ANGLO INTERNATIONAL

PERSONAL FINANCIAL MANAGEMENT

MoneyMatters

January/February 2015

New Year changes *FOR YOUR PENSION*

Why do I need a WILL?

Pensioner BONDS

2015 Protection Review

Stamp Duty reforms

● Lifestyle Protection ● Creating Wealth ● Tax Rules ●

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inside

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Pensioner Bonds

The Government has finally revealed details about the long-awaited 'pensioner bonds', first announced in the Chancellor's Budget in March 2014. These accounts are designed to help retirees whose cash savings have been ravaged by interest rate cuts over several years.

WHAT IS THE DEAL?

Savers can invest a lump sum in a Government-backed bond with National Savings & Investments over a term of one or three years, with fixed interest rates of 2.8 and 4 per cent respectively.

The minimum investment per person and per bond is £500 up to a maximum of £10,000. So a couple could squirrel away a combined £40,000 spread across both bond types.

WHO ARE THEY FOR?

For people over the age of 65 who want inflation-beating risk-free returns on cash savings over the short to medium term. They can be opened individually or in joint names.

WHEN ARE THEY AVAILABLE?

They go on sale in January 2015 until they run out. There is an overall limit on how much savers can put into the bonds, up to £10 billion, enough for one million pensioners to invest £10,000 each in one bond. They are expected to be popular and will be awarded on a first come, first served basis.

HOW CAN I INVEST?

Visit the website at nsandi.com, call 0500 500 000 or write to National Savings and Investments, Glasgow G58 1SB.

THE PROS AND CONS

Interest is accrued annually and in the three-year bond, interest will be compounded, so you earn interest on your interest.

Other advantages are that investments will be 100 per cent backed by the Treasury and early access is possible, although savers lose the equivalent of 90 days' interest. If the bondholder dies, a beneficiary over the age of 65 can inherit and retain the bond.

On the flip side, interest is not payable until maturity, excluding those on the hunt for regular income. And basic 20 per cent tax is deducted, so non-taxpayers must reclaim overpaid tax from HM Revenue & Customs, while higher rate taxpayers must declare the interest annually on their self-assessment tax return.

2014 Autumn Statement

What did the announcements bring you?

I have a lot of money in NISAs? Can I pass all of them to my spouse if I die first?

Under the new rules announced in George Osborne's autumn statement, your NISA pot can be passed on to your husband or wife when you die.

Before the autumn statement, your NISA savings lost their tax-free status when you died. The new rules mean your widow or widower can inherit your NISA savings, keeping their tax-free status.

The Treasury believes around 150,000 people who are married and have NISAs, die every year and their "NISA tax advantages die with them.

HM Revenue & Customs figures show the average person aged 65 and over who has a NISA has about £29,880 invested in it. For high earners of all ages, with incomes over £150,000, average NISA savings approach £50,000.

My husband died recently. Will I benefit from the new rules?

Yes, although they come into effect on April 6, 2015, the Chancellor said anybody who died on or after the day of the autumn statement, will benefit.

What is the NISA allowance each year?

You can save £15,000 a year into a cash NISA, a stocks and shares NISA, or a combination of the two. From April next year it will increase again to £15,240.

Should my spouse die next year and her NISAs pass to me, can I still use my annual allowance?

You will be able to inherit her NISA pot, and retain its tax advantages and still put up to £15,240 into your NISA in the same tax year.

What about civil partnerships?

The new rules apply to people who are in civil partnerships as well as those who are married.

Who benefits most from changes?

Women will be among the biggest beneficiaries because, on average, they outlive their husbands.

Allowing the transfer of NISA assets to spouses and civil partners on death provides a much fairer outcome, especially for retired women and it will now provide a bigger incentive to save in NISAs.

How much is it really worth?

Imagine you have a NISA worth £29,880. You would get around £448 in interest (assuming a rate of 1.5% in a cash NISA) and pay no tax on the income. Before these changes, a basic rate taxpayer would have lost about £90, a higher rate taxpayer about £179, and a top rate taxpayer would have lost £202.

Was about Junior NISAs?

Not much news here but parents will be able to save £4080 next year into a Junior NISA or into a child trust fund, which is a 2% rise from £4,000 currently.

Growth

The economy has grown faster than previously reported, up **8%** over this Parliament. Business investment has risen by 27%.

GDP growth forecast for 2014 is upgraded from 2.4% a year ago, and 2.7% in March to **3%**.

It is predicted that the economy will then grow by **2.4% next year**, 2.2% in 2016, 2.4% in 2017 and 2.3% in 2018 and 2019.

Inflation is forecast to be 1.5% this year, 1.2% next, and 1.7% the year after.

Jobs and education

Unemployment will fall to **5.4%** next year, the Office of Budget Responsibility says.

Meanwhile, wages will **grow faster than inflation** for the next five years.

Loans of up to £10,000 for post-graduate degrees

National Insurance on **young apprentices** will be abolished

Borrowing

The deficit will fall from **£97.5bn** in 2013-14 to **£91.3bn** this year.

It will then be £75.9bn, £40.9bn, and £14.5bn in the three years after that.

Personal taxes

Tax free allowance raised to **£10,600** next year.

Higher rate tax band raised to £42,385.

When someone dies, their husband or wife will be able to inherit their NISA tax free.

Corporate taxes

A **25% tax on profits from activity in the UK** for companies that shift profits offshore will raise £1bn over the next five years.

Property

Stamp Duty reformed to become more progressive, introduces marginal tax rates. Changes came into force 4th December 2014.

Up to £125,000 - no tax
Up to £250,000 – 2%
Up to £925,000 – 5%
Up to £1.5m – 10%
Above that – 12%

Stamp duty cut for **98% of homebuyers** who pay it, you pay more if you buy anything above **£937,000.**

Health

Confirmed **£2bn** a year extra spending on NHS

Extending £2,000 employment allowance to carers

Travel

Fuel duty frozen again

Air passenger duty for children under 12 abolished from next year, and for children under 16 the year after.

Investors who rely on interest rates on their savings to boost their income have suffered during the financial crisis.

What's new for you?

Investors who rely on interest rates on their savings to boost their income have suffered during the financial crisis. Official interest rates languish at 0.5% and various Government schemes designed to encourage borrowing have given the banks little reason to tempt savers with decent interest rates.

Savers were hoping for some good news from George Osbornes' 2014 Autumn statement.

NISAs

Mr Osborne announced that widows and widowers would now be able to inherit NISAs tax-free. Previously NISAs lost their tax-free status on death but now under the new rules when someone dies, their husband or wife will be able to inherit their NISA and keep its tax-free status.

The change came into effect on 3 December 2014, if a NISA saver in a marriage or civil partnership dies, their spouse or civil partner will inherit their NISA tax advantages.

From 6 April 2015, surviving spouses will be able to invest as much into their own NISA as their spouse used to have, on top of their usual allowance, and so will be better able to secure their financial future and enjoy the tax advantages they previously shared.

One key point of interest was that there was no mention of excluding assets in NISAs from inheritance tax.

Pensioner Bonds

These bonds, designed to pay much better rates than conventional savings products from banks and building societies, were announced in the Budget in March and more details had been expected in the Autumn Statement.

In March he said a one-year Pensioner Bond would pay around 2.8% and a three-year bond around 4%. At the time the best rates available on the market were 1.9% and 2.6% respectively. The new bonds will be available to anyone aged 65 or over.

Supply will be limited, with up to £10bn of the bonds being made available from National Savings & Investments, the Government's savings arm. Pensioners will be allowed to save a maximum of £10,000 in each version of the bond, offering a total of £20,000.

Experts predict huge demand for the bonds, so they could sell out very quickly once they go on sale in January 2015.

Interest on these bonds will be taxed in line with all other savings income at the individual's personal tax rate. But you will not be able to register to receive interest gross, as is normally possible with saving accounts. Instead, non-taxpayers or those who have had too much tax deducted will have to reclaim via a self-assessment tax return.

Interest rates

The official interest rates are set independently by the Bank of England. However, Government policies can affect the interest rates that are actually offered to savers by banks.

One example is the "Funding for Lending Scheme", a source of cheap funds made available to banks on condition that it was lent on to mortgage borrowers and small businesses. While the mortgage side has ended, the Chancellor announced an extension of the small business part of the scheme.

Official sources of cheap funding for banks reduces their need for deposits from savers and with it their incentive to offer attractive interest rates, therefore further bad news for ordinary savers.

'Peer-to-peer NISAs'

In the Autumn Statement the Chancellor said he would act to boost peer-to-peer lending to allow small businesses better access to credit.

The Government will consult on whether to allow "crowd funded debt-based securities" into NISAs and on how it could be implemented, which is different from ordinary peer-to-peer lending as lenders own a bond that they can sell on.

The value of your investment and the income from it can go down as well as up and you may not get back the original amount invested. Past performance is not a reliable indicator for future results. Please contact us for further information or if you are in any doubt as to the suitability of an investment.

New Year changes for your pension

The pension reforms that come in next April have been seen as revolutionary and still little is understood by many. Experts are suggesting crucial points have been missed, so what do you need to know?

1. Taking the maximum tax-free lump sum

25 per cent of your pension fund can be taken tax free in one lump sum at retirement if you buy an annuity with the rest, or put it into drawdown. In other words, taking the full lump sum "crystallises" your whole pension so you lose the option to keep it invested and make the new "bank-account-style" withdrawals that have been highly publicised.

People will still be able to take smaller tax-free lump sums alongside the new flexibility by mixing and matching. For instance, if you had a £100,000 pot you could in theory keep £50,000 in their existing scheme and make the new withdrawals, and put the rest into drawdown or buy an annuity, taking a £12,500 tax-free payment.

2. 'Bank-account-style' withdrawals are NOT tax-free

If you want to use your existing pension like a bank account, you will get tax relief on future contributions of up to £10,000 a year and will be able to make withdrawals when you want. Although these payments from uncrystallised funds (UFPLSs) may include a 25 per cent tax-free portion, the rest is taxable as income.

3. Will your pension provider give you the new freedoms?

Your company or private pension scheme may not give you the option to stay invested and make withdrawals. You may have to move pension schemes to access the new freedoms arrangements.

Savers with large pension pots above £1.5 million who registered for primary or enhanced protection to safeguard their rights when the lifetime allowance was introduced will not be able to make these withdrawals either.

4. Move your pension

There may be high exit penalties if you decide to switch provider. Your current scheme may also provide valuable benefits you would lose should you transfer. If your scheme was set up before 2006, you could have a tax-free lump sum above the standard 25 per cent. Schemes set up in the Nineties may pay guaranteed annuity rates much higher than those offered today.

5. What's the future for annuities?

Annuities are still a good option for some retirees. Many people will use annuities alongside drawdown so that they can buy some secure income and keep some capital flexibly invested.

6. Check your pension investments

You should check your existing scheme and review how it's invested. Check what type of fund your pension money is in. It may be in a default option, such as a 'lifestyle' fund, that might no longer be appropriate. This fund would have assumed you are going to buy an annuity and not remain invested after a pre-set date.

7. Transparency & Knowledge

A big part of the reforms is better free pensions guidance for retirees, including face-to-face sessions from Citizens Advice and phone help from the Pensions Advisory Service. You won't be told what is best for you and must decide yourself and accept full responsibility.

Alternatively, you can seek the advice from your professional financial adviser, who would be responsible for recommending the right solution, with comeback if they make a mistake.

8. Keep a lookout

The details understood so far are from a draft bill and subject to change, although most experts in the business don't foresee any reason as to why they will not go through in their current form.

9. Will my pension be subject to death taxes

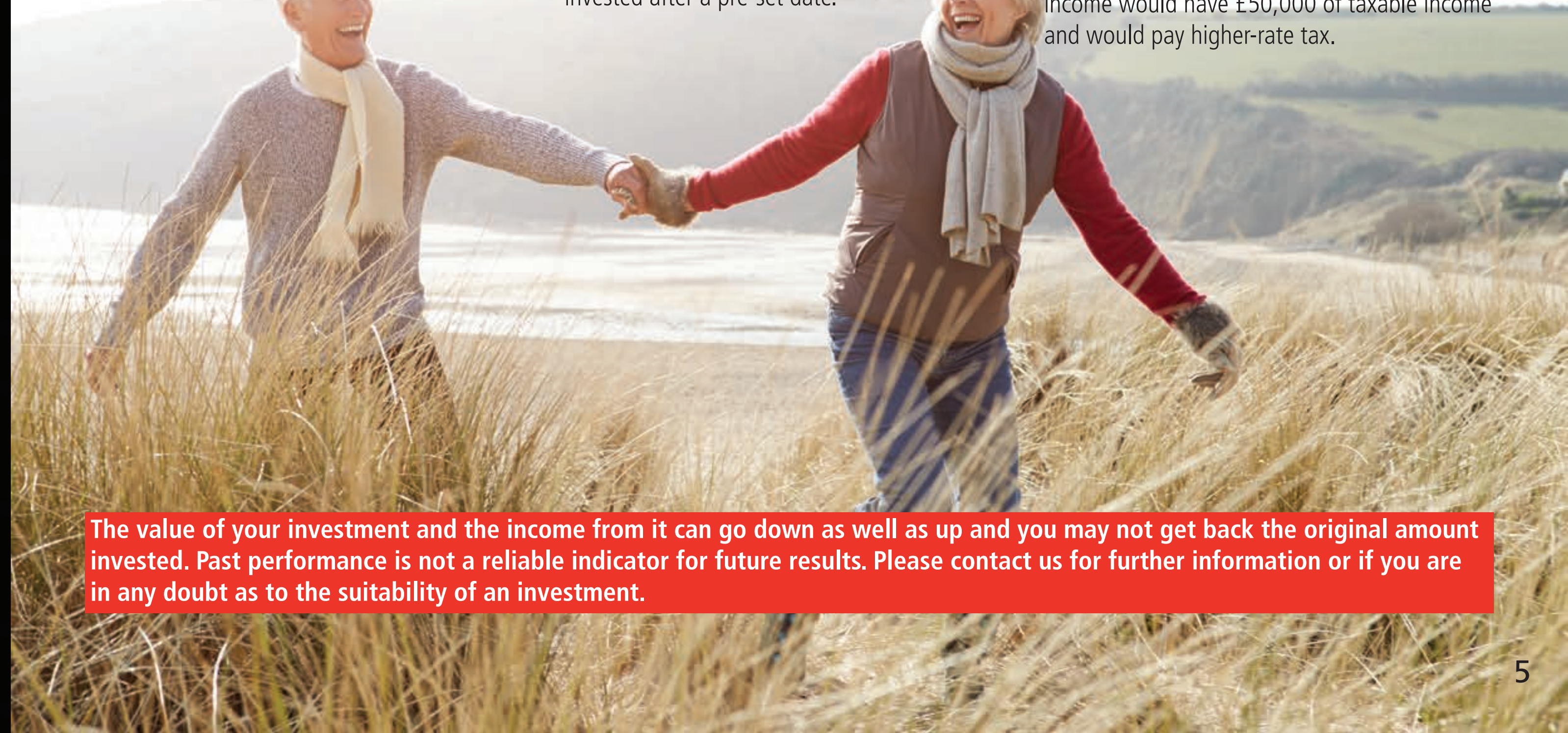
If you fail to nominate beneficiaries for your pension fund and the trustees can't decide who to pay the money to, your fund will be liable for a 45 per cent tax charge, as well as inheritance tax as part of your estate.

If you die before age 75 then your beneficiaries can take the money tax-free. If you die later, they will pay tax on any withdrawals at their normal income tax rates.

10. You could fall into a higher tax bracket

Be clear that whilst you can access 25 per cent of your fund tax-free, other withdrawals are subject to tax along with any other income.

For example: If you withdraw £40,000, then up to £10,000 could be tax-free but the rest would be added to your other earnings for that year. Someone with £20,000 of further income would have £50,000 of taxable income and would pay higher-rate tax.



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STAMP DUTY REFORMS

George Osborne announced sweeping changes to stamp duty in his 2014 Autumn Statement. He claimed 98% of buyers, particularly first-time buyers and low and middle-income families would benefit financially.

But now professionals in the property business believe the reforms would not benefit first-time buyers in the long run. The widely held view is, like all property taxes, these changes to stamp duty will very likely be quickly reflected in house prices.

This tax saving will allow first-time buyers more money to put towards their property and with all buyers in the same situation, prices would rise accordingly.

The industry thinking is the stamp duty changes will add around 1% to house prices.

As stamp duty is normally paid in cash and higher property prices would add to the buyer's mortgage, that they would pay more in interest.

Some allegedly take the view that the Chancellor was trying to engineer a mini-house price boom just before a general election without considering peoples' indebtedness.

How has stamp duty changed?

Under the old "slab" system, house purchasers had to pay their relevant rate on the whole purchase price. Previously stamp duty started at 1% on sales from £125,000 to £250,000, rising to 3% on sales of up to £500,000 and 4% on homes costing up to £1m. Houses that sold for between £1m and £2m attracted 5% tax, rising to 7% for houses worth more than £2m. Under this system a family buying a house for £400,000 would have to pay 3% on the whole sum, or £12,000.

> *House prices are expected to rise as sellers cash in on the stamp duty savings*

The new stamp duty will consist of "marginal" tax rates, as with income tax. There will be no tax on the first £125,000, then 2% on the cost between £125,000 and £250,000, and 5% up to £925,000. A rate of 10% will apply to the cost between that sum and £1.5m, and 12% on the value above £1.5m.

Now buying a £400,000 home they would pay 2% on the portion between £125,000 and £250,000 and 5% on the remaining £150,000. This reduces their total tax bill to £10,000.

Stamp duty bills will rise for purchases worth more than £937,500. This is likely to affect buyers in London and the South East most, where prices are much higher.

First-time buyers

Many typical aspiring home owners have been hit hard by the combination of stamp duty and rising house prices.

People in London know this all too well, many have tried to buy in earlier years but were unable to make their budget stretch to cover the stamp duty.

Such examples are common place. Many first time buyers find their dream property at the top end of their budget, but are all too often unaware of stamp duty and find themselves unable to afford this additional cost, leaving them no option but to pull out and lose their dream home.

Many people who are looking at properties in more affordable areas of London are grateful for the reduction in stamp duty, but fear that if house prices rise further they will be priced out of the market.

But it's not all bad news for first-time buyers. Those already in the process of buying will save money. Typically someone buying a £175,000 house will see their stamp duty cut from £1,750 to £1,000.

2015 Protection Review

As we enter into a New Year; a primary time for reflection, it could be considered an ideal opportunity to re-examine your personal finances – especially the protection of your own future, should the unforeseen occur. With many variants of insurances available, it can be difficult to determine the most appropriate for you. Here we consider your options:

1. Critical Illness Insurance:

If you are diagnosed as having one of the specific life-threatening conditions denoted in the policy, critical illness insurance will pay out a tax-free lump sum. There are a number of illnesses and definitions, set out by industry guidelines, which this type of insurance must cover; these include a severe heart attack or stroke and an aggressive form of cancer. Most policies do however cover many other conditions on top of these. You can also combine critical illness insurance with life insurance, depending on your own requirements; these policies will pay out if you are diagnosed with a critical illness or in the eventuality of your death, whichever the first to occur.

2. Income-Protection Insurance:

If you become ill or suffer a disability leaving you unable to work, income protection insurance is designed to replace part of your lost earnings in order to fill the void. Depending on the policy you choose, income protection insurance will provide you with a monthly payment of 50-60 per cent of your usual earnings, tax-free. This will customarily continue until you either return to work or reach retirement.

Some policies may also offer a "partial" or "rehabilitation" payment if you are able to return to your previous job although in a reduced capacity – i.e. part time, this however will only be for a limited period. A number of chosen policies will also agree to make a "proportionate" payment which tops-up earnings should you return to full-time employment within a lower paid role.

3. Life Insurance:

In the unfortunate event of your premature death, life insurance boosts your dependants ability to cope financially in your absence. Life insurance falls into one of two types; "term assurance" and "whole-of-life" – however there are many variations within these two categories;

a. Term Assurance:

This is the most simple form of life insurance which pays out a lump sum in the event of your death in a specified period of time. Term assurance is usually purchased along with a mortgage, and frequently taken out for the same duration. There are different sub-categories of term assurance:

- *Level Term:* in the event of premature death, this pays out the same sum regardless of when the policy commenced.
- *Decreasing term:* this decreases the potential payout by a fixed amount each year until reaching zero at the end of the term.
- *Increasing term:* this increases the potential payout by a certain amount each year for the duration of the term.
- *Convertible term:* this provides you with the ability to switch to another type of life insurance in the future should you wish to.
- *Family income benefit:* this, instead of paying one lump sum, pays dependaents by instalments from the date of death until the end of the agreed policy.

b. Whole-of-Life Insurance:

This is a policy which remains in force your whole life, meaning that whenever you should die, there is a guaranteed payout to your dependants. There are different forms of this insurance; some offer a set payout from the start, whilst others link to investments and the payout is dependent on performance. The terms and conditions of whole-of-life insurance policies vary, so make sure you understand the scope of the cover being offered before making a commitment.

When it comes to insurance it is always worth seeking professional financial advice. An advisor should help you decipher the level of cover you individually require, the duration of the appropriate policy and whether or not to consider a combination of insurances.

It is also vital that whenever you apply for any type of insurance, you provide full and accurate information – a failure to disclose "material facts" can result in future claims being declined.

The 2015 pension pitfalls

As from April 2015, pension investors will be free to do what they like with their pension savings at retirement. Almost half a million people will be eligible to take advantage of these new rules this year, the question to be answered is, are the pension freedoms a good thing or bad thing? The Government has voiced its opinion that it expects some people to make wrong choices, given the new freedom on offer. Recently, Steve Webb, the Government's Pension Minister said *"this coming April some people will get it wrong"*.
So what should people be aware of, here we explain some possible pitfalls and how you could try to avoid them?

Don't turn yourself into a 45% income tax-payer
Once you turn 55 you can normally take up to a quarter of your pension as a tax-free lump sum. This has not changed and this tax-free cash is yours to spend or invest as you wish. You can then take as much or as little as you like from the pension, however, these withdrawals are taxable. Some argue the hope of the Government is that these new pension rules could net the Treasury an extra £3 billion in tax receipts over the next four years.

All the withdrawals you make during the tax year will be added to the rest of your income in that tax year, and then will be subject to income tax at your highest rate. This could move you into a higher tax bracket and you could possibly end up being a top rate tax payer (45%) if you make a withdrawal which, combined with your other income, takes you over £150,000.

The other problem here is your personal annual tax allowance (for most people this is £10,000) starts to be scaled down once your income exceeds £100,000. It reduces by £1 for every £2 of income you have over £100,000. So if your taxable income is between £100,000 and £120,000 (2014/15 tax year), you might effectively be subject to a tax rate of up to 60%.

Avoiding the problem can be achieved by:

1. Not taking large withdrawals all at once. Staggering your withdrawals over different tax years, could reduce the tax you pay.
2. Use more of your tax-free cash to supplement your otherwise taxable income in the early years.
3. Pensions shelter your savings from tax until you take the money out, you don't pay income tax or capital gains tax on the income or growth from your investments, and in most cases your pension is exempt from inheritance tax. It can be sensible to keep this tax efficient status going for as long as possible. The new rules also offer more options for passing on your pension, in some cases tax free, when you die.

"this coming April some people will get it wrong".

Make sure you don't run out of money
A pension is there to provide income in retirement; this period could be 30 years or more. If you spend all your pension savings in the early years, or draw more income than is sustainable over the long term, your pension might not last as long as you do.

Many people in the UK underestimate their life expectancy; few will want to be reliant on the state in their old age. It is therefore very important to know how much money you are likely to need to last your retirement.

Avoiding the problem can be achieved by:

1. Setting in place some funds which can be used to buy a secure income for life? Whilst low on risk and return, this will never run out and can be used to pay essential living costs, which have a tendency to keep increasing through retirement.
2. When you take regular income directly from your pension fund, keep the amounts under regular review to ensure you stay on track and consider just taking the income generated by the investments themselves.

Will your provider pay the bill?
One big unanswered questions of the new freedoms is will pension firms allow their clients to take advantage of them in full.

The National Association of Pension Funds, represents around 1,300 funds, with 17 million savers, has warned there could be severe delays. Major insurance companies have also predicted capacity concerns. There is no legal obligation for providers to be ready for the April 2015 kick-off.

Avoiding the problem can be achieved by:

Consider transferring your pension to a provider who will be ready by the kick-off date?

Don't get a fine from HM Revenue & Customs
Savers who have more than one pension may be required to notify their other pension providers once they start to draw from one of these pensions.

Most people have the standard annual allowance of £40,000 which they can contribute to pensions, and receive tax relief on these contributions. But investors who start drawing from their pension flexibly for the first time after April 2015, will have the amount they can contribute to pensions reduced to only £10,000.

The rules require the investor to notify all pension providers to whom they are still paying pension contributions, so that provider can apply the new lower £10,000 contribution limit. They need to do this within 91 days of receiving a certificate confirming they have commenced flexi access drawdown or starting to make contributions to the plan if later.

If people ignore this deadline then they could be hit with a fine of up to £300, with further penalties if this is not met.

In the UK, people have on average 11 jobs over a lifetime, so this rule could involve liaising with multiple pension providers if you are still paying into them.

Avoiding the problem can be achieved by:

Consider consolidating all your pensions into one place, which will avoid you having to notify multiple providers.

Take your time
Do not rush into any one product or decision, either now, or once the new rules take effect. Take your time, research all your options and if in doubt ask for an explanation in full of how things work. Always read the small print and shop around. Many options are now extremely flexible, but they could result in you losing your entire pension in the stock market. At the other end of the scale, some options don't always allow changes once you've entered into them.

Retirement giveaway continues

Husbands and wives whose partners die before reaching 75 will get annuity income from their spouse's pension tax-free, the Chancellor announced in the Autumn Statement.

The move brings annuities used to provide a retirement income into line with the options to keep your pension invested and draw on it. This change will arrive next April, as part of the pensions freedom shake-up.

Beneficiaries of 'joint life' annuities or other types that come with death benefits currently pay income tax on what they receive.

The Chancellor has axed death taxes for under 75s alongside a major shake-up of pensions, which will see people given greater power over how they spend, save and invest their retirement pots from next April.

The changes make it easier for people to shun annuities, which offer guaranteed income for life but are heavily criticised for being poor value.

Instead they will be able to keep their pension invested and draw on it as needed, or even cash in their entire pot.
This will be done either through a process called income drawdown, or by simply keeping their pension where it is and drawing on it.

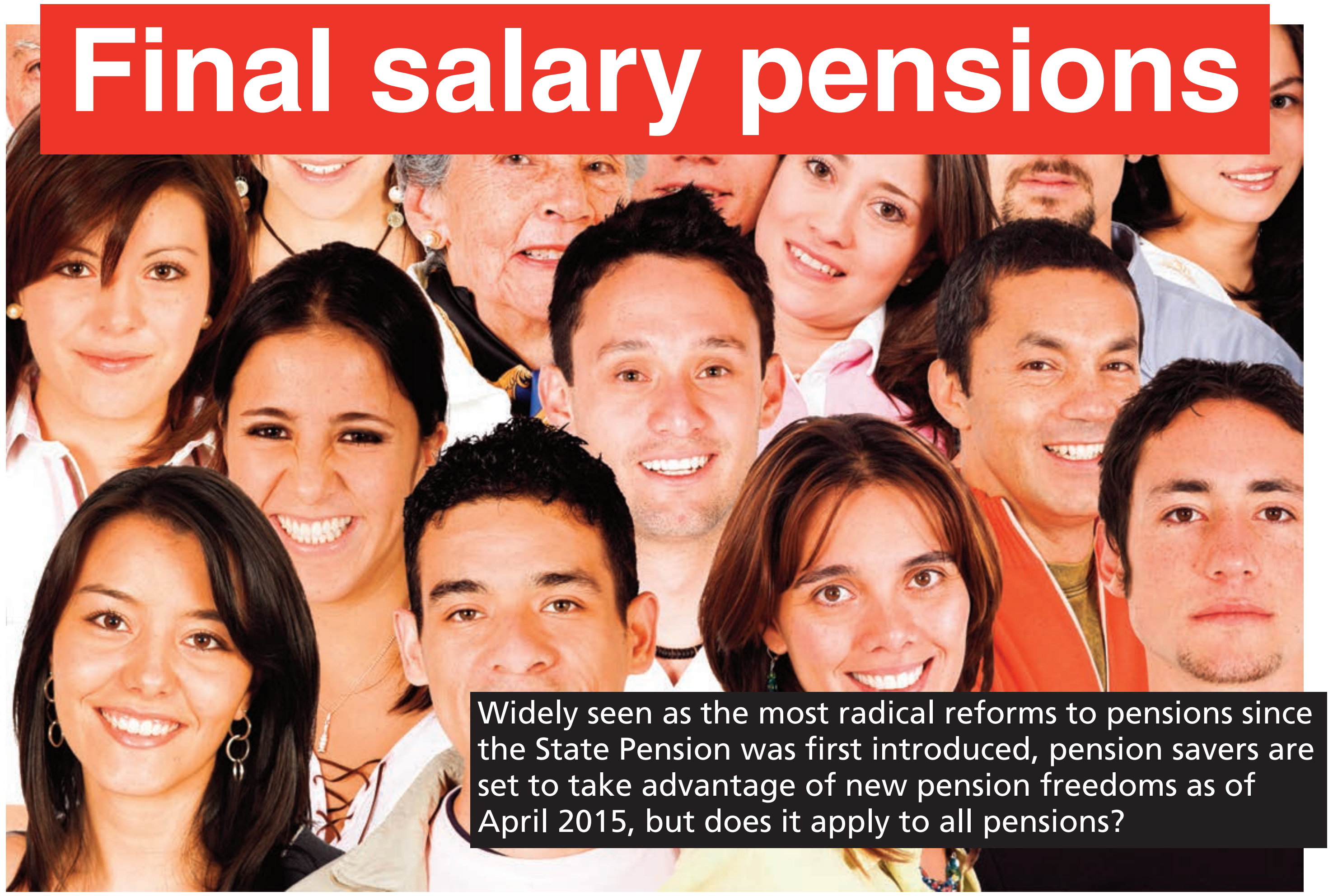
People with joint life annuities can name someone other than a spouse as a beneficiary, but they have to be approved by the insurer. If it's not a family member, it would usually be someone likely to be financially affected by your death - for instance, a joint owner of your home.

The change today brings annuities into line with income drawdown plans, which will see the so-called 55 per cent 'death tax' on any remaining pot passed on removed from next April.

Instead, beneficiaries will pay no tax if the person who died was under 75, while if the person who dies is 75 or over, beneficiaries will have to pay their marginal rate of income tax in both cases.

However, the changes do not affect people in final salary pensions, normally considered the best and most generous schemes, meaning some people could be tempted to transfer out of them in order to leave money to their families.

Final salary pensions



Widely seen as the most radical reforms to pensions since the State Pension was first introduced, pension savers are set to take advantage of new pension freedoms as of April 2015, but does it apply to all pensions?

How will the changes affect final salary schemes?

Company pensions which provide a guaranteed retirement income are known as final salary or defined benefit schemes. People with a pension of this type cannot take advantage of the new rules.

This includes any public sector final salary pension schemes, including teachers, civil servants and those in the NHS.

Final salary schemes have long been the most coveted of pensions, because they offer a guarantee of the income payable in retirement, where the scheme and not the individual take on all the risks.

Due to the sheer generosity of a final salary pension scheme, anyone fortunate enough to have one could count themselves lucky. There are now very few in existence for new members outside of the public sector.

Does a transfer now make any sense?

Whilst the new changes may look interesting to many, in reality the vast majority are likely to be better off keeping their final salary scheme in place.

Remember that the primary purpose of any pension is to provide an income throughout your retirement.

Everyone needs some level of guaranteed income during retirement, to cover their basic living costs. A final salary scheme should be considered as the foundation for retirement income providing some or all of the guaranteed income to cover basic living costs.

Who could benefit from a transfer?

Generally, only those approaching retirement before their scheme's normal pension age. It is important to understand that final salary schemes provide something other pensions do not and that is they guarantee your pension is growing all the time.

Once you are a deferred member of a final salary pension, you are given a promise of the income you will be paid in retirement. In the vast majority of schemes, this promised income increases year on year until deciding to take benefits. The increase is generally in line with inflation. This means you will not be affected by stock market fluctuations in the same way as you might with a personal pension for example. For this reason final salary schemes provide something other pensions do not, the guarantee that your pension is growing all the time.

A transfer may be worth considering only in certain circumstances which could be;

Those people who are in ill health and do not expect to live for a long time in retirement.

- Those with family or friends whom they wish to benefit from their death, but are not covered by the rules of the final salary scheme.
- Those who have very large pension benefits built up and do not want the majority of their retirement income provided by just one employer.
- Those with a final salary scheme offered by a company who they think may not be in business when they retire.
- Those with no dependants and are single who wish to maximise the benefits payable throughout their lifetime. The transfer value from a final salary scheme includes the value of any death benefits, even if they are not required. Here a transfer can sometimes allow a higher income to be paid.
- Those who would prefer to take benefits early, but this is not permitted within final salary schemes.

Please note the decision to transfer a final salary pension scheme is very complex, and should only be considered after taking financial advice from a professional financial advisor.

Why do I need a Will?

The Courts are familiar with families arguing over the division of the assets of a parent who died without a Will. If you don't want to run the risk of putting your family at war and want to ensure your family is taken care of, here's what you need to consider.

1. Make sure you use a regulated individual as your Will-maker when making your decision as anyone can set themselves up as a writer of Wills. The Law Society says: "It is important that consumers are able to distinguish between those that are unregulated, uninsured and untrained, and solicitors who specialise in this area and offer a quality service".

2. With effect from the 1st October 2014 new rules were introduced relating to who inherits what if a person dies without a Will. Under these new rules, where there are no children, if a spouse dies intestate then the surviving spouse or civil partner inherits the whole estate, rather than only £450,000 as was the previous case.

Where children are involved, under these new rules the surviving spouse or civil partner would inherit the first £250,000 and then half of the remainder of the estate, with the remaining balance of the assets being held in trust for the children until they become an adult.

Siblings and parents of someone married and with no children, will no longer inherit a share of the estate if it is worth more than £450,000, the entire sum will go to the surviving spouse. However, this is a danger for unmarried couples who do not have any rights over their deceased partner's estate, so you need to ensure a Will is in place to guarantee your wishes are carried out.

3. Many people have seen their property rise in value and some have more than doubled in value over recent years, but there is a price to pay in the form of inheritance tax. One way to mitigate this charge is to set up a trust; you can then protect some of your estate from the 40 per cent inheritance tax.

Trusts can also be a good way to protect your estate for future generations in case of your divorce or bankruptcy. It is also useful to get advice from a solicitor if you have assets overseas because some countries will not recognise a Will written in the UK.

4. For children you need to name a guardian and check with them first to make sure they would be happy to take on the responsibility. In some cases, particularly for unmarried parents, having a Will is the best way to be sure that children under 18 will stay in the custody of your loved ones.

5. Making a Will is not relatively expensive; not having one could be more costly. If your needs are simple and basic, you can even use an online company, but using a solicitor or professional financial adviser who specialises in this area, offers peace of mind.

Taxation advice, Trusts and Will writing are not regulated by the Financial Conduct Authority

TRUSTS

Lifetime Trusts

Lifetime trusts are often known as property protection trusts or asset protection trusts.

Unlike will trusts, which come into being on death, lifetime trusts are established straight away. Your home is gifted to the trust, which allows you to carry on living in it. The rationale is that if you need residential care at some point in the future, you no longer own a house and can only be assessed on minimal assets.

Anyone considering setting up a lifetime trust for this reason should be aware that a local authority may regard this arrangement as 'deliberate deprivation of assets'. If this is the case, they can assess you as if you still owned the property (and refuse to fund your care).

By placing property outside your estate, lifetime trusts can reduce probate costs significantly.

Lifetime trusts and tax

The tax treatment of lifetime trusts is worth considering carefully. Because you gift the house to the trust, it can attract IHT if it is worth more than the nil-rate band (currently £325,000).

Those who transfer their property to a lifetime trust may face an immediate 20% charge on the balance over £325,000 (including gifts made in the previous seven years), while the trustees must submit tax accounts to HMRC. They may have a further tax bill every 10 years plus income tax on any payments from the trust.

Lifetime trusts are far more expensive than basic wills or will trusts. They are normally sold as part of a package.

Discretionary trusts

Will trusts and lifetime Trusts can be either fixed interest (where the beneficiary has an absolute right to occupy the house and receive the income from any trust investments) or discretionary (where the trustees have a pool of potential beneficiaries and have a discretion how to benefit any of the potential beneficiaries).

Usually a discretionary trust also has a letter of wishes for the trustees to consider, which may give one beneficiary the trustees' permission to live in the house or receive the income from investments. The tax treatment of fixed interest trusts is different from discretionary trusts.

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Adventurous investing

All investors want to see long-term growth, but many are cautious in their approach, they don't want to take too many chances with their hard earned money. There is however a significant minority, which are prepared to move up the risk/reward ladder.

They recognise that share investment is the most likely route to generating good long-term returns and are ready to accept the risks involved.

The key is of course mixing investments, so that the risk is spread across different asset classes. We take a look at some of the areas that adventurous investors might include in their portfolio.

Value funds

The attraction of value funds is that they deliver high returns over the long term, but they can also experience long periods of depressed growth.

The best managers of value funds look for stocks with unrecognised quality which is not reflected in the price. This strategy offers a valuable safety margin to adventurous investors who may hold what is otherwise a pretty high-risk portfolio.

Smaller company funds

The attraction of smaller company funds is they tend to grow faster than larger companies, because they can adapt to events more rapidly. Smaller company funds have historically produced better returns than their larger rivals of the developed world markets but smaller companies are riskier and tend to have higher borrowing costs and can be more dependent on one or two key people.

Specialist funds

Funds with a clear geographic or sector focus can help investors gain exposure to specific areas of solid performance. Facebook and Twitter are recent examples of success and biotechnology is another potentially profitable area. The downside is these areas can be volatile.

Emerging, frontier markets

The fastest-growing economies in the world are still the BRICs, Brazil, Russia, India, China and other emerging markets. Although the growth doesn't always translate into good stock market performance, it provides the hunger in which companies can thrive. The growing middle class in developing countries provides a huge consumer market, as well as scope for vast increases in healthcare and telecoms.

The danger is that these funds are the most exposed of all, since they carry business risk, political risk, currency risk and corporate governance risk.

You should always seek professional financial advice before making decisions which carry great risk.

The value of your investment and the income from it can go down as well as up and you may not get back the original amount invested. Past performance is not a reliable indicator for future results. Please contact us for further information or if you are in any doubt as to the suitability of an investment.

For more information on any subject that we have covered in this issue, or on any other subjects, please tick the appropriate box or boxes, include your personal details and return this section to us.

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