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Independent Financial Planning

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Navigating the pensions landscape

The future is always unknown, but when it comes to retirement it pays to be in the know

Why end-of-tax-year planning should now be high on your agenda

Proper tax and financial planning can lower and defer the tax you pay

Estate planning requires a strong foundation and a clear plan of action

Have you made sure your beneficiaries will be looked after?

The principal tenets of spreading risk in your portfolio

A change in the calendar does nothing to change the investment outlook

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INDEPENDENT FINANCIAL ADVISER

Editorial

The end of the tax year is fast approaching and marks a significant period of pension change as a result of the Finance Act 2011. The future is always unknown, but when it comes to retirement it pays to be in the know. On page 06 we look at some of the areas where clever pension planning between now and 5 April 2012 could provide tax-advantageous solutions for you to achieve the retirement you want.

Estate planning should start early in life and is for everyone, not just the very wealthy. It is about ensuring control of your estate and planning ahead so there are no uncertainties about how it is managed in the future. On page 04 we consider how you could minimise the effect of Inheritance Tax and ensure that your beneficiaries are looked after, especially young children or any dependants who may be vulnerable and need special care.

A review of your financial and tax planning to maximise your net income and your business and family assets should now be high on your agenda prior to the tax-year end on 5 April 2012. On page 10 find out about how proper tax and financial planning could lower and defer the tax you pay, freeing up cash for investment, business or personal purposes.

A full list of all the articles featured in this edition appears opposite. ■

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. They 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.

Families find discussing their finances and mortality 'uncomfortable'

The effects of ignoring the issue and failing to appreciate the value of protecting your family

The latest Aviva *Family Finances Report* reveals that many UK families are putting luxuries ahead of protecting their loved ones financially.

The report discovered that while 50 per cent of families are happy to pay for a satellite television package, just 40 per cent have life insurance. It also found that families are more likely to have insurance for their mobile phone (14 per cent) than insurance that will protect their family financially if they were to suffer a critical illness (13 per cent).

Similarly, more people have taken out an extended warranty on electrical items (13 per cent) than have income protection insurance, which would potentially pay an income for life should they be unable to work as a result of an accident or illness (10 per cent).

LACK OF UNDERSTANDING

The report also reveals that the majority of UK families are avoiding the issue of what they would do if something happened to an income earner because they find discussing their finances and mortality 'uncomfortable'. This is in spite of the financial worries that could be caused by not having protection, exacerbating emotional distress at a difficult time. As a result, many families ignore the issue and fail to appreciate the value of protecting their family compared to spending on other items.

AVOIDING PUTTING MEASURES IN PLACE

No one likes to dwell on poor health or mortality, but by denying that illness – or worse – is even a possibility, people are avoiding putting measures in place to protect their loved ones. Too many people assume that someone else will step in and look after their families if they weren't there to provide for them, but the reality is very different.

UNNECESSARY RISK

People need to ask themselves just how they would pay for their mortgages, their food and all the other costs of living should they suddenly lose an income. While no one likes to think about 'what ifs', by not even considering these scenarios, people could be putting the future financial security of their families at unnecessary risk. ■

WANT HELP REVIEWING YOUR PROTECTION STRATEGY?

THE RIGHT PROTECTION STRATEGY CAN PROTECT YOU AND YOUR FAMILY FROM UNNECESSARY FINANCIAL HARDSHIP. WE CAN HELP YOU SELECT THE RIGHT PROTECTION SOLUTIONS FOR YOUR SITUATION, SO PLEASE CONTACT US TO DISCUSS YOUR REQUIREMENTS.

Source – The Aviva Family Finances Report *is an in-depth study into the financial needs of the 84 per cent of the UK population who live as part of a modern family.*
Data was sourced from the Aviva Family Index, which used findings from over 10,000 people who are members of one of the six groups of families identified above via Opinion Matters. This report is a definitive appraisal of the personal finances of families in the UK. Not only does it look at personal wealth, income sources and expenditure patterns, but also tracks how these change across the different types of family unit.

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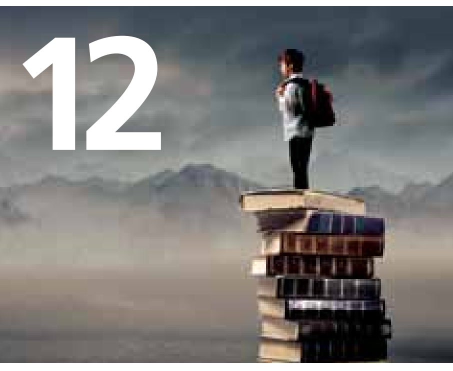

WANT TO MAKE MORE OF YOUR MONEY IN 2012?

FOR MORE INFORMATION PLEASE TICK THE APPROPRIATE BOX OR BOXES BELOW, INCLUDE YOUR PERSONAL DETAILS AND RETURN THIS INFORMATION DIRECTLY TO US.

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

Name ______

Address ______

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______

______ Postcode ______

Tel. (home) ______

Tel. (work) ______

Mobile ______

Email ______

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

Estate planning requires a strong foundation and a clear plan of action

Have you made sure your beneficiaries will be looked after?

Estate planning should start early in life and is for everyone, not just the very wealthy. It is about ensuring control of your estate and planning ahead so there are no uncertainties about how it is managed in the future.

MINIMISE THE EFFECT OF TAX

It can also help minimise the effect of tax and ensure that your beneficiaries are looked after, especially young children or any dependants who may be vulnerable and need special care. Inheritance Tax (IHT) is a tax on your estate – the things that belong to you – when you die and is also sometimes payable on trusts or gifts made during your lifetime.

IHT is often called a voluntary tax because, with careful planning, the amount your estate has to pay could be reduced or removed completely. From writing a Will, to understanding the exemptions and making lifetime gifts, there are currently several options to help mitigate IHT.

Your estate includes the total of everything you own and a share of anything you own jointly. Things that might count towards your estate include:

- Property
- Investments
- Insurance (not written in an appropriate trust)
- Payment from a pension plan or employee death benefit (unless in a trust)
- Other assets, for example, cars, art, jewellery, furniture
- Gifts you have made but still benefit from, for example, a house you have given away but still live in
- Certain gifts that you have made in the last seven years
- Assets held in trust from which you receive personal benefit
- If you own assets jointly, your share of their value is included in your estate

IHT MATTERS

For the 2011/12 tax year, no IHT is charged on the value of your estate up to £325,000. This is known as the 'nil rate band' and everything above that is taxed at 40 per cent.

If your IHT nil rate band is not used up on your death, the unused proportion can be transferred to your surviving spouse or registered civil partner.

Assets passed to your spouse or registered civil partner are exempt from IHT (assuming your spouse or partner is domiciled in the UK), regardless of your worth and how soon you die after making them. These rules also apply to gifts made to charities.

Additionally, any amount of money you give away outright will not be counted for IHT if you survive for seven years after making the gift. If you die within this period, the amount of the gift will be included within your estate. Taper relief may also apply in these circumstances and could reduce the amount of IHT due.

Bear in mind tax laws are subject to change, possibly retrospectively. Also, the rules for individuals who are not UK resident or not UK domiciled are different and therefore tax and local laws should be considered.

PLANNING FOR IHT

There are a number of things you could do to reduce your family's potential IHT bill:

Make a Will – an effective Will could help to reduce your IHT bill

Look into exemptions – there are a number of exemptions you could use to reduce the value of your estate. For example, moving assets between spouses or registered civil partners does not create an IHT liability

Consider gifts – if you can afford to give away some of the assets that you own, it may be possible to reduce the size of your estate

Think about life assurance – a life assurance plan won't actually lessen the IHT bill, but the proceeds could be used to help pay the bill on death if written in an appropriate trust

Consider trusts – if structured carefully, trusts can help to reduce or even eliminate your IHT liability ■

Tax laws are subject to change, possibly retrospectively. The rules for individuals who are not UK resident or not UK domiciled are different and therefore tax and local laws should be considered by a potential investor.

TRUST IN YOUR FUTURE

The structures into which you can transfer your assets can have lasting consequences for you and your family and it is crucial that you choose the right ones. The right structures can protect assets and give your family lasting benefits.

A trust can be used to reduce how much IHT your estate will have to pay on your death. A trust, in principle, is a very simple concept. It is a legal arrangement where the ownership of someone's assets (such as property, shares or cash) is transferred to someone else (usually a small group of people or a trust company) to manage and use to benefit a third person (or group of people).

There are basically several different types of trust to choose from, however the ones most commonly used are Bare Trusts and Discretionary Trusts.

DISCRETIONARY TRUST

A Discretionary Trust offers flexibility when it comes to deciding whom you would like to be the Beneficiaries. You (as Settlor of the Trust) together with the Trustees can change who the Beneficiaries are at any time. The Trustees have ultimate discretion to allocate capital and income to any of the Beneficiaries.

However, with a Discretionary Trust there are possible tax liabilities to be aware of. So, if you transfer assets to a Trust within seven years of death, depending on the value of assets in the Trust there could be further charges to consider during the lifetime of the Trust.

BARE TRUST

A Bare Trust ensures that, once named, the Beneficiaries cannot be changed or added to in the future. Once aged 18, a Beneficiary can ask for the trust to pay their share to them directly. The major advantage of Bare Trusts over Discretionary Trusts is that they are classed as Potentially Exempt Transfers with no immediate or ongoing IHT charges, provided the creator of the trust survives more than seven years from the date of the transfer.

WANT TO FIND OUT MORE?

FOR FURTHER INFORMATION ABOUT THE SERVICES WE OFFER AND TO DISCUSS HOW WE COULD HELP YOU PROTECT YOUR WEALTH FOR YOU AND YOUR FAMILY, PLEASE CONTACT US FOR FURTHER INFORMATION.

Growing up is hard to do

Why we are adopting a more mature approach to handling our finances

While 18 is traditionally seen to be the age at which we become adults, as a nation we are beginning to delay taking on the roles and responsibilities adulthood brings, according to new findings from Scottish Widows' *Attitudes to Planning* survey.

GROWN UP

Nearly half the population (47 per cent) do not feel like a responsible 'grown-up' in all areas of life until the age of 25, with a third (33 per cent) of Britons not feeling like an adult until they are 26 or over. Surprisingly, a massive 49 per cent of those who don't feel like a grown-up believe they will never feel like a grown-up.

However, perhaps the nation is growing up more quickly than they think, as Britons are starting to take control of their money matters at an early age, which could suggest that growing unemployment and an uncertain economic climate could be doing this.

FINANCIALLY RESPONSIBLE

On average, well over half (58 per cent) of people felt financially grown-up by the time they were 26 years old. Getting their first job was found to be the number one life stage at which most Britons (29 per cent) started to feel financially responsible, placing marriage (14 per cent) into second place. Leaving full-time education (13 per cent) came in third.

FUTURE PLANS

These figures support the earlier findings of the report, which showed the younger generation leading the way when it comes to planning for the future. By the time Britons hit their mid-30s, nearly half (48 per cent) say that they like to plan what their lives will look like, compared to just a third (31 per cent) of those aged 35 and above. These future plans are clearly weighing on their minds, with half (50 per cent) of 18 to 34-year-olds already worried that they haven't spent enough time planning for retirement. ■

48%
By the time Britons hit their mid-30s, nearly half say that they like to plan what their lives will look like

58%
Percentage of people who felt financially grown-up by the time they were 26 years old

ROAD TO CHANGE

Navigating the pensions landscape

The future is always unknown, but when it comes to retirement it pays to be in the know

5 April 2012
Clever pension planning before this date could provide tax-advantageous solutions for you to achieve the retirement you want

£1.8m
Lifetime allowance for 2011/12

The end of the tax year is fast approaching and marks a significant period of pension change as a result of the Finance Act 2011. The future is always unknown, but when it comes to retirement it pays to be in the know.

These are some of the areas where clever pension planning between now and 5 April 2012 could provide tax-advantageous solutions for you to achieve the retirement you want.

Subject to 50 per cent income tax – pay personal contributions within 100 per cent of relevant earnings threshold to reduce taxable income below the 50 per cent threshold.

Adjusted relevant income over £114,950 – pay personal contributions to registered schemes to reduce taxable income below £100,000, enabling your full personal allowance to be regained and providing marginal rate tax relief of 60 per cent on contributions paid between £114,950 and £100,000.

Carry forward of unused annual allowance from 2008/09 – this will be lost if not used. You must ensure the full £50,000 annual allowance for the 2011/12 tax year is used first, ensuring the pension input period for this contribution ends no later than 5 April 2012.

Employer contributions to reduce taxable profits in trading periods ending before 5 April 2012 – these can be used for carry forward of unused annual allowances, for the current annual allowance and for the 2012/13 tax year.

Registering for fixed protection – this must be completed no later than 5 April 2012. 2011/12 is the last tax year in which money purchase contributions can be paid if fixed protection is to apply. Maximise this year's annual allowance plus carry forward of unused relief for pension input periods ending in 2008/09 to 2010/11 tax years. Clever use of pension input period planning will allow funding of 2012/13 annual allowance this tax year to maximise input.

Recycling of unused income withdrawals as allowable contributions – minimum £3,600 but could be higher if you have relevant earnings.

Gifting income using 'normal expenditure' from drawdown funds – reduces potential 55 per cent tax charge on death from drawdown fund, while ensuring future growth is with the beneficiary and not part of taxable drawdown fund. Funding third-party contributions to pension arrangements of children or grandchildren is an option.

Early crystallisation – for some people aged over 55 crystallising benefits this tax year while the lifetime allowance is £1.8m will create higher retained lifetime allowance for future use. ■

WANT TO DISCOVER WHY A PENSION IS A WISE INVESTMENT CHOICE?

THERE HAVE BEEN SOME SIGNIFICANT CHANGES TO FINANCIAL LEGISLATION IN THE PAST 12 MONTHS AND YOU MAY BE UNAWARE OF YOUR ENTITLEMENTS. FOR MORE INFORMATION ABOUT HOW YOU COULD BENEFIT FROM SOME OF THE TAX PLANNING OPPORTUNITIES THAT PENSION FUNDING COULD PROVIDE OVER THE COMING WEEKS, PLEASE CONTACT US FOR FURTHER INFORMATION.

A pension is a long-term investment. The fund value may fluctuate and can go down as well as up. You may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

Beat the April ISA deadline

Your questions answered

Q: What is an Individual Savings Account (ISA)?
A: ISAs were set up to give you tax advantages on your savings and investments. There are two types of ISA: Cash and Stocks & Shares. You can earn interest free of UK income tax with a Cash ISA and interest free of UK income and capital gains tax with a Stocks & Shares ISA.

Q: Am I eligible for an ISA?
A: To open an ISA you have to be aged 16 or over if the ISA is a Cash ISA or 18 or over if the ISA is a Stocks & Shares ISA. You 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.

Q: What is the difference between a Cash ISA and a Stocks & Shares ISA?
A: A Cash ISA is like a normal savings account, but you don't have to pay UK income tax on your interest, provided all ISA conditions are met. Some Cash ISAs are offered as a fixed-term or fixed-rate account.

A Stocks & Shares ISA allows you to purchase investments in a 'tax-efficient' manner – your returns are free of UK Income and Capital Gains Tax. As your money is invested directly or indirectly in stocks and shares, the value of your investment can rise or fall so you could end up with less than you invested. The tax credit on an ISA dividend is not recoverable.

The Stocks & Shares ISA wrapper lets you invest in funds that have no fixed maturity date, although they are designed to be held for the medium to long term (usually five to ten years). Their value at any particular time will always depend on how well the underlying investments perform, so if this has been poor it could be less than the original amount you invested, irrespective of how long you have held the investment.

Q: How much can I contribute to an ISA?
A: Your annual ISA allowance is £10,680 in the 2011/2012 tax year. Of this, up to £5,340 can be saved in a Cash ISA with one provider. All of your allowance or the remainder can be invested in a Stocks & Shares ISA. Bear in mind that the value of tax relief depends on individual circumstances and tax rates are subject to change; if you don't pay tax, you will not benefit from any tax relief. Annual limits are also subject to review and the government's favourable tax treatment of ISAs may not be maintained.

Q: What are my annual ISA allowance options?

INDIVIDUAL SAVINGS ACCOUNT SUBSCRIPTION LIMITS

Tax Year	2011/2012
Cash ISA Limit	£5,340
Stocks & Shares ISA Limit	£10,680
Total ISA Limit	£10,680

Q: I have used all my annual Cash ISA allowance for this tax year. Can I still contribute more?
A: As your total ISA allowance is £10,680, if appropriate, you could still invest a further £5,340 in a Stocks & Shares ISA.

Q: How many ISAs can I have?
A: There is no limit on the number of ISAs you can hold, but you can only open and subscribe to one Cash ISA and one Stocks & Shares ISA per tax year. This could be a Cash ISA with one provider and a Stocks & Shares ISA with a different provider, or both with the same provider. However, be sure that you don't exceed the maximum amount you're allowed to put into ISAs each year.

Q: What is a Junior ISA?
A: A Junior ISA is a tax-efficient way to save for a child's future and can be set up in the child's name by a parent or guardian. You can set up a Stocks & Shares ISA or Cash ISA or a combination of both and any investment growth is free of UK income and capital gains tax. The annual investment limit is currently £3,600, but this will rise in line with inflation from 2013. The money is locked away until the child reaches the age of 18, giving the investment time to grow. The child is the beneficial owner of the Junior ISA. Children are not eligible for a Junior ISA if they have or were eligible for a Child Trust fund. ■

NEED HELP MAKING THE RIGHT ISA DECISION?

TIME IS RUNNING OUT IF YOU WANT TO TAKE FULL ADVANTAGE OF YOUR ISA ALLOWANCE BEFORE THE TAX-YEAR END ON 5 APRIL. REMEMBER, IF YOU DON'T FULLY UTILISE YOUR ISA ALLOWANCE BY THIS DATE IT WILL BE LOST FOREVER. SO WHATEVER YOUR WEALTH GOALS MIGHT BE, WE CAN HELP YOU PUT THAT PLAN INTO ACTION. TO DISCUSS YOUR ISA OPTIONS, PLEASE CONTACT US FOR FURTHER INFORMATION.

The value of these 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 an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

18%

Percentage of those planning to retire in 2012 who have no idea of the level of income they will need to live comfortably

37%

Fewer than two in five of the *Class of 2012* say that they have saved enough to secure a comfortable retirement

Expected retirement incomes hit five-year low

Taking some practical steps now could mean a more comfortable retirement

People retiring in 2012 expect to live on an average annual income of £15,500 – over £1,000 a year less (6 per cent) than those who retired in 2011. The figures come from Prudential's unique *Class of 2012* research, which provides insights into the financial expectations of Britons planning to retire in the next 12 months.

EXPECTED ANNUAL RETIREMENT INCOMES

The results of Prudential's annual survey, first carried out in 2008, show that expected annual retirement incomes have dropped by more than 16 per cent in the last five years. The *Class of 2008* retirees looked forward to a total annual income, including private, company and State pensions, of approximately £18,600 – £3,100 a year more than those planning to retire this year.

As a sign of the ongoing financial challenges facing those due to retire in 2012, one in five will get by on an expected annual income of less than £10,000. Fewer than two in five (37 per cent) of the *Class of 2012* say that they have saved enough to secure a comfortable retirement.

GENDER DIFFERENCE

Men are more optimistic about their retirement than women, with 45 per cent of men confident they will be financially comfortable compared with 31 per cent of women. However, nearly one in five (18 per cent) of those planning to retire in 2012 have no idea of the level of income they will need in order to live comfortably.

THE PERFECT STORM

The current economic climate has created the perfect storm for people in the run-up to retirement. The impact of the credit crunch, banking crisis, recession and concerns over the Eurozone has been reflected in the fact that expected retirement income levels have hit a five-year low.

It is concerning that expected retirement incomes are going down, while pensioner expenditure is going up. However, by taking some practical steps now, workers and imminent retirees could ensure a more comfortable retirement. For those who are still working, it has never been a more important time to save into a pension.

However, even if you are due to retire this year, you could still make your retirement funds generate better incomes. ■

NEED IDEAS ABOUT SAVING FOR YOUR RETIREMENT?

TO DISCUSS HOW WE COULD HELP YOU TO MAKE MORE INFORMED PENSION SAVING AND RETIREMENT INCOME DECISIONS, PLEASE CONTACT US.

Source – Online survey conducted by Research Plus on behalf of Prudential between 2 and 12 December 2011 among 9,614 UK non-retired adults aged 45+, including 1,003 retiring in 2012. All retirement income figures within this release are rounded to the nearest hundred.

The principal tenets of spreading risk in your portfolio

A change in the calendar does nothing to change the investment outlook

One of the principal tenets of spreading risk in your portfolio is to diversify your investments whatever the time of year. Diversification is the process of investing in areas that have little or no relation to each other. This is called a 'low correlation'.

Diversification helps lessen what's known as 'unsystematic risk', such as reductions in the value of certain investment sectors, regions or asset types in general. But there are some events and risks that diversification cannot help with – these are referred to as 'systemic risks'. These include interest rates, inflation, wars and recession. This is important to remember when building your portfolio.

FIVE MAIN WAYS YOU CAN DIVERSIFY YOUR PORTFOLIO

1: ASSETS

Having a mix of different asset types will spread risk because their movements are either unrelated or inversely related to each other. It's the old adage of not putting all your eggs in one basket.

Probably the best example of this is shares, or equities, and bonds. Equities are riskier than bonds, and can provide growth in your portfolio, but, traditionally, when the value of shares begins to fall bonds begin to rise, and vice versa.

Therefore, if you mix your portfolio between equities and bonds, you're spreading the risk because when one drops the other should rise to cushion your losses. Other asset types, such as property and commodities, move independently of each other and investment in these areas can spread risk further.

2: SECTOR

Once you've decided on the assets you want in your portfolio, you can diversify further by investing in different sectors, preferably those that aren't related to each other.

For example, if the healthcare sector takes a downturn, this will not necessarily have an impact on the precious metals sector. This helps to make sure your portfolio is protected from falls in certain industries.

3: GEOGRAPHY

Investing in different regions and countries can reduce the impact of stock market movements. This means you're not just affected by the economic conditions of one country and one government's fiscal policies.

Many markets are not correlated with each other – if the Asian Pacific stock markets perform poorly, it doesn't necessarily mean that the UK's market will be negatively affected. By investing in different regions and areas, you're spreading the risk that comes from the markets.

Developed markets such as the UK and US are not as volatile as some of those in the Far East, Middle East or Africa. Investing abroad can help you diversify, but you need to be comfortable with the levels of risk that come with them.

4: COMPANY

It's important not to invest in just one company. Spread your investments across a range of different companies.

The same can be said for bonds and property. One of the best ways to do this is via a collective investment scheme. This type of scheme invests in a portfolio of different shares, bonds, properties or currencies to spread risk around.

5: BEWARE OF OVER -DIVERSIFICATION

Holding too many assets might be more detrimental to your portfolio than good. If you over-diversify, you may be holding back your capacity for growth as you'll have such small proportions of your money in different investments that you won't see much in the way of positive results. ■

The value of these 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 an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

Why end-of-tax-year planning should now be high on your agenda

Proper tax and financial planning can lower and defer the tax you pay

A review of your financial and tax planning to maximise your net income and your business and family assets should now be high on your agenda prior to the tax-year end on 5 April 2012.

Proper tax and financial planning could lower and defer the tax you pay, freeing up cash for investment, business or personal purposes. With the 40 per cent threshold coming down as the tax personal allowance goes up, there are still ways for higher rate taxpayers to maximise their allowances ahead of the tax-year end.

MAKING SENSE OF YOUR PLANNING AND FINANCES

From 6 April 2012 the threshold for higher rate will be taxable income of £34,371, down from £35,001. So, even after including the increase in the basic personal allowance from £7,475 to £8,105 the normal higher rate threshold will remain at £42,475.

We can help you make sense of the areas you need to consider for your planning and finances, which is essential with the ever-changing tax laws and the wide range of financial products and solutions available. Below are some of the main areas that you may wish to consider discussing with us before the tax-year end.

MARRIED COUPLES

Married couples should consider whether equalisation or joint ownership of investments will transfer income to the lower-taxed one. This can be done free of capital gains tax (CGT) for married couples and registered civil partnerships.

Unmarried couples can equalise non-CGT assets such as bank accounts and may find it possible to equalise or transfer assets on which gains are less than their annual CGT exemption. Even if an asset is put into joint ownership only the day before it produces income – for example, through interest or a dividend – that income will still be split equally between both owners.

GENERAL PLANNING AND TAX SHELTERS

Reduce exposure to the 50 per cent tax rate and/or minimise the loss of personal allowances by deferring income into 2012/13 where possible, or accelerate expenditure into 2011/12.

Consider selling assets that stand at a loss in order to crystallise that loss for use against current year gains.

Review your investments to see if any have become of negligible value which could crystallise a useable loss.

If you have more than one residence, make sure you don't miss the opportunity to minimise CGT by electing within two years of any change in combination of residences.

For withdrawals from 6 April 2012, currency gains and losses will be taken out of the tax net, so avoid crystallising gains early but be sure to trigger losses before that date.

REVISIT DECEASED ESTATES

If a relative has died within the past two years, a rearrangement of their estate could put income into the hands of family members whose income level is below the 40 per cent or 50 per cent income tax threshold.

INDIVIDUAL SAVINGS ACCOUNT (ISA)

An ISA provides saving and investment in a tax-efficient environment. The current annual ISA subscription limit is £10,680.

Up to £5,340 can be invested in a Cash ISA, the balance held in a Stocks & Shares ISA. The tax credit on an ISA dividend is not recoverable.

PENSION RULE CHANGES

Making pension contributions reduces taxable income.

Pension rule changes and the transition to the new annual and lifetime limits in 2011/12 provide opportunities. In particular, people who have been prevented from making pension provisions greater than the £20,000 special annual allowance may be able to increase their pension provision in 2011/12 by using unused allowances brought forward under the new pension regime's transitional rules.

The annual allowance for contributions is £50,000. Any unused allowance may be carried forward for three years, but anything unused from 2008/09 will be lost after 5 April 2012.

The lifetime allowance reduces to £1.5m from April. Consider if benefits should be taken or registered for fixed protection before 6 April 2012.

£50,000
The annual allowance for pension contributions

£10,680
The 2011/12 annual ISA subscription limit

INHERITANCE TAX (IHT)

Use the annual exempt amount of £3,000, the small gifts exemption of £250 per recipient and make regular gifts out of income.

Any death benefits from pension arrangements and life assurance policies should be written in an appropriate trust, so that any proceeds are outside the estate.

Consider lifetime gifts so the seven-year clock starts to run to mitigate IHT on death.

Review Wills, powers of attorney and estate planning arrangements. ■

DO YOU HAVE THE BEST STRATEGIES IN PLACE TO GROW AND PROTECT YOUR WEALTH?

WITH THE TAX-YEAR END RAPIDLY APPROACHING, THERE IS NO SUBSTITUTE FOR PROFESSIONAL ADVICE. NO MATTER WHAT YOUR AGE, PERSONAL OR FINANCIAL STATUS, WE CAN HELP YOU MAKE WELL-INFORMED DECISIONS TO ENSURE THAT YOU AND YOUR FAMILY ARE FOLLOWING THE BEST STRATEGIES TO GROW AND PROTECT YOUR WEALTH. PLEASE CONTACT US FOR FURTHER INFORMATION.

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 investment can go down as well as up and you may not get back the full amount invested. Tax laws are subject to change, possibly retrospectively. The rules for individuals who are not UK resident or not UK domiciled are different and therefore tax and local laws should be considered by a potential investor.

Are you getting closer to retirement?

Being able to retire when and how you want to

Making your savings grow and being able to retire when and how you want to is likely to be one of your most important financial objectives, but achieving this goal requires planning and perseverance.

The closer you get to retiring, the greater the need to preserve your savings and ensure they will last all through your retirement. If you are approaching retirement, do you need to make any further changes to your investments?

You may think you have your retirement planned, but could a pension shortfall catch you out?

BOOSTING YOUR RETIREMENT SAVINGS

If you invest in non-pension savings, you can use these to supplement your pension savings – and still access your money if you need to.

Ensure you have the right mix of investments, which could help your savings outpace inflation.

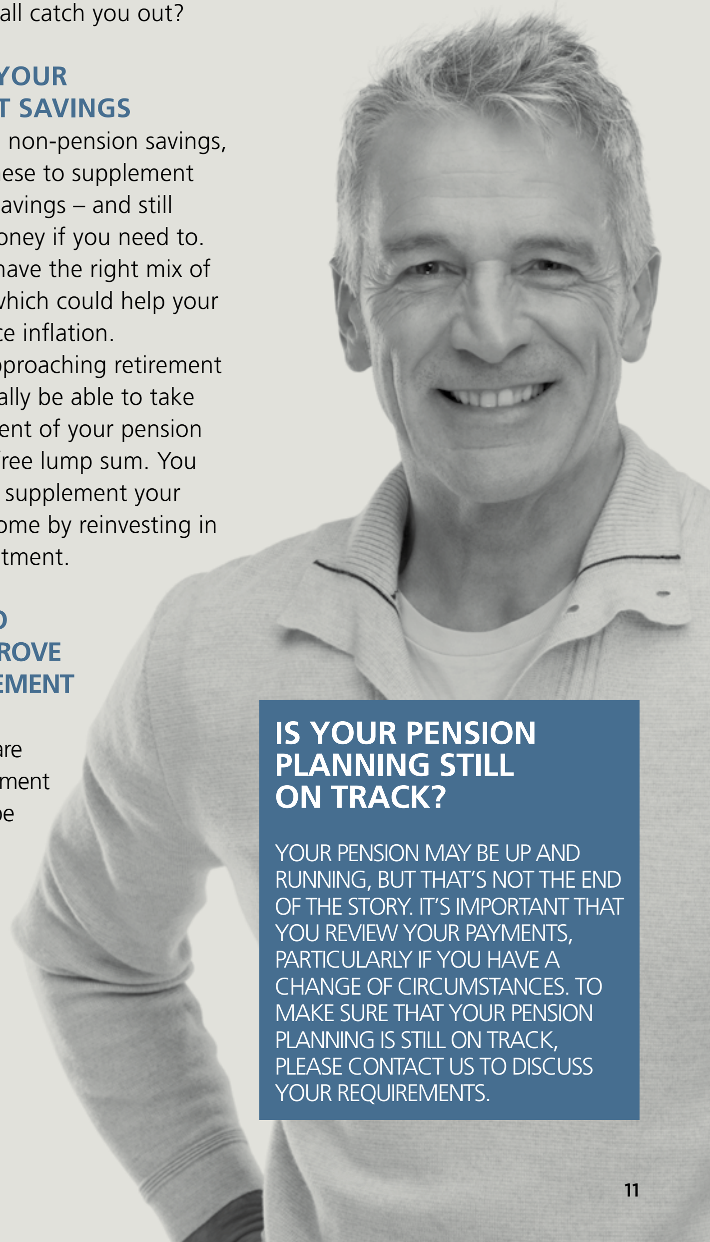
If you are approaching retirement you will generally be able to take up to 25 per cent of your pension fund as a tax-free lump sum. You could use it to supplement your retirement income by reinvesting in a flexible investment.

IT'S NOT TOO LATE TO IMPROVE YOUR RETIREMENT FINANCES

Wherever you are with your retirement savings, don't be put off from taking action – it's not too late.

There are still steps you could take to boost the income you'll get when you retire.

It may also be appropriate to combine your various savings 'pots' to make managing your money easier. As you get older you may appreciate the simplicity of having everything in one place. ■



IS YOUR PENSION PLANNING STILL ON TRACK?

YOUR PENSION MAY BE UP AND RUNNING, BUT THAT'S NOT THE END OF THE STORY. IT'S IMPORTANT THAT YOU REVIEW YOUR PAYMENTS, PARTICULARLY IF YOU HAVE A CHANGE OF CIRCUMSTANCES. TO MAKE SURE THAT YOUR PENSION PLANNING IS STILL ON TRACK, PLEASE CONTACT US TO DISCUSS YOUR REQUIREMENTS.

Cost of raising a child increases to £218,000

Parents would rather do without themselves than radically cut back on what they can provide for their children

The annual *Cost of a Child Report* [1] from protection and retirement specialist LV=, reveals the cost of raising a child from birth to their 21st birthday now totals a record £218,024. This equates to £10,382 a year, £865 a month or £28.44 a day.

OVERALL COST

The report shows that the overall cost of raising a child has increased by 3.3 per cent in the last year, with education and childcare remaining the biggest expenditures, costing parents a massive £71,780 and £62,099 respectively. The cost of education, including school uniforms, after-school clubs and university tuition fees, has experienced the biggest rise, with a 5 per cent increase in spending over the past year.

The overall cost of raising a child has increased by 55 per cent since LV='s first *Cost a Child Report* in 2003.

NOT PROTECTING THE FAMILY'S FUTURE

Some 50 per cent of parents don't have any life cover or income protection in place. Just a third (32 per cent) of parents have life cover and only 11 per cent have both life cover and income protection.

LONG-TERM PICTURE

When considering ways to ease the family budget, it is important that you keep in mind the long-term picture. Cancelling life cover or income protection, for instance, as a short-term measure to save money can have catastrophic implications if either parent were unable to work or weren't around in the future.

PARENTS DON'T BEGRUDGE THE MONEY

Despite an uncertain UK economy forcing more pressure on the family budget, it's clear that parents don't begrudge the money they spend on their children, and would rather do without themselves than radically cut back on what they can provide for their children. ■

Source – [1] The Cost of a Child Report *calculations, from birth to 21 years, have been compiled by the Centre for Economics and Business Research (CEBR) on behalf of LV= in December 2011 and are based on the cost for the 21-year period to December 2011. The report also includes omnibus research conducted for LV= by Opinion Research from 3-5 January 2012. The total sample size was 2,119 UK adults. Results have been weighted to nationally representative criteria.*

THE COSTS IN DETAIL

Expenditure from birth to age 21	Total cost	% difference from last year	% difference from 2003 - first year of the report
Education*	£71,780	5.1%	120%
Childcare & babysitting	£62,099	2.7%	57%
Food	£18,667	4.0%	25%
Clothing	£10,781	3.7%	-5%
Holidays	£15,532	1.6%	36%
Hobbies & toys	£9,248	-4.6%	4%
Leisure & recreation	£7,303	-0.6%	15%
Pocket money	£4,337	4.8%	28%
Furniture	£3,373	2.5%	62%
Personal care	£1,143	2.6%	24%
Other (includes driving lessons, first car, birthday and Christmas presents)	£13,761	4.8%	56%
TOTAL	£218,024	3.3%	55%

Does not include private school fees

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