THE FINANCIAL ADVICE COMPANY

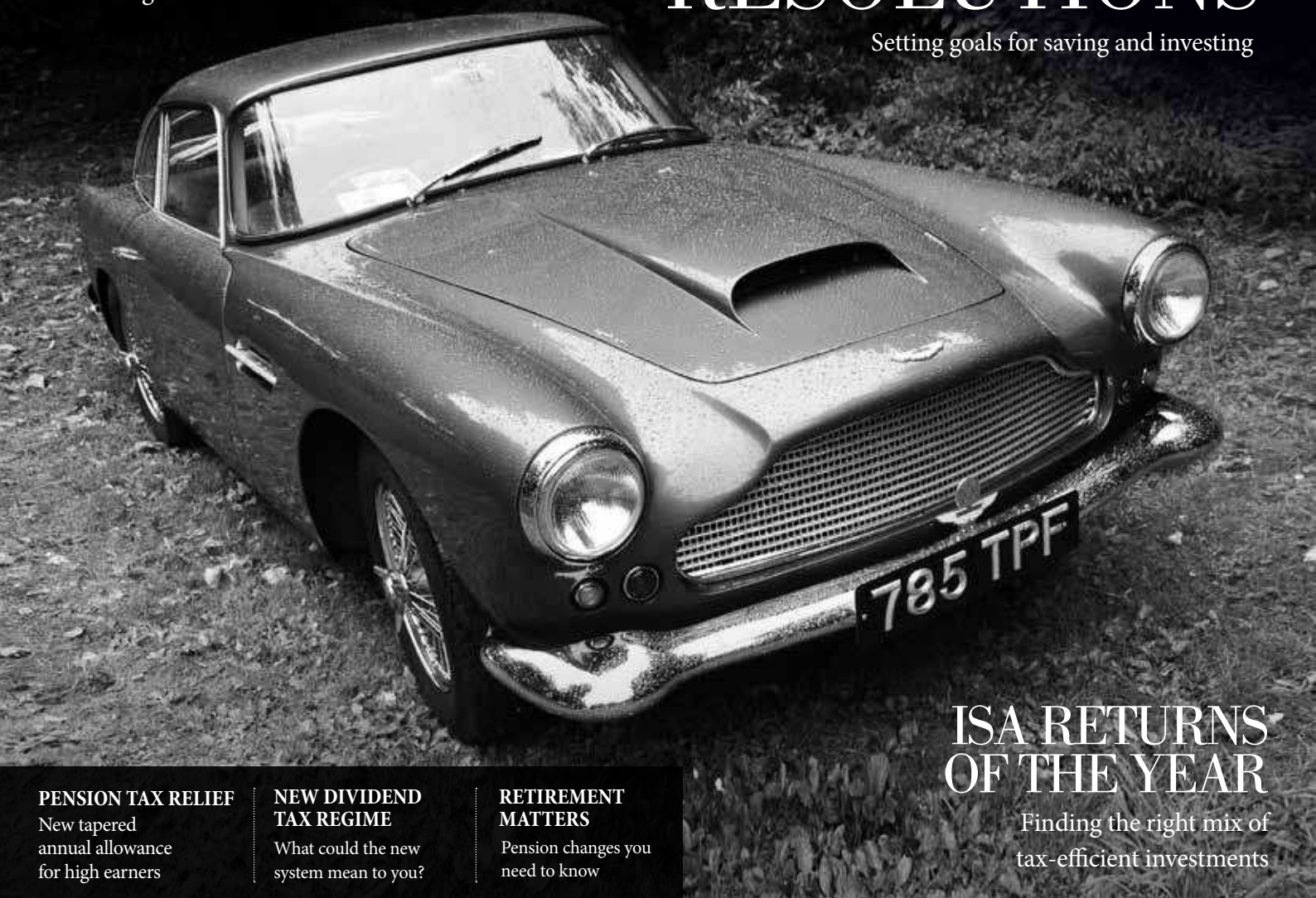
JANUARY / FEBRUARY 2016

2016 TAX MATTERS

Reducing the taxman's take

NEW YEAR'S RESOLUTIONS

Setting goals for saving and investing



ISA RETURNS OF THE YEAR

Finding the right mix of tax-efficient investments

PENSION TAX RELIEF
New tapered annual allowance for high earners

NEW DIVIDEND TAX REGIME
What could the new system mean to you?

RETIREMENT MATTERS
Pension changes you need to know

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Financial planning is our business.

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

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

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

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INSIDE THIS ISSUE

Welcome to the first issue of our publication for 2016. Have you made your New Year's resolutions? Considering that the most common topics are health and finances, there's a pretty good chance that at least one of them involves a financial goal. On page 12, we look at why the start of a New Year is the perfect time to take stock and think about how you can improve your financial position. Many of us start the year with good intentions, but things often get in the way as the year progresses. Tempting as it may be to put off tackling your finances, giving your money matters a thorough sort through will help you work towards what you want to achieve financially out of life.

To minimise the tax you pay, it's important to be fully aware of the choices you can make before you make them, so planning ahead and taking professional financial advice is essential. With real-terms tax increases a prospect for the foreseeable future, it makes sense to utilise every available tax relief. HM Revenue & Customs (HMRC) creates many legitimate opportunities for you to reduce the amount of tax you pay. However, you may not be aware of them all, or you may be unsure of how to take advantage of them. On page 10, we consider some examples of the ways in which legitimate planning may save you money by reducing your tax bills and planning more effectively.

Also inside this issue, we look at how the pension tax relief system is about to be reinvented, tax-efficient Individual Savings Accounts and the new dividend tax regime. The full list of the articles featured in this issue appears on page 03 and 04.

We hope you enjoy reading this issue and find it informative. To discuss any of the articles featured, please contact us.

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NEW YEAR'S RESOLUTIONS

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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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results.

BUY-TO-LET AND SECOND HOMES

Higher stamp duty payable from April 2016

Buy-to-let landlords and people buying second homes from April this year will have to pay a 3% surcharge on the stamp duty charged for the property.

Chancellor George Osborne made the announcement during his Spending Review and Autumn Statement last year. From April, you will have to pay a 3% surcharge on the stamp duty charged for the property, set to raise an extra £1bn extra for the Treasury by 2021.

Buy-to-let landlords are already due to receive a lower rate of tax relief on mortgage payments. In his summer Budget, Mr Osborne said that landlords would only receive the basic rate of tax relief – 20% – on mortgage payments, a change being phased in from 2017.

Up to £60m of the money raised from the stamp duty surcharge will go to help homebuyers in England in places where holiday homes have forced up local prices.

HELP TO BUY

The Help to Buy (equity loan) scheme in England will also be extended to 2021, one year longer than planned.

An extension to the scheme in London will see buyers who can find a 5% deposit given a loan worth up to 40% of the property. The loan will be interest-free for five years. Elsewhere, the existing maximum loan is for 20% of the property's value.

In total, the Government will put an extra £6.9bn into housing. This includes an extra £2.3bn for the Government's starter homes programme, and £4bn given to housing associations and local authorities to build more homes for shared ownership.

Another £200m will be used to build homes for rent, which will allow tenants to save for a deposit.

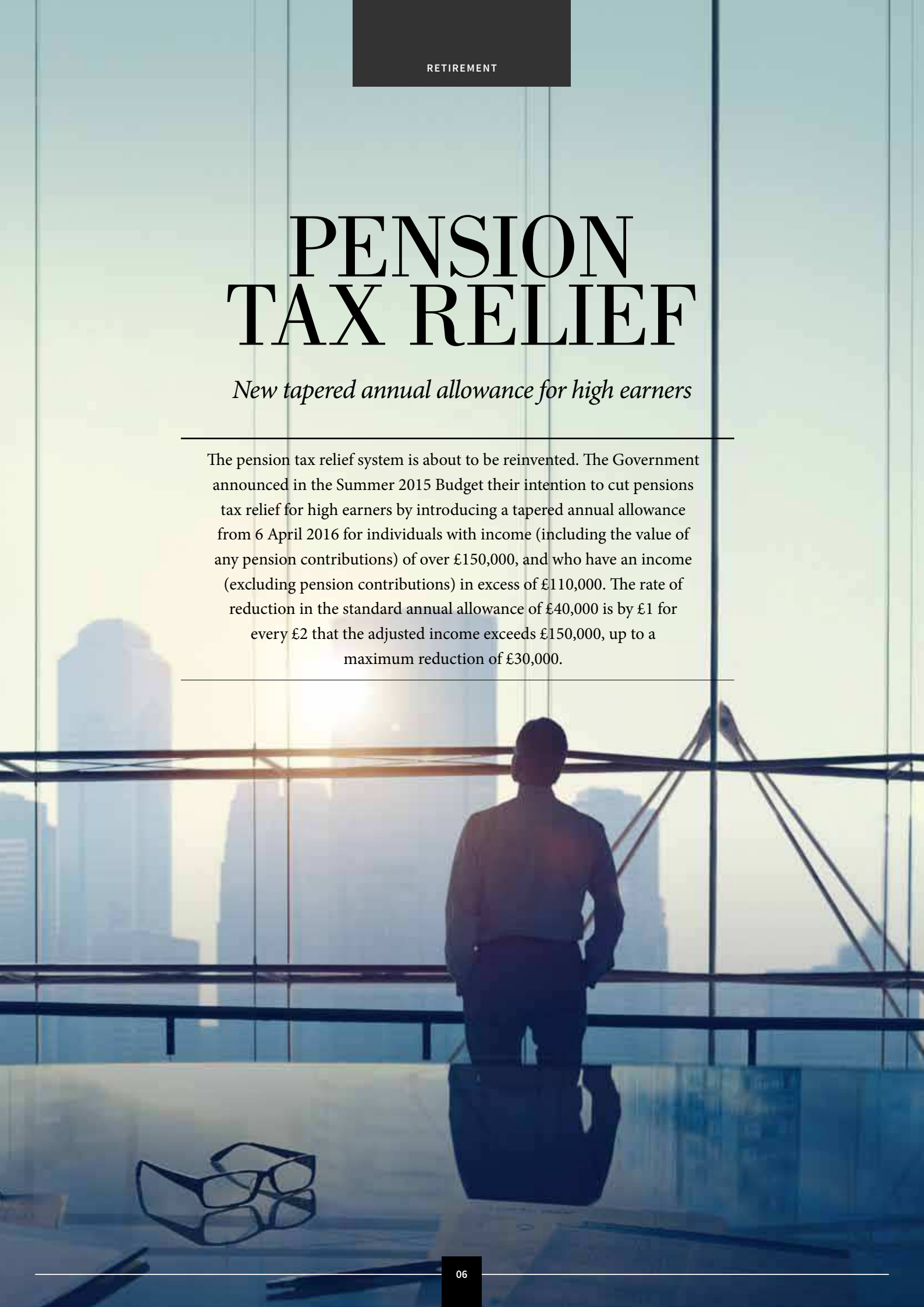
There will also be a pilot scheme to trial the Government's Right to Buy programme for housing association tenants. Five housing associations will take part to help design the final scheme. ■

> "UP TO £60M OF THE MONEY RAISED FROM THE STAMP DUTY SURCHARGE WILL GO TO HELP HOMEBUYERS IN ENGLAND IN PLACES WHERE HOLIDAY HOMES HAVE FORCED UP LOCAL PRICES."

PENSION TAX RELIEF

New tapered annual allowance for high earners

The pension tax relief system is about to be reinvented. The Government announced in the Summer 2015 Budget their intention to cut pensions tax relief for high earners by introducing a tapered annual allowance from 6 April 2016 for individuals with income (including the value of any pension contributions) of over £150,000, and who have an income (excluding pension contributions) in excess of £110,000. The rate of reduction in the standard annual allowance of £40,000 is by £1 for every £2 that the adjusted income exceeds £150,000, up to a maximum reduction of £30,000.



REPLACING COMPLEX RULES

Although this measure may not directly apply to you, in advance of its implementation, a change is to be made to align 'pension input periods' with the tax year, replacing the complex rules which have applied until now. This change could affect many individuals, and, therefore, transitional rules will operate during tax year 2015/16 to protect savers who might otherwise be affected by the alignment of their pension input periods. The impact of these transitional changes is that it may provide a one-off additional opportunity during tax year 2015/16 to maximise pensions saving tax relief.

> THE MAIN AIM OF THE TRANSITIONAL RULES IS TO ENSURE THAT SAVERS ARE NOT ADVERSELY AFFECTED DURING THE ALIGNMENT PROCESS BECAUSE OF THE TIMING OF THEIR ORIGINAL PENSION INPUT PERIODS.

EXCESS TAX CHARGE

Individuals who make pension contributions into more than one scheme need to take particular care not to exceed the annual allowance of £40,000, otherwise there is an excess tax charge. This annual maximum applies whether the pension savings are made by the individual or an employer such as the individual's own owner-managed company. Pension contributions for each scheme are measured by a pension input period. A pension input period, although usually of 12 months' duration, did not have to align with the tax year.

However, all pension input periods ending within the tax year should be considered to assess whether the annual allowance has been exceeded. As different schemes can have different pension input periods, careful planning may be required.

QUALIFYING PENSION CONTRIBUTIONS

The main aim of the transitional rules is to ensure that savers are not adversely affected during the alignment process because of the timing of their original pension input periods. As a result, individuals may be able to have qualifying pension contributions of up to £80,000 rather than £40,000 in tax year 2015/16. The precise position for each individual will be dependent on the type of pension scheme, the pension input periods of each scheme and the timing of contributions.

PENSION INPUT PERIODS

All pension input periods open on 8 July 2015 closed on that date. The period 6 April 2015 to 8 July 2015 is to be known as the 'pre-alignment tax year'. There will then be a second pension input period running from 9 July 2015 to 5 April 2016. This will be known as the 'post-alignment tax year'. All subsequent pension input periods will be concurrent with the tax year from 2016/17 onwards.

All individuals will have an annual allowance of £80,000 for the pre-alignment tax year. Where this amount has not been used in the pre-alignment tax year, it will be carried forward to the post-alignment tax year, subject to a maximum of £40,000. In addition, any unused annual allowance from the previous three years can be added to these amounts if required. ■

HAVE YOU MADE SURE THAT ANY OPPORTUNITIES WILL BE FULLY MAXIMISED?

As clients of ours, your individual position will vary depending upon your current pension arrangements and circumstances. We would welcome the opportunity to review your current situation before the end of tax year 2015/16 to ensure that any opportunities are maximised before 5 April 2016, and consideration is made as to whether the tapered annual allowance rules could apply from 6 April 2016. If you would like to discuss your retirement plans, please contact us – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

INHERITANCE TAX

Getting to grip with the numbers

£325,000

The first £325,000 value of your estate is called the 'Nil Rate Band' because, although it is taxable to Inheritance Tax (IHT), it is taxed at 0% (tax year 2015/16).

40%

Currently, IHT is payable on death at this rate on the value of your net assets over £325,000 (tax year 2015/16).

7

The number of years you must survive if you give away large amounts of money or valuable assets while you are alive, otherwise HMRC will tax you for IHT as if you still owned them when you die (tax year 2015/16).

£3,000

Everyone has an 'Annual Exemption' for IHT of this amount every tax year (tax year 2015/16).

£5,000

If your children get married, you can give them or their new spouse a lump sum up to this value completely free of IHT (tax year 2015/16).

£650,000

When a married couple or registered civil partnership estate exceeds this amount, IHT will usually only be paid on the excess, provided the necessary claims are made to HMRC within the appropriate time limits (tax year 2015/16).

£2,500

If your grandchildren get married, you can give them or their new spouse a lump sum up to this value completely free of Inheritance Tax (tax year 2015/16). ■

TIME TO GET IN TOUCH?

If you have any questions or would like more information on Inheritance Tax planning, please get in touch – we look forward to hearing from you.

UNDERSTANDING YOUR PROTECTION REQUIRMENTS

Research highlights existing gap between awareness and prioritisation

Having a clear understanding of your protection requirements and the importance of getting the right professional financial advice as you enter the New Year are essential, and they will be of increasing significance from April when working age welfare support for mortgage interest and bereavement benefits are scheduled for reform.

More than one in five (23%) Britons with savings say they wouldn't last longer than a couple of months if they were unable to work, yet less than one in twenty protects their income, according to new research.

DISPARITY RAISES CONCERNS OVER UK HOUSEHOLDS

The study from Scottish Widows revealed that six in ten UK working adults with savings said they would last no longer than six months if they became unable to work, while fewer than one in ten (8%) said they would manage less than a month. Despite a 7% increase over the past 12 months in the average amount people are saving, fewer than one in twenty (4%) have income protection cover.

The research highlighted the existing gap between awareness and prioritisation for this type of insurance. This disparity raises concerns over UK households' financial resilience, as one in seven have been affected by critical illness, and more than a third (37%) rely on two incomes. Out of those affected by critical illness, 42% said they had to make lifestyle changes in order to cope with the financial impact, while only one in twenty had a policy in place.

SPENDING CUTS AND WELFARE BENEFITS

People expect their financial priorities to change the most when buying a property (19%), as a result of government spending cuts and welfare benefits (18%), and having children (15%), varying by generation (28% of over-55s said cuts, government spending and welfare would cause their financial priorities to change).

However, despite this expectation, more than a third (35%) are carrying non-mortgage debt over each month, and this rises to 52% of 25 to 34-year-olds and 48% of 35 to 44-year-olds, leaving a vast proportion at increasing risk if the unexpected were to happen to themselves or a loved one without this type of safety net in place.

THREATENING PEOPLE'S FINANCIAL RESILIENCE

This priority dilemma is gathering pace, as 39% considered providing financial security for their family in the event of death as essential – a drop from more than half in four years – compared to eight out of ten (80%) who considered broadband and mobile phones (71%) essential for daily living.

The ongoing struggle between short versus long-term financial priorities continues to threaten people's financial resilience, despite an awareness of the key points at which these change and the risk of savings running out should they become unable to work.

EMOTIONAL AND FINANCIAL IMPACT

Three in five (61%) UK adults fear they won't be able to pay the bills if they become ill with cancer, Aviva's latest Health Check UK Report shows. Half of adults under the age of 65 will be diagnosed with cancer at some point in their lifetime[1], meaning many will have to face the emotional and financial impact of the disease.

More than half (55%) of UK adults say they do not have any savings to cover their bills or childcare if they were to become ill with cancer. Women are more likely to be in this position (60%) than men (50%): this lack of savings, combined with typically lower salaries, could leave women particularly exposed to the financial impact of cancer. These concerns are not misplaced, with Macmillan research showing 83% of those receiving a cancer diagnosis are £570 a month worse off on average[2]. ■

Source:

The Scottish Widows research examines the habits and attitudes of the UK adult population in relation to protection and financial robustness. Conducted online by YouGov among 5,144 respondents aged 18+ between 31 October and 5 November 2014 on behalf of Scottish Widows. Results weighted to the profile of the UK population aged 18+

[1] www.nature.com/bjc/journal/v112/n5/full/bjc2014606a.html

[2] Macmillan, Cancer's Hidden Price Tag – www.macmillan.org.uk/Documents/GetInvolved/Campaigns/Costofcancer/Cancers-Hidden-Price-Tag-report-England.pdf

PLANNING FOR UNFORESEEN CIRCUMSTANCES

What would happen to you and your family in the event of unforeseen circumstances such as suffering from a serious illness or dying prematurely? With the correct protection strategy in place, you can protect your family's lifestyle if your income suddenly changes. But choosing the right options can be difficult without obtaining professional financial advice – to discuss your situation, please contact us.

> THREE IN FIVE (61%) UK ADULTS FEAR THEY WON'T BE ABLE TO PAY THE BILLS IF THEY BECOME ILL WITH CANCER

2016 TAX MATTERS

Reducing the taxman's take

To minimise the tax you pay, it's important to be fully aware of the choices you can make before you make them, so planning ahead and taking professional financial advice is essential. With real-terms tax increases a prospect for the foreseeable future, it makes sense to utilise every available tax relief.

HM Revenue & Customs (HMRC) creates many legitimate opportunities for you to reduce the amount of tax you pay. However, you may not be aware of them all, or you may be unsure of how to take advantage of them.

Here are examples of the ways in which legitimate planning may save you money by reducing your tax bills.

DO YOU HAVE THE CORRECT PAYE TAX CODE?

PAYE tax codes can be incorrect when issued. HMRC may have included an estimate of your unearned income, which means you will pay tax on that income earlier than you would if it was assessed through your self-assessment tax return. You can ask HMRC to remove this estimated income and also correct any other errors.

COULD YOU USE THE NEW TRANSFERABLE AMOUNT OF PERSONAL ALLOWANCE?

In tax year 2015/16, married couples and registered civil partners can share some of their personal allowance between them. The unused allowance of one partner can be used by the other, meaning an overall tax saving for the couple. The amount you can transfer is capped at £1,060 for tax year 2015/16 (10% of the personal allowance), and a transfer is not permitted if either partner is a higher or additional rate taxpayer.

ARE YOU OVERPAYING NATIONAL INSURANCE CONTRIBUTIONS (NICS)?

If you have more than one job, you may overpay NICs during the tax year. You can then reclaim any overpaid NICs from HMRC after the end of the tax year. However, you could prevent the overpayment in the first place by deferring payment of NICs on one of your jobs by sending HMRC a completed form CA72A.

DO YOU AND YOUR NEW SPOUSE BOTH OWN SEPARATE PROPERTIES?

If you are getting married or entering into a civil partnership, and you both own separate properties which you continue to occupy for some periods, you need to nominate one of them as your main home within two years of your marriage or registered civil partnership. Once married, you can have only one main home between you for tax purposes. So nominate the one that is likely to make the best use of your Capital Gains Tax (CGT) property exemption, otherwise HMRC will designate the property that you occupy the most as your main residence.

IF YOU OWN MORE THAN ONE RESIDENTIAL PROPERTY, HAVE YOU INFORMED HMRC WHICH OF YOUR PROPERTIES SHOULD BE TREATED AS YOUR MAIN HOME FOR TAX PURPOSES?

The property that has always been your main home is free of CGT. Any other property where you have lived for part of the time will attract a tax exemption for the periods you have lived there and have elected for it to be your main home. If a property has been your nominated main home at any time, the gain for the last 18 months of ownership (36 months if moving into care) is free of tax, even if you do not live there during that final period. The position may become even more complicated if you have an overseas property.

ARE YOU PAYING AN EXTRA CHILD BENEFIT TAX CHARGE?

Child Benefit still continues to be paid to everyone, but if you're a higher-income family, you'll have to pay extra tax if you choose to keep getting it. If your income lies between £50,000 and £60,000, the Child Benefit tax charge will be equivalent to 1% of the child benefit for every £100 of income over £50,000. The tax charge applies to the higher earner, irrespective of who claims the benefit. To avoid the tax charge, you could either stop claiming Child Benefit or reduce your income below £50,000. If your income is over £60,000 a year, you will be subject to a tax charge to claw back the full amount of the benefit.

HAVE YOU TAKEN ADVANTAGE OF YOUR 2015/16 INDIVIDUAL SAVINGS ACCOUNT (ISA) ALLOWANCE?

The maximum annual amount you can save or invest in an ISA is £15,240 (tax year 2015/16) which is free of income and capital gains. You can put the whole amount into a Cash ISA, a Stocks & Shares ISA or any combination of the two. You may also be eligible for a Help to Buy ISA if you are saving to buy your first home. The Government will boost your savings by 25%, so, for every £200 you save, you'll receive a government bonus of £50. The maximum government bonus you can receive is £3,000. In your first month, you can deposit a lump sum of up to £1,200. The minimum government bonus is £400, meaning that you need to have saved at least £1,600 into your Help to Buy ISA before you can claim your bonus. When you are in the process of buying your first home, your solicitor or conveyancer will apply for your government bonus.

COULD YOU CONTRIBUTE TOWARDS A TAX-EFFICIENT JUNIOR ISA?

During tax year 2015/16, you can contribute up to £4,080 into your child's Junior ISA (JISA). The fund builds up free of tax on investment income and capital gains until the child reaches 18, when the funds can either be withdrawn or rolled into an adult tax-efficient ISA. Relatives and friends can also contribute to the child's Junior ISA, as long as the £4,080 limit is not exceeded. Any child aged under 18 who lives in the UK can have a Junior ISA if they were not entitled to a Child Trust Fund (CTF) account, although a CTF can be switched to a Junior ISA.

WILL YOUR ISA BALANCE PASS TO YOUR SPOUSE OR REGISTERED CIVIL PARTNER ON YOUR DEATH?

For deaths on or after 3 December 2014, a surviving spouse can increase their tax-exempt ISA savings by

the value of the deceased partner's ISA balances. For example, if a husband died on 5 December 2014 leaving ISA balances of £100,000, his wife can invest up to £115,240 in an ISA for tax year 2015/16 (£100,000 plus the normal ISA limit of £15,240). Previously, savings in ISAs lost their tax-efficient wrapper on death.

HAVE YOU MADE A WILL, AND, IF SO, WHEN WAS THE LAST TIME YOU REVIEWED IT?

If you die without making a Will, your assets will be divided between your relatives according to the intestacy rules. This will be after Inheritance Tax (IHT) is paid at 40% on any value above £325,000 (or up to £650,000 if a transferable nil rate band is available) that goes to anyone other than your spouse or registered civil partner (an additional exemption will be available from 6 April 2017 if your main residence passes to your children or grandchildren). If you have no surviving relatives, the whole of your estate will go to the Crown.

ARE YOU PLANNING TO LEAVE ANY OF YOUR ESTATE TO CHARITY?

By leaving at least 10% of your net estate to charity, after the deduction of the £325,000 nil rate band, this will reduce the IHT rate on your taxable estate from 40% to 36%. The exact calculation of your net estate may be complicated, so it's important to obtain professional financial advice when drawing up or amending your Will.

COULD YOU MAKE MONETARY GIFTS FROM YOUR CAPITAL RESOURCES?

If you make gifts totalling £3,000 each tax year from your capital resources, these gifts are free of IHT. In the event that you forget to make your £3,000 gift one year, you can catch up in the next tax year by giving a total of £6,000. Both you and your spouse or registered civil partner can each give £3,000 every tax year in addition to gifts you make out of your regular income.

COULD YOU MAKE USE OF THE IHT MARRIAGE EXEMPTION FOR GIFTS?

If your son or daughter is about to marry or register a civil partnership, then you and your spouse or civil partner can each give them £5,000 in consideration of the marriage, and the gift will be free of IHT. This is in addition to any smaller gifts you make out of your regular income each year. The marriage exemption can also be combined with your £3,000 a year exemption to allow you to make larger exempt gifts. The IHT-free gift you can make on the occasion of a grandchild's wedding is £2,500, and registered civil partnerships benefit from the same exemptions.

ARE YOU CONTRIBUTING TO YOUR EMPLOYER'S PENSION CONTRIBUTIONS TO SAVE NICs?

If your employer pays a contribution directly into your pension scheme, they receive tax relief for the contribution and there are no NICs to pay – saving both your employer and you NICs. You could arrange with your employer to cover the cost of the contributions by foregoing part of your salary or bonus.

ARE YOU TAKING ADVANTAGE OF YOUR ANNUAL ALLOWANCE FOR MAKING PENSION CONTRIBUTIONS?

Your annual allowance for tax year 2015/16 is £40,000 (up to £80,000 for some people) plus any unused allowance brought forward from the previous three tax years. This allowance must cover any pension contributions you make yourself and any contributions paid for you by your employer. Contributions made in excess of your annual allowance will attract a tax charge at your marginal tax rate. Commencing from tax year 2016/17, the annual allowance for those with income above £150,000 is to be reduced on a tapering basis so that it reduces to £10,000 for those with income above £210,000. For every £2 of income above £150,000, an individual's annual allowance will reduce by £1 down to a minimum of £10,000.

COULD YOU CARRY FORWARD ANY UNUSED ANNUAL PENSION ALLOWANCES?

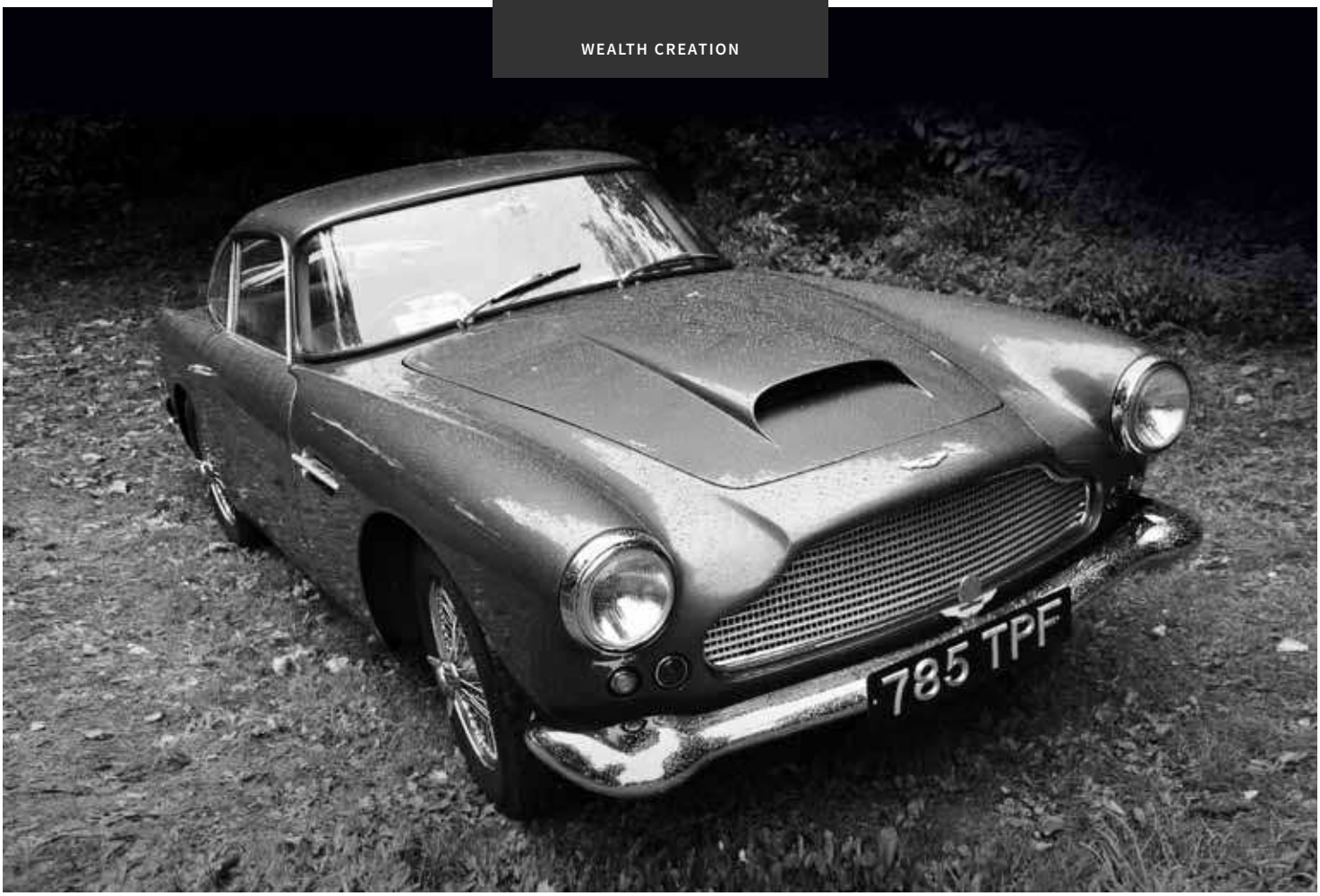
You can carry forward unused allowances from the three previous tax years and use these to cover pension contributions greater than the current year's annual allowance. The allowance in tax year 2012/13 and 2013/14 was £50,000, and in tax year 2014/15 it was £40,000. The carry forward of unused annual allowances will continue to be available when the tapered reduction is introduced, but carry forward in future years will be based on the unused tapered annual allowance.

WILL YOU REALISE CAPITAL GAINS OR LOSSES IN THIS TAX YEAR?

If you realise capital gains and losses in the same tax year, the losses are offset against the gains before the capital gains exempt amount (£11,100 tax year 2015/16) is deducted. So losses will be wasted if gains would otherwise be covered by the exempt amount. It may be appropriate to consider postponing losses until the following tax year or, alternatively, realising more gains in the current year. ■

WANT TO DISCUSS ANY OF THESE OPPORTUNITIES?

Tax planning can be a complex area, especially if you have several sources of income. Different approaches will suit different individuals. The start of a New Year is the perfect time to review your current situation, so, if you would like to discuss any of these opportunities, please contact us for further information. We'll take the time to understand your needs and wishes, and recommend appropriate solutions that are tailored to your needs.



NEW YEAR'S RESOLUTIONS

Setting goals for saving and investing

Have you made your New Year's resolutions? Considering that the most common topics are health and finances, there's a pretty good chance that at least one of them involves a financial goal.

The start of a New Year is the perfect time to take stock and think about how you can improve your financial position. Many of us start the year with good intentions, but things often get in the way as the year progresses.

One way to make 2016 a year of real financial achievement is to set up a few small, regular changes and reap the benefits over time. Tempting as it may be to put off tackling your finances, giving your money matters a thorough sort through will help you work towards what you want to achieve financially out of life.

BE PRACTICAL AND REALISTIC

Once you've made your resolution, it's important to be practical and realistic in working out how to stick to it and achieve your goals. If you have multiple financial goals, it can be useful to try to prioritise them – from what you feel is the most important goal through to goals you may not be as concerned about. For example, protecting your finances and income initially may be most important, before you start thinking about saving or investing.

In order to make plans for the future, you need to know where you are today and where you want to be in the future. Goal setting is very much like creating a business plan. You need to know a starting point and ending point, the time frame for 'exiting' (or reaching your goals), and the estimated cost involved.

CONSIDER AND PLAN YOUR 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 dream sports car over the medium to shorter term (5-10 years).

WHAT REALLY MATTERS MOST?

Many people muddle through their financial lives, spending to meet the day-to-day expenses that dominate their attention. That's why to get what you want most, you must decide which goals will take priority and work toward the lesser goals only after the really important ones are well provided for.

MINIMUM TIME HORIZON

The minimum time horizon for all types of investing should be at least five years. Whatever your personal goals may be, it is important to consider the time horizon at the outset, as this will impact on your approach to achieving your goals. It also makes sense to revisit your goals at regular intervals to account for any changes to your personal circumstances, for example, the arrival of a new member of the family, or as you enter retirement.

REFLECT ON WHAT WORKED

As a starting point, consider the goals you set previously, and reflect on what worked and what didn't and why. Once you've done this, it's time to define your specific goals clearly. Most people tend

> ONCE YOU'VE MADE YOUR RESOLUTION, IT'S IMPORTANT TO BE PRACTICAL AND REALISTIC IN WORKING OUT HOW TO STICK TO IT AND ACHIEVE YOUR GOALS.

to set goals that are more about money than about objectives that motivate them emotionally.

SMART RESOLUTIONS YOU TRULY VALUE

Goals that are tied to what you truly value are often easier to achieve than goals that are simply tied to money. Part of what gives this type of goal its power is that it's SMART: it is Specific, Measurable, Attainable, Relevant and has a Timeline.

The first step sets you on a path and should also be:

- **Specific –** 'To get wealthier' is not a specific or clear goal, but 'to achieve two thirds of your previous working lifetime income at 55 when you retire' is
- **Measurable –** Set deadlines for your financial goals, such as the age at which you want to retire, or the timeline for buying a holiday home
- **Achievable –** Use your own income (and expected income) to set your financial goals for the future. Don't count on inheriting money
- **Relevant –** Create a personal financial bucket list of goals, but always view it as a flexible document that will change with time as your interests and life situation changes
- **Timeline –** Identify your time frame by categorising your objectives by short-term, medium-term and long-term financial goals to provide focus and to help match your goals with appropriate savings and investments

TIME TO TAKE STOCK AND THINK ABOUT HOW TO IMPROVE YOUR FINANCIAL POSITION?

We all have dreams for the future, and many of those dreams require wealth to make them come true. Reaching those milestones starts with setting clear financial goals. Saving and investing with a goal delivers its own reward: the purchase or life change that you've dreamt of and worked to achieve. We're committed to our clients' financial success and would like to have an opportunity to review your situation. To find out more, please contact us – we look forward to hearing from you.

OPEN-HANDED GRANDPARENTS

Generosity shows no sign of stopping

Forget the headlines about post–pension freedoms with retirees spending their nest egg on a Lamborghini – new research shows that 2.4 million UK grandparents[1] have either withdrawn money from their pension to support their grandchildren or plan to in the future.

According to new research from LV=, a quarter of generous grandparents (25%) who have already given away money to their grandchildren[2] have taken the funds from their pension. A further one in six (16%) plan to use their pension for this reason once they reach retirement age.

SUBSTANTIAL AMOUNTS

Open-handed grandparents are willing to give away substantial amounts to their grandchildren, whether from their pensions, savings or wages, with the average grandparent having already spent £1,633. More than one in twenty (6%) have given gifts of more than £10,000.

The generosity shows no sign of stopping, with many grandparents (56%) planning to give away even more money in the future. The average grandparent expects to give away £2,938 in the coming years, with charitable grandmas expecting to give away £173 more than grandads on average.

'LIVING INHERITANCE'

Pension savings are used to help with a wide range of things, from helping grandchildren get on the housing ladder (21%) to other high-ticket items such as university fees (20%) or cars (17%). A similar number would help out with more day-to-day expenses like bills (21%) and hobbies (19%).

Grandparents often view the financial gifts they make as a 'living inheritance', with more than a third (37%) wanting to be around to see their grandchildren enjoy the money[3].

With one in five retirees using their pension to help out, it's important to plan for retirement and have enough money left for yourself, as even smaller outgoings such as bills can become harder to meet later in life, as well as the flexibility to access your money. ■

BEING THE GENEROUS GENERATION CAN HAVE ITS DOWNSIDES

The desire for grandparents to help grandchildren is part of human nature. But being the generous generation can have its downsides – with greater longevity and increasing costs of care in later life, some retirees may find they have given away too much. If this is something you are considering, speak to us first to review your options.

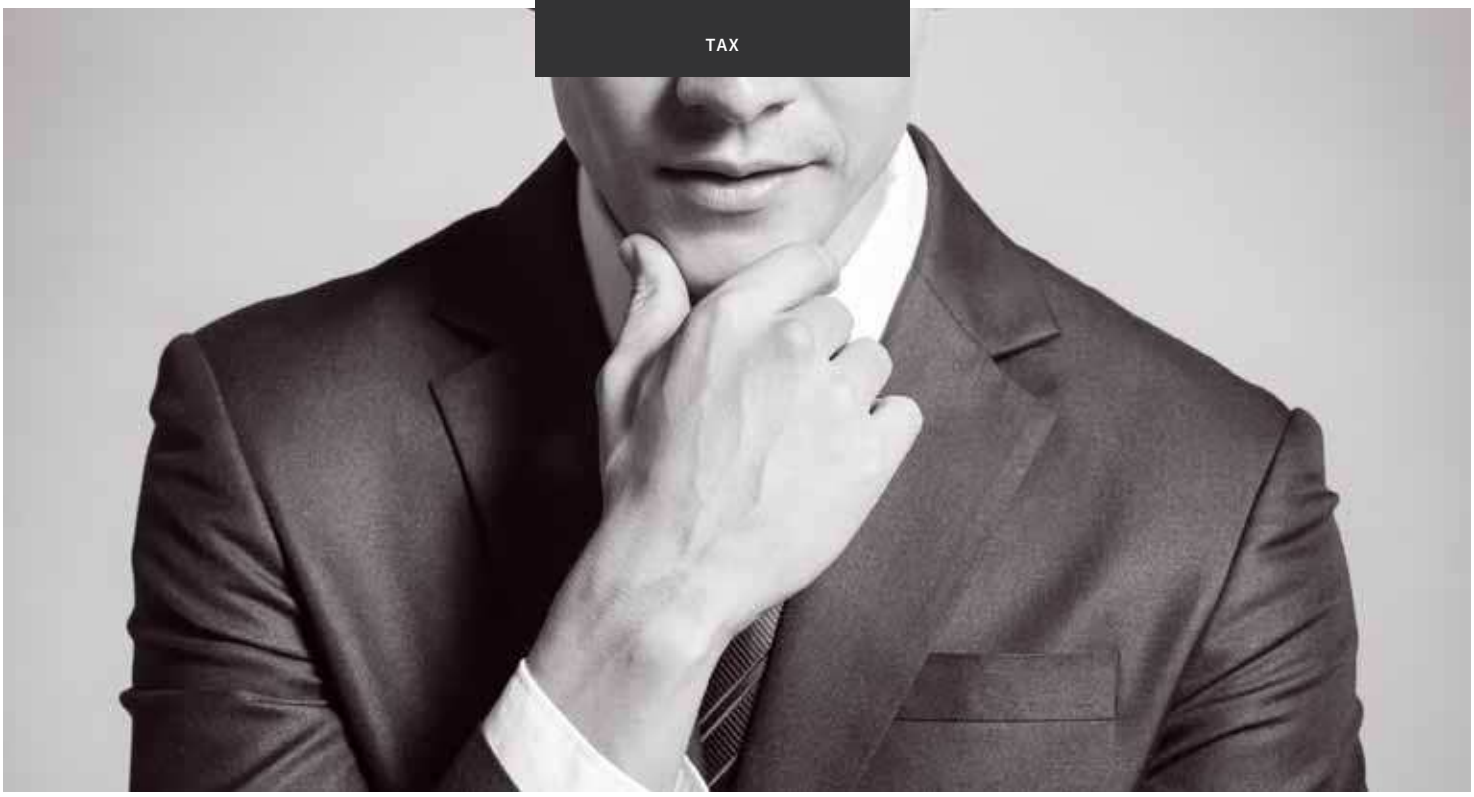
Source:

[1] According to ONS Population Pyramid, there are 49,533,900 people aged over 18 in the UK. The research found that 39% of a sample of 2,002 adults were grandparents, indicating there are 19,318,221 grandparents in the UK. 56% of grandparents have helped or plan to help their grandchildren, and 22% of these would use their pension to do so. Therefore, 2.38 million grandparents have helped or plan to help their grandchildren, using their pension.

[2] According to research carried out by Opinium Research on behalf of LV=, 25% of grandparents have already taken money from their pension to give to their grandchildren.

[3] Statistics from research carried out on behalf of LV= by Opinium Research in June 2014 (total sample size = 2,043). The press release for this research was issued on 20 June 2014.

The research was carried out by Opinium Research from 13–16 October 2015. The total sample size was 786 British grandparents over the age of 30, and the survey was conducted online. Results are weighted to a nationally representative criteria.



NEW DIVIDEND TAX REGIME

What could the new system mean to you?

From April this year, the notional 10% tax credit on dividends is to be abolished and will be replaced by a new tax-free Dividend Allowance. The Dividend Allowance means that you won't have to pay tax on the first £5,000 of your dividend income, no matter what non-dividend income you have.

The allowance is available to anyone who has dividend income, and headline rates of dividend tax are also changing.

INCOME TAX WILL APPLY TO ANY DIVIDENDS RECEIVED OVER £5,000 AT THE FOLLOWING RATES:

- 7.5% on dividend income within the basic rate band
- 32.5% on dividend income within the higher rate band
- 38.1% on dividend income within the additional rate band

This new system will mean that only those with significant dividend income will pay more tax. If you're an investor with modest income from shares, you'll see either a tax cut or no change in the amount of tax you owe.

Dividends received by pension funds that are currently exempt from tax, and dividends received on shares held in an Individual Savings Account (ISA), will continue to be tax-free.

From 6 April 2016, you have to apply the new headline rates on the amount of dividends you actually receive, where the income is over £5,000 (excluding any dividend income paid within an ISA).

The Dividend Allowance will not reduce your total income for tax purposes. However, it will mean that you don't have any tax to pay on the first £5,000 of dividend income you receive.

Dividends within your allowance will still count towards your basic or higher rate bands, and may therefore affect the rate of tax that you pay on dividends you receive in excess of the £5,000 allowance.

THESE ARE TWO EXAMPLES OF HOW THE NEW DIVIDEND ALLOWANCE WORKS:

You don't need to pay any tax on dividends up to £5,000, no matter what other income you get. That first £5,000 is tax-free under the new rules.

Example 1 – You have a (non-dividend) income of £18,000, and receive dividends of £22,000 outside of an ISA

Tax you need to pay on the £22,000 dividend income:

- The Dividend Allowance covers the first £5,000
- The remaining £17,000 of dividends to be taxed at the new basic rate of 7.5%. This would need to be done through a tax return

Had your other non-dividend income been £30,000, the tax due on the £17,000 dividend income would be made up of 7.5% for the amount within the basic rate band, and 32.5% on the balance.

Example 2 – You receive dividends of £600 from shares invested in an ISA

As is the case now, no tax is due on dividend income within an ISA, whatever rate of tax you pay.

SHAREHOLDING DIRECTORS

If you're a company director who takes dividends instead of a salary, you should obtain professional financial advice to find out how you could be affected by the upcoming changes in the next tax year and what steps you can take to be as tax-efficient as possible.

Taking dividends may still be a good option, but there are other tax planning opportunities to explore, such as paying into a pension that might reduce the amount of tax you pay. ■

> FROM 6 APRIL 2016, YOU HAVE TO APPLY THE NEW HEADLINE RATES ON THE AMOUNT OF DIVIDENDS YOU ACTUALLY RECEIVE, WHERE THE INCOME IS OVER £5,000.

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.

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.

RETIREMENT MATTERS

Pension changes you need to know

Chancellor George Osborne delivered his Spending Review and Autumn Statement on Wednesday 25 November 2015. For the first time in this Parliament, he did not announce any further radical changes to the private pensions system, giving the Treasury more time to digest the Green Paper consultation from the summer Budget.

However, the Chancellor did set out his proposals for the new flat-rate State Pension, Pension credit, basic State Pension increase, a tapered reduction to the amount of the annual allowance for high earners and setting up a second-hand annuities market.

He announced a rate of £155.65 for the new flat-rate State Pension, and, for someone working full-time today, it's approximately 60% of the Living Wage.

From tax year 2016/17, a tapered reduction to the amount of the annual allowance of £40,000 is to be introduced for individuals with adjusted income of over £150,000. Adjusted income includes the value of any employer pension contributions in order to prevent avoidance via the use of salary sacrifice arrangements.

The annual allowance of £40,000 will be reduced by £1 for every £2 that adjusted income exceeds £150,000, down to a minimum annual allowance of £10,000. Therefore, anyone with adjusted income of £210,000 or more will only receive the £10,000 minimum.

YOUR PENSION CONTRIBUTION LIMITS FOR THE CURRENT TAX YEAR 2015/16

- You can contribute as much as you earn in a year, up to £40,000 a year (up to £80,000 for some people)
- You can also use HM Revenue & Customs' 'carry forward' rules to use the past three years' pension contribution limits, if you haven't already
- Once you start drawing from your pension, your annual limit reduces to £10,000. (This is only if accessed 'flexibly'; this doesn't apply to benefits drawn from defined benefit schemes or if only tax-free cash is taken from a drawdown pot)
- The lifetime pension limit is reducing from £1.25m to £1m from 6 April this year
- The lifetime allowance applies to the total funds that can be built up within your pension arrangements, and there will be a tax charge on the funds that exceed this limit. (This will apply whether benefits are drawn or not, i.e. earliest of benefits being drawn, age 75 or death.)

ACTION POINT

If you have adjusted income over £150,000, your annual pension allowance will gradually be reduced. Those with adjusted income of £210,000 or more will have the minimum annual allowance of £10,000. To discuss the planning options available to you, please contact us.

INCOME DRAWDOWN

No Inheritance Tax levy on cash left in savers' pension pots

The Government has also confirmed that it won't levy Inheritance Tax on cash left in savers' income drawdown pension pots when they die.

The Spending Review and Autumn Statement 2015 said: 'The Government will legislate to ensure a charge to Inheritance Tax will not arise when a pension scheme member designates funds for drawdown but does not draw all of the funds before death.

'This will be backdated to apply to deaths on or after 6 April 2011.' ■

HOW WILL YOU GENERATE AN INCOME FROM YOUR PENSION SAVINGS?

Following the biggest reforms to pensions in recent years, and with the opportunity now to take control of your pensions like never before, the reforms highlight the need to obtain professional financial advice to consider your overall position. To review your situation, please contact us – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

ANNUITIES

Setting up a second-hand market

The Government has been investigating the possibility of setting up a second-hand market in annuities.

In the Spending Review and Autumn Statement 2015, the Treasury said: 'The Government will remove the barriers to creating a secondary market for annuities, allowing individuals to sell their annuity income stream.' ■

ISA RETURNS OF THE YEAR

Finding the right mix of tax-efficient investments

We all have our own financial goals, so it's important to find an approach that suits our current financial situations and future plans by finding the right mix of investments to achieve them.

By understanding which products are the most tax-efficient, you can make the most of your savings and investments, and minimise how much tax you pay.

TAX-EFFICIENT INVESTMENT WRAPPER

One option to consider is an Individual Savings Account (ISA). An ISA is a tax-efficient investment wrapper in which you can hold a range of investments, including bonds, equities, property shares, multi-asset funds and even cash, giving you control over where your money is invested.

During his Spending Review and Autumn Statement last year, Chancellor George Osborne announced he would also be extending the list of qualifying investments for the new Innovative Finance Individual Savings Account from Autumn 2016 to include debt securities offered via crowdfunding platforms.

ISAs are a highly tax-efficient way to save or invest your money because you don't pay Income Tax on your interest or Capital Gains Tax on any profits.

TAX YEAR 2015/16 ISA ALLOWANCE

Between 6 April 2015 and 5 April 2016, you have an ISA allowance of £15,240. The rules now mean you can split the ISA allowance as you wish between a Stocks & Shares ISA and a Cash ISA. The ISA allowance limit will remain at £15,240 for tax year 2016/17.

You don't have to declare any investments held in ISAs on your tax return. This may not seem like much, but if you have to file an annual tax return, you'll know that any way of simplifying your financial administration can be very helpful.

HOW MUCH CAN I SAVE OR INVEST EACH YEAR?

Cash ISA – £15,240 less any amount held in a Stocks & Shares ISA.
Stocks & Shares ISA – £15,240 less any amount held in a Cash ISA.

WHO CAN APPLY FOR ONE?

Cash ISA – UK residents aged 16 and over.
Stocks & Shares ISA – UK residents aged 18 and over.

IS THERE RISK INVOLVED?

Cash ISA – The value of your initial investment cannot decrease. However, the current low rates of interest could mean that the return on your money does not outpace inflation.
Stocks & Shares ISA – While the long-term potential returns are greater, the value of your investment can go down as well as up, and you could get back less than you have paid in.

CAN I SWITCH BETWEEN ISAS?

Cash ISA – You can transfer funds between Cash ISAs or from a Cash ISA into a Stocks & Shares ISA.
Stocks & Shares ISA – You can transfer funds between Stocks & Shares ISAs or from a Stocks & Shares ISA into a Cash ISA.

ISAs are becoming an important part of financial planning, and they offer a unique range of benefits. These include:

- No Income Tax is payable on interest payments which are made by bond funds
- No higher rate tax is payable on dividends, which are paid by equity funds (you can't claim back the 10% dividend tax paid by the fund in an ISA)
- Income from an ISA doesn't affect your personal allowance or age-related allowance
- No Capital Gains Tax is payable on any growth you may achieve, so you could use withdrawals to increase your income when necessary (any losses made in the ISA cannot be used to offset gains made elsewhere)

It is important to remember that an ISA is just a way of sheltering your money from tax – it's not an investment in its own right.

CHANGE TO ISA INHERITANCE RULES

Under the new rules, additional ISA subscriptions are now available to a surviving spouse or registered civil partner, as long as the ISA holder passed away on or after 3 December 2014.

This comes in the form of an Additional Permitted Subscription (APS) ISA allowance (additional to the personal annual ISA) equal to the amount that was held in the ISA on the day the holder died.

TRANSFERRING YOUR INVESTMENT BETWEEN PROVIDERS

If you want to change your existing ISA provider or are looking to consolidate your investments under one roof, with an ISA you can transfer your investment between providers to suit your individual needs. However, your current provider may apply a charge when you transfer your investment. While your investment is being transferred, it will be out of the market for a short period of time and will not lose or gain in value.

CONTROL OVER YOUR RETIREMENT INCOME

ISAs can give you control over your retirement income, as you can take as much money out as you require, whenever you want. Savings in an ISA and withdrawals from an ISA are tax-efficient, but, if you withdraw money and put it back later, it will count towards your ISA annual subscription limit in the year that you re-invested your money (although changing from 6 April 2016 where an ISA chooses to offer the new flexible ISA facility).

A STRAIGHTFORWARD WAY TO SAVE FOR A CHILD'S FUTURE

Junior ISAs offer investors a straightforward way to save for a child's future and offer similar tax advantages to 'adult' ISAs, but with a lock-in, making the child's investment inaccessible until they turn 18. Like an ISA, Junior ISAs can invest in bonds, equities, cash, property and even multi-asset funds, giving you even more flexibility over the future of your child's long-term savings. Since April 2015, it is possible for existing Child Trust Funds (CTFs) to be transferred into Junior ISA accounts. You can invest up to £4,080 in the current tax year and switch from a Cash Junior ISA to a Stocks & Shares Junior ISA and back again.

Only parents or a guardian with parental responsibility can open a Junior ISA for under 16s. ■

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THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.*

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.*

**only applies to Stocks & Shares ISAs*

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.

PENSION CREDIT

Cuts for people who go abroad for over a month

People who go abroad for over a month will no longer be eligible for pension credit. At present, housing benefit and pension credit recipients can go abroad for up to 13 weeks while continuing to receive payouts.

The spending review says: 'The benefit system should not subsidise those on benefits to go abroad for extended periods. This reform will ensure the benefit system is not paying the rent of people who go abroad for more than four weeks at a time.'

BASIC STATE PENSION INCREASE

RISING IN LINE WITH THE HIGHEST OUT OF CPI INFLATION, AVERAGE EARNINGS INCREASE OR 2.5%

The basic State Pension will increase in tax year 2016/17 by £3.35 to £119.30 per week. Chancellor George Osborne stated this will make pensioners £1,125 a year better off.

Meanwhile, the 'triple lock', which ensures the State Pension rises in line with whichever is highest out of CPI inflation, average earnings increase or 2.5%, will be maintained.

NEW STATE PENSION RATE

HIGHER RATE THAN MEANS TESTED BENEFITS FOR THE LOWEST EARNERS IN SOCIETY

The full State Pension rate for people reaching their State Pension age from 6 April 2016 will be set at £155.65 pw. Mr Osborne says this is a higher rate than means tested benefits for the lowest earners in society.

People who contracted out of the top-up S2P and Serps schemes over the years may get less than this.

STATE PENSION – WHAT YOU NEED TO KNOW

The basic State Pension is currently £115.95 a week, and it will rise to £119.30 from April (applies to those reaching their State Pension age before 6 April 2016). It is currently topped up by additional State Pension entitlements – S2P and Serps – accrued during working years.

This two-tier system will change from 6 April 2016 and be entirely replaced for those reaching their State Pension age on or after that date by a 'flat rate' pension. George Osborne announced that the starting rate will be £155.65 a week.

Workers need to have 30 years of qualifying National Insurance contributions to get the current full State Pension, but will need 35 years of contributions to get the full flat rate State Pension in future.

Even if you paid in full for a whole 35 years, if you contracted out for some years, it might still reduce what you get.

Rises in the State Pension are presently calculated on the basis of what is known as the 'triple lock'. This means that payouts always increase by whatever is the highest of inflation, average earnings or 2.5%. ■

ACTION POINT

If you can afford it, delaying drawing the State Pension may boost your income in the future. Deferring for just one year could make you more than £10,000 better off if you live for 24 and a half years – an average of the life expectancy of men and women. To discuss the planning options available to you, please contact us.

> THE BASIC STATE PENSION WILL INCREASE IN TAX YEAR 2016/17 BY £3.35 TO £119.30 PER WEEK. CHANCELLOR GEORGE OSBORNE STATED THIS WILL MAKE PENSIONERS £1,125 A YEAR BETTER OFF.

REASONS FOR INVESTING

Taking a long-term view to wealth creation

Stock markets can be unpredictable. They move frequently – and sometimes sharply – in both directions. It is important to take a long-term view (typically ten years or more) and remember your reasons for investing in the first place.

Be prepared to view the occasional downturns simply as part of a long-term investment strategy, and stay focused on your goal. Historically, the longer you stay invested, the smaller the likelihood you will lose money and the greater the chance you will make money.

Of course, it's worth remembering that past performance is not a guide to what might happen in the future, and the value of your investments can go down as well as up.

TIME TO GROW

Give your money as much time as possible to grow – at least 10 years is best. You'll also benefit from 'compounding', which is when the interest or income on your original capital begins to earn and grow too.

There will be times of market volatility. Market falls are a natural feature of stock market investing. During these times, it is possible that emotions overcome sound investment decisions – it is best to stay focused on your long-term goals.

DON'T TRY TO TIME THE MARKET

Resist the temptation to change your portfolio in response to short-term market movement. 'Timing' the markets seldom works in practice and can make it too easy to miss out on any gains.

The golden rule to investing is allowing your investments sufficient time to achieve their potential.

HOLDING PERIOD

Warren Buffett, the American investor and philanthropist, puts it very succinctly: 'Our favourite holding period is forever.' Over the long term, investors do experience market falls which happen periodically. Generally, the wrong thing to do when markets fall by a reasonable margin is to panic and sell out of the market – this just means you have taken the loss. It's important to remember why you're invested in the first place and make sure that rationale hasn't changed.

REGULAR PORTFOLIO REVIEWS

It is important to carry out regular portfolio reviews to consider the suitability of your investments and to make sure that any changes in your attitude to risk are accurately reflected. Over time, your attitude to risk is likely to change. If you are approaching retirement, for example, you may want to preserve capital or generate an income, while if you are investing for growth, you may need to take on more risk to potentially boost returns.

There are two key questions that you should ask yourself: firstly, 'How much capital can you afford to lose?', and then, 'How long is your investment horizon?' The general rule is that the more risk you are prepared to take, the greater your potential returns could be. At the same time, however, it is important to realise that there is a greater potential for loss.

REVIEWING THE AMOUNT OF RISK

As these two factors can change over time, it is crucial that you are able to adjust your portfolio to reflect them. Please remember that the value of your investments and the income received from them may go down as well as up, and you may not get back the full amount invested.

As well as regularly reviewing the amount of risk taken in your portfolio, it is also important to make sure your portfolio remains as diversified as it can be and that it reflects any changes in your investment objectives. The key to building a diversified portfolio is to take a balanced approach. This means combining a range of investments that can help you meet your investment goals within an appropriate level of risk.

EXPOSURE TO DIFFERENT MARKETS

Income-seeking stock market investors may want to diversify away from their home UK market to take advantage of dividend opportunities globally. Meanwhile, in fixed income, the current low yield environment means that investors may need to look across a wider range of global bond sectors and markets to maintain attractive future returns. Either way, you need to make sure you have the right levels of exposure to different markets for the outcomes you're looking for. However, please note that diversification does not guarantee investment returns and does not eliminate the risk of loss.

Investing outside of the UK can involve a higher degree of risk and also involves a degree of exchange rate risk. If you are in any doubt about the suitability of an investment or understanding your risk appetite, you should always seek professional financial advice. ■

ACHIEVING FINANCIAL WELL-BEING AND SECURING YOUR FUTURE

Having a plan for the future can make the present feel less stressful, as it provides you with the knowledge that you have a helpful buffer for any unexpected events that may come your way. It's also essential to achieving financial well-being and securing your future. There are many different ways of accumulating wealth for your future. To discuss how we can help you, please contact us.

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

10 STEPS TO A BRIGHTER RETIREMENT

Concerned about the financial aspects of retirement planning?

With all the talk and concern about dwindling retirement funds and our shaky economy, many retirees and soon-to-be-retired boomers are concerned about the financial aspects of retirement planning. These are 10 steps to give you a brighter retirement.

1 From 6 April 2015, on reaching the age of 55 you can now use your pension savings in any way you like. The first 25% can be taken as tax-free cash and the remainder used as you wish (all income or capital withdrawals subject to your marginal rate of tax at the time).

2 If you are thinking about retiring soon, then it is imperative you move your assets into cash, or near cash, before your retirement date. In the present climate, with annuity rates low and equities having fallen in value, it makes sense to be in cash to protect the fund from further possible falls in value while you consider an annuity purchase.

3 If you have an appropriately sized fund and are considering an unsecured pension, otherwise known as 'income drawdown', then having a portion of the fund in cash to fund the first couple of years' income payments is sensible.

4 Consider when you want or need to take your benefits – from both state and any private pensions. You don't have to use them at 'traditional' retirement ages or when you stop working.

5 If an income is important to you, consider all the different options available to you, such as an annuity, an investment-linked annuity and income drawdown. Each of these comes with different risks – income from drawdown or an investment-linked annuity could fall in future.

6 Consider the 'cost of delay' – if you are looking for a guaranteed lifetime income, then an annuity could be your safest option. By delaying any decision until next year, you are losing out on income this year, which could take many years to make up.

7 Think about how much flexibility you need over your income, bearing in mind you may be in retirement for 20 plus years, and if you want to protect your spouse or partner when you die.

8 With annuities, the income is guaranteed but may come with the risk of inflation, which means the income you receive may not buy as much in the future. You can protect your income from inflation but this comes at a cost.

9 If you buy an annuity, don't automatically purchase it from the company you saved with. Make sure you shop around other providers, giving full information about your health and lifestyle – this can help you get a substantially bigger income.

10 Improved longevity needs to be considered. Even though our activities and expenditure decrease with age, income will still need to cover the cost of living longer. If you do need to replan, then it's important to take action sooner rather than later and to avoid leaving things to chance. ■

IS IT TIME TO REASSESS YOUR RETIREMENT PLANS

In the light of the pension freedoms announcements, it makes sense to review your pension provision and assess how these changes could affect your plans. To discuss your particular requirements or for further information, please contact us.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

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.

INVESTMENT OPPORTUNITIES

Building a consistent, long-term and well-diversified investment strategy

To make the most of your investment opportunities, allow your lifestyle and not stock market fluctuations to dictate your investment approach. Your goals are what count, so keep them firmly in mind when you make financial decisions.

Many investors use a consistent, long-term strategy to build a more secure financial future through steady purchases of well-diversified investments. But speculators and market timers are usually less concerned about consistency. They may switch investment philosophies on an emotional whim, sometimes treating their investments more like play money than the serious money needed for their financial future.

Most people would probably say they are investors, but the question is not so easily answered. During a bull market, it can be relatively easy to be a long-term investor. However, when the stock market really starts fluctuating, this is when an investor's resilience can be tested – revealing many closet speculators.

PREDICTABLE CYCLE

Market timers follow a fairly predictable cycle. When prices seem low relative to historical norms, they buy. When an investment's value seems to peak, they sell. In theory, market timing seems fairly rational, but in practice it rarely works. Even the most sophisticated investors, with years of experience and the best analytical tools, cannot predict the whims of the financial markets. What's more, market timers are often misled by emotional factors such as greed or fear. Many end up potentially buying at the tail end of a market rally or selling in a panic at a loss.

The difficulty of timing the markets is complicated by the fact that most market rallies occur in brief spurts. Market timers waiting for the right opportunity to buy or sell risk being out of the market during these sudden market changes.

MARKET TIMING

To benefit from market timing, you must accurately predict the future, not once, but twice. First, you must correctly determine when to sell. Second, you must accurately determine when to get back in. Because falling markets can rise steeply within days, your timing must be nearly perfect.

To avoid falling into the speculator's trap, focus on the term 'individual' before making any investment decision. Your individual long-term goals and your individual financial circumstances – not the daily fluctuations of the stock market – should govern your decision.

ASTUTE INVESTOR

By focusing on your individual needs and sticking to your investment strategy, you could actually benefit from the stock market's fluctuations. For example, a good long-term investment strategy generally includes investing a set amount at regular intervals.

Of course, changing your investments during a fluctuating market is not always speculating. It can be the mark of an astute investor if the reasons for your changes are consistent with your individual long-term goals.

Instead of market timing, try lifestyle timing. Look at your own investment portfolio and compare it to your long- and short-term goals.

LIFESTYLE CHANGE

Do you need to withdraw money within the next year or so to begin funding your retirement or to make some other lifestyle change? If so, you might want to rebalance your portfolio to a more conservative mix of assets.

What about your long-term goals? Short-term market fluctuations will probably not significantly affect your long-term plans, and it may be wise to stick with your current strategy.

EMOTIONAL FACTOR

Disciplined, systematic investing does not promise a profit or protect you from a loss, but it does reduce the odds of you putting too much money into an investment when prices are high, and it also removes the emotional factor from your investment strategy. ■

HELPING YOU MAKE THE RIGHT CHOICES

To afford the lifestyle you want, you need to do something about it today. It's never too early to start saving and investing in order to plan for your future. To find out what you'll need to think about so that you make the right choices, or to find out more, please contact us.

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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

SMOOTHING OUT MARKET HIGHS AND LOWS

Time-tested method for controlling risk over time

It's natural to be looking for ways to smooth out your portfolio's returns. Investing regularly can smooth out market highs and lows over time. In a fluctuating market, a strategy known as 'pound-cost averaging' can help smooth out the effect of market changes on the value of your investment and is one way to achieve some peace of mind through this simple, time-tested method for controlling risk over time.

It enables investors to take advantage of stock market corrections, and by using the theory of pound-cost averaging, you could increase the long-term value of your investments. There are, however, no guarantees that the return will be greater than a lump sum investment, and it requires discipline not to cancel or suspend regular Direct Debit payments if markets continue to head downwards.

REGULAR INTERVALS

The basic idea behind pound-cost averaging is straightforward: the term simply refers to investing money in equal amounts at regular intervals. One way to do this is with a lump sum that you'd prefer to invest gradually – for example, by taking £50,000 and investing £5,000 each month for 10 months.

Alternatively, you could pound-cost average on an open-ended basis by investing, say, £5,000 every month. This principle means that you invest no matter what the market is doing. Pound-cost averaging can also help investors limit losses, while also instilling a sense of investment discipline and ensuring that you're buying at ever-lower prices in down markets.

MARKET TIMING

Investment professionals often say that the secret of good portfolio management is a simple one – market timing. Namely, to buy more on the days when the market goes down, and to sell on the days when the market rises.

As an individual investor, you may find it more difficult to make money through market timing. But you could take advantage of market down days if you save regularly, by taking advantage of pound-cost averaging.

SAVINGS HABIT

Regular savings and investment schemes can be an effective way to benefit from pound-cost averaging, and they instil a savings habit by committing you to making regular monthly contributions. They are especially useful for small investors who want to put away a little each month.

Investors with an established portfolio might also use this type of savings scheme to build exposure a little at a time to higher-risk areas of a particular market.

The same strategy can be used by lump sum investors too. Most fund management companies will give you the option of drip-feeding your lump sum investment into funds in regular amounts. By effectively 'spreading' your investment by making smaller contributions on a regular basis, you could help to average out the price you pay for market volatility.

POUND-COST AVERAGING

Any costs involved in making the regular investments will reduce the benefits of pound-cost averaging (depending on the size of the charge relative to the size of the investment, and the frequency of investing).

As the years go by, it is likely that you will be able to increase the amount you invest each month, which would give your savings a valuable boost. No matter how small the investment, committing to regular saving over the long term can build to a sizeable sum. The key to success is giving your investment time to grow. Choose the amount you want to invest and set up automatic deposits. Once this is up and running, the chances are you won't even notice it going out of your monthly budget. ■

FIND THE BEST STRATEGY

A number of factors should be considered before deciding on what kind of investment is most suitable for you. These include the purpose of the investment, the length of time your money can be tied up and your attitude towards risk. As all investments carry some degree of risk, we recommend that you seek professional financial advice to find the best strategy to achieve your long or short-term goals. To see how we could help you, please contact us to discuss your requirements.

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CONSOLIDATING PENSIONS

Keeping track of your pension portfolio

Most people, during their career, accumulate a number of different pension plans. Keeping your pension savings in a number of different plans may result in lost investment opportunities and unnecessary exposure to risk. However, not all consolidation of pensions will be in your best interests. You should always look carefully into the possible benefits and drawbacks and, if unsure, seek professional financial advice.

It's important to ensure that you get the best out of the contributions you've made, and keep track of your pension portfolio to make sure it remains appropriate to your personal circumstances. Consolidating your existing pensions is one way of doing this.

Pension consolidation involves moving, where appropriate, a number of pension plans – potentially from many different pensions' providers – into one single plan. It is sometimes referred to as 'pension switching'.

Pension consolidation can be a very valuable exercise, as it can enable you to:

- Bring all your pension investments into one, easy-to-manage wrapper
- Identify any underperforming and expensive investments with a view to switching these to more appropriate investments
- Accurately review your pension provision in order to identify whether you are on track

WHY CONSOLIDATE YOUR PENSIONS?

Traditionally, personal pensions have favoured with-profits funds – low-risk investment funds that pool the policyholders' premiums. But many of these are now heavily invested in bonds to even out the stock market's ups and downs, and, unfortunately, this can lead to diluted returns for investors.

It's vital that you review your existing pensions to assess whether they are still meeting your needs – some with-profits funds may not penalise all investors for withdrawal, so a cost-free exit could be possible.

FOCUSING ON FUND PERFORMANCE

Many older plans from pension providers that have been absorbed into other companies have pension funds which are no longer open to new investment, so-called 'closed funds'. As a result, focusing on fund performance may not be a priority for the fund managers. These old-style pensions often impose higher charges that eat into your money, so it may be advisable to consolidate any investments in these funds into a potentially better performing and cheaper alternative.

ECONOMIC AND MARKET MOVEMENTS

It's also worth taking a close look at any investments you may have in managed funds. Most unit-linked pensions are invested in a single managed fund offered by the pension provider and may not be quite as diverse as their name often implies. These funds are mainly equity-based and do not take economic and market movements into account.

LACK OF THE LATEST INVESTMENT TECHNIQUES

The lack of alternative or more innovative investment funds, especially within with-profits pensions – and often also a lack of the latest investment techniques – mean that your pension fund and your resulting retirement income could be disadvantaged.

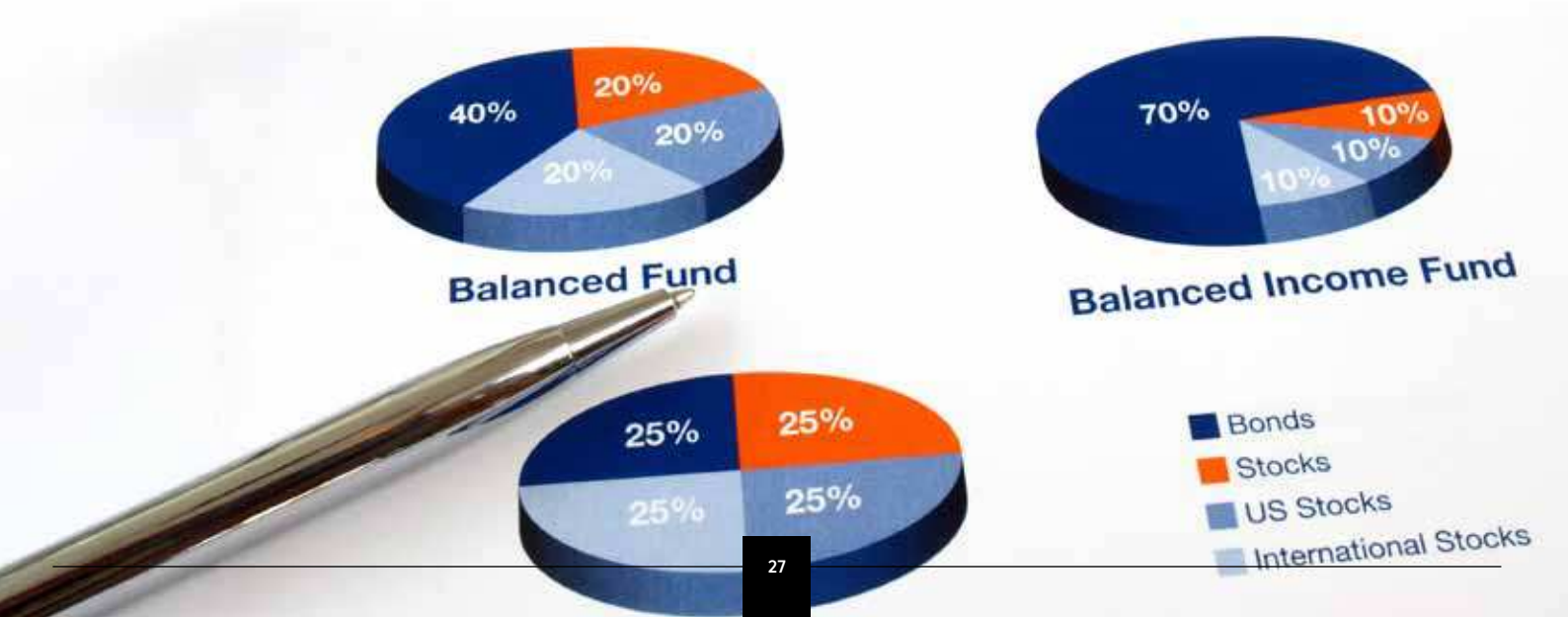
SIGNIFICANT EQUITY EXPOSURE

Lifestyling is a concept whereby investment risk within a pension is managed according to the length of time to retirement. 'Lifestyled' pensions aim to ensure that, in its early years, the pension benefits from significant equity exposure. Then, as you get closer to retirement, risk is gradually reduced to prevent stock market fluctuations reducing the value of your pension. Most old plans do not offer lifestyling – so fund volatility will continue right up to the point you retire. This can be a risky strategy and inappropriate for those approaching retirement. ■

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.



REALISING LIFE-LONG AMBITIONS

You now have more options than ever before to help you find a solution

For many people, retirement now represents an opportunity to realise life-long ambitions, pursue new passions or help family members with their income needs. Since pension freedoms, you now have more options than ever before to help you find a solution.

SAVE NOW TO ACCUMULATE THE RIGHT SUM FOR YOUR FUTURE

We all want to save enough to ensure that we have a comfortable retirement. But the challenge is to know just how much income we'll need as a pensioner – and how to work out how much we'll need to save now to accumulate the right sum.

BE HONEST ABOUT HOW YOU WANT TO LIVE IN RETIREMENT

It's important to make realistic estimates about what kind of expenses you will have in retirement. You need to be honest about how you want to live in retirement and how much it will cost. These estimates are important when it comes to calculating how much you need to save in order to comfortably afford your retirement.

ESTIMATE YOUR RETIREMENT COSTS BY LOOKING AT YOUR CURRENT EXPENSES

Part of the process is to estimate your retirement costs by looking at your current expenses in various categories, and then estimate how they may change. For example, your mortgage might be paid off by then – and you won't have commuting costs. Then again, your health care costs are likely to rise.

To achieve the retirement income you require, you need to know the answers to these questions:

- What is the value of your pension pot?
- What are your other sources of retirement income likely to be worth? (These include the State Pension, Individual Savings Accounts, property, and other savings and investments)
- How long will your money need to last?
- How much will you require to achieve your essential and additional income needs in retirement?

It's important to make a distinction between essential income needs and additional requirements.

Essential income needs: the minimum level of income for basic lifestyle needs.
Additional requirements: these could include travel, hobbies, starting a business or helping younger generations onto the property ladder.
Unexpected costs: healthcare costs, family emergencies.
Leaving a legacy: passing on an inheritance.

GIVE YOURSELF THE BEST CHANCE FOR A HAPPY AND SECURE FUTURE

Whether your retirement is fast approaching or decades away, many people are unable to retire when they'd like to because of their financial situation. With careful planning, you can avoid this predicament. Planning ahead for retirement allows you to decide when and how you will retire, and whether you will continue to work. Even if you have not begun to plan, you can still start preparing yourself at any time – it is important to give yourself the best chance for a happy and secure future! ■

TIME TO REVIEW YOUR RETIREMENT PLANNING CALCULATIONS?

Once you have retired, your main source of income ends and your expenses will be covered out of savings, investments and retirement income streams. Spending is perhaps the biggest variable in retirement planning calculations and needs to be considered as part of your pension planning. To discuss your situation, don't leave it to chance – please contact us.

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