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MARCH/APRIL 2013

IS 60 THE NEW 40?

Retiring baby boomers are setting out a new model for later life

TIME IS RUNNING OUT

Have you fully used your 2012/13 ISA allowance?

Tax planning checklist 2012/13
for you, your family and your business

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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TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US

IN THIS ISSUE

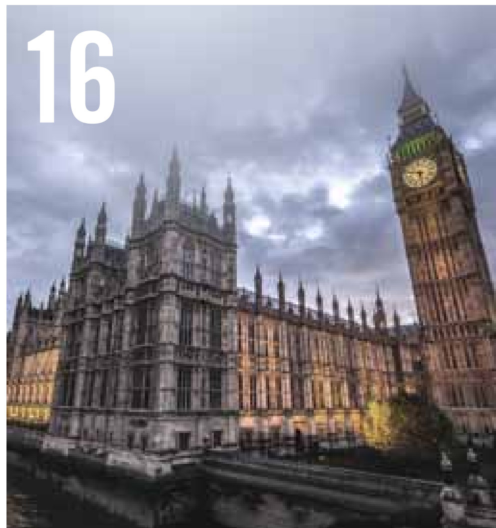
Welcome to the latest issue. In times like these, every penny counts. Interest rates are at historic lows and rising inflation can erode our buying power. One way to mitigate these effects is to shield savings from tax by investing through an Individual Savings Account (ISA). On page 14 we look at why this flexible 'wrapper', under which a wide range of investments can be made free of capital gains or income tax, is an option worth considering.

When you approach retirement age, you will have to decide what to do with the pension fund you have built up. If applicable to you, on the right we consider one option – buying an annuity. It's important to find an annuity that suits you and one that provides the best deal. After your property, an annuity is probably the biggest purchase you will ever make.

As your wealth grows, it is inevitable that your estate becomes more complex. With an increasing number of people now expected to reach age 75 each year, more and more people could be faced with a 55 per cent tax charge on any money left in their pension fund when they die. Turn to page 28 to read the full article.

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

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.



ONE OF THE BIGGEST PURCHASES YOU'LL EVER MAKE

This important one-off decision has long-term consequences if you get it wrong

If you save through a private pension, when you approach retirement age you'll have to decide what to do with the pension fund you have built up. If applicable to you, one option is to buy an annuity. It's important to find an annuity that suits you and provides the best deal because, after your property, an annuity is probably the biggest purchase you will ever make.

An annuity is the annual pension that many people buy with their private pension pots when they retire. Purchasing your annuity is an important one-off decision that has long-term consequences if you get it wrong. You may not receive the best deal if you just take the annuity offered by the insurer that has been investing your money.

LACK OF ADVICE MIGHT BE COSTLY

You only have one opportunity to shop around for your annuity. Once you have committed to an annuity provider and started to receive an income, the decision can't be reversed. So it is essential that you shop around and obtain professional financial advice to help you through the process.

Last year, the National Association of Pension Funds (NAPF) announced that the lack of advice in this area might be costing half a million retirees each year as much as £1bn in future pension income.

FAILURE TO SHOP AROUND

The NAPF pointed out that the failure of someone to shop around – or being unaware they were able to do so – might reduce their annual pension income by a third.

The insurance industry has now agreed to reform its annuity practices, and from 1 March this year insurers will have to conform to new guidelines set down by the Association of British Insurers (ABI).

NEW GUIDELINES WILL REQUIRE INSURERS TO:

* Provide clear and consistent information, including details on how to shop around for an annuity
* Highlight the details of enhanced annuities – the higher pension income available to those with shorter life expectancy
* Signpost clients to external advice and support that is available
* Give a clear picture of how their products fit into the wider annuity market

THE POINT OF RETIREMENT

Insurers have been obliged since 2002 to draw their clients' attention to the fact that they can shop around for an annuity at the point of retirement.

One of the ways in which people may end up with too small an annuity is by not taking into account their own medical circumstances. Having conditions as seemingly manageable as high blood pressure or diabetes could qualify you for an enhanced annuity, which could pay you more income because your average life expectancy may be less. ■

5 KEY POINTS ABOUT ANNUITIES

1. Make the right decision now, because you cannot reverse it later.
2. Don't just accept the annuity your pension provider gives you.
3. Shop around - it could be worth up to a third more income per month for you.
4. You can combine multiple pension pots into one annuity.
5. Common health issues including smoking, high blood pressure and diabetes can lead to an even higher monthly income.

LIVE BETTER IN RETIREMENT

If you are approaching your retirement we can take you through the process step by step to find the best annuity for you. Your retirement should be a special time when you do those things you never had the opportunity to do before. So it's essential you think and plan carefully, as the decisions you take now cannot be undone later. If you are concerned about your retirement provision, please contact us to review your current situation.

GENERATING AN INCOME FROM YOUR INVESTMENTS

An important requirement, especially if you've retired or are approaching retirement

How do you generate a reliable income when interest rates are stuck at all-time lows and the Bank of England's quantitative easing policy of 'printing' money is squeezing yields on government bonds (gilts) and other investments?

YOUR ABILITY TO GENERATE INCOME

With more of us living longer in the UK, maintaining our standard of living in retirement and funding holidays and outings requires some careful planning. Have you considered how a longer lifespan and rising inflation could affect you and your ability to generate income?

Generating an income from your investments will be an important requirement, especially if you've retired or are approaching retirement, or if you need to supplement your salary or have a relatively short investment timeframe.

FIXED INTEREST

The most popular forms of income investment are bonds (which are also known as 'fixed interest' investments) and cash, both of which pay a regular, consistent rate of interest either annually, twice a year or four times a year. You can also obtain an income from shares in the form of dividends, and many equity funds are set up solely with the purpose of generating a stable income. Importantly, equity income funds often aim to achieve not only stability, but also an increasing income in the long term.

> "With more of us living longer in the UK, maintaining our standard of living in retirement and funding holidays and outings requires some careful planning. Have you considered how a longer lifespan and rising inflation could affect you and your ability to generate income?"

GOOD CASH FLOW

Income stocks are most usually found in solid industries with established companies that generate good cash flow. They have little need to reinvest their profits to help grow the business or fund research and new product development and are therefore able to pay sizeable dividends back to their investors. Examples of traditional income-generating companies include utilities, such as oil and gas, telephone companies, banks and insurance companies.

You should remember that these investments do not include the same security of capital that is afforded by a deposit account. ■

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

WHICH INCOME GENERATING INVESTMENTS ARE RIGHT FOR YOU?

In the current environment of abnormally low interest rates, cash savings accounts almost all pay negative rates of return after taking into account the effects of inflation and tax. To discuss your financial position or review which type of income-generating solutions are right for you, please contact us for more information.

10 INCOME INVESTING TIPS

1 **Sustainable long-term dividend growth** – Investing in businesses when the growth potential is not reflected in the valuation of their shares not only reduces the risk of losing money, it increases the upside opportunity.

2 **Inflation matters** – Always bear in mind the detrimental effect of inflation. Corporate and government bonds offer higher yields than cash but returns can be eroded by inflation. Investment in property or equities provides a vehicle to help achieve an income that rises to keep pace with inflation.

3 **Consider international diversification** – A small number of UK companies account for approximately 40 per cent of UK dividend payouts. This compares with over 100 companies in the US, for example, that provide the opportunity to increase the longevity of dividend growth.

4 **Patience is a virtue** – Investing for income is all about the compounding of returns for the long term. As a general rule, those businesses best placed to offer this demonstrate consistent returns on invested capital and visible earnings streams.

5 **Reliability is the key** – Select sectors of the equity market that do not depend on strong economic growth to deliver attractive returns to investors.

6 **High and growing free cash flow** – Look for companies with money left over after all capital expenditure, as this is the stream out of which rising dividends are paid. The larger the free cash flow relative to the dividend payout the better.

7 **Dividend growth** – In the short term, share prices are buffeted by all sorts of influences, but over longer time periods fundamentals have the opportunity to shine through. Dividend growth is the key determinant of long-term share price movements – the rest is sentiment.

8 **Cautious approach** – Profits and dividends of utility companies are at the whim of the regulator. Be cautious of companies that pay a high dividend because they have gone ex-growth – such a position is not usually sustainable indefinitely.

9 **Investment diversification** – The first rule of investment is often said to be 'spread risk'. Diminishing risk is particularly important for income-seekers who cannot afford to lose capital.

10 **Tax-efficiency** – Increase your net income by using an ISA (Individual Savings Account). The proceeds from ISA income is free of taxation, thereby potentially improving the amount of income you actually receive. UK dividend income has been taxed at source at the rate of 10 per cent and this cannot be reclaimed by anyone. The proceeds from ISAs are also free from capital gains tax, allowing you to switch funds or cash in without a tax charge.

The economic environment has been particularly unforgiving for investors who need to generate an income. The Bank of England reduced interest rates to a record low level as the financial crisis deepened – and savings rates followed. ■

IS YOUR FAMILY PROTECTED FINANCIALLY?

The cost of bringing up a child until they reach the age of 21 has hit an all-time high

Having children has never been more expensive, with the cost of bringing up a child until they are 21 at an all-time high of £222,458. This is more than £4,000 up on last year and £82,000 (58 per cent) more than ten years ago, when the first annual Cost of a Child Report [1] from protection provider LV= was published.

BIGGEST EXPENDITURE FOR PARENTS

Education and childcare remain the biggest expenditure for parents. The cost of education* (including uniforms, after-school clubs and university costs) has increased from £32,593 to £72,832 per child in the last ten years – a 124 per cent increase. Childcare costs are also up from £39,613 in 2003 to £63,738 today – a 61 per cent increase.

From birth to age 21, parents spend an average of £19,270 on food and £16,195 on holidays – which now cost 4 per cent more than last year. In fact, in the last decade, costs have risen in all areas of expenditure apart from clothing, which has seen a 5 per cent drop.

LOOKING AFTER THE PENNIES

Mums and dads all over Britain are tightening their purse strings, with more than three-quarters of parents (76 per cent) forced to make cutbacks to make ends meet. While many are reining in spending on luxuries such as holidays (45 per cent), more than a quarter are also cutting back how much they spend on essentials such as food (27 per cent).

Of those parents who are cutting back, 68 per cent have switched to buying cheaper or value goods. Vouchers and discount codes are also popular, with 56 per cent of these parents using them to save on shopping bills. Many are also trying to boost their income, with 40 per cent selling personal items online or at car boot sales.

PUSHING PARENTS' FINANCES TO THE LIMIT

The cost of raising a child continues to soar and is now at a ten-year high. Everyone wants the best for their children, but the rising cost of living is pushing parents' finances to the limit. There seems to be no sign of this trend reversing. If the costs associated with bringing up children continue to rise at the same pace, parents could face a bill of over £350,000 in ten years' time [2].

Over the last ten years, London (£239,123), the South East (£237,233) and the East of England (£233,363) have remained the three most expensive places to raise children. Ten years ago this was closely followed by Wales, whereas now it is Northern Ireland (£232,883).

Families in the South West have seen the biggest hike in costs, now paying £100,077 more per child than they were ten years ago.

KEEPING UP WITH THE LATEST TECHNOLOGICAL ADVANCES

Forget dolls and train sets. Today's children want the same toys as their parents, and the popularity of smartphones, tablets and laptops is adding to the expense of raising a child.

Many parents feel under pressure to keep up with the latest technological advances – even for children as young as three years old. Almost a third (28 per cent) of parents have bought their child an electronic gadget in the last 12 months, with around a fifth (18 per cent) paying out for a laptop or tablet. The average yearly amount parents spend on these gadgets for their child is £302.

PROTECTING THE FAMILY'S FINANCIAL FUTURE

Many families are responding to financial pressures by saving less and spending less. Two-fifths (40 per cent) of parents have reduced the amount they are putting towards savings and a further 26 per cent (up from 22 per cent last year) have cancelled or reviewed insurance policies to try to save money.

Almost half (47 per cent) of parents have no life cover, income protection or critical illness cover in place. While 36 per cent of parents do have life cover, only 11 per cent have critical illness cover and a meagre 6 per cent have income protection.

CATASTROPHIC IMPLICATIONS ON THE FAMILY'S FINANCES

The cost of raising a child won't always be the first thing parents think about when deciding to have a family, and regardless of the cost, people wouldn't change having children for the world. But parents considering cancelling insurance such as life cover or income protection as a way of saving money need to think long term. It could have catastrophic implications on the family's finances if either parent became unable to work or was no longer around.

The cost of raising a child has increased rapidly over the last decade and looks set to continue rising. It is imperative that parents make sure they financially protect themselves and their family and seek professional financial advice to talk about what best suits their needs. ■

TIME TO REVIEW YOUR FAMILY PROTECTION?

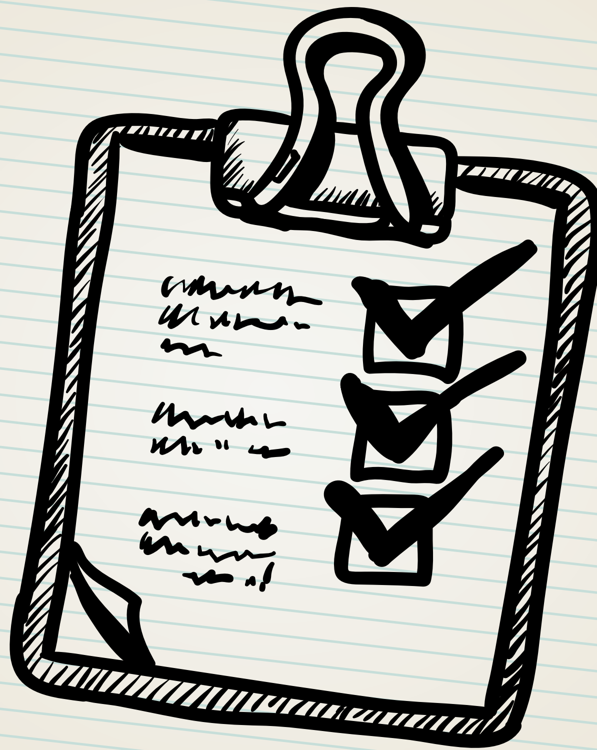
Protection insurance often costs less than people think, and whether to take out cover is one of the most important financial decisions people will ever make. To discuss or review your current requirements please contact us – don't leave it to chance.

[1] The 'cost of a child' calculations, from birth to 21 years, have been compiled by the Centre for Economics and Business Research (CEBR) on behalf of LV= in December 2012 and are based on the cost for the 21-year period to December 2012.

The report also includes omnibus research conducted for LV= by Opinium Research from 11-13 December 2012. The total sample size was 2,013 UK adults. Results have been weighted to nationally representative criteria.

[2] If the cost of raising a child continued at the same pace as the last ten years (58 per cent increase), in 2023 the cost would be £351,483.

** Does not include private school fees. Parents who send their children to private school can add £106,428 for a child at day school, and £195,745 for a child who boards, to the overall cost of raising a child.*



TOP 10 TAX TIPS

Tax planning checklist 2012/13 for you, your family and your business

Make sure you take advantage of the wide range of year-end tax planning opportunities available this year. Here is our checklist of the main top ten areas to consider for you, your family and your business.

FOR MYSELF AND MY FAMILY I HAVE...

* Made the most of my 2012/13 Individual Savings Account (ISA) allowance
* Taken advantage of increased pension contributions to reduce taxable income
* Ensured that I have a tax-efficient gifting strategy
* Used my annual capital gains tax exempt amount
* Reviewed my estate planning and my Will

FOR MY BUSINESS I HAVE...

* Extracted profit from my business at the lowest tax cost
* Made sure my staff remuneration packages are tax-efficient
* Carefully considered the timing of asset purchases and sales
* Recorded any appropriate constructive obligations in respect of employment awards
* Planned the purchase of business equipment to take full advantage of capital allowances

ARE YOU SATISFIED YOU ARE PAYING THE MINIMUM TAX NECESSARY?

As everyone's circumstances are different, we would be delighted to review yours with you so we can help you make the maximum tax savings. To discuss how we could help ensure that you are not paying any more tax than you absolutely need to, please contact us for further information.

GENDER NEUTRALITY

New rules mean women could increase their pension income by over 20 per cent

The new 20 per cent uplift in capped income withdrawals will come into force on 26 March this year, and people could start to see the benefit of this uplift from the start of their new income year following that date.

NEW GENDER NEUTRAL RULES

An income year is driven by the date a person first started taking income withdrawals from their pension. While people do not need to take any action for this uplift to take effect, women could see their income rise by over 20 per cent as a result of the new gender neutral rules, but they need to take steps to achieve this.

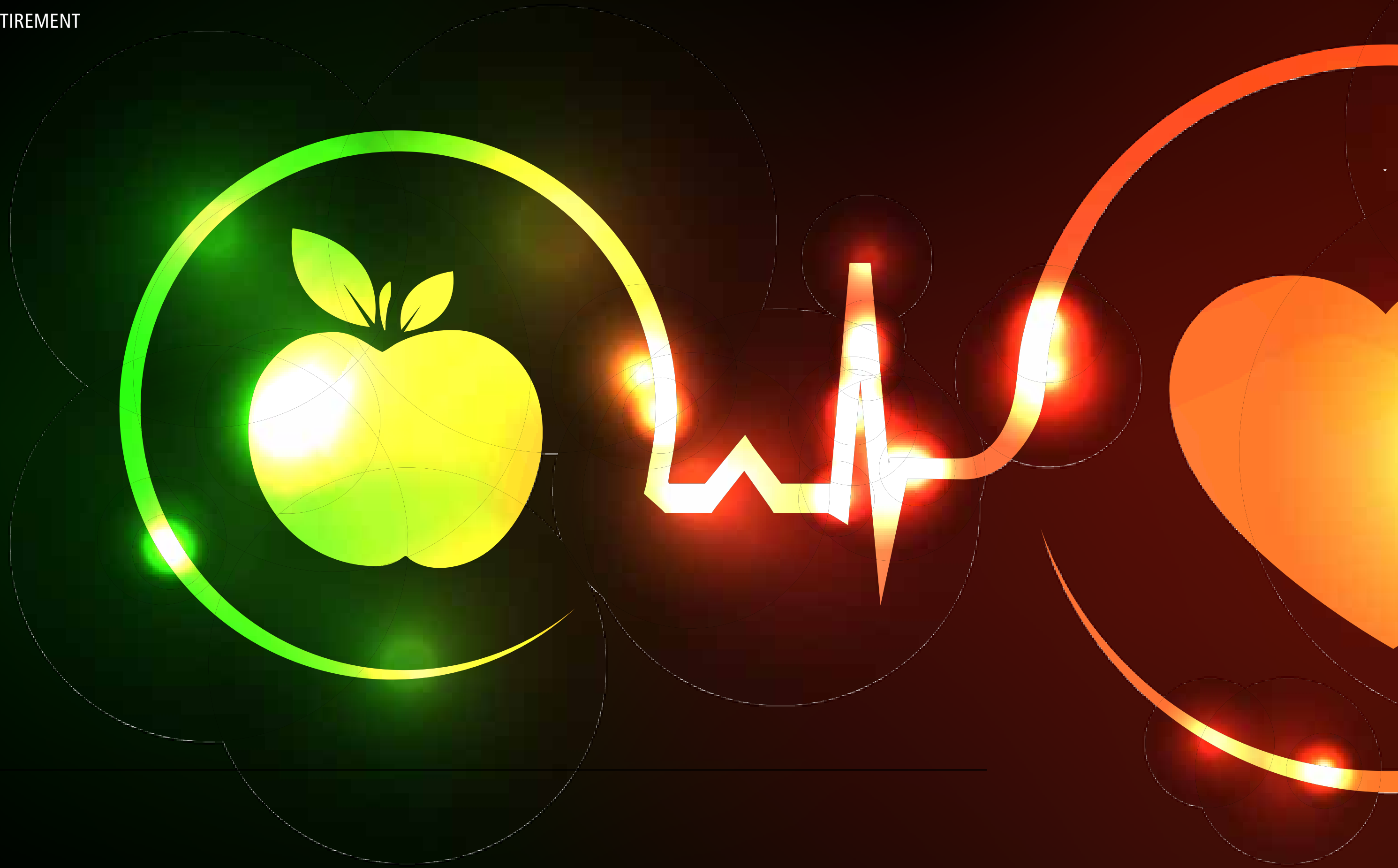
Changes to the maximum capped income calculation as a result of gender neutrality commenced on 21 December 2012. The factors that determine the amount of income withdrawals that men and women are permitted to take from their pension each year is now identical, which means the position for women has improved significantly.

EXTREMELY BENEFICIAL FOR WOMEN

To benefit from the new gender neutral rates, an income recalculation point is needed for women. It could be extremely beneficial for women to take this action, especially if more income is needed to live on.

The 20 per cent uplift in pension income will happen automatically, However, women can now benefit from enhanced gender neutral terms, so if applicable to you, it is important you find out whether triggering a recalculation could increase your income even further.

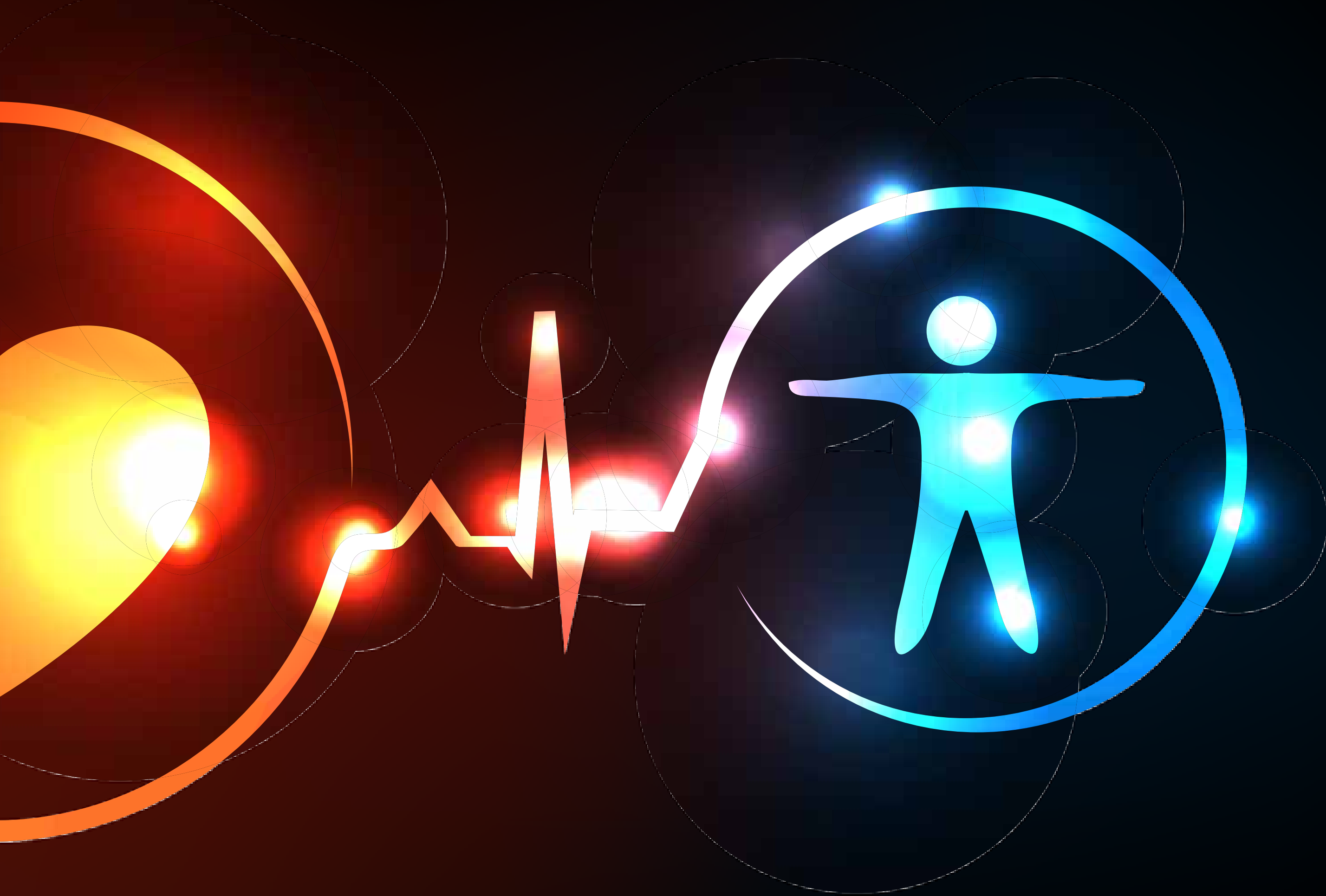
Some pension schemes have the flexibility to recalculate the income annually, making it easy for women to take advantage of this enhancement. For those who are in a scheme that does not offer annual reviews, you could still trigger a recalculation by transferring new money into your capped income fund, but you should always seek professional financial advice to ensure this is the best option. ■



IS 60 THE NEW 40?

Retiring baby boomers are setting out a new model for later life

The UK is witnessing the march of a new type of retiree as the first post-war 'baby boomers' pass the old Default Retirement Age of 65. According to Aviva's latest Real Retirement Report, more than one in three (39 per cent) over-55s are continuing to receive a wage and nearly half are intent on using their extra earnings to travel more when they finish full-time work.



Data from the latest census in 2011 showed there were 754,800 people aged 64 in England and Wales, and almost 6.5 million people are turning 65 over the next decade compared with 5.2 million in the previous decade. The spike is due to the post-war birth rate soaring when the armed forces returned from the Second World War, with the new-born generation dubbed the 'baby boomers'.

PUSHING BACK THE BOUNDARIES

Allied with improved health care, more people are remaining active as they approach retirement age, and the report shows how they are pushing back the boundaries at work and in their leisure time. 23 per cent of 65- to 74-year-olds were still wage earners in December 2012, compared with 18 per cent when the report first launched almost three years ago in February 2010.

FUELLING THE RISE OF INCOME AND SAVINGS

With 55 per cent of 55- to 64-year-olds also still in employment, compared with 41 per cent in February 2010, this trend looks set to continue as more baby boomers pass the age of 65. It has already fuelled the rise of income and savings among over-55s during the last three years. The typical over-55 now has an income of £1,444 each month along with £14,544 in savings (December 2012), compared with a monthly income of £1,239 and savings of £11,590 in February 2010.

ENJOYING THE FRUITS OF YOUR LABOUR

Despite 80 per cent being concerned by rising living costs over the next six months (December 2012), the UK's over-55s are determined to enjoy the benefits of extending their working lives. Nearly half (44 per cent) plan to use their extra time in retirement to travel more, while 42 per cent are focused on spending more time in their gardens.

Socialising is high on the agenda for many over-55s in retirement, with 37 per cent planning to invest extra time in their families and 33 per cent keen to socialise more with friends.

THE MOST COMMON MOTIVATION

They also have philanthropic intent: two-thirds (66 per cent) of over-55s would be interested in carrying out charity work or volunteering once they have retired. The most common motivation is to give something back to the community (49 per cent) and to stay active by getting out of the house (48 per cent).

A NEW MODEL FOR LATER LIFE

It's clear that the first baby boomers are setting out a new model for later life, and getting the most out of their improved physical health and the freedom to continue working for longer. Many people find that staying active in a job helps to keep them young at heart – with the bonus being that it boosts their earning and savings potential in the process.

The key to making the most of this opportunity is for people to start planning for their 60s and beyond well in advance. In this way, rather than accepting the old retirement stereotypes, you can have the freedom of choice about whether you continue to work or not, rather than feeling forced to carry on out of the demand to meet financial commitments. ■

ARE YOU USING YOUR WEALTH TO GET WHAT YOU WANT FROM YOUR LIFE?

Everyone enjoys using their wealth in different ways. For you, it might be the joy of travel, helping others through philanthropy, sharing your success with family and friends or your passion for collecting. It might be the simple freedom to do what you want, when you want. Whatever your priorities, we can help you use your wealth by ensuring it's working for you now and is structured to be flexible for the future. To discuss your requirements, please contact us.

TRUST IN YOUR FUTURE

A renaissance period for investment trusts

Investment trusts have had to exist in the shadow of unit trusts for the past few decades. But in rising markets investment trusts generally outperform other funds and can deliver more stable, growing income streams.

SUPERIOR PERFORMANCE RECORDS

Investment trusts are in a renaissance period and are coming up on the radar of more people, far more than five to ten years ago. There is a lot more attention on the superior performance records of these trusts versus their equivalent open-ended funds.

Investment trusts can play a useful role in your investment line-up. They were born in 1868, are closed-end products listed on the London Stock Exchange and unlike their more popular rival, unit trusts, they have a fixed number of shares in circulation.

> The opportunity to buy a trust at discount is like shopping and finding a bargain you know is worth more than the price.

BROADER ECONOMIC MARKET

You can buy these shares when the trust is first launched in the offer period or you can trade them on the stock market. Although a trust's share price generally moves in line with the value of its investments, the price can be affected by a range of factors, such as demand from investors and the situation in the broader economic market.

Buying or selling shares when the price is below the value of the trust's assets is called trading at a 'discount', while the opposite scenario of the shares being higher than the asset value means you're trading them at a 'premium'.

INCREASE YOUR RETURNS

In contrast to other types of fund, investment trusts can borrow money to boost investment. This is known as 'gearing'. Although gearing can increase your returns when markets are on the up, it can exacerbate your losses if markets are falling. The more gearing the trust has, the more likely your gains, or losses, will be magnified. Gearing is one of the ways in which investment trusts have managed to beat their unit trust peers.

Aside from higher returns over the long term, investment trusts can provide a more stable, growing income. Whereas unit trusts tend to invest in equities or bonds, investment trusts have the ability to tap harder-to-access areas such as private equity.

SHOPPING AND FINDING A BARGAIN

The opportunity to buy a trust at discount is like shopping and finding a bargain you know is worth more than the price. But if you're concerned about the price fluctuating or the discount widening even further, trusts tend to have 'control mechanisms' in place.

Historically, most investment trusts have traded at a discount and often traded at high discounts. Now, many have a discount control mechanism where the board can buy back the shares, which is a good thing, to ensure there are not discounts of 40-50 per cent.

TRADING AT A PREMIUM

On the flipside, if a trust is trading at a premium, it does not mean it's worth writing off. You need to look at your time horizon. It's less of an issue if you're invested for ten years with a quality manager.

Investment trusts have tended to have lower charges, which can help to boost your gains over the long term. A major benefit of investment trusts is that they are usually cheaper than open-ended funds, and this should help to increase their popularity. ■

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

HELPING YOU GROW YOUR WEALTH IS AN IMPORTANT PART OF WHAT WE DO

There are many different ways to grow your wealth. Our skill is in helping you to understand your choices, and then helping you to make the investment decisions that are right for you. That depends on your life priorities, your goals and your attitude to risk. To discuss how we could help you, please contact us.

> In contrast to other types of fund, investment trusts can borrow money to boost investment. This is known as 'gearing'.

YOUR ISA ALLOWANCE
If you are over 18 and a UK resident, then each tax year you have an ISA allowance.

DID YOU KNOW?
You can split your allowance and save up to £5,640 in a Cash ISA in 2012/13 and then invest the remainder in a Stocks & Shares ISA.

TIME IS RUNNING OUT

Have you fully used your 2012/13 ISA allowance?

In times like these, every penny counts. Interest rates are at historic lows and rising inflation can erode our buying power. But one way to mitigate these effects is to shield savings from tax by investing through an Individual Savings Account (ISA).

The 5 April ISA deadline is fast approaching and, if you don't invest by then, you will lose forever your 2012/13 tax year ISA allowance.

A FLEXIBLE 'WRAPPER'

An ISA is not itself an investment – it's a flexible 'wrapper' under which a wide range of investments can be made, and the proceeds are free of capital gains or income tax. You can choose from two types of ISA – Stocks & Shares ISAs (shares, bonds or funds based on shares or bonds) and Cash ISAs. Stocks & Shares ISAs are also known as Equity ISAs.

YOUR QUESTIONS ANSWERED

The 5 April ISA deadline is fast approaching and, if you don't invest by then, you will lose your 2012/13 tax year ISA allowance forever.

Here are answers to some of the most common questions we get asked about ISAs.

Q. What is an ISA?

A. ISAs began on 6 April 1999. With an ISA you are entitled to keep all that you receive from that investment and not pay any tax on it. You can save up to £11,280 in the current 2012/13 tax year. A tax year runs from 6 April to 5 April in the following year. The ISA scheme provides different ways of saving to meet people's different needs. You can plan for the short term or put your money away for much longer.

Q. What are the different types of ISA?

A. There are two types of ISA: Cash ISAs and Stocks & Shares ISAs. In each tax year you can put money, up to certain limits, into one of each. Cash ISAs may be suitable for short-term savings, so that you can get at your money easily.

Stocks & Shares ISAs may be appropriate if you can afford to leave your money untouched for longer than, say, five years.

Q. Can I have an ISA?

A. You have to be aged 16 or over to open a Cash ISA, or 18 or over to open a Stocks & Shares ISA. You also have to be resident and ordinarily resident in the UK for tax purposes, or a Crown employee, such as a diplomat or a member of the armed forces, who is working overseas and paid by the government. The spouse, or civil partner, of one of these people can also open an ISA. You cannot hold an ISA jointly with, or on behalf of, anyone else.

Q. How many ISAs can I have?

A. There is a limit to the number of ISA accounts you can subscribe to each tax year. You can only put money into one Cash ISA and one Stocks & Shares ISA.

But, in different years, you could choose to save with different managers. There are no limits on the number of different ISAs you can hold over time.

Q. How much can I put into ISAs?

A. In the tax year 2012/13, which ends on 5 April 2013, you can put in up to £11,280 into ISAs. Subject to this overall limit, you can put up to £5,640 into a Cash ISA and the remainder of the £11,280 into a Stocks & Shares ISA with either the same or another provider.

So, for example, you could put:

- £5,640 into a Cash ISA and £5,640 into a Stocks & Shares ISA; or
- £3,000 into a Cash ISA and £8,280 into a Stocks & Shares ISA; or
- nothing into a Cash ISA and £11,280 into a Stocks & Shares ISA

Q. What are the tax benefits of an ISA?

A. You pay no tax on any of the income you receive from your ISA savings and investments. This includes dividends, interest and bonuses. UK dividend income has been taxed at source at the rate of 10 per cent and this cannot be reclaimed by anyone. You pay no tax on capital gains arising on your ISA investments (losses on ISA investments cannot be allowed for Capital Gains Tax purposes against capital gains outside your ISA). You can take your money out at

> Once a parent or guardian opens the account for their child, anyone, friend or family, is able to make a contribution up to the annual limit.

STOCKS & SHARES ISAs

The allowances for Stocks & Shares ISAs for this tax year and the next one are:

* **2012/13:** £11,280
* **2013/14:** £11,520

any time without losing tax relief. You do not have to declare income and capital gains from ISA savings and investments or even tell your tax office that you have an ISA.

Q. Can I put money into an ISA for my child?

A. Junior ISAs are a popular way for family and friends to build up tax-efficient savings and investments to help with the cost of university, provide a deposit for a house or simply give children a start in life. Any child resident in the UK qualifies who wasn't eligible for a Child Trust Fund (CTF):

* Children born on or after 3 January 2011
* Children (aged under 18) born on or before 31 August 2002
* Children born on or between 1 September 2002 and 2 January 2011 who didn't qualify for a Child Trust Fund. Most children born between these dates did qualify for a CTF

The current maximum allowance per child per tax year is £3,600 and this will increase to £3,720 for the 2013/14 tax year. The account is held in the child's name and a parent or guardian can open and manage the child's account. Once a parent or guardian opens the account for their child, anyone, friend or family, is able to make a contribution up to the annual limit. No withdrawals are permitted until the child reaches the age of 18, at which point their account is automatically converted into an 'adult' ISA giving them full access to their investments and savings. ■

LET US HELP YOU MAKE THE RIGHT ISA CHOICE

This tax year you can shelter up to £11,280 from tax by investing in an ISA. To discuss how we could help you save tax and make more of your ISA investments, please contact us. Don't miss the 5 April deadline to benefit fully from this year's ISA allowance.

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

SOCIAL CARE IN OLD AGE CAPPED AT £75,000

Measures introduced through the Care and Support Bill come into effect in April 2017

Bills for long-term care in old age are to be capped at £75,000 in England. The recent announcement for changes to social care is thought to be part-funded by a freeze on the inheritance tax 'nil rate band' threshold.

Chancellor George Osborne announced during the Autumn Statement 2012 that inheritance tax rates would rise from £325,000 (£650,000 for married couples and registered civil partners) to £329,000 (£658,000 for couples) in 2015/16. This will now be delayed until 2018/19. As a result of this three-year extension, more people could be subject to an inheritance tax bill. Inheritance tax is charged at 40 per cent and is payable when the value of an estate exceeds the available nil rate band threshold.

DISAPPOINTMENT AT THE LEVEL OF THE CAP

Jeremy Hunt, the Health Secretary, told the Commons in February that the 'historic' long-term care reforms would save thousands of people from having to sell their family home to pay for care. Some campaigners voiced their disappointment at the level of the cap, which was more than double the £35,000 recommended by the independent Dilnot Commission in 2011.

MEANS-TESTED GOVERNMENT SUPPORT

Alongside the cap, Mr Hunt announced a rise – from £23,250 to £123,000 – in the asset threshold beneath which people will receive means-tested government support for care bills. He also announced a lower cap on costs for people who develop care needs before retirement age, as well as free care for those who have needs when they turn 18.

Andrew Dilnot, whose report recommended a cap of between £25,000 and £50,000, said he was disappointed by the government's proposal of a higher level, but did not think it would undermine his system. The proposed £75,000 cap from 2017 equated to £61,000 at 2011 prices, he pointed out.

The measures will be introduced through the Care and Support Bill and come into effect in April 2017. ■

HOW CAN WE HELP YOU?

We recognise that everyone's needs are different and choosing the best care provision for you or a family member is an important decision. To discuss how we could help you make an informed choice, please contact us.

UK CREDIT RATING DOWNGRADE

The UK has lost its AAA credit rating for the first time since the 1970s

The credit rating agency Moody's, at the end of February, downgraded the UK's sovereign debt rating from AAA to AA1, relegating the UK to the second tier for the first time since 1978. The announcement made headline news, but it was far from unexpected and the possibility of a downgrade had been predicted; the coalition government is taking longer than expected to reduce the UK's sizable deficit and all three leading credit rating agencies – Fitch, Moody's and Standard & Poor's – had already placed the UK on a "negative" outlook during 2012, stoking expectations of a downgrade.

GOVERNMENT'S CAPACITY TO REPAY ITS DEBTS

Credit ratings provide an indication of a government's capacity to repay its debts, but any concerns about the downgrade leading to a rise in the borrowing costs for the UK appear overplayed, at least if the recent experiences of the US and France are any indication: the US lost its AAA status in August 2011 while France was downgraded in November 2012. The borrowing costs of both nations have declined since their respective downgrades while their main stockmarket indices have risen significantly.

FISCAL CONSOLIDATION PROGRAMME

The implications of the UK's downgrade are likely to prove more political than economic. Moody's announcement highlighted the challenges that "subdued medium-term growth prospects pose to the government's fiscal consolidation programme" and the coalition government continues to face substantial challenges in its attempts to reduce the UK's debt levels. Politicians have placed considerable value on the UK's top credit rating – indeed, in the Conservative Party's manifesto of spring 2010, George Osborne pledged to "safeguard Britain's credit rating". As such, the news of the downgrade puts more pressure on the Chancellor of the Exchequer than on the economy itself.

CATALYST FOR FRESH TROUBLE

Taking everything into consideration, a drop in the UK's credit rating is not likely to make much difference to the fundamental performance or health of the country's economy. Although Moody's decision highlights the challenges that the government face, the downgrade itself is likely to represent a symptom of the existing problems rather than a catalyst for fresh trouble.

PROMISING GROWTH PROSPECTS

The decline in the value of sterling is likely to continue, as investors move their money into currencies used by countries with more promising growth prospects. A weaker pound would certainly help exporters, but it also makes imports more expensive. The price of petrol has already risen over the past month, and further increases like this are likely to put more pressure on household incomes and company profits, as well as on economic growth as a whole. A lower credit rating could also make it more expensive for the UK to borrow money.

LONGER TO RESOLVE THAN EXPECTED

In a similar way to borrowing from a High Street bank, if you are in a well-paid job and are living within your means, you will have to pay a lower interest rate on a loan than someone who the bank thinks is overstretched and maybe not able to keep up with repayments. At present, the UK needs to borrow more than £100bn a year from investors, both at home and around the world. It seems that the UK's economic problems, in line with many other countries, will take longer to resolve than expected. ■

Taking everything into consideration, a drop in the UK's credit rating is not likely to make much difference to the fundamental performance or health of the country's economy.

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.

THE ITALIAN ELECTION

Uncertain election results rekindle euro-crisis fears

The prospect of a long period of political uncertainty following elections in Italy, the euro zone's third-largest economy, has shattered months of uneasy calm in European financial markets and demonstrated that the currency union remains prey to shocks.

Italy's protest vote against the Eurocrats has wrenched market attention away from the hunt for yield and back onto political risk. The social disaffection caused by youth unemployment has been strikingly reflected by the surge of the Five Star movement.

Italian economic fundamentals are fragile and the recession still deep. At best, the political impasse in Italy will push back the market's expectation of a recovery there. At worst, the contraction could deepen as consumer and business confidence cowers under an extended period of political uncertainty.

Italian economic fundamentals are fragile and the recession still deep. At best, the political impasse in Italy will push back the market's expectation of a recovery there.

AUSTERITY-FIRST SOLUTION

The elections have also emphasised that the most powerful opposition to the euro-zone crisis managers' austerity-first solution to the bloc's financial crisis could come from the ballot box. Three polls last year—a referendum in Ireland on new fiscal rules and elections in the Netherlands and Greece—went in favour of the euro's political masters, in Greece's case only just. However, in Italy, the euro zone seems to have run out of luck in a vote interpreted as a rejection both of the country's traditional political class and of the austerity many Italians see as being imposed on them by Brussels and Berlin.

FINANCIAL-MARKET TRANQUILLITY

The return of growth in Southern Europe is officially projected to be reached in the next 12-18 months, but may have been further postponed due to recent uncertainty. But there was no sign of any rethink: euro-zone governments and the European Commission have urged Italy to stick to the path of economic overhauls and budget stringency. The election has challenged the optimism beginning to emerge among politicians that the crisis was over, which had been encouraged by the financial-market tranquillity following the promise from European Central Bank President Mario Draghi in July to "do whatever it takes" to save the euro.

A GRAND COALITION

We can now expect weeks of hiatus in the Italian political system as political leaders discuss whether they can form a grand coalition that can govern the country seems a certainty. Nothing formal can happen until March 15, at the earliest, when Parliament is formally convened. By May 15, President Giorgio Napolitano's mandate will expire and a new president must be elected. An early decision to call new elections seems unlikely: to do so in an apparent effort

to get the "right result" for the EU risks a further backlash among voters.

FISCAL DISCIPLINE

The political will to preserve Eurozone stability has been proven in Greece. A new government in Italy, when it is eventually formed, is more likely to be unstable and ineffective than unorthodox and radical. Fiscal discipline is likely to be broadly preserved even if serious structural reforms are now off the agenda. Hence, the negative market reaction to events in Italy may provide an opportunity to buy into the periphery, albeit at significantly higher yields. It will be important to keep an eye on the rating agencies, who could well jangle nerves with another downgrade if policy uncertainty in Italy persists. ■

> The elections have also emphasised that the most powerful opposition to the eurozone crisis managers' austerity-first solution to the bloc's financial crisis could come from the ballot box.

Silvio Berlusconi

WARREN BUFFETT, ONE OF THE MOST SUCCESSFUL INVESTORS OF THE 20TH CENTURY

The important tenets of his investment philosophy and mythology

Warren Buffett is considered by many as the most successful investor of the 20th century and named "one of the most influential people in the world" by Time magazine in 2012. In this article we look at Buffett's investment mythology and analyse some of the most important tenets of his investment philosophy.

FINDING LOW-PRICED VALUE

While evaluating the relationship between a stock's level of excellence and its price, Buffett asks himself several questions to find low-priced value:

HAS THE COMPANY CONSISTENTLY PERFORMED WELL?

He looks at a company's return on equity (ROE) and determines whether or not they have consistently performed successfully, compared with others in the same industry. However, looking at the ROE of a company over the last year alone isn't enough. To get a better perspective of historic performance, investors should view the ROE from the past 5-10 years.

HAS THE COMPANY AVOIDED EXCESS DEBT?

Buffett also considers the debt/equity ratio of a company, as he would prefer to see minimal amounts of debt, meaning that earnings growth is being generated from shareholders' equity and not from borrowed money. A high level of debt compared to equity will result in volatile earnings and large interest expenses.

ARE PROFIT MARGINS HIGH? ARE THEY INCREASING?

Not only does the profitability of a company depend on a good profit margin but also their margins consistently increasing. A high profit margin means that the company is not only executing its business well, but increasing margins means management has been efficient and successful at controlling expenses. Investors should look back at least five years to get a clear indication of a company's historical margins.

HOW LONG HAS THE COMPANY BEEN PUBLIC?

One of Buffett's criteria is longevity: value investing means looking at companies that have stood the test of time but are currently undervalued. He will usually consider companies that have been around for at least 10 years, meaning that he would not consider most of the technology companies that have had their initial public offerings (IPOs) in the past decade. Historical performance is also crucial – determining if a company can perform as well going forward as it has done in the past is tricky, but Buffett is very good at it.

DO THE COMPANY'S PRODUCTS RELY ON A COMMODITY?

He will usually steer clear from investing in companies whose products are indistinguishable from those of their competitors; if they don't offer anything different than another firm within the same industry, Buffett sees little that sets them apart. He uses the term 'economic moat' as a way of describing any characteristic that is hard to replicate; the wider the moat, the harder it is for a competitor to gain market share.

IS THE STOCK SELLING AT A 25 PER CENT DISCOUNT TO ITS REAL VALUE?

The most difficult part of value investing is determining whether a company is undervalued, and is Buffett's most important skill. Investors must analyse a number of business fundamentals, including earnings, revenues and assets, to determine a company's intrinsic value, which is usually higher than its liquidation value.

Buffett will then compare it to its current market capitalisation. If his measurement of intrinsic value is at least 25 per cent, he sees the company as one that has value - the key to this depends on his unmatched skill in accurately determining this intrinsic value.

THE PROOF IS IN THE PUDDING

As you can see from the above examples, Buffett's investing style reflects a practical, down-to-earth attitude. This value-investing style is not without its critics, but nobody can question the success it has brought. The thing to remember is that the most difficult thing for any value investor is in accurately determining a company's intrinsic value. ■

INVESTMENT STRATEGY

Our services cover a wide range of investment products and strategies. Our dedication to flexibility and innovation ensures we are able to secure new and tactical opportunities to help with your investment strategy. To discuss what you need to do next, please contact us for further information.

Information is based on our current understanding of taxation legislation and regulations. Levels and bases of and reliefs from taxation are subject to legislative 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.

Buffett also considers the debt/equity ratio of a company, as he would prefer to see minimal amounts of debt, meaning that earnings growth is being generated from shareholders' equity and not from borrowed money. A high level of debt compared to equity will result in volatile earnings and large interest expenses.

Warren Buffett

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.

THE CHILD BENEFIT TAX CHARGE

The child benefit tax charge, introduced on 7 January, affects over one million families

A family with 2 children could soon see their annual spendable income drop by up to £1,752 p.a. in 2013/14, while those with 3 children could lose £2,449 pa. With prices rising faster than incomes, it is imperative for many families to know how they will be affected, and what options are available to help improve their situation.

WHAT ARE THE IMPLICATIONS OF THE TAX CHARGE?

Benefit payments will continue to be paid in full to the claimant, but if the household's highest earner's personal taxable income exceeds £50,000 per tax year then the amount will be clawed back by way of a tax charge. Once taxable income exceeds £60,000 in a tax year, the charge will be 100 per cent of the benefit claimed i.e. the value of the benefit is wiped out. For incomes between £50,000 and £60,000, the tax charge is 1 per cent for every £100 income exceeds the £50,000 threshold. Overall, these people will benefit, as the tax charge will always be less than the benefit claimed.

For the 2012/13 tax year, the tax charge will never exceed 25 per cent of the yearly benefit claimed as the tax charge will only have been operational for one quarter of the current tax year. As such, the tax will be limited to £438 where benefit is being claimed for 2 children, or £612 for 3 children. Around 500,000 people will need to complete a tax return for the first time. The tax charge will be collected under self assessment; therefore, for those submitting online, the first return will need to be in by 31 January 2014. It is important to note that failure to do so could result in fines and late payment penalties.

WHAT ACTION CAN BE TAKEN?

This will very much depend on an individual's personal circumstances and priorities. Making an individual pension contribution to reduce income to below £50,000 would wipe out the child benefit tax charge altogether, while higher rate tax relief would also be available on the contribution if it all falls in the higher rate band. Any contribution reducing income to a level between £50,000 and £60,000 will still result in a surplus of child benefit over the tax charge, and a tax return would still need to be completed.

A pension contribution by salary sacrifice is an alternative way of reducing taxable income. With the employer's agreement, an employee can reduce their contractual income in return for an equivalent employer payment to their pension. The employee will also save NI at 2 per cent for payments over the upper earnings limit - if the employer agrees to pass their 13.8 per cent NI saving on to the pension then the contribution itself can be increased. Another alterative is to simply continue claiming the benefit and paying the tax, which is a more likely consideration for those families where the higher earner has adjusted net income between £50,000 and £60,000, when the benefit will still exceed the tax charge. ■

ARE YOU CONCERNED ABOUT THE CHILD BENEFIT TAX CHARGE BEING UNFAIR AND COMPLEX?

To discuss how we could help you understand the complexities of the child benefit tax charge and secure the best results for your individual needs, please contact us for further information.

HOW TO MAKE THE MOST OF YOUR PENSION

Take a look at our checklist to see how we could help you

The closer you get to retirement, the greater the need to preserve your savings and ensure they will last all through your retirement. In addition, you'll need to consider whether you need to make changes to your investments as you approach retirement.

With less than five years to go before retirement, there is still a lot you could do to maximise your eventual pension income. Take a look at our checklist to see how we could help you make the most of your pension pot.

CHECKLIST IN THE RUN-UP TO YOUR RETIREMENT

- Request up-to-date statements for your personal and company pensions
- Get an up-to-date state pension forecast at direct.gov.uk
- Trace any lost pensions through the Pension Tracing Service at direct.gov.uk
- Include any investments and savings when assessing your retirement income
- Seek professional financial advice if there's a significant shortfall, as delaying or phasing retirement could be an option
- Reduce any potential investment risk to protect your pension from any downturns in the stock market as you approach retirement
- If possible, augment your pension by increasing your contributions and/or adding lump sum payments
- Take advantage of any unused pension tax allowance. Current rules allow you to carry unused allowances forward for three years
- Think about whether you want to take your pension as an annuity or through income drawdown
- If you want to take an annuity, decide which type. An annuity can, for example, increase by a set percentage or be linked to the rate of inflation
- Look at impaired life annuities if you have any serious health issues
- If appropriate, consider consolidating your pension or pensions to a Self-Invested Personal Pension (SIPP) if you want to take income drawdown

- Consider whether you want to take 25 per cent of your pension pot as a tax-free lump sum and think about how you might use this money
- Write a will or review any existing will you have in place
- Check what will happen to your pension if you die
- Assess the value of your estate for inheritance tax (IHT) purposes and consider ways to reduce a potential liability

Seek professional financial advice if the value of your estate is significantly higher than the nil rate IHT band (currently £325,000) or your financial affairs are complicated ■

NEED HELP?

What should you be doing in the run-up to retirement? To discuss your options, please contact us for more information. Don't leave it to chance.

All figures relate to the 2012/13 tax year. A pension is a long-term investment, and 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. The Financial Services Authority does not regulate estate planning, wills or trusts.

With less than five years to go before retirement, there is still a lot you could do to maximise your eventual pension income. Take a look at our checklist to see how we could help you make the most of your pension pot.

A BLEAK PICTURE OF PEOPLE'S ABILITY TO COPE WITH FINANCIAL SHOCKS

Are you prepared for the financial needs and challenges that may lie ahead in the future?

Almost 15 million people across the UK (31 per cent of the adult population) are not currently making any efforts to save for the future, while eight million people (17 per cent) have no savings to their name at all, according to Scottish Widows' seventh annual Savings and Investment Report.

MANAGING TO PUT SOMETHING AWAY

Although 63 per cent of Britons are managing to put something away, nearly a third (32 per cent) have a total pot of less than £1000, which is less than the UK average combined monthly mortgage and council tax costs (£1009). In addition, almost one in five of those who expect their financial priorities to change are seriously concerned about job security for the coming year.

These statistics paint a bleak picture of people's ability to cope with financial shocks that could hit now or in the future.

FAMILIES SHOULDER THE BURDEN

A 25 per cent of respondents with families have loaned 'a substantial amount' to their children, often to simply help them meet daily living expenses. Support is also provided for higher education and property purchases, with an average loan of almost £15,000 – an 11 per cent increase from the amount reported last year. Interestingly, when asked what they'd rather give their children money for, parents opted for helping them get on to the housing ladder (63 per cent) over university fees (21 per cent).

A STARK IMPACT ON PARENTS' FINANCES

This level of support is having a stark impact on parents' finances with a quarter (24 per cent) cutting back on their savings and almost one in ten (8 per cent) stopping saving altogether.

However, it isn't just parents funding their children; whole families are pulling together to support each other. The report shows that grandparents are helping their grandchildren; children are lending money to their parents, and siblings are also supporting each other. Specifically, on average grandparents have lent £3,665 to their grandchildren, 6 per cent have lent to their parents with an average amount of £4,371 exchanging hands and 9 per cent of people have lent an average £3,485 to their sibling.

THE SAVINGS SHORTFALL SPIRAL

The wider economic climate is also increasing the pressure on those struggling to save. 30 per cent of people report that they have been forced to cut back on their savings by rising costs, whilst a further 27 per cent are saving less than two years ago, principally due to a lower level of disposable income. Across the board, the majority (64 per cent) of people report that having no money available is a major barrier to saving.

IMPORTANCE OF BUILDING A SAFETY NET

People clearly recognise the importance of saving something towards their future financial wellbeing, which is encouraging. The importance of building a safety net for themselves and their families is a priority, with 63 per cent of people reporting that they managed to save some money in the last 12 months. However, just a quarter of those people believed they were saving enough to meet their long-term needs, with a further 37 per cent saying they would definitely not be achieving this goal.

When we are faced with immediate financial commitments, such as mortgage payments and day to day living expenses, then it is absolutely necessary to give these pressing needs priority. However, taking a wholly short-term view of our finances will mean we are unprepared for the financial needs and challenges that lie ahead in the future. ■

IS IT TIME TO TALK TO US?

To discuss how we could help you to review your current financial situation and plan for your future goals, please contact us for further information.

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.

WILL YOUR RETIREMENT STRATEGY MINIMISE POTENTIAL TAXES AND DUTIES ON YOUR DEATH?

Immediate access to your pension funds, allowing you to take out what you want, when you want it

As your wealth grows, it is inevitable that your estate becomes more complex. With over 400,000 people now expected to reach age 75 each year [1], more and more people could be faced with a 55 per cent tax charge on any money left in their pension fund when they die.

FREE OF ANY DEATH TAX

Money saved via a pension can be passed on to a loved one, usually outside the pension holder's estate and free of any death tax, provided the pension fund has not been touched and the pension holder dies before age 75. People fortunate enough not to need immediate access to their personal pension may therefore decide not to touch those savings for as long as possible.

However, once someone reaches age 75, the death benefit rules change dramatically and their entire pension fund may become subject to a 55 per cent tax charge on death. This means it can become a race against time for many individuals to reduce the impact of this charge.

FLEXIBLE DRAWDOWN LIFELINE

It can take years to move money out of the 55 per cent death tax environment using capped income withdrawals due to the set limits on the amount that can be withdrawn each year. A lifeline can, however, come in the form of flexible drawdown. Flexible drawdown can provide people with immediate access to their pension funds, allowing them to take out what they want, when they want it. Flexible drawdown is only available to people who are already receiving £20,000 p.a. minimum guaranteed pension income – which can include their state pension entitlement.

For individuals who wish to leave as much as possible to their beneficiaries, taking income from their pension and gifting it to their beneficiaries under the 'normal expenditure' rules will allow certain amounts of money to be passed to their beneficiaries outside their estate.

PASSING MONEY OUTSIDE THE ESTATE

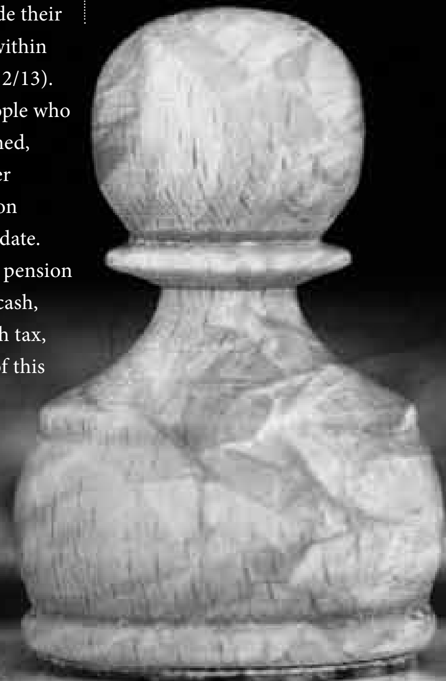
This may be more tax-efficient than suffering the 55 per cent death tax charge, or the 40 per cent inheritance tax charge if the money is simply brought into their estate. Any money taken out under flexible drawdown will be subject to income tax, so higher rate tax payers need to be careful to ensure the money is either passed on outside their estate tax-effectively or that their estate is within the annual IHT allowance of £325,000 (2012/13).

This may be particularly relevant for people who are approaching, or who have already reached, their 75th birthday, especially as many older pension arrangements will not allow pension savings to continue to be held beyond that date.

Younger people who have accessed their pension fund, even if it's just to take the lump sum cash, could also be at risk of the 55 per cent death tax, and could benefit from moving funds out of this environment as efficiently as possible. ■

WANT TO INVESTIGATE THE OPPORTUNITIES AVAILABLE TO YOU?

The benefits of flexible drawdown should not be underestimated. Putting off accessing your pension income could store up problems when you reach age 75. But once someone does access their pension fund, regardless of age, flexible drawdown can dramatically help with estate planning. To investigate the opportunities available to you, please contact us today.



[1] Office of National Statistics, figures from 2011 Census.

Flexible drawdown is a complex product. If you are at all uncertain about its suitability for your circumstances you should seek professional financial advice. Your income is not secure. Flexible drawdown can only be taken once you have finished saving into pensions. You control and must review where your pension is invested, and how much income you draw. Poor investment performance and excessive income withdrawals can deplete the fund.

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