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NOVEMBER/DECEMBER 2014

PENSION FREEDOM

Is it time to set your money free?



EDUCATING INVESTORS

Six years after the start of the financial crisis, what lessons should we have learnt?

OFFSETTING THE NEGATIVE EFFECTS OF INFLATION

Why more people are retaining exposure to stocks and shares

CARE FEES BURDEN

It's a fact that more of us will require specialist care in our later years

SAVING FOR A RAINY DAY

Fewer people are putting money away despite improvements to the economy

QUESTION TIME

Why planning for your future retirement requires answers

Financial planning is our business.

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

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

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



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INSIDE THIS ISSUE

As we approach the end of 2014, the news is awash with stories about pension reform, pension freedom, inflation and funding long-term care. It can be very confusing with the number of conflicting viewpoints given, so in this issue we aim to bring some clarity to them.

In Budget 2014, Chancellor George Osborne promised greater pension freedom from April next year. On page 12, we look at the reforms that will allow people to access as much or as little of their defined contribution pension as they want and pass on their hard-earned pensions to their families tax-free.

Mr Osborne has also brought forward the expected announcement on the tax charge that applies to certain individuals' pensions on their death. The new rules will simplify the existing regime and come into force from April 2015, abolishing the 55% tax. Read the full article on page 15.

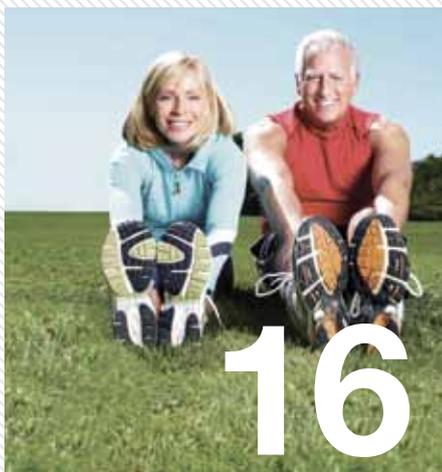
Significant changes to existing intestacy rules came into force on 1 October 2014 in England and Wales. On page 06, we consider the far-reaching consequences for you and your loved ones, and how this should make things simpler and clearer.

Today, the cost of care is a major concern for many people, with the average level of pension savings unlikely to be enough to cover any long-term care requirements in addition to providing a retirement income. So why is care fee planning catching so many people off guard? Find out on page 08.

Also inside this issue, six years after the start of the financial crisis, we ask on page 10 what lessons should we have learnt from this seismic event?

A full list of the articles featured in this issue appears on page 03 and opposite.

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SAFEGUARDING YOUR FAMILY'S LIFESTYLE

THE NUMBERS SHOW A SIGNIFICANT PROTECTION GAP EXISTS FOR FAMILIES IN THE UK

WE ALL WANT to safeguard our family's lifestyle in case the worst should happen. But only a quarter (24%) of adults in the UK with children under 16 have any form of financial protection, a significant drop from 31% in 2013, according to the latest research from the Scottish Widows Protection Report. With over half (54%) of this group admitting that their savings would last just a couple of months if they were unable to work, a significant protection gap exists for families in the UK.

REAL CHALLENGES FOR HOUSEHOLDS

Almost half of households (46%) with children under 16 are now also reliant on two incomes, and a further 14% of this group state that parents or grandparents are dependent on their income. There would be real challenges for these households if one income were lost.

Childcare costs are another area that can be impacted by the loss of

one parent's income, equally so if grandparents could not continue to provide support. With more parents working and with increasing childcare costs, up 27% since 2009[1], 40% of those with children under 16 rely on their parents to help with free childcare.

FOLLOWING THE DEATH OF A PARENT

While some government support is available in times of need, the current state bereavement benefits and support system is based on marriage or registered civil partnerships and doesn't yet replicate the modern family we see today. Unmarried couples and long-term partners are left in a welfare grey area – particularly when it comes to looking after their dependent children following the death of a parent.

People are realistic about the support available, with only 1% of those with children under 16 believing the state would look after their family if something were to happen to them. 45% of this

group also believe that individuals should take personal responsibility for protecting their income through insuring against the unexpected happening to themselves or a loved one. ■

ADEQUATE SUPPORT FOR YOUR FAMILY TO SAFEGUARD THEIR FUTURE

Do you have in place a robust protection plan that will adequately support your family and safeguard their future? If not, we can help you put in place a solution designed specifically to your unique requirements to protect you and your family. To find out how, please contact us.

Source:

[1] Family and Childcare Trust – Childcare Costs Survey, 2014.





NEW INTESTACY RULES AIM TO MAKE THINGS SIMPLER AND CLEARER

WHY THE CONSEQUENCES COULD BE FAR-REACHING FOR YOU AND YOUR LOVED ONES

SIGNIFICANT CHANGES to existing intestacy rules came into force on 1 October 2014 in England and Wales, with the aim of making things simpler and clearer. The consequences could be far-reaching for you and your loved ones, and while there are increasing entitlements for surviving spouses and registered civil partners, the changes highlight the importance of making a Will to ensure your wishes are carried out.

RADICAL RULE CHANGES

From 1 October 2014, the Inheritance and Trustees Powers Act 2014 radically alters the way in which the assets of people who die intestate are shared among their relatives. The biggest change will affect married couples or registered civil partnerships where there are no children. In the past, the spouse received the first £450,000 from the estate, with the rest getting split between the deceased's blood relatives. Under the new law, the surviving spouse will receive everything, with wider family members not receiving anything.

LIFE INTEREST CONCEPT ABOLISHED

Couples who have children will also be affected by the changes. Previously, the spouse of the deceased received the first £250,000 and a 'life interest' in half of the remainder, with the children sharing the other half. Under the new rules, the life interest concept has been abolished, with the surviving married partner receiving the first £250,000 and also half of any remainder. The children will receive half of anything above £250,000 and will have to wait until they are 18 to access any funds.

NO PROTECTION FOR COUPLES

These changes go some way to improving the position for married couples and registered civil partners. However, they still leave couples who are not married or in a registered civil partnership with no protection. Where an individual in an unmarried couple dies without a Will, their partner is not entitled to receive any money from their estate.

DISTRIBUTING ASSETS TAX-EFFICIENTLY

The changes therefore highlight again how important it is to make a Will to ensure that your wishes are followed and that assets are distributed tax-efficiently. Wills are also often used to express a preference for who should act as guardians for minor children in the event that parents die.

If a person dies without leaving a Will, the chances are that the estate will be distributed in a way that the deceased would not have wanted. This can have very real and distressing consequences, as well as unanticipated inheritance tax costs. ■

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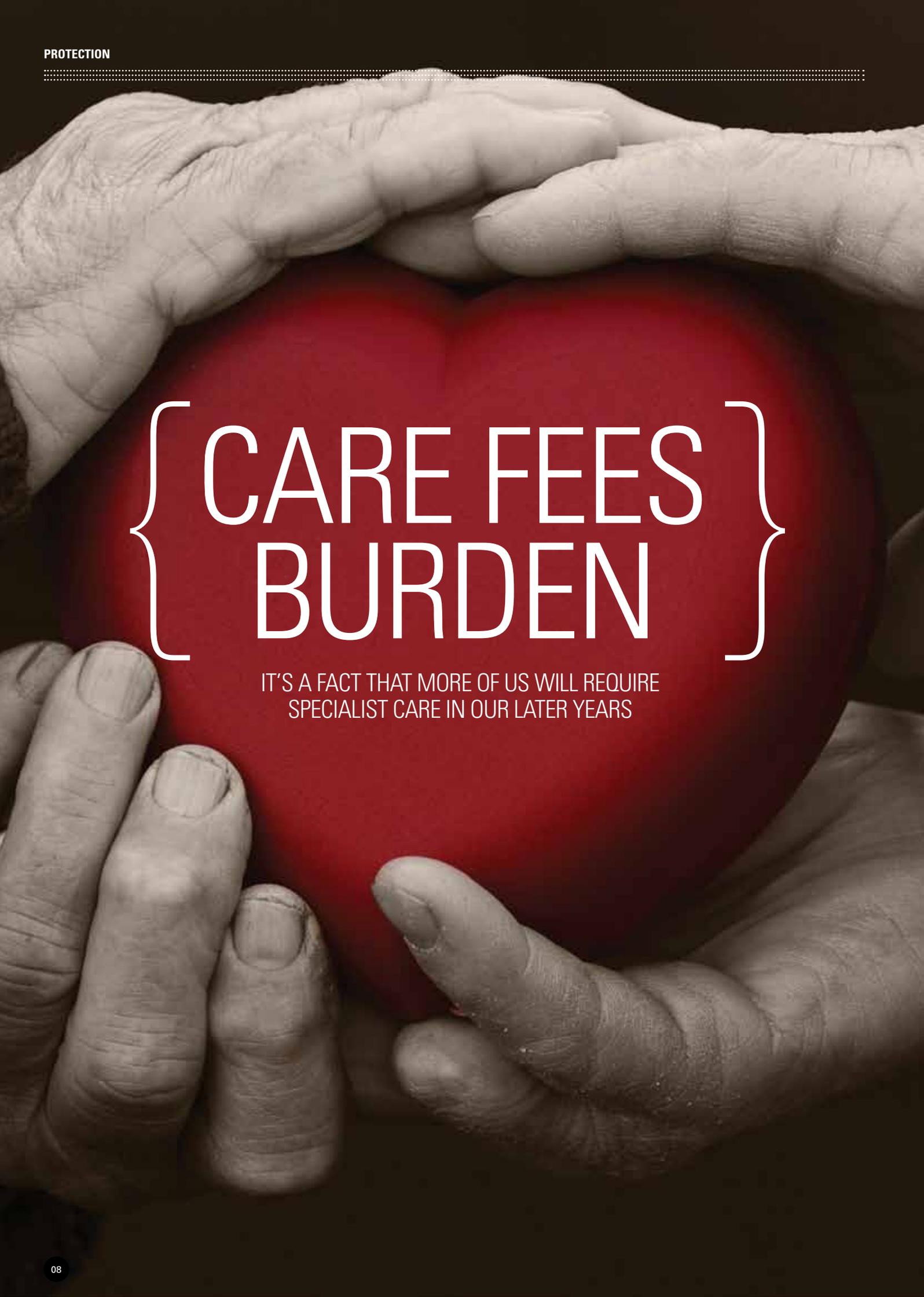


FROM 1 OCTOBER 2014, THE INHERITANCE AND TRUSTEES POWERS ACT 2014 RADICALLY ALTERS THE WAY IN WHICH THE ASSETS OF PEOPLE WHO DIE INTESTATE ARE SHARED AMONG THEIR RELATIVES.



TAKING CONTROL OF YOUR FINANCIAL AFFAIRS

With these recent rule changes, now is the perfect time to take inheritance tax planning advice and to have your Will written professionally or updated. If you have any questions or would like more information on writing a Will or inheritance tax planning, please get in touch – we look forward to hearing from you.



{ CARE FEES BURDEN }

IT'S A FACT THAT MORE OF US WILL REQUIRE
SPECIALIST CARE IN OUR LATER YEARS

TODAY, THE COST OF CARE IS A MAJOR CONCERN FOR MANY PEOPLE, WITH THE AVERAGE LEVEL OF PENSION SAVINGS UNLIKELY TO BE ENOUGH TO COVER ANY LONG-TERM CARE REQUIREMENTS IN ADDITION TO PROVIDING A RETIREMENT INCOME.

GIVING YOU PEACE OF MIND

No one wants to spend their final years with little choice as to how or where they are cared for. Planning ahead and putting some savings away now will give you peace of mind. It will also ensure that you are not a financial and emotional burden on those nearest and dearest to you. To discuss your situation and review your options, please contact us.

CATCHING PEOPLE OFF GUARD

So why is care fee planning catching so many people off guard? Well, besides the fact that few of us like to think of ourselves going into long-term care in our old age, there are a number of other reasons. As we can now expect to live for 20 or 30 years beyond our selected retirement age, it becomes more likely that we will need specialist care in our later years.

Moreover, research compiled by the Institute and Faculty of Actuaries shows that while life expectancy has been increasing, healthy or disability-free life expectancy for both men and women has not nearly kept pace, leaving more people needing long-term care.

THE NEED FOR CARE FEE PLANNING

Estimates are that one in three women and one in four men aged 65 today are likely to need care.

Even more relevant for long-term care is the number of over-85s, which is expected to more than double in the next 20 years^[1].

Meanwhile, incidences of dementia are rising. It is forecast that the number of people in England and Wales aged 65 and over with dementia will increase by over 80% between 2010 and 2030, to 1.96 million^[2].

These individuals will all need specialist care. As it stands, the average cost of dementia care per person is more than the average UK salary. In 2008, dementia cost the UK economy £23 billion – more than the costs of cancer and heart disease combined^[3].

INTRODUCING A CAP ON CARE COSTS

Under the Government's new Care Bill, a cap on care costs will be introduced to prevent people paying more than

£72,000 towards their own care. But while the care cap offers a safety net that will prevent some individuals from facing significant care costs, it will not replace savings as the key means of paying for care.

The cap only applies to local authority-set care costs – it does not take account of daily living costs or top-up care costs. With or without government support, it makes sense to plan for the unforeseen cost of care, not least because there is no specific savings product for care home fees. If you are not yet retired, start by drawing up a financial plan which includes the potential cost of care.

ALLOWING YOU MUCH GREATER FREEDOM

The good news is that this year's Budget changes allow you much greater freedom as to how you utilise your pension savings, enabling the money to be used for other purposes. Even if you end up not needing the money, saving something extra into your pension for the possibility of long-term care will mean the added bonus of a bigger pension pot.

You could also choose to use your annual New Individual Savings Account (NISA) allowance for this purpose. You will have instant access to your savings when you need it, which you can draw tax-efficiently.

These can help ensure you have a regular income that can help with the burden of care fees while not eating into your original capital. ■

Source:

[1] Office for National Statistics, 2013.

[2] Lords Select Committee on Public Service and Demographic Change, 2013.

[3] Carers UK, 2012.

EDUCATING INVESTORS

SIX YEARS AFTER THE START OF THE FINANCIAL CRISIS, WHAT LESSONS SHOULD WE HAVE LEARNT?

1 PLAN FOR THE UNEXPECTED

Many believe that markets are much safer today than they were six years ago, thanks in large part to the numerous regulations and safeguards put in place to avoid a repeat of the financial crisis. Nonetheless, risks by definition are unexpected. In the run-up to the financial crisis, very few people foresaw the risks lurking within the financial systems of the world's largest economies.

The golden lesson for investors is to plan for and anticipate the unexpected. A good way to do this is by establishing a cash reserve or a 'rainy day' fund – a cash buffer will provide immediate liquidity to help weather unexpected risks or needs, while also providing the additional means to take advantage of investment opportunities when they arise.

2 KNOW YOUR RISK APPETITE

With lower returns a defining characteristic of the post-crisis landscape, it is more important than ever for investors to know their risk appetite. How much or how little risk you take will determine the amount of return you can expect.

Prior to the financial crisis, many investors believed they were comfortable with the risk-reward profile of their investments. But when markets began to fall, they realised that they may have over-estimated their appetite for risk and sold out of the market, probably at the worst possible time.



FOR MOST OF THE PAST SIX YEARS, CENTRAL BANKS HAVE BEEN PROPPING UP MARKETS BY INJECTING LIQUIDITY VIA ECONOMIC STIMULUS PROGRAMMES.



3 TAKE OWNERSHIP OF YOUR RETIREMENT PLANNING

For most of the past six years, central banks have been propping up markets by

injecting liquidity via economic stimulus programmes. This has benefitted borrowers, with interest rates remaining near zero. But it has also made it extremely challenging for retirees living on the interest from their investments. This has been further compounded by the fact that life expectancies are increasing. Today, it has become more important than ever actively to engage with your retirement planning – for many retirees, it may be the case that longer life spans and lower interest rates mean that they need to take on more investment risk to generate adequate income.

Either way, with lower returns the 'new normal', it is more important than ever for us to take ownership of our retirement planning.

4 INVESTMENT SHOULD BE A LONG-TERM PROCESS

Those who panicked in the wake of the 2008 falls and got out of the market may have avoided some of the worst falls, but chances are they also missed out on some stellar growth. Since 2009, markets have enjoyed an unabated move upwards, albeit with some bumps along the way.



Those investors who kept faith with the market and adjusted their portfolios accordingly will now be sitting on some very healthy gains – testament to the fact that investment should be a long-term process.

5 DEBT NEEDS TO BE MANAGED

Over the past six years, economies and consumers alike have had to deal with the debt binge of the so-called 'boom years'. One of the key reasons why the UK Government is reluctant to increase interest rates is concern over whether consumers would be able to service their debts.

The Bank of England governor, Mark Carney, has said that the 'vulnerable position' of family finances means any interest rate increases will be 'more limited and more gradual than in the past'.

Households in Britain have a lot of debt and, for many, the debt they face – be it a

mortgage, credit card or student loan – is the biggest obstacle to investing.

6 EVEN THE EXPERTS GET IT WRONG

Despite many economists claiming foresight into the financial crisis, few predicted the downturn before it was nearly over. In fact, the International Monetary Fund was taken completely by surprise by the financial crisis.

The good news is that thanks to the flexibility introduced in this year's Budget, investors are now able to take greater control of their investments and retirement savings. As Chancellor George Osborne said at the end of his Budget speech: 'It's your money, you've earned it, we trust you to do the right thing with it.' ■

Source: Fidelity.

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PENSION FREEDOM

“
IS IT TIME
TO SET YOUR
MONEY FREE?
”

THE MOST RADICAL REFORMS THIS CENTURY

IN BUDGET 2014, CHANCELLOR GEORGE OSBORNE PROMISED GREATER PENSION FREEDOM FROM APRIL NEXT YEAR. PEOPLE WILL BE ABLE TO ACCESS AS MUCH OR AS LITTLE OF THEIR DEFINED CONTRIBUTION PENSION AS THEY WANT AND PASS ON THEIR HARD-EARNED PENSIONS TO THEIR FAMILIES TAX-FREE.

FOR SOME PEOPLE, an annuity may still be the right option, whereas others might want to take their whole tax-free lump sum and convert the rest to drawdown.

EXTENDED CHOICES

‘We’ve extended the choices even further by offering people the option of taking a number of smaller lump sums, instead of one single big lump sum,’ Mr Osborne said.

From 6 April 2015, people will be allowed full freedom to access their pension savings at retirement. Pension Freedom Day, as it has been named, is the day that savers can access their pension savings when they want. Each time they do, 25% of what they take out will be tax-free.

FREE TO CHOOSE

Mr Osborne said, ‘People who have worked hard and saved all their lives should be free to choose what they do with their money, and that freedom is central to our long-term economic plan.’

From 6 April 2015, people aged 55 and over can access all or some of their pension without any of the tax restrictions that currently apply. The pension company can choose to offer this freedom to access money, but it does not have to do so.

ACCESSING MONEY

It will be important to obtain professional advice to ensure that you access your money safely, without unnecessary costs and a potential tax bill.

Generally, most companies will allow you to take the full amount out in one go. You can access the first 25% of your pension fund tax-free. The remainder is added to your income for the year, to be taxed at your marginal income tax rate.

This means a non-tax payer could pay 20% or even 40% tax on some of their withdrawal, and basic rate taxpayers might easily slip into a higher rate tax band. For those earning closer to £100,000, they could lose their personal allowance and be subject to a 60% marginal tax charge.

POTENTIAL TAX BILL

If appropriate, it may be more tax-efficient to withdraw the money over a number of years to minimise a potential tax bill. If your pension provider is uncooperative because the contract does not permit this facility, you may want to consider moving pension providers.

You need to prepare and start early to assess your own financial situation. Some providers may take months to process pension transfers, so you’ll need time to do your research.

QUESTIONS TO ASK

It’s important to ask yourself some pertinent questions. Are there any penalties for taking the money early? Are these worth paying for or can they be avoided by waiting? Are there any special benefits such as a higher tax-free cash entitlement or guaranteed annuity rates that would be worth keeping?

If you decide, after receiving professional advice, that moving providers is the right thing to do, then we can help you search the market for a provider who will allow flexible access.

Importantly, it’s not all about the process. You also need to think about the end results.

WITHDRAWING MONEY

What do you want to do with the money once you’ve withdrawn it? You may have earmarked some to spend on a treat, but most people want to keep the money saved for their retirement. Paying off debt is usually a good idea.

If you plan just to put the money in the bank, you must remember you will be taxed on the interest. With returns on cash at paltry levels, you might be better keeping it in a pension until you need to spend it. Furthermore, this may also save on inheritance tax.

Finally, expect queues in April 2015. There’s likely to be a backlog of people who’ve put off doing anything with their



pension monies since last year. Those who get through the process quickly and efficiently will be the ones who've done the groundwork. ■

THE MOST RADICAL PENSION REFORMS THIS CENTURY

The contents of the Taxation of Pensions Bill, published on 14 October and dealing with pension reforms, are the most radical this century and are likely to affect everyone. There is a lot to think about, and you should obtain professional advice sooner rather than later to check how these reforms may impact on your particular situation. To discuss your requirements or for further information, please contact us – we look forward to hearing from you.

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STATE PENSION CHANGES ON THE HORIZON

OVER HALF OF THE UK POPULATION ARE UNAWARE OF GOVERNMENT PLANS

OVER HALF OF THE UK population are unaware of government plans to reform the State Pension and the impact that will have on them, according to recent research^[1]. Among the 55 to 64-year-old age group, 32% are unaware of the changes.

The study found 57% thought the new flat rate State Pension would be worth less than £150 per week – the weekly amount recently set by the Government and due to come into effect in April 2016.

UNDERESTIMATING STATE PENSION VALUES

Although most of the respondents underestimated the value of their State Pension and admitted to not knowing the details of the reforms, two thirds of men and women regard it as important to their retirement income planning.

Of those surveyed, just under half of 55 to 64-year-olds were unsure as to whether or not they would be better off under the new State Pension system compared to the current one.

KEY PART OF GOVERNMENT REFORMS

The flat rate State Pension is a key part of government reforms to the UK's retirement planning and will benefit savers by demonstrating the value of pension saving. But just under half of those aged between 55 and 64 who are about to retire have no understanding of whether or not they will be better off.

Women are more likely not to know the detail of the flat rate pension reforms – which require people to have worked and paid National Insurance contributions for 35 years – than men. Around 57% of women admitted to not knowing the details, compared with 43% of men. ■

Source:

[1] Research for MetLife conducted online between 21–22 May among a nationally representative sample of 2,038 adults by independent market research firm ICM.

You've protected your most valuable assets.

But how financially secure are
your dependents?

Timely decisions on how jointly owned assets are held, the mitigation of inheritance tax, the preparation of a will and the creation of trusts, can all help ensure your dependents are financially secure.

Contact us to discuss how to safeguard your dependents, wealth and assets, don't leave it until it's too late.



PENSION TAX CHARGE ABOLISHED SOONER RATHER THAN LATER

NEW RULES WILL SIMPLIFY THE EXISTING REGIME FROM APRIL 2015

THE CHANCELLOR, GEORGE OSBORNE, HAS BROUGHT FORWARD THE EXPECTED ANNOUNCEMENT ON THE TAX CHARGE THAT APPLIES TO CERTAIN INDIVIDUALS' PENSIONS ON THEIR DEATH. THE NEW RULES WILL SIMPLIFY THE EXISTING REGIME AND COME INTO FORCE FROM APRIL 2015, ABOLISHING THE 55% TAX THAT APPLIES TO UNTOUCHED DEFINED CONTRIBUTION PENSION POTS OF PEOPLE AGED 75 OR OVER, AND TO PENSIONS FROM WHICH MONEY HAS ALREADY BEEN WITHDRAWN.

DRAWING PENSION MONEY

This means that from April 2015, if a person who dies is 75 or over, the person who receives the pension pot will only pay their marginal tax rate as they draw money from the pension. If someone aged under 75 dies, the person who receives the pot is able to take money from the pension without paying any tax. Beneficiaries will be able to access pension funds at any age and the lifetime allowance, currently £1.25 million, will still apply.

PASSED PENSION BENEFITS

Although the new rules are expected to come into force in April 2015, those who are passed pensions from anyone who dies before that date can still benefit so long as payment is delayed until after that point. The change is another positive move for UK savers, building on the flexibility outlined in Budget 2014 and giving people another avenue of

financial planning using their pension pots. The change will give people more security about keeping money in their pension scheme, perhaps to pay for increased costs in later life.

MORE APPEALING TRANSFERS

The change should make transfers from defined benefit (DB) to defined contribution (DC) schemes more appealing for those with ill health, as well as for people who will see their pension more as part of their family wealth. But there do still remain risks for the elderly which need to be thought through. If they look to use the new flexible opportunities to draw down benefits rather than take out an annuity, they could be at risk of breaching the lifetime allowance when they are older and suddenly suffering a 55% tax rate which they cannot then avoid. There still needs to be a review of unintended consequences. ■

IS IT TIME TO ASSESS HOW THE CHANGES COULD AFFECT YOU?

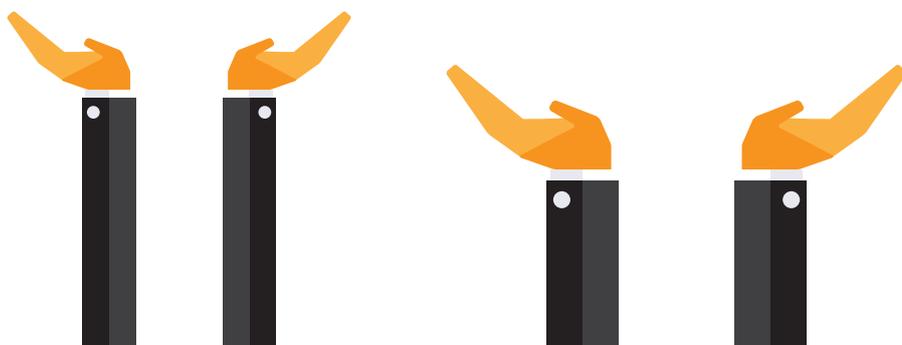
In the light of this announcement, it makes sense to review your pension provision and assess how the changes could affect you and your beneficiaries. To discuss your particular requirements or for further information, please contact us.

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RETIRING IN GOOD HEALTH

HOW NEW PENSION FUND RULES COULD INCREASE LIFE EXPECTANCY

WITH THE NEWS that the tax charge on pension funds will be removed before age 75, some commentators have suggested that over 90% of people retiring in good health should expect to live beyond age 75. For someone with moderate levels of health issues, over 80% might expect to live to at least 75. The tax landscape beyond age 75 is different, with tax being paid on monies passed on.

GREAT HEADLINES

On the face of it, these changes are good news for savers with defined contribution pensions and creates great headlines. But the reality is that the vast majority of people retiring with good health should

expect to live beyond age 75. So the chances of people passing on tax-free lump sums are slim.

UNSCRUPULOUS PRACTICES

There is also the need to tread with care around the unscrupulous practices that will no doubt appear encouraging transfers between defined benefit pensions and defined contribution pensions, in an attempt to sell the benefits of tax-free access to the estate on death. Hopefully the Autumn Statement will bring clarity to this area. ■

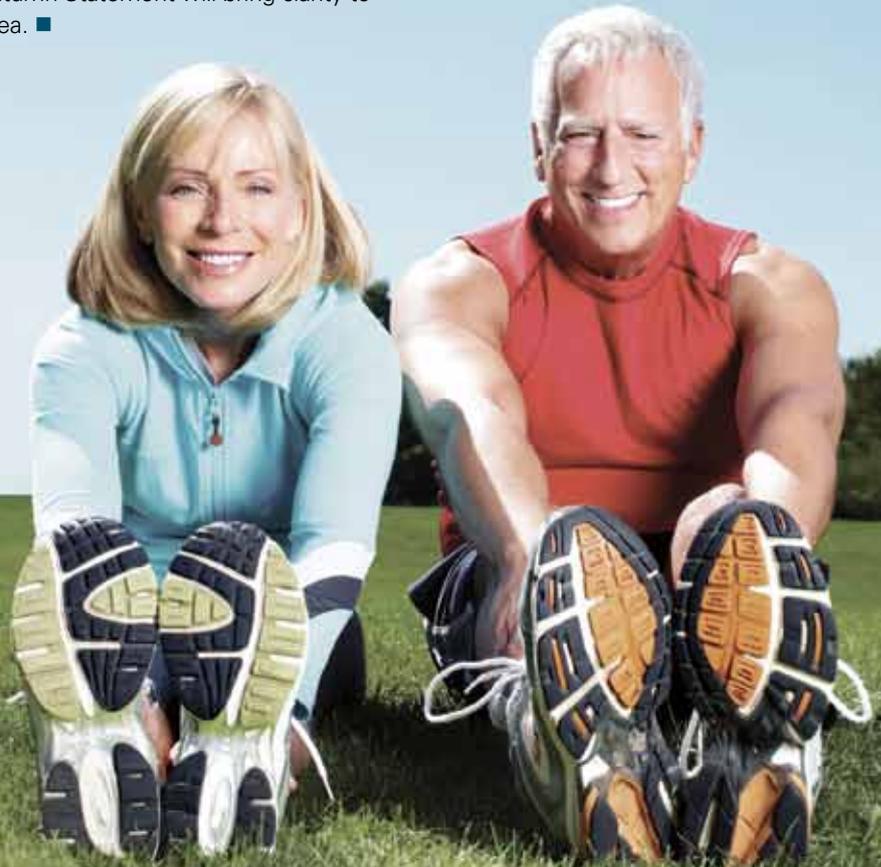
TIME TO ASSESS YOUR PERSONAL CIRCUMSTANCES?

Before you make any decision about your retirement planning, we strongly recommend you obtain professional financial advice. We will assess your personal circumstances and advise you on the best course of action for you. To discuss how we could help, please contact us for more information.

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ON THE FACE OF IT, THESE CHANGES ARE GOOD NEWS FOR SAVERS WITH DEFINED CONTRIBUTION PENSIONS AND CREATES GREAT HEADLINES.

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SAVING FOR A RAINY DAY

FEWER PEOPLE ARE PUTTING MONEY AWAY DESPITE IMPROVEMENTS TO THE ECONOMY

THE GAP BETWEEN the fortunes of savers and non-savers continues to widen, and research supports these findings^[1]. 'Habitual savers' continue to put away more for a rainy day, but the total number of people saving has fallen, and, despite improvements to the economy, one in five people in the UK have no savings at all.

SAVING FACTS

- 1** The number of people in the UK with no savings at all has risen year-on-year from eight million to over nine million, or one in five of the UK adult population.
- 2** For those who are managing to save, the average amount

that people have in savings was boosted by £175 in 2013 in comparison to the previous year, from £10,033 to £10,208.

- 3** The total number of people who are managing to save something has dropped from 14.8 million to 14.4 million (31% and 30% of the adult population respectively), and more than half (54%) of those surveyed said they were saving less than they did two years ago.
- 4** Many people are still only thinking in the short term – almost half (48%) said they prefer to spend their money rather than save and invest, and 64% said they know they are not saving sufficiently for their long-term needs. ■



Source:
 [1] Scottish Widows Savings Report, March 2014 (excludes the 12% minority that have over £50,000 in savings).

TIME TO MAKE SURE YOU'RE ON TRACK TO ACHIEVING YOUR FINANCIAL FREEDOM?

WANT TO FIND OUT MORE?
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OFFSETTING THE NEGATIVE EFFECTS OF INFLATION

WHY MORE PEOPLE ARE RETAINING EXPOSURE TO STOCKS AND SHARES

NEW RESEARCH^[1] suggests that UK adults are planning to use equity investments to help them outstrip inflation and manage the rising cost of living. Over half (53%) of UK adults rate the rising cost of living as their number one fear for retirement, and almost a third (32%) of pre-retirees^[2] say they would retain some exposure to stocks and shares to offset the negative effects of inflation on their retirement income.

The figures show that the rising cost of living is UK adults' number one fear for retirement, above keeping fit and healthy (45%) or even losing a spouse or partner (32%). When asked about how they planned to offset the declining purchasing power of their pension pots and the negative impact of inflation, almost a third (32%) of non-retired respondents aged 55 and over said they would retain some exposure to stocks and shares. ■

Source:

[1] MGM Advantage research among 2,028 UK adults aged 18+, conducted online by Research Plus Ltd, fieldwork 17–22 October 2013.

[2] Source: MGM Advantage research among 2,060 UK adults aged 55+, of which 663 were non-retired, conducted online by Research Plus Ltd, fieldwork 4–11 October 2013.

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THE RISING COST OF LIVING IS UK ADULTS' NUMBER ONE FEAR FOR RETIREMENT, ABOVE KEEPING FIT AND HEALTHY

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INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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WORKPLACE CHALLENGES FOR OLDER WORKERS

ONE IN THREE COULD NOT CARRY OUT CURRENT JOBS PAST THEIR TRADITIONAL RETIREMENT AGE

EMPLOYERS ESTIMATE UP TO A THIRD of their staff would struggle to continue in their current jobs past traditional retirement ages, research for MetLife Employee Benefits^[1] shows. Its nationwide study found HR directors believe that, on average, 31% of their current workforce would not be able to perform their jobs adequately once they reach normal retirement ages, even though 54% of them expect an increase in the proportion of older staff.

POSITIVE ATTITUDE

32% of employers say their workplace has a positive attitude to older workers, with 54% saying their company is neutral on the issue. Just 12% of companies questioned admit people in their workplace have a negative attitude to older workers.

CAREER PROGRESSION

Among concerns cited by HR directors was a rise in absence – 10% believe



32% OF EMPLOYERS SAY THEIR WORKPLACE HAS A POSITIVE ATTITUDE TO OLDER WORKERS, WITH 54% SAYING THEIR COMPANY IS NEUTRAL ON THE ISSUE.



older workers will take more time off and 6% believe the rise in older workers will make career progression and recruitment more difficult.

DEMOGRAPHIC CHANGES

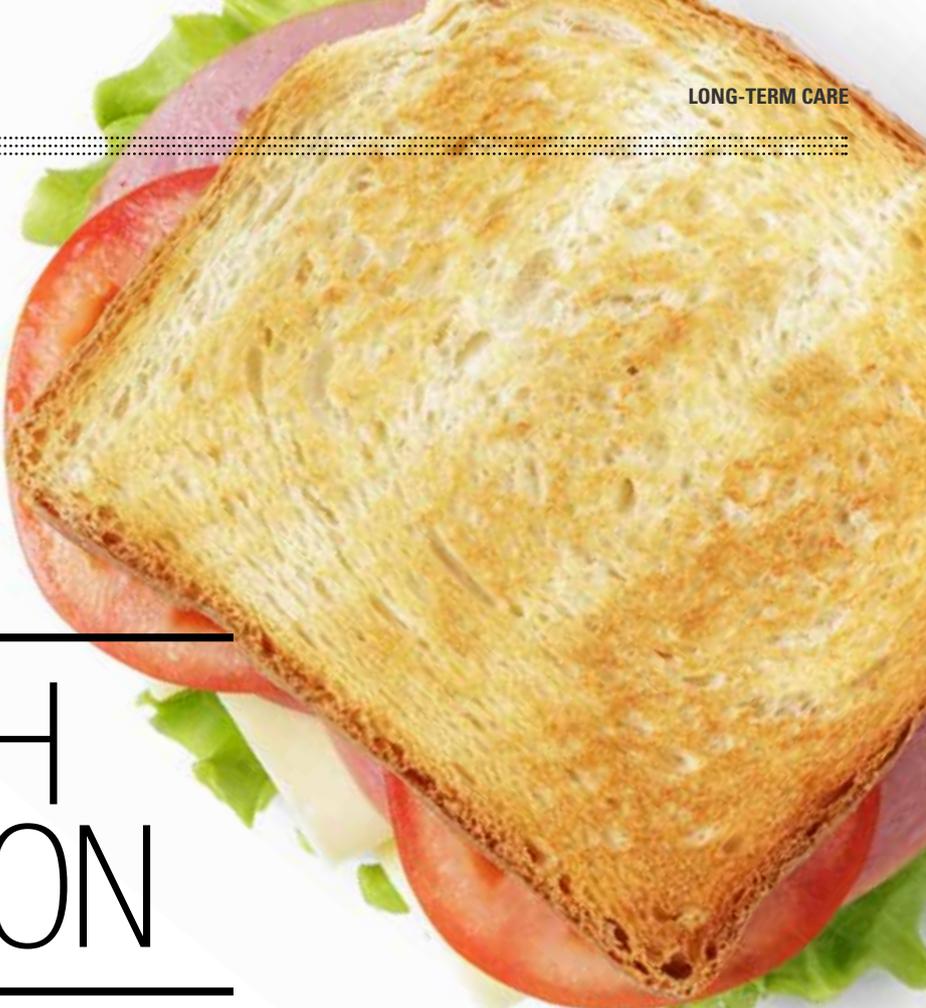
Employers are on the front line and need to respond positively to the demographic changes now seen in

the workforce. It's encouraging that there are mainly positive attitudes but there is still an undercurrent of concern and misguided thinking that could inhibit positive change. Older workers have a tremendous amount to offer and shouldn't be seen as a problem but as a solution to many workplace challenges.

Insurance products like income protection could help significantly not just in terms of managing absence but also in terms of services and online support for healthy living. ■

Source:

[1] Research conducted by Atomik Research among 214 HR directors across a nationally representative sample of companies ranked by number of employees between 7–10 March 2014.



SANDWICH GENERATION

FILLING IN THE FAMILY GAPS

With an ageing population and increasingly more children living at home for longer, more and more people are joining the 'Sandwich Generation', having to fund family at both ends of the spectrum, such as their parents and children as well as themselves.

A CONTINGENCY PLAN CAN OFFER PEACE OF MIND

Nobody wants to think about the possibility of getting ill or being made redundant. However, the reality is that some of us will be off work for a period of time at some point in our career. Having a contingency plan in place can offer you peace of mind that if you fell ill or were made redundant you would receive a regular income which would enable you to carry on supporting yourself and your loved ones. To find out more, please contact us.

PRESSURE TO KEEP EARNING

It is estimated that over a million Britons are now members of the Sandwich Generation and the pressure is on them to keep earning, in order to fund the care and lifestyles of loved ones. The main areas of financial support the Sandwich Generation find themselves paying for includes: food and household bills (54%), paying off debts (54%), home renovations (23%), medical care (32%) and education fees (11%).

What's more, parents providing financial support to children are having to do so for longer. The research revealed that parents are now spending more on adult children (those aged 22+) than younger children as higher living costs and stagnated wages take hold. More than one in ten (14%) Britons are financially relied upon by their adult children, spending on average £6,411 a year on them compared to the £3,841 a year being spent on younger children.

DOUBLE CARING RESPONSIBILITY

Unsurprisingly, few find this support easy, with close to half (45%) saying the financial pressure is challenging, while one in four (25%) have had to take out a loan to subsidise family members and 8% have had to increase their working hours or take on a

second job (5%). And it's not just the cost of support that's having an impact, but time too. The Sandwich Generation are being hit with a 'double caring' responsibility, as they are looking after their children as well as parents and older family members too.

Indeed, nearly half (44%) of people in the Sandwich Generation have to balance working full-time with spending an additional 19 hours each week caring for a parent or older relative and twice as many hours (39 hours per week) looking after a younger relative.

The research shows how the changing nature of modern families is placing real financial pressure on those who are having to provide support to more than one generation. This help often lasts for many years longer than people may have originally thought. ■

Source:

Based on online research conducted by ICM for LV= using a sample of 2,003 UK adults in September 2014. Results have been weighted to a nationally representative criteria.

According to ICM data 3% of GB adults are financially relied upon by younger and older generations (i.e. they have an ongoing or regular responsibility to both generations).

This equates to 1.4m people (47,358,000 GB adults x 0.03 = 1,420,740)

FULL NEST HOUSEHOLDS

THE FINANCIAL PRESSURE ON PARENTS PROVIDING BOARD TO THEIR ADULT OFFSPRING

PARENTS WITH ADULT CHILDREN

Living under their roof are spending £1,200* more than their Empty Nester counterparts each year on everyday household expenditure, bringing the total annual cost of 'Full Nest Syndrome' in the UK to £3.2 billion^[1].

Meet the Full Nesters, a new report recently published by the Scottish Widows think tank Centre for the Modern Family, delves into the financial, practical and emotional strain placed on parents who are providing room and board for their adult offspring, and it also explores the impact this is having on the modern family dynamic.

BOOMERANG KIDS

With the latest figures showing that more than a quarter of adults between 20–34 are still living at home^[2], and a fifth (19%) of students are opting to stay at home while studying^[3], the 'Boomerang Kid' phenomenon is increasingly morphing into a 'Never Fledged Generation' – those for whom the high cost of living and accommodation means they are unable to fly the nest, even for a short time.

To cope with the additional cost of having their adult children living at home for longer, the report finds that Full Nesters are making greater financial sacrifices than Empty Nesters across the board, with some putting their own financial future at risk.

One in three (31%) have cut spending on vital items such as groceries, compared to 21% of empty nesters, while 16% have needed to take out a loan, spent on credit cards or gone overdrawn, against 7% of empty nesters. A third (30%) of Full Nesters report they are contributing less to their savings, while more than one in four (28%) are spending their savings to meet the cost of everyday living.

COMPROMISING FUTURE PLANS

In contrast to Empty Nesters, Full Nesters are prioritising their family in the here and now, often at the expense of their future plans. Almost half (44%) say their current focus is providing for their family, compared to 23% of Empty Nesters, while a third of Full Nesters (34%) are focused on paying off debt, compared to 17% of Empty Nesters. Moreover, many Full Nesters are conscious that this could be compromising plans for later life, with a quarter (24%) saying they wish they were able to focus more on preparing for the future.

On top of covering the cost of having adult children under their roof, the report finds many Full Nesters are providing additional financial support to their offspring. Two thirds (62%) of Full Nesters say they are financially supporting their children, compared to just 37% of Empty Nesters, with 32% of Full Nesters not expecting to get the money back. Despite this, the majority (63%) are happy to lend money to help their family members out. ■

FINANCIAL WELL-BEING

This research highlights the very real pressures being felt by Full Nesters as a result of the rapid emergence of the 'Never Fledged Generation'. With many parents raiding their savings or putting their retirement plans on hold to cover the cost of their adult children still living under their roof, we need to ask ourselves what the longer term implications of these trends are and what this means for our financial well-being. To review your situation, or for further information, please contact us.

Source:
Meet the Full Nesters, the second of three reports to be released this year by the Centre for the Modern Family looking at intergenerational finances, identifies eight generation groups* within the modern family unit, who are still feeling the impact of living costs in different ways as the UK comes out of recession.

* For the purposes of this research, the Centre for the Modern Family identified eight generation groups that exist in the modern family today:

- 1) Individuals living with friends in rented accommodation
- 2) Under-34s living at home with parents
- 3) Co-habiting/married couples without children

- 4) Parents with children under 18
- 5) Parents with grown-up children (over 18) who are still at home (full nesters)
- 6) Parents with grown-up children (over 18) who have left home (none still at home) (empty nesters)

- 7) Grandparents providing childcare for family members (grandchildren or otherwise)

8) Providing regular care and support for a relative
[1]ONS data shows that there are 2.7 million households in the UK with adult children living at home. Centre for the Modern Family data shows that the average monthly household spend reported by Full Nesters is £460, compared to £360 for Empty Nesters, which equates to an additional annual spend of £1,200. Multiplied by the ONS figure of 2.7 million full nests gives an overall figure of £3.3 billion

[2]ONS Young Adults Living with Parents 2013
[3]Higher Education Statistics Authority

The research was completed by YouGov and the findings are based on 2,082 online interviews with a nationally representative sample of adults aged 18 and over living in the UK. The interviews were conducted between 28 April and 1 May 2014.



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‘AM I DIVERSIFIED ENOUGH?’

WHAT’S POSITIVE FOR ONE INVESTMENT CAN BE NEGATIVE FOR ANOTHER

DIFFERENT TYPES of investments are affected in different ways by factors such as economics, interest rates, politics, conflicts, even weather events. What’s positive for one investment can be negative for another, and when one rises another may fall. This interlinked movement between assets is known as ‘correlation’.

DIFFERENT ASSETS

Portfolios can incorporate a wide range of different assets, all of which have their own characteristics, like cash, bonds, equities (shares in companies) and property. Asset allocation is the process of dividing your investment between different assets. The idea behind allocating your money between different assets is to spread risk through diversification and to understand these characteristics, and their implications on how a portfolio will perform in different conditions – the idea of not putting all your eggs in one basket.

POTENTIAL RETURNS

Investments can go down as well as up and these ups and downs can depend on the assets you’re invested in and how the markets are performing. It’s a natural part of investing. If we could see into the future there would be no need to diversify our investments. We could merely choose a date when we needed our money back, then select the investment that would provide the highest return to that date.

Moreover, the potential returns available from different kinds of investment, and the risks involved, change over time as a result of economic, political and regulatory developments as well as a host of other factors. Diversification helps to address this uncertainty by combining a number of different investments.

ASSET CLASSES

When putting together a portfolio there are a number of asset classes, or types of investments, that can be combined in

different ways. The starting point is cash – and the aim of employing the other asset classes is to achieve a better return than could be achieved by leaving all of the investment on deposit.

CASH

The most common types of cash investments are bank and building society savings accounts and money market funds (investment vehicles which invest in securities such as short-term bonds to enable institutions and larger personal investors to invest cash for the short term).

Money held in the bank is arguably more secure than any of the other asset classes, but it is also likely to provide the poorest return over the long term. Indeed, with inflation currently above the level of interest provided by many accounts, the real value of cash held on deposit is falling.

Your money could be eroded by the effects of inflation and tax. For example, if your account pays 5% but inflation is running at 2%, you are only making 3% in real terms. If your savings are taxed, that return will be reduced even further.

BONDS

Bonds are effectively IOUs issued by governments or companies. In return for your initial investment, the issuer pays a pre-agreed regular return (the ‘coupon’) for a fixed term, at the end of which it agrees to return your initial investment. Depending on the financial strength of the issuer, bonds can be very low or relatively high risk, and the level of interest paid varies accordingly, with higher-risk issuers needing to offer more attractive coupons to attract investment.

As long as the issuer is still solvent at the time the bond matures, investors get back the initial value of the bond. However, during the life of the bond its price will fluctuate to take account of a number of factors, including:

- **Interest rates** – as cash is an alternative lower risk investment,

the value of government bonds is particularly affected by changes in interest rates. Rising base rates will tend to lead to lower government bond prices, and vice versa.

- **Inflation expectations** – the coupons paid by the majority of bonds do not change over time. Therefore, high inflation reduces the real value of future coupon payments, making bonds less attractive and driving their prices lower.
- **Credit quality** – the ability of the issuer to pay regular coupons and redeem the bonds at maturity is a key consideration for bond investors. Higher risk bonds such as corporate bonds are susceptible to changes in the perceived credit worthiness of the issuer.

EQUITIES

Equities, or shares in companies, are regarded as riskier investments than bonds, but they also tend to produce superior returns over the long term. They are riskier because, in the event of a company getting into financial difficulty, bond holders rank ahead of equity holders when the remaining cash is distributed. However, their superior long-term returns come from the fact that, unlike a bond, which matures at the same price at which it was issued, share prices can rise dramatically as a company grows.

Returns from equities are made up of changes in the share price and, in some cases, dividends paid by the company to its investors. Share prices fluctuate constantly as a result of factors such as:

- **Company profits** – by buying shares, you are effectively investing in the future profitability of a company, so the operating outlook for the business is of paramount importance. Higher profits are likely to lead to a higher share price and/or increased dividends, whereas sustained losses could place the dividend or even the long-term viability of the business in jeopardy.

■ **Economic background** – companies perform best in an environment of healthy economic growth, modest inflation and low interest rates. A poor outlook for growth could suggest waning demand for the company's products or services. High inflation could impact companies in the form of increased input prices, although in some cases companies may be able to pass this on to consumers. Rising interest rates could put strain on companies that have borrowed heavily to grow the business.

■ **Investor sentiment** – as higher risk assets, equities are susceptible to changes in investor sentiment. Deterioration in risk appetite normally sees share prices fall, while a turn to positive sentiment can see equity markets rise sharply.

PROPERTY

In investment terms, property normally means commercial real estate – offices, warehouses, retail units and the like. Unlike the assets we have mentioned so far, properties are unique – only one fund can own a particular office building or shop.

The performance of these assets can sometimes be dominated by changes in capital values. These unusually dramatic moves in capital value illustrate another of property's key characteristics, namely its relative illiquidity compared to equities or bonds. Buying equities or bonds is normally a relatively quick and inexpensive process, but property investing involves considerable valuation and legal involvement.

As such, the process is longer and dealing costs are higher. When there is a wholesale trend towards selling property, as was the case in 2007, prices can fall significantly. Conversely, when there are more buyers than sellers, as happened in 2009, price rises can be swift.

The more normal state of affairs is for

rental income to be the main driver of commercial property returns. Owners of property can enhance the income potential and capital value of their assets by undertaking refurbishment work or other improvements. Indeed, without such work, property can quickly become uncompetitive and run down.

When managed properly, the relatively stable nature of property's income return is key to its appeal for investors.

MIX OF ASSETS

In order to maximise the performance potential of a diversified portfolio, managers actively change the mix of assets they hold to reflect the prevailing market conditions. These changes can be made at a number of levels including the overall asset mix, the target markets within each asset class and the risk profile of underlying funds within markets.

As a rule, an environment of positive or recovering economic growth and healthy risk appetite would be likely to prompt an increased weighting in equities and a lower exposure to bonds. Within these baskets of assets, the manager might also move into more aggressive portfolios when markets are doing well and more cautious ones when conditions are more difficult. Geographical factors such as local economic growth, interest rates and the political background will also affect the weighting between markets within equities and bonds.

In the underlying portfolios, managers will normally adopt a more defensive positioning when risk appetite is low. For example, in equities they might have higher weightings in large companies operating in parts of the market that are less reliant on robust economic growth. Conversely, when risk appetite is abundant, underlying portfolios will tend to raise their exposure

to more economically sensitive parts of the market and to smaller companies.

HOW DO I BUILD MY OWN DIVERSIFIED PORTFOLIO?

Some investors choose to build their own portfolios, either by buying shares, bonds and other assets directly or by combining funds investing in each area. However, this is a very time-consuming approach and it can be difficult to keep abreast of developments in the markets whilst also researching all the funds on offer. For this reason, most investors prefer to place their portfolio into the hands of professional managers and to entrust the selection of those managers to a professional adviser. ■

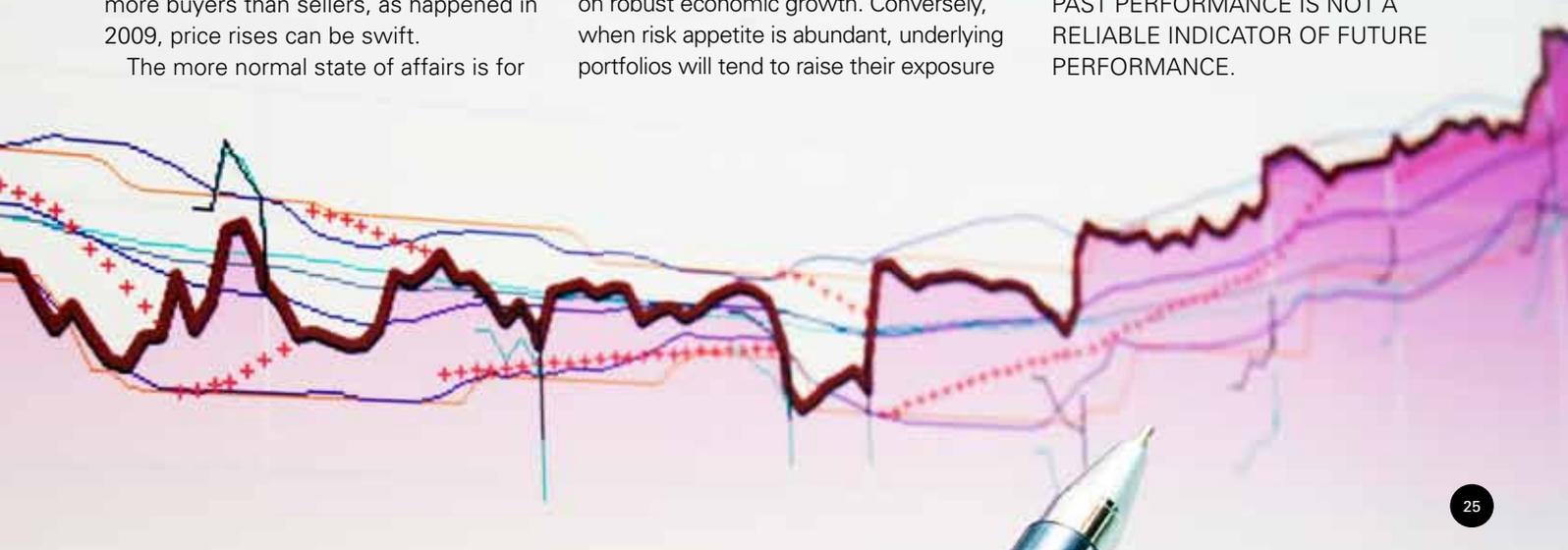
MAKE AN INFORMED DECISION

There are limitations to asset allocation. It doesn't provide all of the answers, and it doesn't really help in selecting one fund or investment over another. That's why it is important to obtain professional advice so that you can make an informed decision. To review your situation and discuss your options, please contact us for further information.

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ONE OF LIFE'S UNPLEASANT FACTS

PROTECTING YOUR ASSETS TO GIVE YOUR FAMILY LASTING BENEFITS IN AN UNCERTAIN WORLD

HERITANCE TAX (IHT) IN THE UK is a subject that was once something that only affected very wealthy people. It may be one of life's unpleasant facts but today it affects more people than ever, partly due to the rise in the property market that has not been matched by a corresponding rise in the IHT threshold.

TAXING TIMES

The threshold is currently just £325,000 – any assets above this level are taxed at 40%. Married couples and registered civil partners have a joint estate of £650,000 before any IHT is payable. The threshold usually rises each year but has been frozen at £325,000 for tax years up to and including 2017/18. Unmarried partners, no matter how long-standing, have no automatic rights under the IHT rules.

Your estate consists of all the assets you own including your home, jewellery, savings and investments, works of art, cars, and any other properties or land – even if they are overseas.

It's usually payable on death. But there are certain circumstances (if you put assets into certain types of trusts, for example) when IHT becomes payable earlier. Any part of your estate that is left to your spouse or registered civil partner will be exempt from IHT. The exception is if your spouse or registered civil partner is domiciled outside the UK.

NIL RATE THRESHOLD

Every individual is entitled to a 'Nil Rate Band' (that is, every individual is entitled to leave an amount of their estate up to the value of the nil rate threshold to a non-exempt beneficiary without incurring IHT). If you are a widow or widower and your deceased spouse did not

use the whole of his or her Nil Rate Band, the Nil Rate Band applicable at your death can be increased by the percentage of Nil Rate Band unused on the death of your deceased spouse, provided your executors make the necessary elections within two years of your death.

GIFTING IT AWAY

You are allowed to make a number of small gifts each year without creating an IHT liability. Remember, each person has their own allowance, so the amount can be doubled if each spouse or partner uses their allowances. You can also make larger gifts, but these are known as 'Potentially Exempt Transfers' (PETs) and you could have to pay IHT on their value if you die within seven years of making them.

Any other gifts made during your lifetime which do not qualify as a PET will immediately be chargeable to IHT and these are called 'Chargeable Lifetime Transfers' (CLT).

GIFT WITH RESERVATION

If you make a gift to someone but keep an interest in it, it becomes known as a 'Gift With Reservation' and will remain in your estate for IHT purposes when you die. For example, if you gave your son your house, but continued to live in it without paying a market rent, it would be considered a Gift With Reservation. But if you continued to live there and paid him a market rent each month, it would become a Potentially Exempt Transfer and move out of the IHT net, provided you survived for seven years. However, your son would be liable to pay income tax on the rent he received.

Where the total amount of non-exempt gifts made within seven years of death plus

the value of the element of your estate left to non-exempt beneficiaries exceeds the nil rate threshold, IHT is payable at 40% on the amount exceeding the threshold.

This reduces to 36% if the estate qualifies for a reduced rate as a result of a charity bequest. In some circumstances, IHT can also become payable on the lifetime gifts themselves – although gifts made between three and seven years before death could qualify for taper relief, which reduces the amount of IHT payable.

EXEMPT GIFTS

Some gifts you make during your lifetime are exempt from IHT. If you make a transfer to your spouse, this will always be exempt as long as they have a permanent UK home.

Your executors or legal personal representatives typically have six months from the end of the month of death to pay any IHT due. The estate can't pay out to the beneficiaries until this is done. The exception is any property, land or certain types of shares, where the IHT can be paid in instalments. Then your beneficiaries have up to 10 years to pay the tax owing, plus interest.

TAPER RELIEF

Taper relief applies where tax, or additional tax, becomes payable on your death in respect of gifts made during your lifetime. The relief works on a sliding scale. The relief is given against the amount of tax you'd have to pay rather than the value of the gift itself. The value of the gift is set when it's given, not at the time of death.

WRITE A WILL

This is the first step in making effective plans. Whilst making a Will on its own

does not reduce IHT, a Will makes sure your assets go to the people you choose quickly and with minimum effort. It also helps you to identify areas where you could take other action. If you die without a Will, your estate is divided out according to a pre-set formula, and you have no say over who gets what and how much tax is payable.

You need to keep your Will up-to-date. Getting married, divorced or having children are all key times to review your Will. If the changes are minor, you could add what's called a 'codicil' to the original Will. This is a document which can have the effect of making small amendments to your original Will.

TRUSTS

Many people would like to make gifts to reduce IHT but are concerned about losing control of the money. This is where trusts can help. The rules changed in 2006 making some of them less tax effective, as a small minority will require you to pay IHT even before you have died, but if appropriate they should still be considered.

LIFE COVER

If you don't want to give away your assets while you're still alive, another option is

to take out life cover, which can pay out an amount equal to your estimated IHT liability on death. Make sure you write the policy in an appropriate trust, so that it pays out outside your estate.

Policies written on a joint life second death basis – paying out when both of the couple are dead – can be the most cost-efficient way of mitigating an IHT liability.

ON YOUR DEATH

When you die, your estate has to be distributed one way or another. If you have a Will, your executors have to gain a Grant of Probate in England and Wales or Northern Ireland (a Grant of Confirmation in Scotland). If there's no valid Will, or the named executors in the Will are unwilling or unable to carry out their duties, a Grant of Letters of Administration is needed. This is known as 'dying intestate'.

WHAT COULD HAPPEN IF YOU DON'T WRITE A WILL?

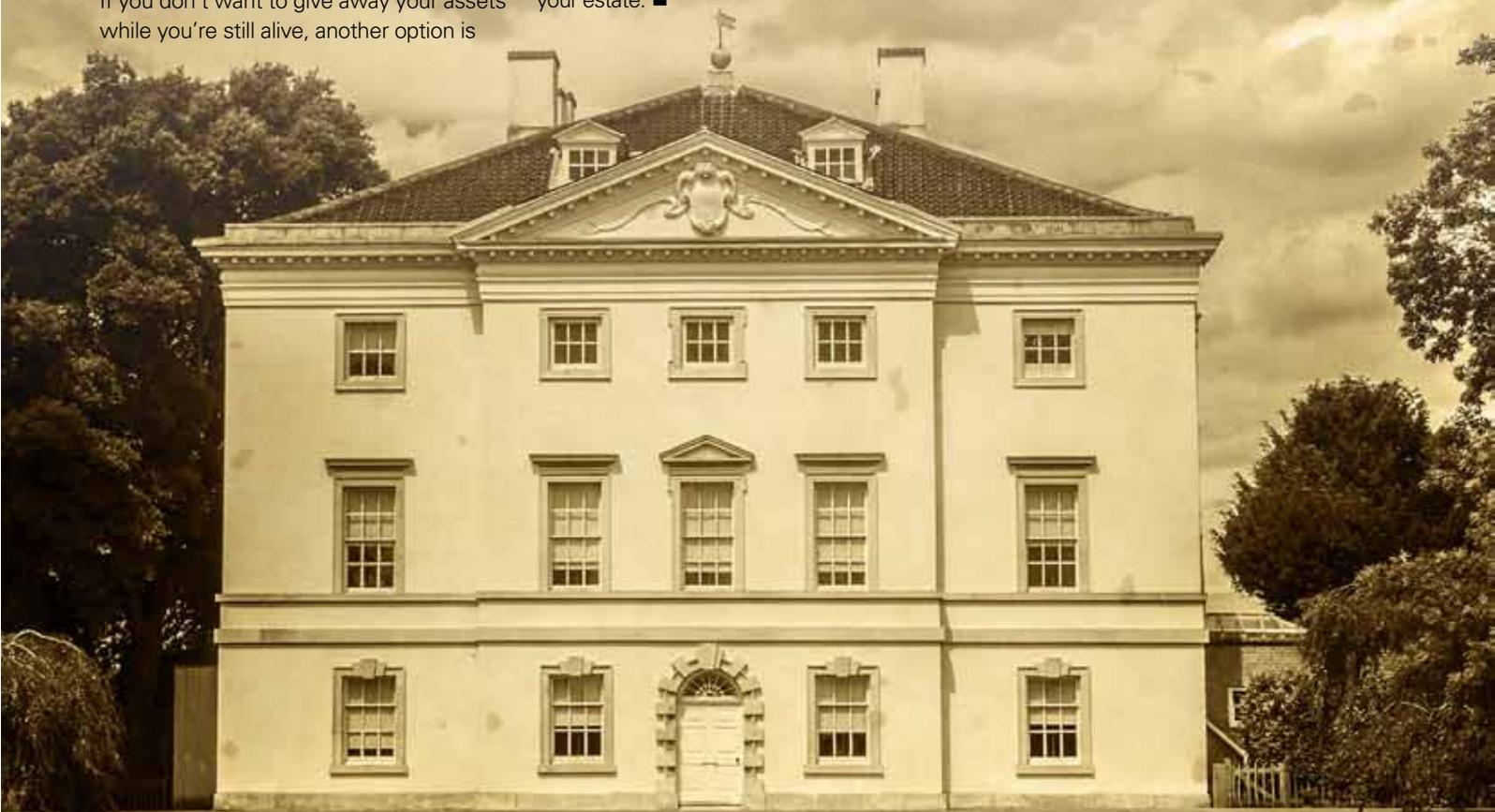
The government lays down strict guidelines on how money is to be paid out if you die without making a Will. These could mean that a long-term unmarried partner ends up receiving nothing and the Crown gets all your estate. ■

GUIDING YOU THROUGH THE OPTIONS TO FIND THE RIGHT SOLUTION

IHT can be complicated and no one likes to think about their own mortality, so it is a subject that is easy to avoid. Professional advice on how to reduce your potential liability is therefore essential, and with our expert assistance, we will guide you through the options to find the right solution that fits your particular circumstances. To review your situation and discuss your options, please contact us for further information.

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THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE WILL WRITING, INHERITANCE TAX PLANNING OR TAXATION ADVICE.



{ QUESTION TIME }

WHY PLANNING FOR YOUR FUTURE RETIREMENT REQUIRES ANSWERS

WE ALL LOOK FORWARD TO STOPPING WORK, EMBARKING ON A NEW PATH AND MAKING THE MOST OF OUR NEW-FOUND FREEDOM. BUT WITH ALL THE TALK AND CONCERN ABOUT DWINDLING RETIREMENT FUNDS AND OUR SHAKY ECONOMY, MANY RETIREES AND SOON-TO-BE-RETIRED BOOMERS NEED TO CONSIDER THREE VERY IMPORTANT QUESTIONS, SOONER RATHER THAN LATER.

Ask yourself these three questions when planning for your future retirement:

1 HOW LONG WILL I BE RETIRED FOR?

According to the Institute of Fiscal Studies, 58.5%^[1] of workers haven't given any thought to how long their retirement could last. A 65-year-old can now typically expect to live for about another 20 years. That could mean you're retired for almost as long as you've been saving for retirement. Be clear when you want to stop working, but think of your pension savings as deferred pay and budget accordingly.

2 HOW MUCH DO I NEED TO INVEST?

Paying more into your pension may not necessarily be top of your to-do list. It's tempting to think it's something you need to worry about in the future. You need to be investing as much as you can for as long as you can to make every year count. Maximising tax allowances can also make retirement funds last longer. As well as contributing to your pension pot, you can use other savings and investments to help fund your retirement.

3 HOW WILL I STAY ON TRACK?

Once you're investing, it's also worth keeping sight of your retirement goals to make sure you're on track to meet them. 74% of under-45s with pensions have no idea what their pension pots are currently worth, and 79% say they don't know what income they are expecting when they retire. These figures suggest many

people don't really know the true value of their pension until they are older and in the run-up to retirement, despite the fact that they are likely to be receiving annual pension statements. You should regularly review your pension. ■

MAKING YOUR MONEY WORK HARD FOR YOU

The earlier you start your retirement planning preparations, maintaining your progress and keeping focus on your goals, the more confident you can feel that you're making your money work hard to safeguard the life after work that you deserve. To review your current situation, please contact us.

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A PENSION IS A LONG-TERM INVESTMENT. 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.

Source:

[1] All figures unless otherwise stated are from YouGov Plc. Total sample size was 2,018 adults, of which 1,361 have a pension. Fieldwork was undertaken between 9–12 August 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

