

# MONEY VIEW

Spring 2012

Your Pensions, Savings, Investments and more

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## With Uncertainty Comes Opportunities

**Have a Financial Spring-Clean to ensure you're making the current marketplace work to your advantage.**

changed in just the last five years. Back at the start of 2007, there was no iPhone. Word had only just started to get around about Facebook and Woolworths was on every High Street! That's why taking a longer-term view may well make sense. And who knows, in five years time it could be a much rosier environment.

### Prospects for 2012

As for the immediate future, the wide-  
range of market players

**Copy will be updated, if needed, throughout the issue cycle**

Whatever happens, it's likely that there will continue to be a lot of activity within the marketplace.

ments and to ensure your retirement planning is on track.

### The way ahead

Going forward, whatever you are investing for, whether it be for a property purchase, school fees, or retirement, always remember that your choice of investment should be dictated by your time horizon, attitude to risk and tax position.

Additionally, you may also need to consider if recent events or lifestyle changes could now impact upon that attitude to risk.

And with regard to your tax position, don't forget that now's the time to ensure you've considered utilising your allowances against investment and pensions contributions before the end of tax year on 5 April 2012.

**So do get in touch with us to discuss your current financial needs.**

**The value of investments and the income from them can go down as well as up and you may not get back your original investment.**

**Past performance is not a guide to future performance.**

**HM Revenue and Customs practice relating to taxation are subject to change which may affect your investment.**

» Almost daily, we hear the various tales of woe, in the UK, the Eurozone and further afield, as the markets react to each new development.

On a positive note, we've seen initiatives by the Central Banks of the US, Eurozone, UK, Japan and others joining forces to do their bit to help ease some of the strains within the global financial system.

But whilst these are difficult times, it does help to also look at the picture over the longer-term, rather than purely reacting to the market sentiment of the hour.

Take the FTSE100 index, for example, which has suffered in recent times. Whilst its current position is well below the peak of just under 7000 in 1999, or even the 6000 figure of mid 2011, it's still a lot higher than the low of around 3500 back in March 2009.

### Consider the past

And if you're trying to look to the future, just think how much the wider world has

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# Beat the Deadline

End of Tax Year push

The end of tax year is looming, so do make sure you've given consideration to this year's £10,680 allowance for your Individual Savings Account (ISA).

» If the funds are available, have you used up your allowance? Even if you have, perhaps it may make sense for us to review your current portfolio.

As you probably know, there are different options afforded by an ISA. It can be used to: **save cash** - where the interest will be tax-free. Or it can be used to **invest in stocks and shares** - where any capital growth will be tax-free and there is no further tax to pay on any dividends you receive. Or as a **mix of both** cash and shares.

### Share-based benefits

If you make gains of more than £10,600 from the **sale of shares** and certain other assets in the tax year 2011-12, you will normally have to pay Capital Gains Tax (CGT). However, you will not have to pay any CGT on gains made from:

If you're a holder of a dividend-paying share, you can elect to have the dividend paid inside or outside your ISA. If you elect to have the dividend paid inside your ISA, you will pay 10% on dividends as a 'tax credit' against the dividend and you will not have to pay any ISA investment tax.

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### How it works

You can invest the entire £10,680 allowance into stocks and shares, or allocate up to half of it - £5,340 - to cash. And if you have a partner or spouse you could jointly

commit up to a £21,360 allowance (in your two separate accounts/investments).

There are many suitable mutual funds and investment trusts which are ISA-able and we can provide information on those that best reflect your attitude to risk and meet your investment horizon.

Do give us a call to discuss this further.

A stocks and shares ISA is a medium to long-term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investment and any income from them can fall as well as rise. You may not get back the amount you invested.

Tax concessions are not guaranteed and may change in the future.

## New Kid on the Block

Parents predict that the cost of supporting their children up to the age of 18, will total £100,000. This includes costs such as housing, education and deposit for a home.

Need any convincing that on-going newsletter marketing works?

87.5% of firms that have taken 5+ issues of the sister title, The Mortgage newsletter, since 2003 are still trading - somewhat better than the fallout across the overall mortgage broker marketplace.

OK, it's not all down to us, but it makes you think!

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payments each tax year. If the recipient is a child under 18 and does not have a trust, the ISA will be a Junior ISA.

Senior ISA. If you're a holder of a Senior ISA, you can't have a Junior ISA until you're 18. If you're a holder of a Junior ISA, it will convert to a Senior ISA when you're 18.

It's important to consider how you can help out, this is not just about the money that can be made.

any way that savings can be made on their behalf, especially if you'd rather not pass across control when they are 18. Or perhaps you'd want the option of having access to the money prior to them hitting 18.

Talk to us to find out more about the new Junior ISA, or to assess alternative options.



Did you know that the average life expectancy for those who were aged 65 across 2008-10 was projected to be a further 18 years for men and 20.6 years for women. (Source: Office for National Statistics, October 2011)

# It's all Ours

» If today's 65 year-old could, on average, live well into their 80's, then, with increasing longevity, you can understand why it's important to plan for what may be, a long retirement!

As part of this process, increasing numbers are keen to have greater control over their investment decisions, as part of their pension planning. And setting up a **Self-Invested Personal Pension (Sipp)** could help meet those needs. If you already have a company pension in place, that's not a problem, as you can contribute to more than one scheme.

And with regard to tax, a Sipp will also offer the same tax advantages as other pension arrangements.

## Buy your own premises!

A key benefit of a Sipp is that it delivers the flexibility to have a truly diversified portfolio across a **range of investment choices**, such as cash, equities (both UK and foreign), unit trusts, gilts, investment trusts and commercial property.

Take the latter, for example, this facility is often used by people who want to **purchase their own premises** and then rent it back to their company. The rental is then tax-free into the Sipp. You can also use a Sipp to buy a property

And Sipp's also give you the option a taking an income directly from your pension at retirement, rather than having to buy an annuity for life. This drawdown facility allows you to take up to 25% of your pension investment as tax-free cash, and then receive an income from the remaining money in your pension pot.

## Not just for the wealthy

And these days, Sipp's are no longer the domain of the wealthier investor, as there are now plans out there with relatively low monthly contributions. However, Sipp's won't be right for everyone. And due to their complexity, they can offer more options than most people would ever require, resulting in higher charges than normal.

**To arrive at the best decision for you, advice is essential. So talk to us first.**

**The value of investments and the income from them can go down as well as up and you may not get back your original investment. Income Drawdown carries significant investment risks, as your future retirement income remains totally dependent on your pension fund performance. This**

## AUTO-ENROLMENT

From October 2012 (subject to the employer's own introduction date), all eligible workers will have to be auto-enrolled into a pension scheme. This process will affect the larger companies, with the smaller ones having a cut-off date of October 2015. Workers will be able to opt out of their employer's scheme if they

## The

» These

of Annuity standard estate surety of paying that's guaranteed

The actual amount dependent on a number

of your pension fund, you

and how the economic climate

recent years the climate for Annuities

has not been favourable, with poor stock

market returns, quantitative easing and falling interest rates.

Additionally, the requirement to buy an annuity by age 75 was relaxed last April, enabling you to consider other options.

**An annuity has been the historical product that provides a regular retirement income in exchange for a lump-sum from your pension scheme.**

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## Bad news is good news!

It's not often that ill-health can work to your advantage. However, if you suffer from certain medical conditions, then you may qualify for an 'Enhanced Annuity', which pays a much better income, as you're not expected to live as long!

**Whatever you do, take advice before proceeding.**

YOU CAN CHOOSE FROM FOUR STORY CHOICES FOR PAGE 4 (OPTION 1)



Did you know that if there isn't a legal arrangement in place to protect the children - and both parents die - they might have to go into care!

# Do the right thing...

» As unlikely as this event may be, it would be a nightmare scenario if the worse did happen, yet it's relatively easy to sort out.

The simplest ways are through a Will, or by having a guardianship letter in place, both of which will set out your wishes, and whom you want to appoint as a guardian.

If you don't undertake this, the courts will decide for you, irrespective of who you would like to care for your children. It's a long and costly process, and whilst they're deciding, your children will be in care. (This is a lengthy process, and you'll be placed in care.)

Similar circumstances apply if a couple aren't married. In this scenario, the courts will not necessarily have in mind the best ability for the children, if the parent has previously granted parental rights!

These are **VERY** good reasons why it makes sense to have an all-encompassing Will in place, along with writing relevant aspects into Trust.

## Will planning

Yet a remarkable two-thirds of us don't have a Will!\* Even though dying Intestate (without a Will) may mean that whilst your spouse (or registered civil partner) will be the first person entitled to the estate, they may not inherit all of it.

*(Source: \*Advicenow website, December 2011)*

In the absence of a Will, the whole process is slowed down dramatically; often meaning that the family left behind may face financial hardship, at the worst possible time. And it's even

worse for unmarried couples!

That's why a Will should be a key aspect of your estate planning, together with giving thought to Inheritance Tax (IHT) and the use of Trusts.

## IHT planning

For those who expect to inherit or have assets to leave to others,

## Trust planning

You can set up a Trust in your lifetime or in your Will. A Trust is another legal arrangement and common uses are:

- to possibly reduce the tax liability, for example, by placing a life policy in trust.
- to help ensure life policies are paid out speedily to the beneficiaries.
- to protect beneficiaries who might be too young to handle their affairs.

to protect someone who is unable to manage their affairs because they are

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Additionally, unmarried couples and registered civil partners have been able to pass any unused portion of their nil rate band to their spouse/partner, without having to engage in complex estate planning - even if the first spouse/partner died before 2007. This could increase the IHT threshold of the second spouse/partner to as much as £650,000 in 2011-12.

seem morbid, you're vitally important. We can help you with a number of areas of areas of areas. We'll review the elements of your estate. As part of our service we will discuss with other parties the implications of legal and tax advice.

**The Financial Services Authority does not regulate Taxation and Trust advice or Will writing.**

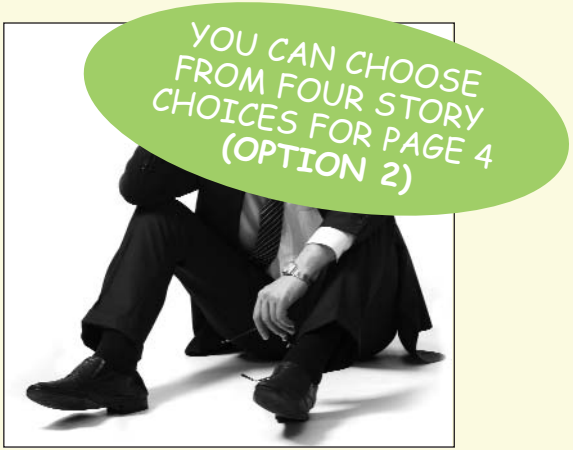
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# Protect your Income!



It's not something we like to dwell on, but would you be able to manage financially if you were off work for a period of time, due to illness or accidental injury (or even redundancy)?

» One way of protecting yourself is to take out an **Income Protection** policy. If you don't think that this could affect you, then consider this. A massive 2.6 million people are currently off work and claiming either Employment and Support Allowance or Incapacity Benefit.

(Source: Department for Work and Pensions, figures, released November 2011)

Additionally, the recession has fuelled the demand for Income Protection, with many people unable to claim unemployment benefits.

## Do your sums on premiums

Income Protection is a tax-free monthly sum in the event you are unable to work due to illness or accidental injury, or (if you have the additional cover) become unemployed. It usually pays out until you return to work, or retire (or in the case of the unemployment bolt-on, it's generally up to 24 months).

You decide how much cover you require in order to continue paying your bills. Of course, there is a maximum amount of cover you can take out. Broadly, it's slightly less than your salary after tax, although the exact amount does vary from insurer to insurer.

And Income Protection generally covers - unlike some other policies - two of the main reasons for taking time off work; stress and back pain.

With Income Protection you are also

individually assessed (rather than one size fits all), so people at low risk (ie in good health, relatively young and working in an office) won't be subsidising the rest.

And you need to factor into any planning what you may initially receive with any

## Take advice

Income Protection is a complex product so it is essential that you take advice. And if you don't think you need it, consider this example...

You may want to claim, as you're unable to continue in your current role, but are you aware of the options the insurer may have within the policy documentation? Terms could be used such as 'Own Occupation', or 'Any Occupation'. 'Own Occupation' means you can make a claim if you are unable to perform your job. Whilst 'Any Occupation' could mean you have to be unable to perform any job, this could include a role unrelated to your current one.

Additional issue... From... will remove... can vary... so it may... plan in place

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face problems... taking out this policy if you are self-employed, a temporary or contract worker, have been with your current employer less than six months, or are over 65.

### How much would your protection cover?

If you cut out just one unit each week of the items below, then you could save around £130 across a month.

Treats	£ Cost/unit (est.)		
Soft drink	.60	Pint of beer or lager	3.00
Snack	1.00	Glass of wine	3.00
Magazine	1.95	Taxi	5.00
Coffee	2.30	Cigarettes (pack of 20)	6.25
		Take-away meal	7.00

We don't expect you to give up all of life's little luxuries. However, you can see that just by keeping an eye on your spending, you could afford to set aside a little extra to improve your financial security.

■ As with all insurance policies, terms, conditions and exclusions will apply.

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YOU CAN CHOOSE FROM FOUR STORY CHOICES FOR PAGE 4 (OPTION 3)



The last year or so has been a good one for the Buy-to-Let sector, with the continued high demand for renting, resulting in decent rental incomes and lower periods of voids.

# Buy-to-Let

» In short, existing and aspiring Landlords are benefiting from the lack of available housing and the problems faced by First-Time buyers.

And, according to recent research, in 15 years time, there may be more renters in the UK than homeowners.\* When you consider that renting is the norm in Europe's most successful countries, Germany, perhaps attitudes are starting to change!

(\*Source: Grainger, November 2011)

## Positive news

Ian Potter, Chairman of the Residential Landlords Association (ARLA), said "The fact that our members are reaping the benefits of rental property is one of the reasons why with rental returns of 10% or more, anyone thinking about investing in property to rent could be well-placed to consider their options in the coming months." (Source: ARLA, November 2011)

ARLA research also showed that the average period for which a rental property is empty (between Lets) is just 2.7 weeks per year, down from an average four weeks, just two years ago.

The same research shows that 23% reported that they had bought properties in the last year. And a separate survey from Paragon - a lender - may suggest that this trend is continuing, with around 22% of landlords in their survey expected to purchase additional properties in the next 12 months. (Source: Paragon, November 2011)

This fairly positive news may encourage existing Landlords to expand their current portfolios, and could even

bring new entrants into the marketplace, who are looking for a better return for their money.

## But let's not get ahead of ourselves!

Whilst the improvement of the products on offer has resulted in 122,700 Buy-to-Let mortgages being issued in the year to September 2011,

As for the basics, in general, Lenders continue to look for a deposit of 25% or more, although there is a small trickle of 20% deposit products coming back to the market.\* The minimum rental requirement still sits around 125% of the rental return against the mortgage payments - to help cover any additional costs or voids.

(\*Source: Moneyfacts, December 2011)

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## Get in touch to find out how we

can help you. Your mortgage will be repossessed if you miss repayments on time. It will be difficult for you letting the rental property to meet the requirements of the Buy-to-Let property. The price can go down as well as up.

## Do take advice

We can help you to assess your long and short-term plans, when looking at the length of deals on offer. And you'll also need to consider how interest rate and house price moves may impact upon you, along with other costs you may face along the way, such as renovations and regulatory requirements.

## You may also require advice on the legal and tax issues.

The Financial Services Authority does not regulate legal and taxation advice, and most Buy-to-Let mortgages.

There may be a fee for arranging a mortgage and the precise amount will depend on your circumstances. This will typically be 1-2% of the mortgage.

**Your property may be repossessed if you do not keep up repayments on your mortgage.**

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