Derbyshire Booth

FINANCIAL MANAGEMENT LIMITED

APR/MAY 2014

WealthWise

Budget 2014

A summary of the key announcements made to the House of Commons on 19th March 2014

Spring clean your finances for the 2014/15 tax year

ISAs v Pensions

Is there a winner when it comes to retirement planning?

FEATURING
HOW WILL THE NEW LIFETIME ALLOWANCE AFFECT YOU?

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INSIDE THIS ISSUE

Welcome to the latest issue of our in-house magazine; specifically designed to help you make the most of your money by keeping you up-to-date and informed with important financial news and information.

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If you require any further information on any of the featured topics, or you would like to receive financial advice based on your own individual circumstances, please fill in your personal details on our "contact me" slip on page twelve, or alternatively please call or e-mail us to arrange an appointment.

WE LOOK FORWARD TO SPEAKING TO YOU.

FEATURING
BEAT LOW SAVINGS RATES AND GET MORE FROM YOUR MONEY

The articles within this publication are for information purposes and general guidance only. They do not intend to address your individual requirements and therefore no person, nor corporation should act upon such information before acquiring full professional advice. Although great care has been taken to ensure all information is correct before publishing, there can be no guarantee all the information stated will still be accurate at the date of receipt, nor may it remain to continue to be in future.

Is it time to rebalance your investment portfolio?

If you can't remember the last time you reviewed your investments, now might be a good time to give your portfolio a revamp as any overweight position towards a certain asset class may affect your future returns – unless it is rebalanced.

You need to ensure your investment goals are on track. Diversification and obtaining the right balance is vital. Having an out-of-balance portfolio makes it easier to either buy the wrong kind of investment or to form a portfolio that is vulnerable to market surprises.

As an investor, it is often best to decide your asset allocation from the start, which supports your attitude to risk and your preferred outcomes, this is where we can help.

Having a well-diversified investment portfolio can prove essential, so rebalancing when necessary is a key factor in achieving successful long-term investment performance and it can be as important as asset allocation itself.

If you have not continually rebalanced, your original asset allocation will almost certainly have become distorted and you could find yourself taking either too much or too little risk.

HOW FREQUENTLY SHOULD I REVIEW MY PORTFOLIO?

Firstly, you need to weigh-up the benefits of rebalancing your portfolio against any potential costs or tax implications. You can rebalance your portfolio as often, or as little as you wish; all portfolios are different. It is a good idea to review your portfolio on a regular basis as you can then choose to rebalance if and when it is necessary to do so. Please contact us, we can examine your investment portfolio and your current risk position and provide advice based on your individual circumstances.

WHEN SHOULD I REBALANCE MY PORTFOLIO?

This all depends on your individual circumstances and the performance of the assets you hold within your portfolio. Please make an appointment with us for a personalised illustration.

WHY REBALANCE?

Over time a multi-asset class portfolio, which uses a collection of funds, will generate different returns from each asset class, causing your portfolio's asset allocation, and risk exposure, to change. Because of this, your portfolio will usually require ongoing evaluations to manage your exposure to risk and subsequent taxes.

A practical rebalancing plan could be to reduce your exposure to certain asset classes – typically of those that have performed relatively well in comparison to some of your other assets – to asset classes that haven't performed as well or have fallen in value.

This strategy can be used because if an asset has fallen in value, then the value of the asset will ideally rise over time and the expected return will increase; and vice versa if an asset has risen in value.

SHOULD I REBALANCE MY PORTFOLIO PRECISELY?

Again, this depends on your own circumstances; if, for instance, you pay a fixed transaction cost, which is small in relation to the value of the new asset, then precise rebalancing is probably the best course of action because further transactions may not be required. However, if the cost of a transaction is a proportional percentage of the transaction, which often means a higher cost implication, then a close approximate to the target asset is probably sensible in order to mitigate these potentially higher costs. Please talk to us for further information.

REBALANCING

Often the easiest way to rebalance your portfolio is to invest cash into any of your assets that may need topping-up.

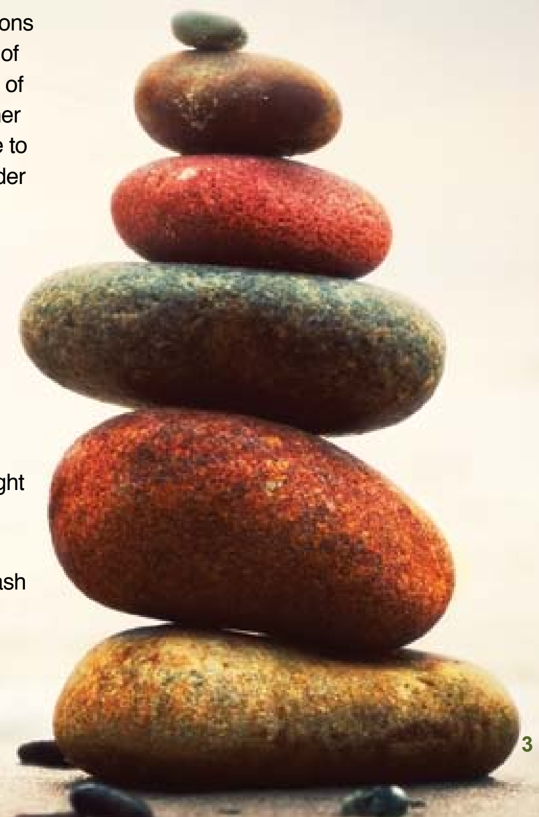
However, another technique is to release cash from overweight assets within your portfolio and reinvest this in the underweight assets.

In terms of your tax liability, this technique may be more attractive than using new cash in respect of capital gains tax.

It is also worth remembering that if you anticipate being in a position to add more capital to your portfolio in the near future, or expect to be a basic rate taxpayer in the coming tax year, you might wish to delay any rebalancing until such time.

Unfortunately, too many investors only realise they have poor asset allocation when it is too late, which is why prevention is better than cure. Building a portfolio is a question of managing risk versus return, so if you would like our help to review your investment portfolio, or indeed would like further advice to rebalance your investment position, then please do call us to make an appointment; we are here to help you gain the most from your money.

The value of investments and income from them may go down. You may not get back the original amount invested. Past performance is not a reliable indicator of future performance. Information is based on our current understanding of taxation legislation and regulations. Any levels, bases and relief's of taxation are subject to change and their value depends on the individual circumstances of the investor.



Budget 2014

On 19th March 2014 Chancellor George Osborne delivered his fifth Budget to the House of Commons, which he described as fundamental for building "a resilient economy, for the makers, doers and savers". So how will his latest Budget affect you? Here is our 2014 Budget breakdown:

GROWTH

:: The independent OBR (Office for Budget Responsibility) growth forecast was improved from 2.4 per cent in the 2013 Autumn Statement to 2.7 per cent.

:: Growth in 2015 is revised to 2.3 per cent, then 2.6 per cent in 2016 and 2017, with growth then increasingly steadily at a long-term trend of 2.5 per cent starting in 2018.

BORROWING

:: Expected borrowing has been reduced from £120bn forecast last year, to £108bn this year. No borrowing forecast from 2018-19.

:: The current deficit this year of 6.6 per cent is expected to reduce to 5.5 per cent for 2014-15, then 4.2 per cent in 2015-16, 2.4 per cent in 2016-17 and finally 0.8 per cent in 2017-18. Then a surplus of 0.2 per cent forecast by 2018-19.

:: OBR forecasts public debt to be 77.3 per cent in 2014-15; 78.7 per cent in 2015-16 (lower than the 80 per cent previously forecast), then falling to 78.3 per cent in 2016-17, then 76.5 per cent in 2017-18 and 74.2 per cent in 2018-19.

SPENDING AND WELFARE

:: Public sector spending to reduce by £1bn by 2016.

:: Foreign aid to be 0.7 per cent of national income.

:: A cap on welfare set at £119bn in 2015-16, rising in line with the level of inflation to £127bn in 2018-19. This excludes the state pension.

INCOME TAX

:: The personal tax allowance will rise from £10,000 to £10,500 next April, providing an average saving of £800 in tax per employed person.

:: The 40 per cent tax rate threshold rises this April from £41,450 to £41,865 and will increase by a further 1 per cent next year to £42,285.

:: The married couples transferable tax allowance will increase to £1,050.

PENSIONS

:: All the current tax restrictions on how a pensioner can access their pension pots will be removed, so from April 2015 savers will be given total freedom over how they withdraw pension money. (*Major changes to the tax regime require a separate Act of Parliament.)

:: Pensioners will not have to ever buy an annuity if they do not wish to.

:: An individual will need just £12,000, instead of £20,000, of secured pension income from other sources to make unlimited withdrawals through 'flexible drawdown' and the raised cap draw-down limit will rise from 120 per cent to 150 per cent.

:: The small pot lump-sum level was lifted five-fold from £2,000 to £10,000.

:: The amount of total pension savings that can be taken as a lump sum will rise from £18,000 to £30,000.

:: £20m to be spent over the next two years by working with consumer groups over pension advice.

:: Introduction of a new 'Pensioner Bond' paying top market rates, will be made available to anyone aged 65 and over from January 2015 by National Savings and Investments.

SAVINGS

:: Tax-free new ISA limit to be increased from £11,880 to £15,000 per year from 1st July 2014.

:: Junior ISAs will increase from to £4,000 a year from 1st July 2014.

:: Stocks and Shares ISAs can now be transferred to new single ISA scheme.

:: Premium Bonds limit will be increased from £30,000 to £40,000 in June, and then again to £50,000 in 2015.

:: Zero tax band to cover £5,000 of savings.

:: 10p rate of tax for savers is to end.

EMPLOYMENT

:: A forecast of 1.5 million new jobs will be made available in the next five years.

:: There will be more financial support for over 100,000 new apprenticeships.

:: Introduction of a new 'Alan Turing Institute' to boost Britain's IT expertise.

BUSINESS

:: From next year, corporation tax will be reduced from 21 per cent to 20 per cent.

:: Under-21s will be taken out of the jobs tax.

:: Corporation tax - high street stores will get £1,000 off their rates, and eligible businesses can save up to £2,000 in Class 1 National Insurance Contributions through the Employment Allowance.

:: Greater capital allowances and business rates discounts will be extended for another three years.

:: Will move the collection of Class 2 NICs into self-assessment, abolishing around 5 million people from the current system.

:: There will be a new allowance provided in order to create an ultra high pressure, high temperature oil field for the North Sea oil and gas.

:: A new tax relief of up to 25 per cent for eligible touring theatrical productions.

:: VAT relief on fuel for air ambulances and inshore rescue boat services all over the UK.

:: There will be a new air ambulance in London.

TAXES

:: Tobacco duty will remain at the current level of 2 per cent above inflation and any increases will continue.

:: Bingo duty will be reduced to 10 per cent "to protect jobs and communities".

:: Duty on fixed-odds betting stations will increase to 25 per cent.

:: The betting levy on horse racing will be extended to bookmakers based offshore.

:: There will be increased scrutiny for any tax avoidance scheme used by the wealthy.

RELIEFS

:: A 1p cut in duty for a pint of beer.

:: The alcohol escalator will be scrapped, alcohol duty will rise in line with inflation instead.

:: The duty on Scottish Whisky will be frozen.

:: Finance for export will be doubled to £3billion and the lending interest rate will be cut by a third.

:: From 2015, all long haul air passenger flights carry the lower band B tax rate.

:: A new 'Right to Build' scheme, along with £150m of financial support, made available to builders of their own homes.

:: A £200m fund will be made available to councils applying to fix potholes across Britain.

:: £140m extra financial help for flood damage.

:: The expected rise in fuel duty, which was due in September will not be brought in.

:: Anyone buying a property over £500,000 through a corporate enterprise will now pay 15 per cent stamp duty to "avoid abuse".

:: The tax on residential properties worth over £2m will now start applying to those worth more than £500,000.

:: Private jets, previously not taxed, will see tax imposed on all flights.

OTHER ANNOUNCEMENTS INCLUDED:

:: A new forgery-proof, threepenny bit-style £1 coin introduced to thwart forgery "in honour of our Queen".

:: An increase in housing measures to see 200,000 new homes built in order to "get Britain building".

:: A £7bn package to cut energy bills and a freeze on the "carbon floor" knocking around £15 off domestic energy bills.

:: A £2,000 tax-free childcare boost to eligible families will be introduced.

£15,000 *- the new ISA limit as of July 2014, up from the current limit of £11,880.*

£2,000 - tax-free childcare boost to eligible families will be introduced.

For more information or to receive a personalised illustration as to how these Budget announcements may affect you, please make an appointment with us today.

£10,000 - the new personal allowance limit has risen as of this new tax year 2014/15.

£11,000 - the CGT allowance has been increased for this new 2014/15 tax year.

£4,000 - the new Junior ISA limit will be increased from £3,840 as of July 2014.

Personal Financial Review

Reach out for more in the new 2014/15 tax year

The start of a new tax year is a perfect time to spring clean your personal finances and maximise the potential of any future investment gains. It is important to take the time to review your plans so you can get 2014/15 off to a good start. Below, we outline some of the key areas to consider:

SWITCH TO A BETTER CURRENT ACCOUNT

If your current account hasn't been sufficient for some time, it is time to shop around. Customers should realise that they do not have to stick with the same bank, there are many highly competitive current accounts available and the switching process is easy - most of the major banks now have a dedicated switching team to do the majority of the hard work for you.

MAXIMISING YOUR SAVINGS

The current ISA allowance is £11,880, of which £5,940 can currently be saved in cash - however, this is due to rise to £15,000 in July - so ensure you make full use of this increased tax-free allowance. By using your allowance you can avoid paying tax on any interest earned on your savings. If you are a taxpayer, you could consider a "Bed and ISA" strategy, this allows you to sell shares or funds and then use that money to invest into an ISA – hence sheltering your money from tax. You can also use this strategy to mitigate capital gains tax.

The Junior ISA, (JISA), also allows the under 18s to now have up to £3,840 (increasing to £4,000 in July) saved on their behalf this tax year, which can perhaps be used to help with school fees or a house deposit later on. Children that already have a Child Trust Fund (CTF) - those born between Sept 2002 and 2 Jan 2011- cannot currently open a JISA. Any child born before or after these dates can open a Junior ISA.

REVIEW YOUR RETIREMENT PLAN

If your employer offers the opportunity to join a pension scheme and you can afford to make contributions, you should consider joining, as your employer will also contribute a percentage of your salary to top-up your own and the earlier you start the better.

If you have a non-taxpaying spouse then consider putting money into a pension on their behalf. A contribution of just £2,880 is then topped up with £720 by the government through tax relief - so a maximum of £3,600 can be saved each year. A pension can grow relatively free from tax and, as rules currently stand, upon reaching age 55 you can choose to withdraw up to 25 per cent of the value as tax-free cash. Your remaining fund can then be used to provide a taxable income. However, if your overall pension income is within the personal allowance, which for this 2014/15 tax year has risen to £10,000 for those under 65, there will be no tax to pay.

REVIEW YOUR INVESTMENTS AND RISK POSITION

Paying off any debt and saving in many cases has been the number one priority for UK households in recent years. However if you are in a good shape financially, you could consider investing some longer-term cash into the stock market.

Consider what you want to achieve in the coming year in terms of your investments. How you allocate your assets can make a big difference to your overall return. Once you become an investor, you should regularly check your asset allocation as market movements can alter it dramatically. It is important to ensure you are receiving as much as you can from your investments, if not, it may be worth reviewing your investment strategy.

USE YOUR CAPITAL GAINS TAX (CGT) ALLOWANCE

The CGT allowance has been raised to £11,000 for this new 2014/15 tax year. Therefore you can make a tax-free profit of £11,000 from selling assets or investments before CGT is charged at either 18 per cent or 28 per cent depending on your circumstances. If you are planning to sell an asset and you are expecting to make a profit above the threshold, you should plan wisely to minimise your tax liability. For example, you can spread your profit from the sale over two tax years, hence utilising two annual CGT allowances instead of one. Additionally, you could also transfer an asset to your spouse and make use of their CGT allowance. Selling an asset at a loss will be reported as a capital loss and you can carry this loss forward in order to offset against any possible gain you make in the future - essentially increasing your future capital gains tax allowance. However, you must tell HM Revenue and Customs about losses before you are allowed to deduct them from your gains and there are time limits – so do be aware of this.

PREPARE FOR THE TRANSFERABLE TAX ALLOWANCE

Next April, married couples and civil partners may be eligible for a new transferable tax allowance. This is set to enable spouses and civil partners to transfer a fixed amount of their personal allowance to their spouse.

REVIEW YOUR LEVEL OF PROTECTION

Although it is a good idea to save up a safety net of cash should you lose your job or suffer an illness, it may also be worthwhile to purchase protection – especially if you have dependents. Having life cover in place should feature pretty high on your financial priority list. If your employer doesn't offer this kind of cover then please contact us. If you already have life insurance, make sure you are getting the best deal available, especially if you have recently given up smoking. Income protection and critical illness insurance are other insurances you should also consider.

INHERITANCE TAX (IHT) PLANNING

If you own assets worth over £325,000 in total, you may have to pay inheritance tax (IHT) after your death. By using the available exemptions and reliefs on a regular basis and giving away a proportion of your income each year, you can however reduce your taxable estate and hence your inheritance tax liability.

The current annual gifting allowance is £3,000 per tax year per person and if you haven't used last year's exemption it can be carried forward for one year. You can also make certain 'lifetime gifts' and as long as you live for a full seven years after making the gift, no IHT will be chargeable. There is also a small gifts exemption of £250 per person per tax year. There is also a gift allowance of £5,000 by a parent, or £2,500 for a grandparent, to their child or grandchild upon a marriage or civil partnership.

MAKE A WILL

According to LegalWills in February 2014, it is thought that around 65 per cent of adults within the UK do not have an up to date Will. Getting your last wishes drawn up officially should be at the top of your financial priority list - particularly if you have dependents. Just knowing your children will be taken care of and provided for as per your desired wishes is a big relief and something that should not be underestimated.

CHECK YOUR CHILD BENEFIT

Any parent with a child under 16 will be liable to a tax charge on a sliding scale against their child benefit payments if anyone in the household earns more than £50,000 per year. If anyone in the household earns £60,000 or more, the tax charge will cancel out the benefit completely. If you do receive child benefit, remember to register for self-assessment with HM Revenue and Customs.

PLAN A COURSE OF ACTION

Unfortunately, these things don't just take care of themselves, however we are here to help, so please make an appointment with us if you would like to discuss any area of your personal finances. With careful financial planning, we can help you to get the very most from your money.

"The perfect time for a financial fresh start"

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 value of your investment and income from them may go down. You may get back less than the amount you have invested.

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The Financial Conduct Authority does not regulate taxation, will writing or trust advice.

The new lifetime allowance

Protecting your overall pension pot from a potential tax charge

As of 6th April 2014, the amount of pension savings that can be accumulated in defined contribution, or defined benefit schemes, and receive tax relief has decreased from £1.5m to £1.25m. Any amount above the new lifetime allowance (LTA) will face a tax charge of up to 55 per cent. Here we endeavour to answer some of your most common questions:

HOW DO I KNOW IF I AM CLOSE TO REACHING THE LTA?

The LTA is the total amount of pension savings accumulated in any number of pensions by the time you draw the benefits and before any tax is charged on the surplus – excluding the state pension. For defined contribution schemes, you need to decide whether your fund will be over £1.25m by the time you draw the benefits. You can do this by working out what your pension contributions are likely to be over the duration, whilst taking into account any possible growth.

Working out the value of your defined benefits can be more difficult and involves assigning a capital value to your future benefits. You need to determine your projected annual pension and any tax-free lump sum you may receive before you can work out this capital value. Once you have an estimate of your annual pension income, multiply it by 20 and add on any additional tax-free cash that applies.

If you discover you are on track for a final salary pension of more than £75,000 a year, with no separate lump sum, or a salary-related pension over £56,250 plus the maximum tax-free cash lump sum, you may be affected – however please speak to us for a personalised illustration.

WHAT IF I HAVE MORE THAN ONE PENSION PLAN?

You need to work out the combined value of your plans. If they are made up of both defined benefit schemes and defined contribution plans, you need to calculate the value of the defined benefits (as above) and add this to the prospective value of your defined contribution plan.

WHAT IS THE MAXIMUM LUMP SUM AVAILABLE?

The maximum lump sum that can be paid tax-free, is the lower of:

1. 25 per cent of the capital value of the benefits to be paid;
2. 25 per cent of the available standard LTA.

Therefore, if your benefits crystallise on or after 6 April this year the maximum tax-free lump sum available is £312,500 unless you have a protected lump sum certificate, primary protection, enhanced protection or fixed protection.

I EARN A SIX-FIGURE SALARY – DO I NEED TO WORRY?

Those earning more than £100,000 and paying into a pension scheme for decades, rather than years, are more likely to be exposed to a potential tax charge.

ARE THERE WAYS I CAN REDUCE ANY POTENTIAL TAX CHARGE?

Yes. You could allocate part of your pension to a named dependant. This reduces the value of your pension and the amount you will receive at retirement and hence reduces the total value of your pension that is used to calculate the capital value of your benefits.

If you retire early with a reduction in benefits, the capital value is calculated using your reduced benefits. This can result in reducing your LTA charge. If you divorced and are subject to a pension sharing order, the capital value is calculated using your benefits after the other share has been deducted at retirement.

If your benefits are already over the LTA it may be worth opting out of any existing pension scheme to restrict further benefits accruing and hence a larger tax charge later on. You could consider saving elsewhere, in an Individual Savings Account (ISA) for example.

Any action you consider taking which involve restricting your pension saving should be considered very carefully, so please make an appointment with us to discuss this in further depth. Correct consideration should be given to the overall restriction in pension benefits, loss of life assurance and any privileged ill health retirement arrangement as a result of opting out.

£1.25m - the new lifetime allowance as of 6th April 2014 - anything over this value may face a tax charge.

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. Information is based on our current understanding of taxation legislation and regulations. Any levels, bases and relief's of taxation are subject to change.

ISAs V Pensions

Is there a winner when it comes to saving for retirement?

Pensions and ISAs both come with appealing tax benefits, but that doesn't make them the same. So, which is better, a pension or an Individual Savings Account (ISA) when it comes to planning for retirement? Although this question has become a hot potato, many people planning for their retirement tend to utilise the benefits of both.

ISAS:

Currently, the total amount you can save this tax year in an ISA is £11,880, although this limit is to rise to £15,000 from July following the Budget. Currently however, a maximum of £5,940 can be invested into a cash account, while the remainder can be invested into a Stocks and Shares ISA (or the whole allowance can be invested in to a Stocks and Shares ISA).

PENSIONS:

With a pension you receive tax-relief at your marginal rate on your contributions and often your employer will 'top-up' your own contributions by a percentage of your salary. As rules stand currently, upon reaching the age of 55, you can convert 25 per cent of your pension savings into a tax-free lump sum - subject to certain rules.

ISA PROS	PENSION PROS
You can choose to invest in either CASH or STOCKS AND SHARES accounts.	The capital growth within a pension is effectively tax-free.
Cash ISAs are tax-free. There is no personal tax liability on growth or generated income.	Contributions from an employer can significantly increase the value of your pot.
You can access your money at any age.	Pension contributions benefit from tax relief. The government effectively refunds the income tax you paid on the value of the contribution.
Stocks and Shares ISAs offer a tax protection 'wrapper'. The capital growth is not only tax-free; it is also exempt from Capital Gains Tax (CGT).	Each year you can invest up to 100 per cent of your salary – up to a limit of £40,000. The overall lifetime allowance contribution is high. As of April 2014, this will be set at £1.25 million.
The income received from an ISA does not affect personal allowances for anyone over the age of 65. Nor does it affect personal allowances for those receiving an income of £100,000 or more.	A salary sacrifice scheme can allow you to mitigate a percentage of your National Insurance contributions.
ISA CONS	**PENSION CONS**
ISAs do not provide tax-relief on contributions.	They are not readily accessible until you reach the age of 55.
There are limitations on the amount you can invest into a cash or a Stocks and Shares ISA each year.	The rules surrounding pensions tend to change frequently – making regular pension reviews vital.
There are no employer contributions to 'top-up' your ISA investment.	When you start to draw an income from your pension you are taxed at your marginal rate of income tax once again. (*Although this can be beneficial for a current higher-rate taxpayer)*
Both basic rate and higher rate taxpayers have to pay a tax dividend on Stocks and Shares ISAs.	People can just stop contributing to their funds – this can prove very costly when retirement looms.
An ISA can affect means-tested benefits whilst still in employment; whereas a pensions plan will not.	Pensions can be complicated – this is why financial advice is imperative.

The benefits of ISAs compared to pensions are relatively modest and depend very much on your personal circumstances. It seems both ISAs and pensions come with pros and cons and the most sensible approach may be to spread contributions between both forms of savings and gain the most each can offer. *Please note, the 10 per cent tax credit on UK dividend income cannot be reclaimed.*

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 value of your investment and income from them may go down. You may get back less than the amount you have invested.

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Death benefits
& passing on your pension

Currently, when you die, your pension will be lost completely, which could leave your spouse and/or dependents unable to cope financially – unless however, you purchase death benefits. Here we look at the implications of some of the most common set of circumstances, as rules stand at the moment, which may affect you:

THE ANNUITY ROUTE:

An annuity is purchased from an insurance company and provides a regular income in exchange for your pension pot. The income is paid to you for the rest of your life - which can be very beneficial if you live long into retirement. Annuity payments will usually stop when you die, unless you have protected the income. Once you purchase an annuity, it cannot be changed or cancelled so it is imperative to choose your annuity options carefully.

There are generally three main options you can choose:

- Minimum payment period – With this option you can choose a guaranteed payment period of up to 10 years. The annuity will continue to pay out until the end of the fixed period, even if you were to die within that period.
- Value protection - If you die before reaching a certain age defined within the arrangement and the total gross income paid to date is less than the amount of your initial pension pot that was used to purchase your annuity, the balance will be paid to your beneficiaries, after a 55 per cent tax charge.
- Joint life protection – With this option, when you die your annuity income will then be paid to your spouse for the rest of their lives. Although often it is a percentage of the income you were receiving rather than the total amount.

THE INCOME DRAWDOWN ROUTE:

Income drawdown gives you full control of your pension pot. You can choose where to invest your money and then draw a taxable income of your choice, from it. The death benefits with income drawdown do not have to be determined from the beginning, providing more flexibility than an annuity. However because of the greater flexibility on offer, income drawdown often comes at a higher price compared to an annuity.

Should you die during an income drawdown arrangement, your beneficiaries will have the following options for your remaining fund:

- Withdraw the remaining fund as a lump sum – which will be subject to tax at 55 per cent.
- Your beneficiary could continue your income drawdown arrangement. There is no tax charge however any income received will be taxed at their marginal income tax rate.
- Your beneficiary could use your remaining pension fund to enter a flexible drawdown arrangement. However there are set guidelines in which to qualify. Withdrawals will be taxable at their marginal income tax rate.
- Your beneficiary could purchase a lifetime annuity with your remaining fund. There is no initial tax liability so long as the total value of the fund is used to purchase the annuity.
- Your remaining fund can be paid as a tax-free lump sum to the charity of your choice. If you have no dependents the payment is free of tax, however if you have dependents this payment will be subject to a 55 per cent tax charge.

YOU HAVEN'T YET STARTED TAKING YOUR PENSION:

If you die under the age of 75 before you have taken any tax-free cash or income from your pension, it will generally be paid to your beneficiaries as a tax-free, lump sum.

However the rules change as soon as you take the tax-free cash or income, or reach the age of 75. Your remaining pension can still be passed on to your beneficiaries as a lump sum but will be subject to a 55 per cent tax charge. Otherwise your fund can again be used to provide a taxable income to your spouse or dependents.

IF YOU WOULD LIKE TO DISCUSS YOUR RETIREMENT INCOME OR DEATH BENEFIT OPTIONS IN GREATER DEPTH, PARTICULARLY AS PENSION RULES ARE CHANGING AS OF APRIL 2015 FOLLOWING THE BUDGET, PLEASE DO MAKE AN APPOINTMENT WITH US FOR A PERSONALISED ILLUSTRATION.

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.

Information is based on our current understanding of taxation legislation and regulations.Any levels, bases and relief's of taxation are subject to change and their value depends on the individual circumstances of the investor.

Getting more from your money
How to beat low savings rates

5% - the percentage interest Nationwide's FlexDirect account currently pays on balances up to £2,500.

March this year marked the fifth anniversary of the Bank of England holding the base rate at 0.5 per cent. Although this might be good news for mortgage customers, it has not been such good news for savers.

The low interest rate accounts currently on offer struggle to keep up with inflation meaning our hard-earned savings are actually losing value in real terms. Hence here are our seven top tips to make sure you are getting the best from your savings and investments.

REDUCE DEBT

Any outstanding debt is likely to be accruing at a higher rate than the returns you can earn on a savings account. If you have a lot of outstanding debt, it may be wise to aim to pay this off before you start saving.

USE YOUR TAX-FREE ISA ALLOWANCE

Saving up to your maximum cash ISA limit each year, means paying no tax on the interest you earn. So for higher rate taxpayers this is particularly appealing. When the base rate does eventually rise - and there is speculation this may happen next year - better ISA deals should then be available, so it may be advisable to opt for an easy access ISA or one with a lower fixed term.

MAKE SURE YOU HAVE THE BEST CURRENT ACCOUNT

Ensure you have the best current account available to suit you. Some of the highest interest rates are actually available through credit interest bank accounts (although bear in mind that you may have to pay tax on the interest). As an example, Nationwide's FlexDirect account currently pays 5 per cent on balances up to £2,500 – although this drops to 1 per cent after 12 months.

REGULAR SAVINGS ACCOUNTS

If you have a current account with certain banking institutions, including First Direct and Marks and Spencer, you may be eligible for one of their regular savings accounts – some of which pay up to 6 per cent interest. It may even be worth opening a current account so to gain access to the savings accounts – however; these accounts often come with terms and conditions, which can include a minimum monthly deposit and some may not allow you to have access to your money for a fixed period of time. Therefore do check any restrictions of the account before committing.

AVOID 'BAD' SAVINGS ACCOUNTS

Many savings accounts currently available pay a terribly low rate of interest, with some instant access accounts paying as little as 0.01 per cent, so it is important to conduct thorough research across the entire market to ensure you are getting the best rate possible.

INVEST

Although interest rates are currently terribly poor on cash savings, at least you know your capital is relatively safe. If you would like to achieve a better return from your money however and you are happy to take some risk with your money, there are still some investments available on the market that can deliver.

Before considering making any investment however, you should make sure your finances are in order and speak to us for professional financial advice as we can guide you in the right direction and ensure you make the best decision to suit your circumstances.

STOCKS AND SHARES ISAS

If you are thinking of investing, a good place to start could be a Stocks and Shares ISA. These are tax-efficient investment accounts that lets you put money - up to a yearly maximum, which is currently £11,880 (rising to £15,000 in July) - into different types of investment, which can include unit trusts, open-ended investment companies (OEICs) corporate or government bonds and investment trusts. You can also buy individual company shares to put into an ISA. *(Source: www.money.co.uk March 2014)*

The Financial Conduct Authority does not regulate Deposit Accounts and National Savings. Stocks and Shares ISAs do not include the same security of capital which is afforded with a deposit account.

The value of your investment and income from them may go down. You may get back less than the amount you have invested.

Key man insurance

protecting the future of your business

Key man or key person insurance is a life or disability policy placed on the owner, director or 'key' employee of a company – any person whose absence could severely impact the future success of the business. In the absence of a key person, the policy would provide funds to the business to provide extra time to react. Many companies often overlook key man insurance. Obviously insurance is something that all companies have to consider for various reasons, however many companies often forget, or do not think to take out a key man insurance policy, which could potentially save their business.

Firstly, a company would identify the value of a key person within the business. In a publicly listed company for example, the extent of key person cover required will depend on the overall importance of that particular individual. Various factors will need to be considered, such as the cost of replacing the key person and any lost profits that may be experienced as a result of losing this key person.

A particularly good example is a sales director whose contacts and personal relationships with customers might well be central in maintaining future sales. Most companies have very few genuinely key employees.

The company would then purchase a life insurance policy against the key employee so that should the key person unexpectedly die or become permanently disabled, the company would receive a payout from the insurance provider. Most policies can be tailored to the needs and requirements of the individual company, therefore, please contact us to discuss your requirements. The purpose of key man insurance is to help the company through the loss of a key person in order to aid the survival of the company.

For a small company in particular, the death of a key person could result in the immediate death of the company, therefore having key man insurance could prove essential in supporting a company through a difficult period. Think about the resources the business would need to deal with any unexpected departure. You wouldn't want it to fail due to a lack of planning, nor burden employees with a tremendous challenge.

The company can use the insurance proceeds to replace any lost revenue, pay-off any debt, pay severance to employees or to just cover the expense of replacing that person. In very unfortunate circumstances, key man insurance can provide a company with more options other than just immediate bankruptcy or closure.

If the company is just you and you don't have any employees, then key man insurance isn't always necessary. If you have loved ones who depend on your income, then perhaps personal life insurance may be more appropriate.

THIS KIND OF INSURANCE CAN BE COMPLICATED AND BUSINESS INSURANCE REQUIREMENTS VARY – IN TERMS OF THE LEVEL OF COVER, THE DURATION OF THE POLICY AND WHETHER TO CONSIDER A COMBINATION OF INSURANCES. THE TERMS AND CONDITIONS OF INSURANCE POLICIES VARY GREATLY; THEREFORE PLEASE SPEAK TO US TO ENSURE YOU FULLY UNDERSTAND THE FULL SCOPE OF COVER ON OFFER BEFORE COMMITTING.

For more ***information*** *on any of the articles or related topics within this publication, or for individual financial advice based on a range of financial products, which may be available, please fill in your details on the right and return this to us.*

Personal information will be treated as confidential and held in accordance with the Data Protection Act. You agree that your personal information may be used by us to provide you with details of products and services we may offer.

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