SmartMoney

Cotswold Financial Planning

MARCH/APRIL 2015

WEALTH ATTRACTION

Legally minimising or mitigating taxation on current and future tax liabilities before 6 April 2015

NISA COUNTDOWN

Time is running out if you want to make the most of your tax-efficient savings allowance

PENSION FREEDOMS - WHAT COULD THEY MEAN TO YOU?

Accessing your pension safely, without unnecessary costs and a potential tax bill

INFLUENCING FACTORS TO MANAGING YOUR FUTURE WEALTH

When was the last time you revisited your investment goals?

Plus Pension Wise

Discussing life expectancy as part of your retirement planning is key

Cotswold Financial Planning Ltd
10a Astley House, Cromwell Park, Banbury Road, Chipping Norton, OX7 5SR
T: 01608 651608 **F:** 01608 643096 **W:** www.cotswoldfinancialplanning.co.uk

INSIDE THIS ISSUE

WELCOME TO THE LATEST ISSUE in which we provide an informed insight that extends across both the financial planning and tax calendar as we enter a very important time of the year.

With the biggest pension reforms in a lifetime rapidly approaching on 6 April, are you ready for how these reforms could potentially affect you, whether now or in the future? The wide media coverage that followed the 2014 Budget announcements talked of pensions in the future being used as bank accounts and new pension freedoms leading to long waiting lists for Lamborghinis. On page 04 we look at what pension freedoms could mean to you.

It's vital to know why you're investing. The first step is to have a good think about your financial situation and your reasons for investing. But whatever your personal investment goal may be, you need to consider your time horizon at the outset. On page 10 we consider why it makes sense to revisit your investment goals at regular intervals to account for any changes to your personal circumstances.

If you are keen to take advantage of the New Individual Savings Account (NISA) allowance, now increased to £15,000, and make the most of your tax-efficient savings, time is running out. You only have until 5 April to fully utilise your 2014/15 NISA allowance, after which it will be lost forever. Find out more on page 09.

Tax planning is a very complex area covering many forms of tax. No one likes paying more tax than they legally have to but one of the challenges of wealth is the high taxation it attracts. For some individuals the need for specialist professional advice has never been greater. With the current tax year end rapidly approaching, on page 08 we've provided some tax planning areas for you to consider before 6 April 2015.

The full list of the articles featured in this issue appears opposite. ■

Contents

'MIDLIFE CRISIS'

Baby boomers are some of the least prepared for retirement

A RECENT SURVEY HAS REVEALED the concerning fact that 40% of baby boomers, those aged 55 to 74, have not started to save specifically for retirement yet, despite two-thirds of respondents understanding the State Pension will not be sufficient.

The BlackRock Global Investor Pulse survey found that Britain's baby boomers are some of the least prepared for their retirement. The challenge remains to encourage short-term savers to become long-term investors.

The findings show that 59% of respondents are concerned they will not live comfortably in retirement, while 63% hold their non-pension savings in cash, causing inflation erosion. Of the participants, 81% said they did not know how to access income with their pension savings.

PENSION REFORMS

In light of the pension reforms commencing from 6 April this year, 9% say they will invest their pension pot to generate an income, while 8% will move their pension into a cash savings account.

The survey highlighted that 28% of the respondents are undecided on what to do, while 26% plan to stay invested in their pension plan but take out cash regularly and use some of it to buy an annuity. Meanwhile 6% of participants say they will use part of their pension to clear debt or similar, while 3% plan to blow the lot on whatever they desire.

APPROACHING RETIREMENT

If you are about to retire or are approaching your retirement, it's important that you think very carefully about how you will sustain your income through a much longer retirement than previous generations.

The research shows that many will use the flexibility and choice offered by the pension reforms to stay invested in their pension for longer, while taking regular income, and combine purchasing an annuity alongside it, potentially later in life. Meanwhile, almost one in five baby boomers may take advantage of the freedom to invest their money elsewhere, with half choosing a cash savings account.

More than half of the people surveyed said that they would be encouraged to save more if the Government provided a stable pensions system that is not changed by successive political parties. ■

CHOOSING THE RIGHT PENSION SCHEME

Whatever stage of life you're at, it's important to plan for the future by choosing the right pension provision. So whether you're just starting out and looking to set up your first pension, or building on your existing retirement plans, in the light of the pension reforms now is the perfect time to discuss your requirements. Please contact us – we look forward to hearing from you.

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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.

READER REPLY

WANT TO MAKE MORE OF YOUR MONEY IN 2015?

For more information please tick the appropriate box or boxes below, include your personal details and return this information directly to us.

Name ....

Address ....

....

.... Postcode ....

Tel. (home) ....

Tel. (work) ....

Mobile ....

Email ....

- ☐ Arranging a financial wealth check
- ☐ Building an investment portfolio
- ☐ Generating a bigger retirement income
- ☐ Off-shore investments
- ☐ Tax-efficient investments
- ☐ Family protection in the event of premature death
- ☐ Protection against the loss of regular income
- ☐ Providing a capital sum if I'm diagnosed with serious illness
- ☐ Provision for long-term health care
- ☐ School fees/further education funding
- ☐ Protecting my estate from inheritance tax
- ☐ Capital gains tax planning
- ☐ Corporation tax/income tax planning
- ☐ Director and employee benefit schemes
- ☐ Other (please specify)

You voluntarily choose to provide your personal details. Personal information will be treated as confidential by us and held in accordance with the Data Protection Act. You agree that such personal information may be used to provide you with details and products or services in writing or by telephone or email.

WITH THE BIGGEST PENSION REFORMS in a lifetime rapidly approaching on 6 April, are you ready for how these reforms could potentially affect you, whether now or in the future? The wide media coverage that followed the 2014 Budget announcements talked of pensions in the future being used as bank accounts and new pension freedoms leading to long waiting lists for Lamborghinis.

The changes to the pension tax rules were initially announced in the 2014 Budget to give individuals greater flexibility to access their Defined Contribution (DC) pension savings. They were subsequently confirmed in the Taxation of Pensions Bill published on 14 October last year and will take effect from 6 April 2015, which some commentators are calling 'Pension Freedom Day'.

However, according to Standard Life, nearly half of adults aged 50 to 65 are indifferent to the upcoming pension reforms, and almost one in five are confused about what it all means and how the changes could affect them. If you're aged 55 or over from 6 April 2015, you should immediately be able to take advantage of this increased flexibility, but obtaining professional advice is essential to make sure you get an informed analysis of your particular situation.

PENSION FREEDOMS - WHAT COULD THEY MEAN TO YOU?

Accessing your pension safely, without unnecessary costs and a potential tax bill

TAX-FREE CASH FROM YOUR PENSION ON RETIREMENT

If applicable to your particular situation, from 6 April there will be the option to withdraw up to 25% of the fund as tax-free cash from your pension on retirement or at anytime from age 55 whether retired or not. This can either be taken all at once or you could make a series of withdrawals and have a portion of it paid tax-free.

In this instance, someone with a pension worth £100,000 could withdraw £25,000 cash tax-free in one lump sum and have subsequent withdrawals taxed as income, or alternatively make a series of withdrawals over time and receive 25% of each withdrawal tax-free.

If this person withdrew five lump-sum withdrawals of £20,000 they would receive £5,000 tax-free with each withdrawal, equating to £25,000 tax-free cash overall. Withdrawals of £1,000 a month would

THE CHANGES TO THE PENSION TAX RULES WERE INITIALLY ANNOUNCED IN THE 2014 BUDGET TO GIVE INDIVIDUALS GREATER FLEXIBILITY TO ACCESS THEIR DEFINED CONTRIBUTION (DC) PENSION SAVINGS.

receive £250 of each payment tax-free, with the remainder taxed as income. Although this example would enable the person to manage their tax liability, it is not available if they use their pension fund to purchase an annuity.

WITHDRAWING YOUR PENSION

If you are aged 55 and over from 6 April 2015 you'll have the freedom to decide how you choose to withdraw your pension, in excess of any tax-free cash'. However, if you choose to take an Uncrystallised Funds Pension Lump Sum(s) (UFPLS) it wouldn't be 'in excess of any tax-free cash.' The choices will be to take the entire fund as cash in one single go, withdrawing differing lump sum amounts when you choose or taking a regular income utilising income drawdown where you are able to withdraw directly from your pension fund. The last two options would mean that your pension remains invested. Alternatively, you could purchase an annuity to secure an income for the rest of your life.

Depending on your particular situation, if you withdraw your pension in stages rather than all at the same time, this may enable you to manage your tax liability, as any withdrawals in excess of the tax-free amount will be taxed as income at your marginal rate.

There will be three primary options for you to consider in terms of taking benefits for the first time on or after 6 April 2015. If you are not in capped drawdown prior to 6 April 2015 it will not be an option to move into capped drawdown after this date. Capped drawdown is the current form of drawdown that allows you to draw an income from your pension subject to an annual limit.

MAXIMUM VALUE OF PENSION SAVINGS

The Annual Allowance is the maximum value of pension savings on which you receive tax relief each year. The Annual Allowance is £40,000 for the 2014/15 tax year. Your pension contributions after 6 April 2015 will still be subject to this and other specific contribution rules. Contributions to DC pension savings could also be restricted to £10,000 if you make any withdrawals from a DC pension in addition to any tax-free cash after 6 April 2015 via the flexi access drawdown route. In the event that you have already entered flexible drawdown before 6 April 2015 you will also be able to make contributions of up to £10,000 a year, something not currently allowed.

The £10,000 reduced allowance also applies to any withdrawal of a UFPLS which wouldn't be 'in addition to any tax-free cash'.

If you were to have a pension worth £10,000 or less and took it as a 'small pot', the reduced £10,000 annual allowance will not apply. You could take pensions as small pots up to three times from personal pensions and unlimited times from occupational ones. The reduced annual allowance will also not apply if you enter capped drawdown before 6 April 2015 and your withdrawals thereafter remain within the maximum GAD income current drawdown limit, even if you move more funds into the same plan. Other scenarios where the reduced annual allowance does not apply are if you withdraw your pension as a lifetime annuity (excluding flexible annuities) or a scheme pension (except when fewer than 12 people are entitled to one under that scheme).

FROM 6 APRIL 2015 THE CURRENT 55% TAX CHARGE ON LUMP SUMS PAID FROM YOUR PENSION FUNDS IF YOU DIE BEFORE AGE 75 WILL BE ABOLISHED.

BENEFICIARY PENSION PAYMENTS

From 6 April 2015 the current 55% tax charge on lump sums paid from your pension funds if you die before age 75 will be abolished. The tax rules will also be changed to allow joint life annuities to be paid to any beneficiary.

If you die after age 75, your beneficiaries have the options of taking the entire pension fund as cash in one go, subject to 45% tax, or receive a regular income through income drawdown or an annuity. This income will be subject to Income Tax at their marginal rate, and if they receive periodical lump sums through income drawdown, these will be treated as income, so subject to Income Tax at their marginal rate.

Even if you die prematurely before April 2015, your beneficiaries could still take advantage of the new rules if they wait until 6 April 2015 to take benefits.

MAKING UNLIMITED WITHDRAWALS

Anyone with a Defined Benefit (DB) pension, such as a final salary pension, will be able to make unlimited withdrawals. But in order to do so they will have to transfer to a DC pension such as a Self-Invested Personal Pension (SIPP).

As you could lose very valuable benefits this is rarely a suitable course of action and you will be required to receive professional financial advice first. It will also no longer be possible to transfer from most public sector pension schemes.

The age at which you can draw your pension is set to increase. Currently it is 55, and will increase to 57 from 2028 and remain ten years below the State Pension age and then increase in line with it thereafter. This will not apply to Public Sector Pension Schemes for Firefighters, Police and Armed Forces.

You will be unaffected by the changes if you have already retired and are receiving an annuity income from all of your pensions. If you are in capped or flexible income drawdown you should be able to benefit from the new rules. ■

ACCESS YOUR PENSION SAFELY, WITHOUT UNNECESSARY COSTS AND A POTENTIAL TAX BILL

The pension reforms will bring about a new level of flexibility and choice. For some, an annuity may still be the right option. Others may want to withdraw their entire tax-free lump sum and convert the rest to drawdown. It's essential to obtain the right professional financial advice to ensure that you access your pension safely, without unnecessary costs and a potential tax bill. To discuss your situation, don't leave it to chance. Please contact us.

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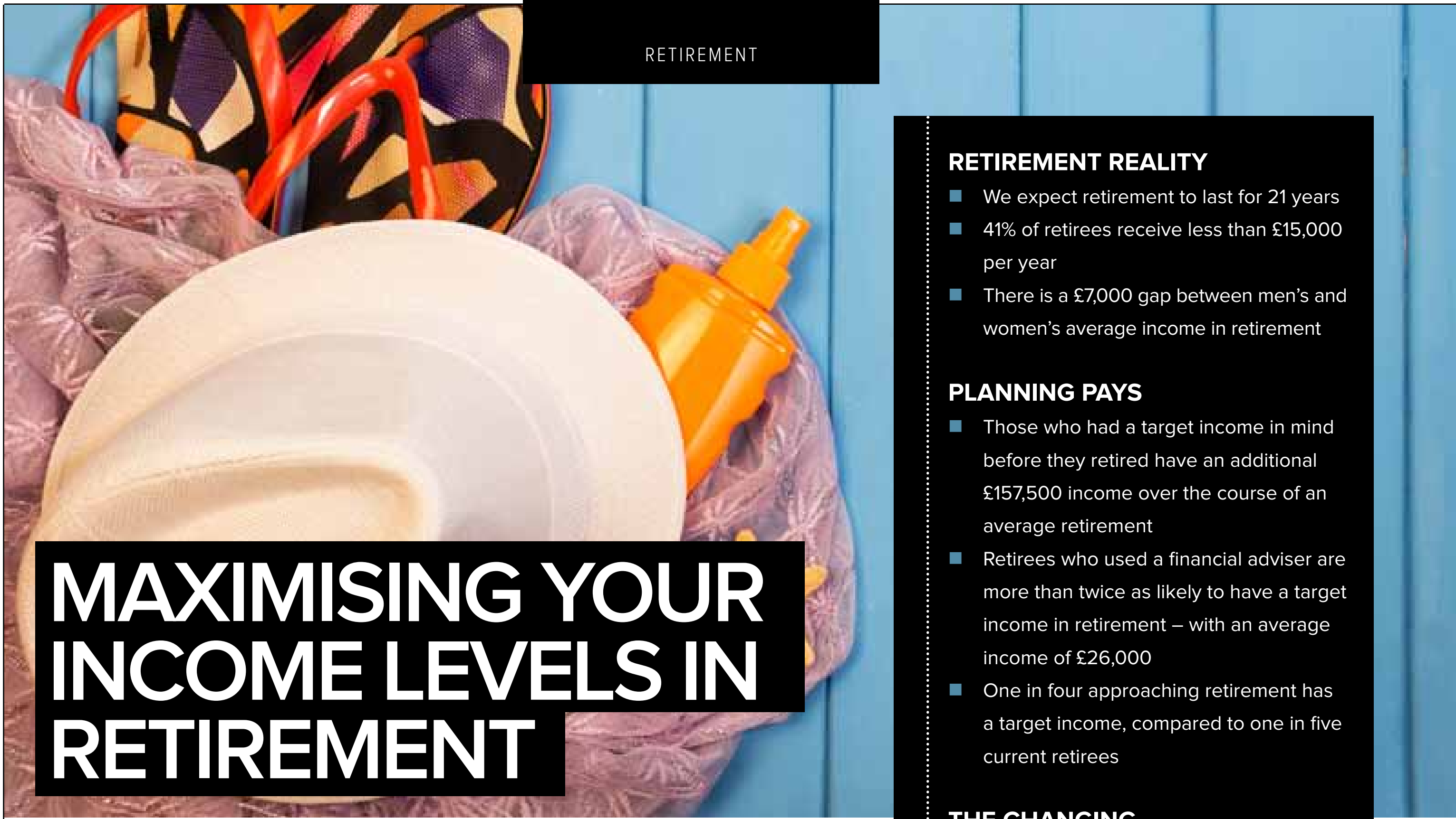

MAXIMISING YOUR INCOME LEVELS IN RETIREMENT

Why having a target in mind clearly makes a difference to fund this stage of your life

A RECENTLY PUBLISHED REPORT has highlighted the positive impact planning and professional financial advice can have on income levels in our retirement. The first Retirement Income Uncovered report from Old Mutual Wealth found that retirees who hadn't set themselves an income target to aim for in retirement had an average income of £17,500 per year. However, those who saw a financial adviser at least once have an average income in retirement of £20,800.

ADVICE MATTERS

In addition, receiving regular professional financial advice from an adviser doubles the likelihood that a person will have a target, and those who had a target and saw an adviser have an average income of £26,000 a year, a 49% increase compared to those who did neither.

The report looked into the level and source of retirement income for people already retired from full-time work, plus those over 50 approaching this crucial part of their financial lives. This provided a concise picture of current and changing sources of retirement income, changing attitudes to work in retirement and also levels of satisfaction and understanding of the different sources of retirement income.

OTHER INCOME SOURCES

In addition, the report examines how other income sources are expected to make a greater contribution to the income of those yet to retire. As expected, access to, and reliance on, final salary pension schemes is on the wane, and while property downsizing contributes an average of just 2% of income for those currently retired, this rises to a 15% expected contribution for those yet to retire.

Source data:

Old Mutual Wealth partnered with YouGov to conduct research into the attitudes and behaviours of those currently in retirement or approaching retirement. The research was carried out via an online survey among YouGov's consumer panel. The sample consisted of 1,536 UK adults aged between the ages of 50 and 75. The sample was split up into five brackets (50-54, 55-59, 60-64, 65-69 and 70+) with a target quota of 300 participants in the research from each age bracket. YouGov invited a nationally representative sample to take part within each age bracket. Fieldwork was carried out between 4 July and 10 July 2014.

RETIREMENT REALITY

- We expect retirement to last for 21 years
- 41% of retirees receive less than £15,000 per year
- There is a £7,000 gap between men's and women's average income in retirement

PLANNING PAYS

- Those who had a target income in mind before they retired have an additional £157,500 income over the course of an average retirement
- Retirees who used a financial adviser are more than twice as likely to have a target income in retirement – with an average income of £26,000
- One in four approaching retirement has a target income, compared to one in five current retirees

THE CHANGING FACE OF RETIREMENT

- Those approaching retirement are 25% less dependent on a final salary pension compared with retired people
- Those who have a retirement income goal are 63% more likely to be satisfied with their retirement income than those who do not

WHERE IS YOUR INCOME GOING TO COME FROM?

What is very clear is that retirement income is changing and people are preparing to use many different sources to fund this stage of their lives. Thinking about where your income is going to come from and having a target in mind clearly makes a difference to your outcome in retirement. So does obtaining professional financial advice. More people yet to retire are setting goals that will make them better off in retirement, and advice clearly pays. For further information, please contact us – we look forward to hearing from you.

NEW LANDSCAPE FOR LATER-LIFE PLANNING

Making informed decisions about how to best use your savings and manage your income in retirement

MORE THAN ONE IN FOUR BRITONS (27%) expect to come under pressure to lend their family money from unlocked retirement pots when the new pension freedoms are introduced from 6 April this year, according to latest research from the Centre for the Modern Family.

The report, *Forever Young: The New Landscape of Later-Life Planning* from the Scottish Widows think tank, revealed that the new pension reforms could have a knock-on effect on intergenerational finances, with more than one in five people expecting to use pension savings to fund care costs of elderly relatives (23%) or to invest on behalf of the wider family, for example, in a property for children (22%).

MANAGING SAVINGS MORE EFFECTIVELY

Almost one in four believes the reforms will enable people to manage savings more effectively. However, they are outnumbered by the two in five (39%) who worry that the reforms could mean not having enough money for the whole of their retirement. Added to this picture is an increasing life expectancy.

Despite feeling the pressure to give up their retirement savings, more than a third of people (38%) say they don't know or haven't thought about how they will survive financially in retirement. Almost one in five (17%) intend to rely on state support, which may leave them without the means to secure their financial future in later life.

BUDGET REFORMS MOST ACUTE FOR FULL NESTERS

The effect of the Government's pension reforms may have a greater impact on particular groups, especially those with adult children still living at home, or 'full nesters', who have been identified as a particularly financially strained group.

One in four full nesters think they will come under pressure to use pension savings not spent on an annuity to fund care costs of elderly relatives (25%), compared to 19% of empty nesters. Full nesters were also the most likely to feel under pressure to use their retirement savings for investments on behalf of the wider family (25%).

Almost a third of full nesters (29%) expect retirement savings to be used for loans to other family members, compared to 27% of empty nesters.

FAMILY GIVE AND TAKE

The report also found families are pulling together to support one another at different stages of life, and parents are increasingly looking to their children to plug the gap that loans and investments from an unlocked pension pot may leave in their retirement savings. 40% of people feel that support from children in later life is repayment for what they have provided, and 41% also believe that children have an obligation to support their parents.

These attitudes are particularly prevalent among young people – 55% of boomerang kids and 59% of individual renters believe children have an obligation to support parents in later life. While on average just one in five (18%) expect to support their parents financially in later life, this rises dramatically to 40% among those currently renting with friends.

SUPPORT NOT LIMITED TO FINANCIALS

This support is not limited to financials however, with more than a third (39%) expecting to care for their parents (62% for boomerang kids) and 12% expecting parents to live with them (18% for boomerang kids).

The reforms to the pension system announced in the 2014 Budget are transforming the retirement landscape. Although for many they will represent greater autonomy over how to use their savings in later life, it is important to consider the knock-on effects on families.

Many may feel pressure to access their pots to support struggling family members in an already challenging economic environment. ■

MAKING INFORMED DECISIONS IS VITAL

While it is reassuring that family members are seeing the importance of pulling together in this way, it is vital to make informed decisions about how to best use your savings and manage your income in retirement. If you would like to review your current situation or plans, please contact us – we look forward to hearing from you.

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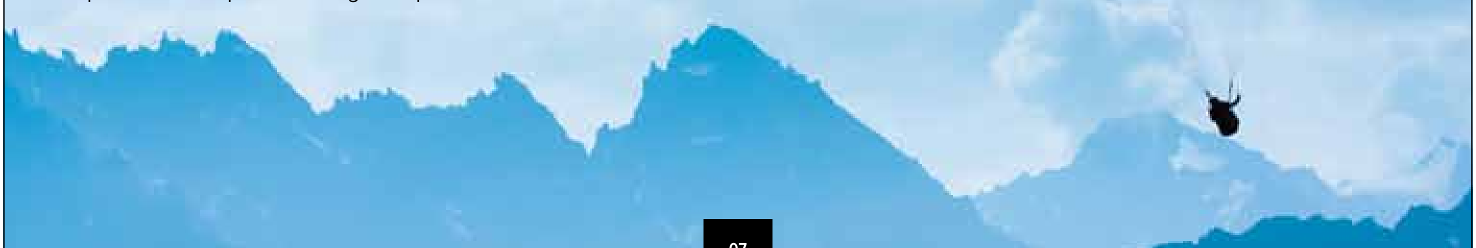
Source data:

The research was completed by YouGov and the findings are based on 2,082 online interviews with a nationally representative sample of adults aged 18 and over living in the UK. The interviews were conducted between 28 April and 1 May 2014.



WEALTH ATTRACTION

Legally minimising or mitigating taxation on current and future tax liabilities before 6 April 2015

TAX PLANNING IS A VERY COMPLEX area covering many forms of tax. No one likes paying more tax than they legally have to, but one of the challenges of wealth is the high taxation it attracts. For some individuals the need for specialist professional advice has never been greater. With the current tax year end rapidly approaching, we've provided some tax planning areas for you to consider before 6 April 2015.

INCOME TAX

If appropriate, consider transferring income (for example, interest or dividends) by transferring investments between you and your spouse or registered civil partner, to ensure use of all personal allowances and to minimise the income taxed at the higher rates of 40% (£31,866 and above of taxable income) or 45% (additional rate band over £150,000).

If your net income for 2014/15 will exceed £120,000, you will not receive a personal allowance so consider mitigating this by making a pension contribution or Gift Aid payment. A full personal allowance is available if your taxable income is £100,000 or less.

Child benefit is taxable where chargeable income exceeds £50,000. The tax rate increases in line with income and reaches 100% where income is more than £60,000 (i.e. child benefit is fully clawed back at that point).

If you are close to these thresholds, pension contributions and Gift Aid donations can be used to reduce income and retain the entitlement to tax-free child benefit. Alternatively you can ask HM Revenue & Customs (HMRC) not to pay child benefit in the first place to avoid having to declare it on your tax return.

NEW INDIVIDUAL SAVINGS ACCOUNTS (NISAS)

Income and capital gains in NISAs are tax-efficient. The annual allowance is £15,000, all of which can be put into a Stocks & Shares NISA, Cash NISA or combination of both.

Shares in newer, less established companies which are ineligible to join the main stock markets (FTSE100 or FTSE250) are allowed to be held within a NISA, making them one of the most tax-efficient investment vehicles as they also benefit from Inheritance Tax (IHT) relief after two years.

PENSIONS

You can contribute up to £40,000, inclusive (where applicable) of the 20% pension tax relief recoverable from HMRC by the pension scheme, and obtain full tax relief at your marginal income tax rate(s).

Unused pension relief can be carried forward three years in some cases, so any relief from the year ended 5 April 2012 not utilised by the 5 April 2015 will be lost.

A pension fund grows largely tax-free, which can help to increase the amount you have in your fund. (Remember that the value of your fund can go down as well as up and you may not get back your original investment.)

If you haven't earned income you could still receive tax relief at 20% on the first £2,880 (i.e. £3,600 will go into your pension pot) you pay into a pension each tax year (6 April to 5 April).

INHERITANCE TAX (IHT)

Make sure that you have a Will and review it periodically to ensure that it still leaves your estate to those you intend and that it remains tax-efficient.

The IHT annual exemption of £3,000 in aggregate on gifts to individuals is £6,000 for 2014/15 where you did not use this exemption in 2013/14 and can reduce your estate.

Gifts of up to £250 to any individual during 2014/15 are also exempt from IHT.

Increased relief for gifts is available if made in consideration of marriage or registered civil partnership.

Other gifts to individuals made during your lifetime which are potentially exempt transfers (PETs) will be disregarded when calculating any IHT due on your death once you have survived seven years from the making of the gift.

Gifts into trust can be considered up to your (unused) nil rate band of £325,000 without creating an IHT charge at lifetime rates; however, published draft measures prevent multiple use of the nil rate band.

Regular gifts made out of your income that are not needed to support your usual standard of living are IHT exempt, even if made within seven years before death, and should be carefully recorded.

With an appropriate review of your investment risk profile, shares in unquoted trading companies, including those listed on AIM, can qualify for business property relief once held for two years, thereby effectively removing their value from your estate.

If you have been resident for 17 out of the last 20 tax years you will be 'deemed domiciled' for IHT purposes and therefore subject to IHT on your worldwide assets. If this applies to you, action should be taken to mitigate the impact.

CAPITAL GAINS TAX (CGT)

The CGT annual exemption for 2014/15 is £11,000 and, if not used by 5 April 2015, cannot be carried forward.

For sophisticated investors, capital gains arising in 2014/15 can be deferred (or avoided completely) through investment in Enterprise Investment Scheme and Seed Enterprise Investment Scheme qualifying companies as well as in qualifying social enterprises. ■

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

ESTATE PLANNING, TRUST PLANNING, TAX PLANNING AND WILL WRITING IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

NISA COUNTDOWN

Time is running out if you want to make the most of your tax-efficient savings allowance

IF YOU ARE KEEN to take advantage of the New Individual Savings Account (NISA) allowance, now increased to £15,000, and make the most of your tax-efficient savings, time is running out. You only have until 5 April to fully utilise your 2014/15 NISA allowance, after which it will be lost forever.

In his 2014 Budget speech the Chancellor, George Osborne, announced that from 1 July last year ISAs would be reformed into a much simpler product, the NISA. Furthermore, all existing ISAs would be automatically converted to a NISA.

From 1 July 2014 the overall subscription limit set by the Government for 2014/15 increased from £11,880 to £15,000. It is now possible for new subscriptions to be split in any proportion between a new Cash NISA and new Stocks & Shares NISA. Therefore, you now have more choice about where to put your money: invest it all in a Cash NISA, split it however you want between a Cash NISA and Stocks & Shares NISA, or invest the full subscription allowance in a Stocks & Shares NISA.

INCREASED FLEXIBILITY IN THE WAY YOU USE YOUR NISA ALLOWANCE

You can:

- Invest the full £15,000 in a Stocks & Shares NISA
- Invest the full £15,000 in a Cash NISA
- Invest any combination of amounts between a Stocks & Shares NISA and a Cash NISA up to the new £15,000 limit

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FROM 1 JULY 2014 THE OVERALL SUBSCRIPTION LIMIT SET BY THE GOVERNMENT FOR 2014/15 INCREASED FROM £11,880 TO £15,000.

A NISA WAY TO WEALTH CREATION

ANY CONTRIBUTIONS MADE INTO A NISA from 6 April 2014 will count against your new NISA limit for 2014/15. If you already have a Cash or Stocks & Shares ISA, your existing ISA will have become a New ISA and your annual limit increased to £15,000 for 2014/15.

Junior NISA limits also increased to £4,000 from 1 July last year. So again, if you have any unused allowance for this year, you will be able to top-up contributions before 6 April.

TRANSFERRING NISAS

You can still transfer NISAs from one provider to another if you are looking to consolidate your investments, or want to transfer between Cash NISAs and Stocks & Shares NISAs. The new NISA rules give you total flexibility to do this. Transferring previous tax year ISAs to a new provider does not count as another NISA contribution, so if you have built up a number of ISAs with several providers over the years, bringing them together under one roof will enable you to gain control and ensure they keep working in line with your objectives and risk appetite.

WANT TO SHELTER £15,000 FROM TAX, OR £30,000 COMBINED WITH YOUR SPOUSE OR REGISTERED CIVIL PARTNER?

If you're thinking about saving or investing, we can help you understand your NISA options. To find out more about where you can invest in your tax-efficient NISA, please contact us for further information before April 2015.

INFLUENCING FACTORS TO MANAGING YOUR FUTURE WEALTH

When was the last time you revisited your investment goals?

IT'S VITAL TO KNOW why you're investing. The first step is to have a good think about your financial situation and your reasons for investing. Whatever your personal investment goal may be, it is important to set your time horizon at the outset, as this will impact on the type of investments you should consider to help achieve your goals. It also makes sense to revisit your investment goals at regular intervals to account for any changes to your personal circumstances.

TYPES OF INVESTMENT GOALS

- Retirement planning or property purchase over the very long term (15 years or more)
- Life events, such as school fees, over the medium term (10-15 years)
- Rainy day or lifestyle funds to finance goals, such as a prestigious car, over the medium to shorter term (5-10 years).
- The minimum time horizon for all types of investing should be at least five years.

Thinking about your reasons for investing now will help you work out your investment goals and influence how you manage your investments in future.

WHAT ARE YOUR INVESTMENT GOALS?

You'll need to give some thought to your investment goals. Investment strategies should typically include a combination of various fund types in order to obtain a balanced approach to risk and return. Maintaining a balanced approach is usually the key to the chances of you achieving your investment goals, while bearing in mind that at some point you may want access to your money. This makes it important to allow for flexibility in your planning.

HOW LONG ARE YOU THINKING OF INVESTING FOR?

If you're investing with a goal in mind, you've probably got a date in mind too. If you've got a few goals, some may be further away in time than others, so you'll probably have different strategies for your different investments. Investments rise and fall in value, so it's sensible to use cash savings for your short-term goals and invest for your longer-term goals.

SHORT TERM

Most investments need at least a five-year commitment. But there are other options if you don't want to invest for this long, such as cash savings.

MEDIUM TERM

If you can commit your money for at least five years, a selection of investments might suit you. Your investments make up your 'portfolio' and could contain a mix of funds investing in shares, bonds and other assets, or a mixture of these, which should be carefully selected and monitored for performance.

LONG TERM

Patience is an essential ingredient of long term investment success. Let's say you start investing for your retirement when you're fairly young. You might have 20 or 30 years before you need to start drawing money from your investments. With time on your side, you might consider riskier funds that can offer the chance of greater returns in exchange for an increased risk of losing your money.

As you get closer to retirement, you might sell off some of these riskier investments and move to safer options with the aim of protecting your investments and their returns. How much time you've got to work with will have a big impact on the decisions you make. As a general rule, the longer you hold investments, the better the chance they'll outperform cash, but there can never be a guarantee of this.

RISK PROFILE

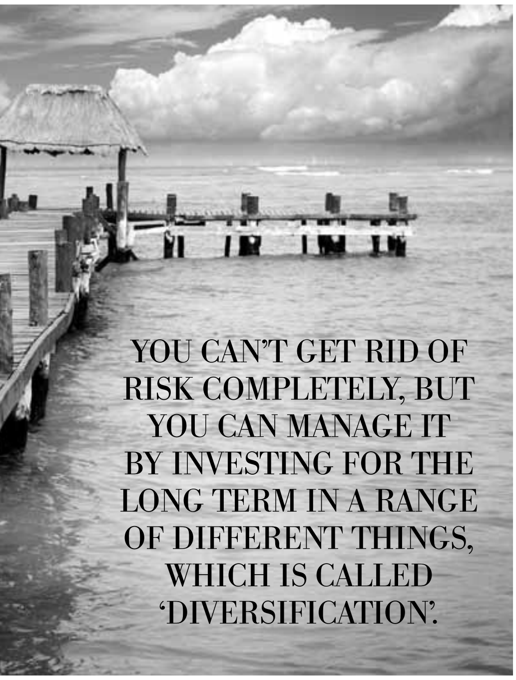
Risk is the possibility of losing some or all of your original investment. Often higher-risk investments offer the chance of greater returns, but there's also more chance of losing money. Risk means different things to different people. How you feel about it depends on your individual circumstances and even your personality. Your investment goals and timescales will also influence how much risk you're willing to take. What you come out with is your 'risk profile'.

As a general rule, the more risk you're prepared to take, the greater returns or losses you could stand to make. Risk varies between the different types of investments. For example, funds that hold bonds tend to be less risky than those that hold shares, but there are always exceptions.

You can't get rid of risk completely, but you can manage it by investing for the long term in a range of different things, which is called 'diversification'. You can also look at paying money into your investments regularly, rather than all in one go. This can help smooth out the highs and lows and cut the risk of making losses.

DIVERSIFICATION – WHAT DOES IT MEAN?

Just as a balanced diet is good for your health, holding a balanced, diversified portfolio can be good for your investments. Diversifying your portfolio with a mix of investments can help protect it from the ups and downs of the market. Different types of investments perform well under different economic conditions. By diversifying your portfolio you can aim to make these differences in performance work for you.



The idea is to put your money into lots of different things so that it's not all tied up in one area. If you hold the shares of just one company and it collapses, you could lose all your money. If you invest in a particular sector that performs poorly – like the banking sector in 2008 – you could find yourself with heavy losses.

Of course, even well-diversified portfolios are at risk from market movements. All investments can fall as well as rise. But a portfolio that's diversified will generally move less and produce more balanced returns – both gains and losses.

Diversify your portfolio in a few different ways through funds that invest across:

- Different types of investments
- Different countries and markets
- Different types of industries and companies

A diversified portfolio is likely to include a wide mix of investment types, markets and industries. How much you invest in each is called your 'asset allocation'. Diversifying your portfolio requires investing in more than just one company. It means introducing investments from different countries, different sectors of the same market and different asset classes so they behave differently in response to market conditions over the medium to long term.

TIME TO DEFINE YOUR INVESTMENT GOALS?

Before you can actually define your investment goals, you need to ask yourself what you want to achieve. If you would like to get a sound point of view about what may be right for your unique situation, please contact us. We'll review and discuss your financial situation and help you set goals and suggest specific next steps, discuss potential solutions and provide ways to help you stay on track.

PENSION WISE

Discussing life expectancy as part of your retirement planning is key

Pension Wise, the government's guidance guarantee service, must discuss life expectancy as part of people's retirement planning, according to a recent Aviva report.

MORE ACCURATE PICTURE OF LIFE EXPECTANCY

The special report on key retirement themes suggests that using nationally agreed longevity figures that take into account the differences between savers and non-savers will provide people with a more accurate picture of their life expectancy.

The report considers the implications for people who underestimate their life expectancy. In particular, people who are savers and healthy are likely to live significantly longer than the national average figures suggest.

NEW PENSION FREEDOMS TO TAKE EFFECT

People will have far more choice in what they do with their savings from 6 April this year when the new pension freedoms take effect. With the option to take all of their money in one lump sum if they wish, they could find themselves penniless if they outlive their savings. The report highlights significant regional differences in life expectancy in the UK, and the link to lifestyle factors such as smoking and obesity.

The lack of clarity around the interplay of factors affecting life expectancy could mean that many people default to average longevity figures that do not reflect their personal situation, either because they do not understand that as they get older their life expectancy increases or that, as a healthy saver, they need to add years on to their life expectancy.

WHAT DO YOU NEED TO CONSIDER?

- You should accurately assess your life expectancy as part of your retirement planning, taking into account factors such as existing conditions and lifestyle choices
- When thinking about how much money you will need in retirement, you should consider the total savings you have, including all of your assets (such as your property) and measure this against your expenditure and the years you expect to live in retirement
- Your life expectancy may change as you get older, so once retired you should review your finances during the course of what could be a long retirement

DO YOU HAVE AN ACCURATE VIEW OF YOUR LIFE EXPECTANCY?

It's impossible to say with any certainty what an individual's life expectancy will be, but we know enough about the factors affecting it to be able to arrive at informed conclusions. For a retiree sitting down for the first time and working through their finances and retirement plans it is absolutely essential that they have the most accurate view of their life expectancy. Please contact us if you would like a review of your current retirement plans.

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.

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.

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