising markets. However, it is important to remember that greater returns potential also introduces increased risk of losing the money you originally invested.

There are various types of funds to choose from. From those which predominantly invest in a particular asset type, class or region to those which invest across asset classes on your behalf, seeking to spread your investment risk in the event of a particular asset class suffering losses.

In addition, you could choose to invest in a multi-manager fund, which is a single investment portfolio consisting of multiple funds. Each underlying fund may invest across different sectors or markets offering a one-stop solution to the difficulties of fund selection and diversification. The managers use their expertise to aim to invest in the right managers and funds, in the right combination, at the right time, in order to deliver the best potential returns.

3. Investing for the long term

Negative commentary often results in investors taking flight in difficult markets and selling their investments in reaction to a sudden fall in price. This can be a costly strategy. Short-term movements in the prices of shares can be smoothed out over the long term, putting dramatic losses and sudden gains into perspective. Staying invested can increase the likelihood that your investments will benefit from rebounds in the market and minimise the overall impact of volatility on your potential returns. ■

Tax-efficient structures

We offer a range of ways to help, based on your requirements. 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.

The value of investments and income from them may go down. You may not get back the original amount invested. This information sets out the basics of portfolio diversification. It is not designed to be investment advice and should not be interpreted as such. Other factors will need to be taken into account before making an investment decision. The value of an investment can fall as well as rise and is not guaranteed. You may get back less than you put in. Past performance is not a guide to future performance.

WORDS OF WISDOM **FROM UK RETIREES**

What you need to know – don't leave it to chance

Research shows that people have a clear idea of the things they would like to be doing in retirement, but many do not know what they need to do financially to achieve these goals.

LESSONS TO BE LEARNED FROM CURRENT UK RETIREES

Start saving as early as possible

73%

Save as much as you can

65%

Pay off your debts

61%

Source: BlackRock Global Investor Pulse survey 2013

Think long-term

57%

Regularly review your savings and investments

54%

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

Understanding your retirement needs

Today's reality is that the assets you have in place for your retirement need to last longer and work harder than ever before. We're all likely to live longer, healthier lives. To discuss how we can help you plan for your retirement, please contact us.

TAKING VITAL STEPS BEFORE THE NEW TAX YEAR

You need to act fast to avoid next year's child benefit charges

Families impacted by the high income child benefit charge need to act now to limit or avoid it in the next tax year. Doing this could make them potentially up to £2,449 better off, but they only have until 6 April 2014 to take some vital steps for the 2013/14 tax year, according to Standard Life.

AT A TIME WHEN THE COST OF LIVING IS RISING FASTER THAN INCOMES, STANDARD LIFE BELIEVES IT IS IMPORTANT FOR MANY FAMILIES TO KNOW HOW THEY'LL BE AFFECTED BY THE HIGH INCOME CHILD BENEFIT CHARGE, AND TO FIND OUT WHAT OPTIONS THEY MAY HAVE TO IMPROVE THEIR SITUATION NEXT YEAR.

The high income child benefit charge, introduced on 7 January 2013, affects more than one million families. A family with two children could see their annual income drop by up to £1,752 in 2013/14; those with three children could lose £2,449.

At a time when the cost of living is rising faster than incomes, Standard Life believes it is important for many families to know how they'll be affected by the high income child benefit charge, and to find out what options they may have to improve their situation next year.

Child benefit payments will continue to be paid in full, but they will be clawed back by way of a tax charge if a person, or their partner, have an individual income of more than £50,000.

Ten key ways people may be able to limit the amount of tax they will have to pay in the 2013/14 tax year on their child benefits:

1.) Make an individual pension contribution to reduce income to below £50,000. This would wipe out the High Income Child Benefit Charge altogether, and they will benefit from higher rate tax relief on their contribution.

2.) If somebody can't afford to make a contribution that reduces income to the £50,000 threshold, then any contribution reducing income to below £60,000 will still result in a surplus of child benefit over the tax charge. They would still have to complete a tax return though.

3.) Make a pension contribution by salary sacrifice. With the agreement of their employer, an employee can reduce their contractual income in return for an equivalent employer payment to their pension. In addition to the tax savings above, the employee will also save National Insurance (NI) at 2% for payments over the upper earnings limit, and the contribution itself can be increased if the employer agrees to pass their 13.8% NI saving on to the pension. A contribution by salary sacrifice could mean that a tax return isn't needed.

4.) Some employers may also offer salary sacrifice for child care vouchers. This works in a similar way to making a pension contribution through salary sacrifice, although limits apply to the number of vouchers that can be purchased, so check to see if this is possible.

5.) Where both partners are making a pension contribution, consider upping the highest earner's contributions and reducing the lower earner's. The adjusted net income of the highest earner will be reduced at no extra cost to the family as a unit. Child benefit tax may be saved, and higher rate tax relief can be claimed on the extra contribution.

6.) Payments to charity under gift aid reduce taxable income in a similar way to an individual pension contribution. Gift aid payments are paid net of basic rate tax, and so must be grossed-up before deducting from income.

7.) If the person being assessed to the tax charge is also the holder of income bearing investments, consider transferring these to their lower earning partner. As the gross value of savings income is included in taxable income, this simple solution could make a difference.

8.) Do nothing. Continue to claim the benefit and pay the tax. This is more likely to be a consideration for those families where the higher earner has adjusted net income between £50,000 and £60,000, when the benefit will still exceed the tax charge. They may not be able to afford to see their net spendable income fall further by making a pension contribution. Again, this group should be reminded of their obligation to complete a tax return.

9.) Where the high earner has taxable income in excess of £60,000, some families may conclude that it's not worth making a claim for child benefit in the first place. After all, they won't be any better off financially. But there's still an incentive for some. Assume that one parent stays at home to look after the children and doesn't work. As they won't be paying national insurance (NI), they won't be building up any entitlement to State Pensions. But by claiming benefit for a child under the age of 12, they will receive NI credits which will protect their entitlement.

10.) A family can still claim child benefit, perhaps for the reasons above, but avoid the tax charge by asking HM Revenue & Customs (HMRC) to stop the payments. The high earner will then only be taxed on any payments received up to the date payments stop. A self-assessment return will still have to be filed if any payment is received in a tax year. Payments can be restarted if a client's circumstances change. ■

Stretching most people's financial capabilities

The complexities surrounding the high income child benefit charge could stretch most people's financial capabilities, but rather than just facing a charge or opting out entirely, people should seek professional financial advice to explore whether there may be a better solution for their circumstances. For more information, please contact us today.

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.

IS IT TIME TO TAKE **ANOTHER LOOK AT THE UNITED STATES?**

Investment sentiment across the pond is picking up

The United States may be the world's largest stock market, but it doesn't appear on every investor's radar at the moment. These are some of the key factors that could drive the United States economy and stock market over the coming months and years.

1

THE UNITED STATES IS ON TRACK TO BECOME ENERGY INDEPENDENT

2

AUTOMATION IS HELPING UNITED STATES BUSINESSES BECOME MUCH MORE EFFICIENT

3

ADVANCED MANUFACTURING IS GIVING UNITED STATES BUSINESSES A COMPETITIVE EDGE

4

COMPANIES ARE BRINGING JOBS BACK TO THE UNITED STATES

5

THE UNITED STATES LEADS THE WAY IN RESEARCH

6

UNITED STATES COMPANIES DOMINATE THE WEB

7

THE UNITED STATES IS AT THE FOREFRONT OF MEDICAL RESEARCH

The value of investments and the income from them can go down as well as up and investors may not get back the amount invested. This information does not constitute investment advice and should not be used as the basis of any investment decision, nor should it be treated as a recommendation for any investment.

Source: Fidelity 2014

INCREASES IN THE COST OF **CHILDCARE**

Families are feeling the impact of benefit cuts

The cost of bringing up a child has reached £227,266, up from £222,458 last year, with the first year of a child's life seeing the largest increase.

According to the annual 'Cost of a Child' report from protection specialist LV=, the cost of a child's first year has risen by 50% (£11,025 up from £7,372) since the first report in 2003. In the past 12 months, it has increased by 5% and this is largely due to the cost of childcare for children aged less than a year (1) rising by 7% (£6,623 up from £6,191 in 2013). In total, parents now spend £66,113 on childcare – an increase of 4% overall.

Education and childcare remain the biggest costs, and 71% of parents report that they have been forced to make cuts to meet the financial demands of raising their family. The overall cost of raising a child has increased by 62% since 2003.

The cost of living

Parents have been hit hard by increases in the cost of living, as more of their income is spent on essential goods and services such as rent, household bills and food – items that have seen particularly rapid inflation over the past few years (2). The overall cost of goods and services purchased by parents has increased by 33.6% in 10 years, compared with 30.7% for the headline consumer price index, meaning that prices have been rising almost 10% faster for parents (3) than the general inflation rate. Single parent's families have been hit even harder with the overall cost of goods increasing by 34.7% over the same period. This comes at a time when many benefits have been put on hold and wages have not kept up with inflation.

The increasing cost of raising a child means that parents are now estimated to be spending on average more than a quarter (4) (28%) of their annual income on bringing up their child each year – up from 23% in 2004. For single parent families, this figure rises to more than half (54%) (5) of their annual income.

Working more hours

Alongside the rising cost of raising a family, the changes to Child Benefit in January 2013—which saw many families lose some or all of their child benefit—have affected many households. One in four mums (27%) have returned to work earlier than they wanted to and close to one in five (19%) have had to work more hours than they intended to. Meanwhile, one in ten parents (11%) have now chosen to have a smaller family, and one in five (21%) are delaying having an additional child because they now can't afford it.

However, with the cost of average childcare costing £405 (6) a month across Britain, mums now say they personally need to earn an average of over £26,000 a year to make it worthwhile returning to work.

Protecting the family finances

The need to make the family finances go further has taken its toll on the amount parents are likely to put aside for the future. One in three (34%) say they've had to reduce the amount they save, and one in 10 (10%) have had to cancel or review their insurance products and income protection cover to help with family budgeting. In fact, 41% of parents now have no life cover, critical illness or income protection cover at all. ■

Securing your family's financial future

Having children has never been more expensive. The costs associated with raising a family are set to remain a pressure point for families across the UK but seeing the cost of raising a child in its entirety can help people think about how to secure their family's financial future should anything unexpected happen. Please contact us for further information – we look forward to hearing from you.

Source:

Cost of a child calculations, from birth to 21 years, have been compiled by the Centre of Economic and Business Research (CEBR) for LV= in December 2013 and is based on the cost for the 21 - year period to December 2013. Using data from the ONS' Family Expenditure Survey, CEBR were also able to compile a measure of inflation for families, in contrast with the overall CPI measure.

Additional research was conducted by Opinium Research from 13 to 16 December 2013. The total sample size was 2,001 UK adults and was conducted online. Results have been weighted to a nationally representative criteria.

1. CEBR's model assumes that parents go back to work after six months (what's known as 'ordinary maternity leave'). It then tracks the cost of childcare for the remaining six months of the first year, using a combination of data from the Office for National Statistics and desk research from other sources. This cost has increased significantly over the past 12 months.

2. Calculated as December 2013 versus December 2003. Single parent households on average have significantly lower income than two parent households [£19,444 for the average single parent household, versus £38,762 for the overall UK average household and £52,140 for two-parent households]. This means that a much greater share of expenditure is made on essential items such as rent, household utility bills, and food. It is these products that have seen particularly rapid inflation over the past few years [e.g. the December 2013 inflation figures showed a 3.7% annual increase in the cost of rent and utilities], whereas prices on more luxury items such as recreation & culture have seen smaller increases [the same figures showed just a 0.8% annual increase in the cost of recreation and culture]. As such, the total basket of goods and services purchased by these single parent households has seen faster price inflation than the basket of those bought by two-parent families.

3. Family households spend a much greater share of expenditure on essential items such as rent, household utility bills, and food. It is these products that have seen particularly rapid inflation over the past few years.

4. According to CEBR, the cost of raising a child from birth to 21 now costs £227,266 or £10,822 per year. The average (mean) annual household gross income is £38,762. This equates to 28% of the average income spent per year on bringing up a child i.e. £227,266 divided by 21 = £10,822. 100 divided by £38,762 x £10,822 = 28%. In 2003 this was just 23% (in 2003 the cost of raising a child was £140,398 or £6,686 per year. The average mean annual household income was £29,406 so £140,398 divided by 21 = £6,686. 100 divided by £29,406 x £6,686 = 23%).

5. Due to the lower income of single parent families, the average annual cost of raising a child is equivalent to 54% of average gross annual income of £20,000.

6. According to DayCareTrust the average cost of childcare across Britain is £101.29 per week (for 25 hours) x 4 = £405.16. (Child Care Costs Survey 2013, page 4)

OVERSEAS ASSETS

Investors should not delay in disclosing their assets

With the latest HM Revenue & Customs (HMRC) campaign aimed at targeting investors with overseas assets, some investors could be worried about the impact this could have on their overseas investments, and others could be put off from investing overseas altogether. However, it's not all doom and gloom. Once assets have been appropriately disclosed, there are ways in which the investments can be restructured, or new investments made, to make them more efficient going forwards.

Minimise the administrative burden

There has been a genuine market available for people to invest overseas for many years, and people should not be discouraged from this method of investing in the fear that it is somehow not above board. Providing assets are disclosed accordingly (and for new investors the investment will likely be coming from an already disclosed source), there are many ways in which assets can be structured to minimise the administrative burden and tax liability.

Once assets are disclosed, they become visible to the UK authorities and investors will need to start reporting on the assets every year via their tax return. Tax will have to be paid on an arising basis; therefore, any proposed active management by the investor will lead to more onerous tax reporting via self-assessment, as investment decisions will need to be balanced with tax considerations.

Greater control

This particular tax and reporting scenario can be delayed if the assets are restructured into a single premium offshore bond. Once the assets are held within the offshore bond, the investor gains much greater control over the timing and nature of any events that are chargeable to tax. All taxes are deferred within the structure (except for any withholding taxes that cannot be reclaimed on income or dividends received), and only on a planned encashment would a tax situation arise.

Investors are then able to use the advantages the offshore bond brings to manage any tax events, by using features that work uniquely well for offshore bonds, such as assignment, change of tax residence and top slicing. However, the biggest area which many investors may see a tax advantage is with regards to Inheritance Tax (IHT) planning.

New disclosure requirements

Investors often believe that money held offshore will not fall into the UK IHT net; however, this is not correct. Whilst assets held offshore have always been subject to IHT, these assets were not necessarily visible to the UK authorities and hence not always disclosed. All this is now changing as new disclosure requirements take hold. These assets will become visible and completely open to scrutiny by the UK tax authorities.

This could severely impact estate planning for some investors, as UK IHT is set at a substantial flat rate of 40%. Placing an offshore bond into a trust can help reduce this IHT liability and help with estate planning and tax mitigation. Trusts can also ensure the right people get the right proportion of assets at the right time, helping with succession planning, and can enable funds to be paid out on death without any delay as the need for probate is removed. ■

Seeking advice on what action you may need to take

Investors should not delay in disclosing their assets, and should seek advice on what action they can take to restructure their investments once they have been disclosed. The offshore bond structure is not a tool to avoid tax but offers investors greater control over the timing and nature of the tax payable. Please contact us for further information.

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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.

INVESTING FOR RETIREMENT

Building a savings pot to provide income when you retire

Investing regularly from as young an age as possible, while taking advantage of various tax incentives, is the logical way to achieve this.

There are two common ways to build on the foundation that the State Pension provides so as to increase your retirement income:

- Investing in a workplace or personal pension, often with help in the form of contributions from your employer, and
- Investing in ISAs

Available tax benefits

Pensions which offer tax relief on contributions and on a quarter of the money you withdraw are the more usual choice for retirement savings. Most new workplace pensions are 'money purchase schemes', also known as 'defined contribution (DC) schemes'. Personal pensions work in a similar way. Tax benefits are available in return for restrictions on when you can withdraw money.

Different pension products

While there are a number of different pension products, the underlying concept is similar: you invest into one or a series of funds, which aim to increase the value of your savings over time. Your money may be invested in a range of assets including shares, bonds and property.

Auto-enrolment

Every employee in the UK over the age of 22 who earns over £9,440 per year (2013/14) is being automatically enrolled into a pension scheme by their employer unless they actively opt out.

Both employer and employee are obliged to make contributions on earnings. These contributions will ultimately be:

- Employer 3%
- Employee 4%
- Government (tax relief) 1%

Regular income

When you retire, you are entitled to take 25% of your total pension pot as a tax-free lump sum.

The rest of your pension will be used to provide a regular income, which will be taxed as income. There are two ways to do this. The first is to buy an annuity from a life insurance company. This is an agreement between you and the annuity provider about how your pension pot will be paid. The amount of income you get depends on the total sum in your pension, your age and other factors.

There are many types of annuities available. It is wise to shop around and seek financial advice before making a decision.

You can also take an income directly from your pension pot, commonly known as 'income drawdown'.

There are two types of drawdown available:

Flexible drawdown: This is available if you can prove you have a sustainable annual income of £20,000 or over. It allows you to take as much or as little income from your pension as you choose.
Capped drawdown: This is available to anyone, but the income you can take is limited to the amount that would have been available from an annuity. ■

No one-size-fits-all solution

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.

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THE TABLE BELOW SHOWS HOW PENSIONS AND ISAS COMPARE:

	ISA	Pension
Maximum annual investment for the tax year 2013/14	£11,520	£50,000
Maximum total investment	No	No, but a pension pot 2013/14 over £1.5m (lifetime allowance) will attract tax penalties when the pension or lump sum is drawn.
Income tax relief on contributions	No	Yes
Tax relief on investment returns	Yes	Yes
Tax on money withdrawn	No	25% of the fund is tax free. The remainder is taxed at marginal income tax rate
Withdrawal	Anytime	After retirement

TIME TO REVIEW YOUR RETIREMENT PROVISION?

Keeping track of your pension portfolio pays dividends

If you've accumulated numerous workplace pensions over the years from different employers, it can be difficult to keep track of how they are performing. There is a danger that long-forgotten plans may end up festering in expensive, poorly performing funds, and the paperwork alone can be enough to put you off becoming more proactive.

Best course of action

Whether you have one or a number of pension funds, it may be appropriate to have these reviewed. The best course of action will depend on what type of pensions you have and how long you have until retirement.

Making the most of your pensions now could have a significant impact on your financial well-being in retirement, and getting it right could mean a higher income, or even an earlier retirement date. By reviewing your pension now, you can check the charges you are paying along with the investment return. Lower charges don't always mean higher returns but it's worth checking, as you may be able to increase your retirement income.

Investment performance

If you're in a final salary scheme, it will almost always make sense to stay where you are, but if you have any other type of pension, where success or failure depends on the performance of your investments, reviewing them now is worth considering.

Consolidating personal pensions into alternatives, such as a self-invested personal pension (SIPP), can provide a wider amount of investment choice with a potentially lower cost, but this is a very complex area and you should always obtain professional financial advice. ■

Review your particular situation

The closer you get to your retirement, the more important your pension fund becomes. Having said that, even if you have 10 or 15 years to retirement, you should always take the time to review your pension, as it could be worth a substantial amount more over the years by doing this. For more information, please contact us.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

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

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