Fidelius
Wealth Management

talking money

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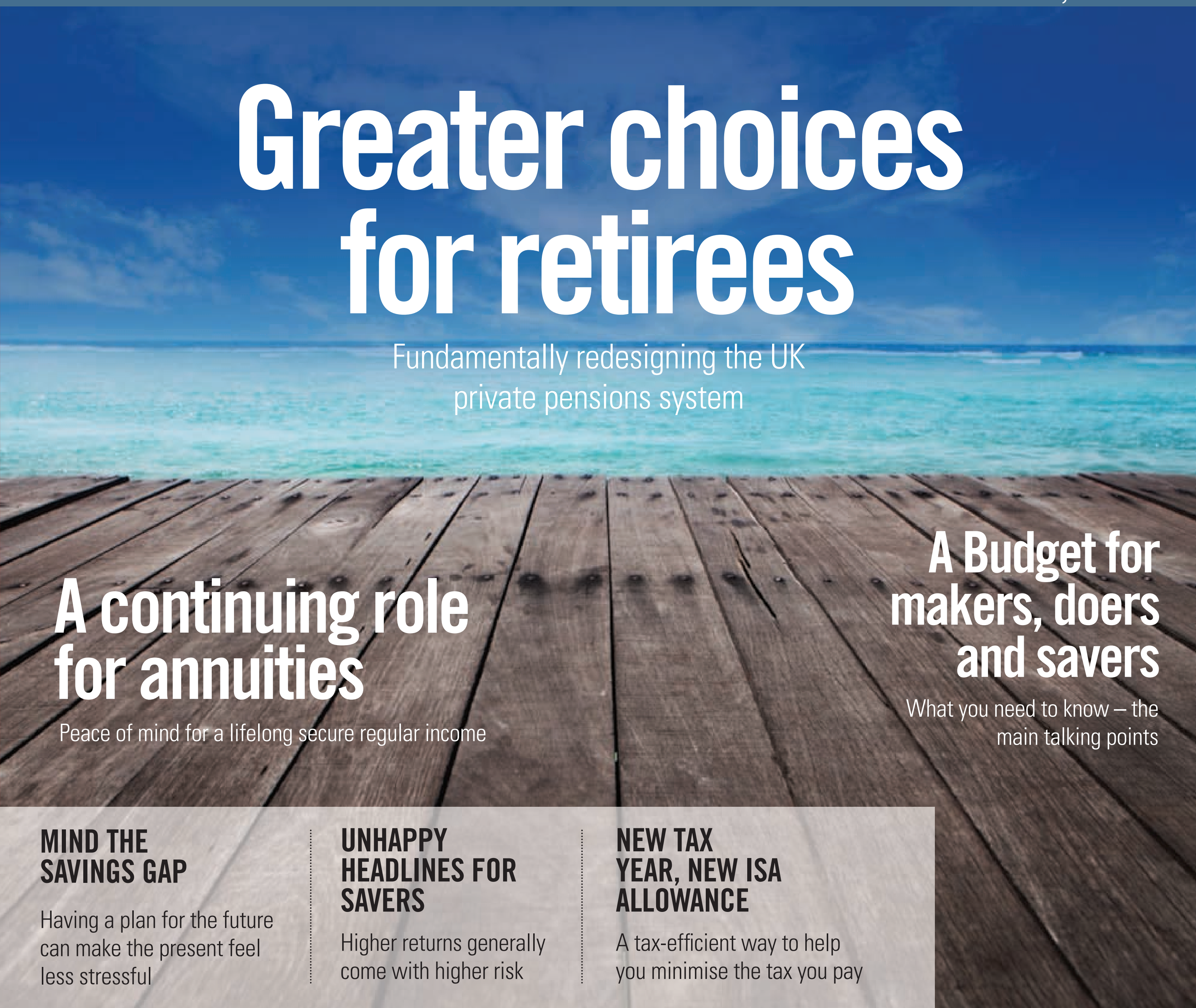

Greater choices for retirees

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NEW TAX YEAR, NEW ISA ALLOWANCE

A tax-efficient way to help you minimise the tax you pay

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WELCOME

Welcome to the latest issue of our magazine post-Budget 2014. The Chancellor of the Exchequer, George Osborne, gave his fifth Budget speech to Parliament on 19 March 2014. On page 04 we look at the plans he unveiled for makers, doers and savers. The changes announced are set to redefine financial planning, with the reforms aimed at boosting savings in the long term.

The way we access our pensions has undergone radical transformation and this was a big surprise announcement to come out of the Chancellor's speech. In this issue we have summarised and analysed the potential financial planning impacts on you and your family, as well as highlighting any actions you might now need to take.

Fundamental plans to redesign the UK defined contribution pension system (as opposed to workplace final salary schemes) were announced as part of the Budget 2014 speech. On page 08 we look at why this is the most far-reaching reform to the taxation of pensions since the regime was introduced in 1921, bringing new flexibility to the pensions system.

No one knew back in 1999 how popular Individual Savings Accounts (ISAs) would become but they've established themselves as a core option for saving and investing in a tax-efficient way to help minimise the tax you pay on the proceeds. To find out more about the 'New ISA', turn to page 05.

A full list of all the articles featured in this edition appears on page 03.

WE HOPE YOU ENJOY READING THIS ISSUE. TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US.

Underestimating how long we are likely to live

Making adequate provision for retirement means not running out of money

Women have historically lived longer than men, but this is gradually changing. Life expectancy has continued to increase all round as all generations enjoy unprecedented wealth, better nutrition, healthier lifestyles and the benefits of advancing medical science.

Mortality rates at older ages are thought to be improving because of a combination of factors, including the reduction of circulatory diseases, such as heart disease and stroke, partly driven by changing smoking habits and medical and technological advances.

Approaching retirement age

Research[1] by MGM Advantage shows that 82% of people approaching retirement age are underestimating how long they are likely to live. Men aged 55-64 estimated their average life expectancy to be 81 years old and women in the same age group estimate theirs to be 79.

The figures[2] show that an average 55-64 year-old is expected to live until 86 if they are male and 89 if female, meaning that men could be in retirement five years longer than expected and women for ten.

Changing the pensions landscape

It is important that people have a realistic expectation about how long they are likely to live, so that they can make adequate provision for retirement. Budget 2014 potentially changed the pensions landscape forever, allowing people more freedom and choice with their pensions.

With increased choice comes the risk that individuals may live longer than they anticipated, meaning they could outlive their retirement savings. If you don't plan properly, then the funds built up could be exhausted in later life. This could lead to a decline in living standards and may come at the exact point when you need a regular income for expenses such as care fees. ■

TIME TO REVIEW YOUR PARTICULAR SITUATION?

Many retirees are understandably conservative about such matters, so while increased flexibility may have some appeal, you are likely also to want to ensure that you have a long-term guaranteed income. If you are approaching retirement and have concerns about the best way to take your income during retirement, please contact us for more information.

Source data:
[1] MGM Advantage research among 2,028 UK adults, 314 of which were aged 55-64, conducted by Research Plus Ltd, fieldwork 17-22 October 2013. Respondents were asked, 'Being as realistic as you can, approximately how old do you think you'll live until?'
[2] MGM Advantage analysis of ONS cohort estimates of life expectancy - 2012.

Information is based on our current understanding of taxation legislation and regulations. The level of income you receive from your pension plan will depend upon a number of factors including the value of the plan when you decide to take your pension, which isn't guaranteed and can go down as well as up.

INSIDE THIS **ISSUE**

WANT TO MAKE MORE **OF YOUR MONEY IN 2014?**

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

Name ....

Address ....

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Tel. (home) ....

Tel. (work) ....

Mobile ....

Email ....

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

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

A Budget for makers, doers and savers

The Chancellor of the Exchequer, George Osborne, gave his fifth Budget speech to Parliament on 19 March 2014. He unveiled plans to support economic recovery – including tax breaks to boost productivity, exports and manufacturing.

TIME TO REVIEW YOUR FINANCIAL PLANS POST BUDGET 2014?

The areas around pensions and the new tax-efficient NISAs are very significant. If appropriate to your particular situation, you should review your financial plans immediately. Don't delay. To discuss how the changes announced in Budget 2014 could impact on your financial plans in the future, please contact us for further information. We look forward to hearing from you.

What you need to know – the main talking points

The deficit Mr Osborne announced would be lower than expected this year at 6.6% – and he said the Government was on track to post a surplus of 0.2% in 2018/19, according to the Office for Budget Responsibility (OBR) forecasts.

This was a Budget billed for makers, doers and savers. The changes announced are set to redefine financial planning, with the reforms aimed at boosting savings in the long term. These reforms included the amount people can earn before tax going up by £500 to £10,500. There was an increase to the annual Individual Savings Account (ISA) allowance for 2014/15 from £11,880 to £15,000, from 1 July this year, which will combine Cash and Stocks & Shares allowances into a New ISA (NISA).

The Chancellor announced a series of radical reforms to the pension system, giving people unprecedented freedom over how they draw their pension. From April 2015, anyone who is aged 55 or over will be able to take their entire pension fund as cash – although only the first 25% will be tax-free. The remaining 75% of the fund will be taxed at the saver's marginal rate.

Pensioners will be able to drawdown as much or as little of their pension pot as they want, anytime they want. No caps. No drawdown limits. No one will have to buy an annuity.

AT A GLANCE

- **New ISA –** Cash and Stocks & Shares Individual Savings Account (ISA) to be merged into a single new NISA
- **Increased ISA allowance –** annual ISA allowance to be increased to £15,000 from 1 July 2014
- **Increased Junior ISA allowance –** annual allowance to be increased to £4,000 from 1 July 2014
- **Pension flexibility –** greater access to pension pots and no requirement to buy an annuity.
- **Savings –** 10p tax rate for savers to be abolished from April 2015
- **NS&I Pensioner Bonds –** launch of a choice of two fixed-rate, market-leading savings bonds for over-65s, available from January 2015

Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. The Financial Conduct Authority does not regulate Tax Advice, Cash ISAs and National Savings and Investments.

New tax year, new ISA allowance

A tax-efficient way to help you minimise the tax you pay

No one knew back in 1999 how popular Individual Savings Accounts (ISAs) would become but with £443 billion[1] now held in ISAs, they've established themselves as a core option for saving and investing in a tax-efficient way to help minimise the tax you pay on the proceeds.

A NISA way to save or invest

Alongside the major reforms announced in Budget 2014, from 1 July 2014 ISAs will be reformed into a simpler product, the 'New ISA' (NISA), with an overall limit of £15,000 per tax year. The Government is also abolishing the rule that says only half can be saved in cash.

The limits for Junior ISAs and Child Trust Funds are also to be raised from £3,720 to £4,000.

NISA limits

- From 1 July 2014, the overall New ISA (NISA) limit for 2014/15 will be £15,000, up from the current £11,880
- The NISA will also offer you the option to save your whole NISA allowance of £15,000 in cash, stocks and shares, or any combination of the two

For example, from 1 July you could choose to save or invest:

- £15,000 to a Cash NISA and nothing to a Stocks & Shares NISA
- £15,000 to a Stocks & Shares NISA and nothing to a Cash NISA
- £5,000 to a Cash NISA and £10,000 to a Stocks & Shares NISA
- £10,000 to a Cash NISA and £5,000 to a Stocks & Shares NISA – under the new rules you will be able to split the NISA allowance as you wish between a New Cash ISA and New Stocks & Shares ISA

Transferring existing savings from a Stocks & Shares NISA to a Cash NISA

From 1 July 2014, any money you have in a Stocks & Shares NISA can be transferred to a Cash NISA. You should not withdraw sums from your Stocks & Shares NISA in order to deposit it into a Cash NISA yourself. If you do, any amount that you pay in will count as a fresh payment against the overall NISA limit of £15,000.

Different transfer rules will apply, depending upon when you paid into your Stocks & Shares account but if you put money into your Stocks & Shares account between April and July 2014, this sum must be transferred as a whole.

Other amounts from previous years may be transferred as a whole or in parts, as you wish; however, not all ISA providers will allow part transfers. ■

Source data: [1] www.hmrc.gov.uk/statistics/isas/statistics.pdf

The value of investments can go down as well as up and you may not get back the amount invested. The value of tax savings in an ISA depends on individual circumstances. 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.

Junior ISAs are only available to UK resident children under 18 who do not have a Child Trust Fund (CTF). Please note that if your child was born between 1 September 2002 and 2 January 2011 the Government would have automatically opened a CTF on your behalf, so your child will not be eligible for a Junior ISA. The investment is locked away until the child reaches 18 years old.

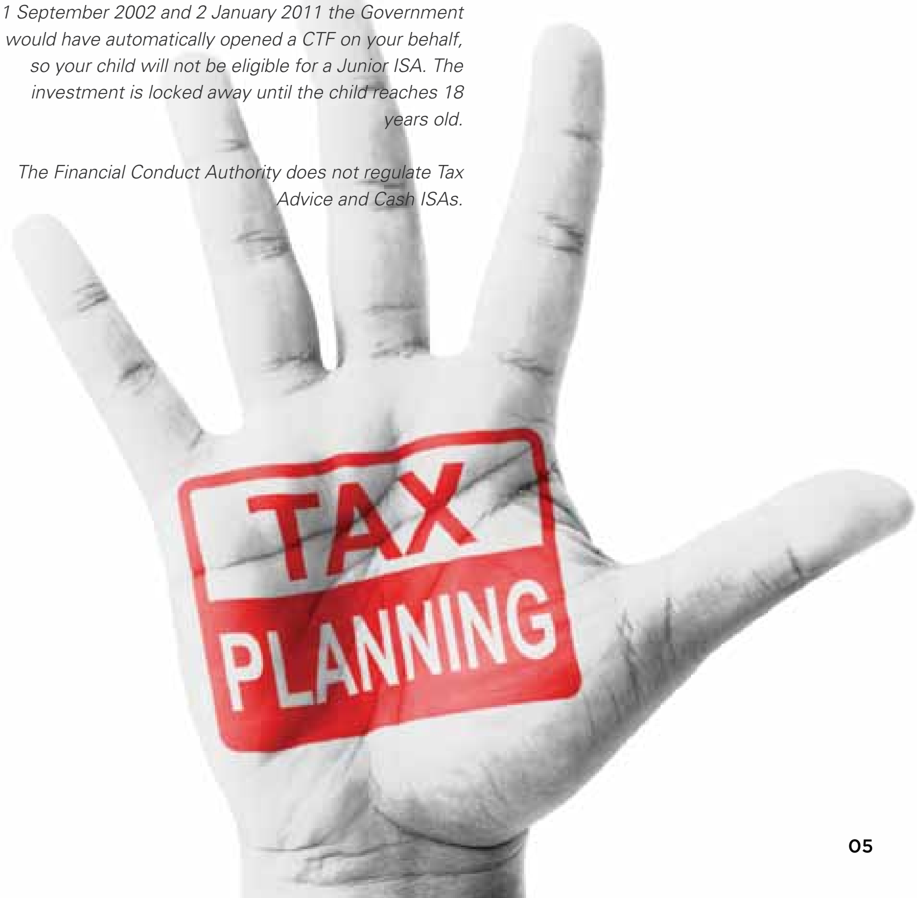
The Financial Conduct Authority does not regulate Tax Advice and Cash ISAs.

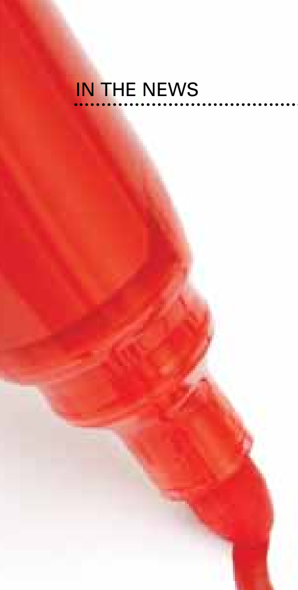
DID YOU KNOW?

You are able to open one Cash NISA and one Stocks & Shares NISA each tax year. However, once open, you can transfer your Cash or Stocks & Shares NISA between providers as many times as you wish. Annual NISA allowances are aligned with the tax year, from 6 April to 5 April.

WHY PAY TAX ON YOUR SAVINGS AND INVESTMENTS IF YOU DON'T NEED TO?

Whether you're new to ISAs or looking to grow your ISA portfolio, we can help. Please note that amounts invested between 6 April and 30 June will count towards your increased £15,000 allowance for the 2014/15 tax year which will be introduced on 1 July. To discuss the options available, please contact us.





MIND THE SAVINGS GAP

Having a plan for the future can make the present feel less stressful

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 1 in 5 of the UK adult population, according to the 2014 Scottish Widows Savings Report. This brings the proportion of people who have savings (67%) down to a level not seen since 2011.

ACHIEVING FINANCIAL WELL-BEING AND SECURING YOUR FUTURE

Having a plan for the future can make the present feel less stressful as it provides you with the knowledge that you have a helpful buffer for any unexpected events that may come your way. It's also essential to achieving financial well-being and securing your future. There are many different ways of accumulating wealth for your future. To discuss how we can help you, please contact us.

Saving less

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.

The report found that family pressures are continuing to have a big impact on people's ability to save for the future. 41% of the population said they had loaned 'a substantial amount' of money to family members. A quarter of people had lent money to their children, most commonly to cover living expenses (35%), to put towards a house deposit (34%) or to pay off debt (28%).

Lending money

The study found that lending to family members had a serious effect on parents' and grandparents' finances: a quarter (23%) of all parents and grandparents said they were saving less as a result of lending money to family members, and a fifth (17%) said they had to cut back on day-to-day living costs due to family lending.

Perhaps as a result of family pressures from generations above and below, those in the middle age bracket were found to be least likely to be saving anything at all. 1 in 4 (24%) 35-44 year-olds have no savings whatsoever, the highest of any age bracket, and those aged 35-44 years old and 45-54 years old had the lowest proportion of people who said they were saving at the moment (34% and 35% respectively).

Major contributor

Debt was found to be a major contributor to this middle age group's inability to put money away for the future – a third of 35-44 and 45-54 year-olds (33% and 30% respectively) said they would be encouraged to save more were it not for the debt they currently owe.

It is concerning that despite economic improvements, the number of people who are able to set something aside for a rainy day is actually falling. The widening gap in fortunes between savers and non-savers highlights the impact that getting on the path to saving can have, even if it is just by putting aside a small amount every month.

Short-termism

The research clearly shows that many people are still only thinking in the short term. For instance, worryingly, almost half of the people surveyed said they still prefer to spend their money rather than save, and almost two thirds said they know they are not saving sufficiently for their long-term needs. This problem is exacerbated by family pressures that eat further into people's savings, particularly for those in the middle age groups. ■

Source data: The survey was carried out online by YouGov who interviewed a total of 5,221 adults between 30 October and 8 November 2013. The figures have been weighted and are representative of all UK adults (aged 18+). The statistics used (8 million, 9 million, 14.8 million and 14.4 million) are based on the 2011 Office of National Statistics (ONS) Census results whereby the UK adult population is stated to be 48.084 million.

Unhappy headlines for savers

Higher returns generally come with higher risk

It seems incredible that the Bank of England base rate has stood at 0.5% since March 2009. It's made unhappy headlines for savers looking to generate income over the previous five years.

The reality is that the potential for higher returns generally comes with higher risk. All investments are not equal, and knowing what to invest in, when to invest in it and how much to invest are difficult questions to answer. That why it's essential to receive professional advice to assess the different options available to you.

The golden rule about not putting all your eggs in one basket is essential – in more ways than one.

Collective investment schemes

One way to gain access to a wider range of assets is to use a collective investment scheme. This allows you to pool together your contributions, and to share the costs and benefits of investing. Typically these collective investments will include unit trusts and investment trusts.

Active and passive investing

Investment funds are either actively or passively managed. In an active fund, the manager uses their skills to pick the best performing stocks to try to beat the index that they belong to. A passive fund simply tracks the index and seeks to match its performance as closely as possible.

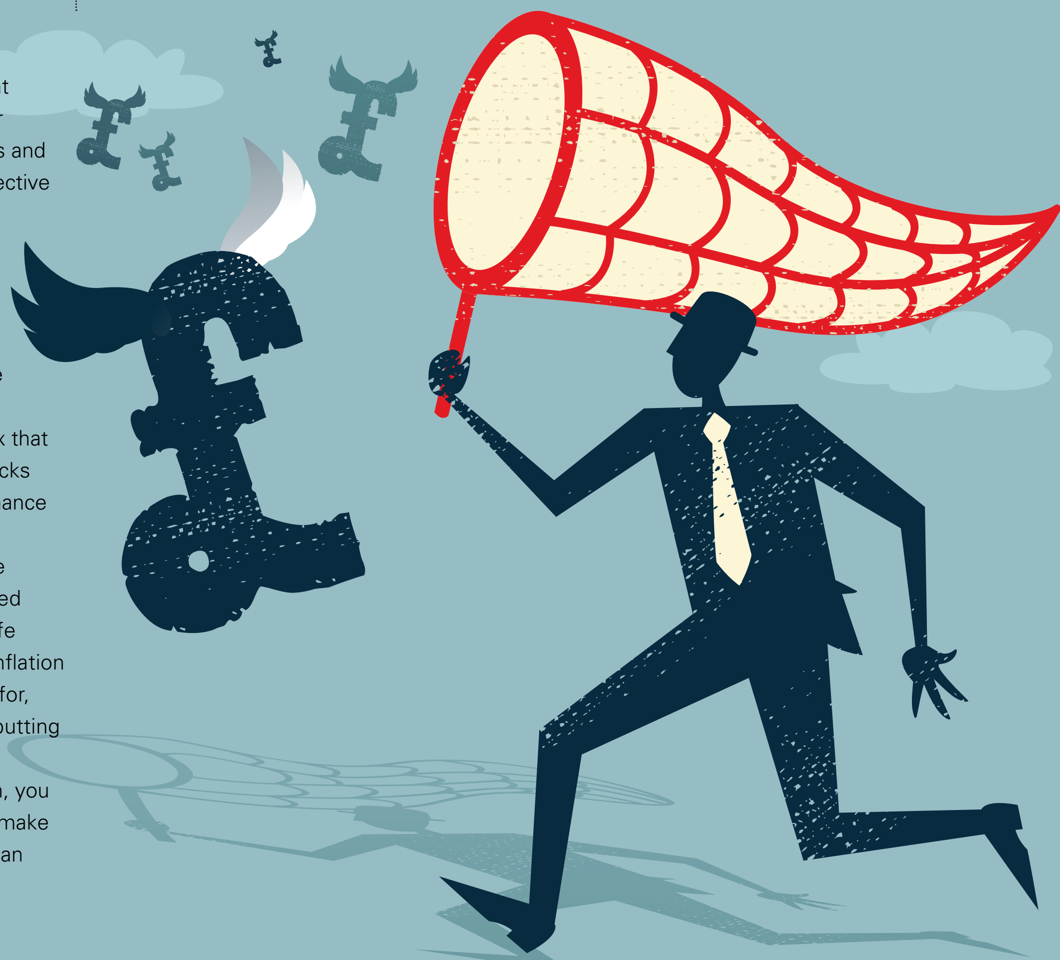
It's important to consider your attitude towards risk and the investments required to help plan for your goals and as your life changes. While you are aiming to beat inflation and achieve the returns you are looking for, you need to think about where you are putting your money.

If you are looking for income or growth, you don't want that to be eroded by tax – so make the most of tax-efficient savings such as an Individual Savings Account, for example. You can also invest in your pension, which has a number of tax benefits. Other products such as offshore bonds, if appropriate, can also offer tax benefits in certain circumstances. ■

The value of investments and the income from them can go down as well as up and investors may not get back the amount invested. This information does not constitute investment advice and should not be used as the basis of any investment decision, nor should it be treated as a recommendation for any investment.

FINDING THE BEST STRATEGY

A number of factors should be considered before deciding on what kind of investment is most suitable for you. These include the purpose of the investment, the length of time your money can be tied up and your attitude towards risk. As all investments carry some degree of risk, we recommend that you seek professional advice to find the best strategy to achieve your long or short-term goals. To see how we could help you, please contact us to discuss your requirements.



Greater choices for retirees

Fundamentally redesigning the UK private pensions system

Fundamental plans to redesign the UK defined contribution pension system (as opposed to workplace final salary schemes) were announced as part of the Budget 2014 speech. This is the most far-reaching reform to the taxation of pensions since the regime was introduced in 1921, introducing new flexibility to the pensions system.

By further relaxing the rules around income withdrawals from pension funds, which will be introduced from April 2015, people will have greater flexibility and choice about how they can access their money. Those who want to guarantee a regular income for life will still be able to purchase an annuity of course.

Taking pension savings

This announcement means that people will be in a position to choose how they take their pension savings: for example, they could take all their pension savings as a lump sum, draw them down over time or buy an annuity.

The Government also intends to explore with interested parties whether those tax rules that prevent individuals aged 75 and over from claiming tax relief on their pension contributions should be amended or abolished.

In the meantime, as a first step towards this reform, a number of changes have been announced to the rules. These came into effect from 27 March and now allow people greater freedom and choice over accessing their defined contribution pension savings at retirement. The changes are:

- reducing the amount of guaranteed annual income people need in retirement to access their savings flexibly, from £20,000 to £12,000
- increasing the amount of total pension savings that can be taken as a lump sum, from £18,000 to £30,000
- increasing the capped drawdown withdrawal limit from 120% to 150% of an equivalent annuity income
- increasing the maximum size of a small pension pot which can be taken as a lump sum (regardless of total pension wealth) from £2,000 to £10,000 and increasing the number of personal pots that can be taken under these rules from two to three

MAKE THE MOST OF YOUR PENSION POT

This radical announcement to give retirees more choice as to how they take the income from their pension fund will mean that other options may now be given more consideration. These changes make it even more important for those approaching retirement to seek professional advice in order to make the most of their pension pot. If you would like to find out how the changes could affect your future retirement plans, please contact us.

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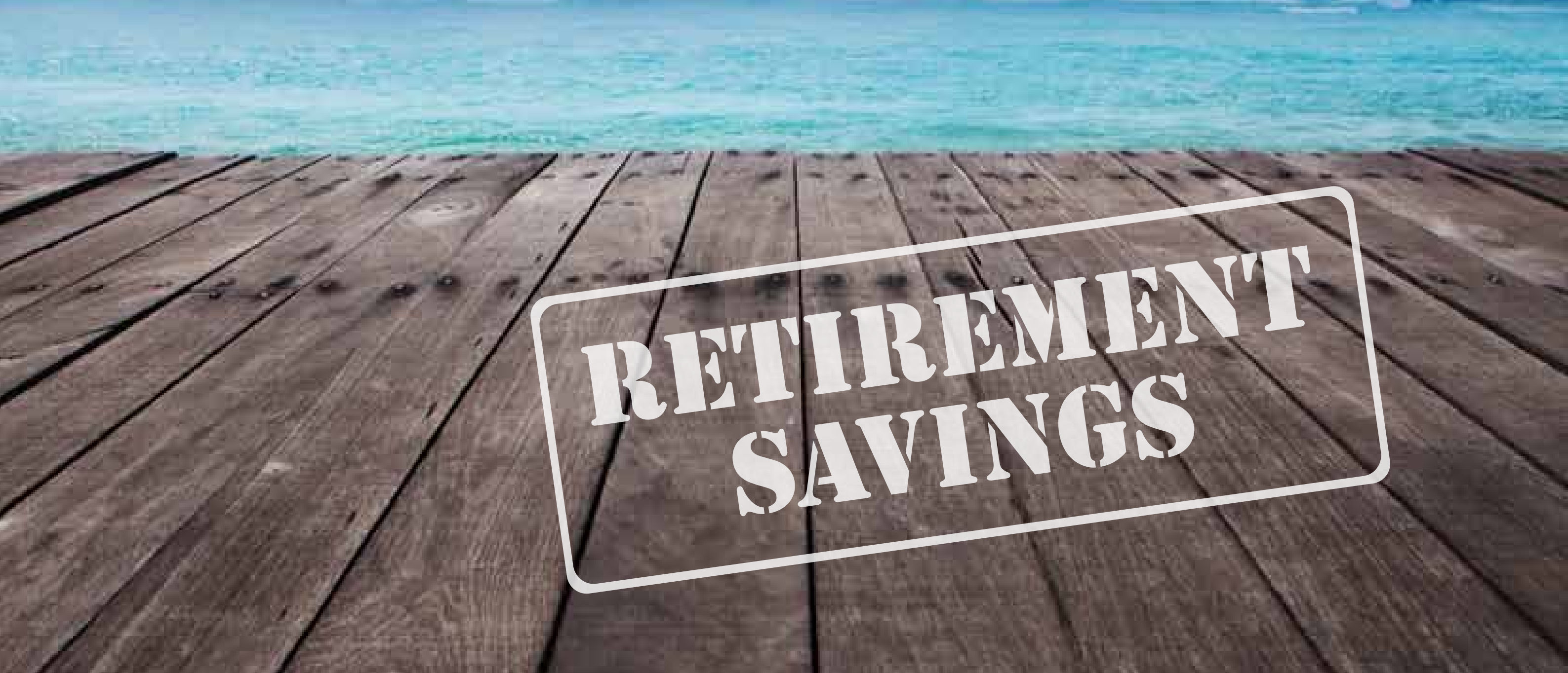


Why we are happy to work past the default retirement age

New living patterns require retirement income solutions that offer greater flexibility

More than half of over-55s currently in the workforce are happy to work past the default retirement age of 65, according to new research[1] from MetLife.

Its nationwide study found 54% of those aged 55 and over who are currently in jobs want to keep working when they get to 65. However, one in four wants to reduce their hours and work part-time either in their current job or with a new employer.

Appropriate advice

The study found nearly one in five (19%) of those aged 55 and over regret not having taken professional advice on their retirement income planning while 29% say they have taken such advice. That leaves more than two fifths who have not taken any advice.

As life expectancy is rising and working lives are getting longer, the demands on retirement income have evolved and the demand for part-time working reflects that. New living patterns require retirement income solutions that offer greater flexibility to ensure sufficient income will be provided in later life.

Income choices

The research shows that people are not taking, or getting, the sound professional financial advice that is central to their ability to make the right retirement income choice.

In addition, the research shows that those aged 55 and over who want to carry on working full-time overwhelmingly want to stay with their existing employer – more than 90% say they want to continue in their current job. On the other hand, those who want to work part-time are more likely to switch to a new employer – nearly 60% would move to a new part-time role. ■

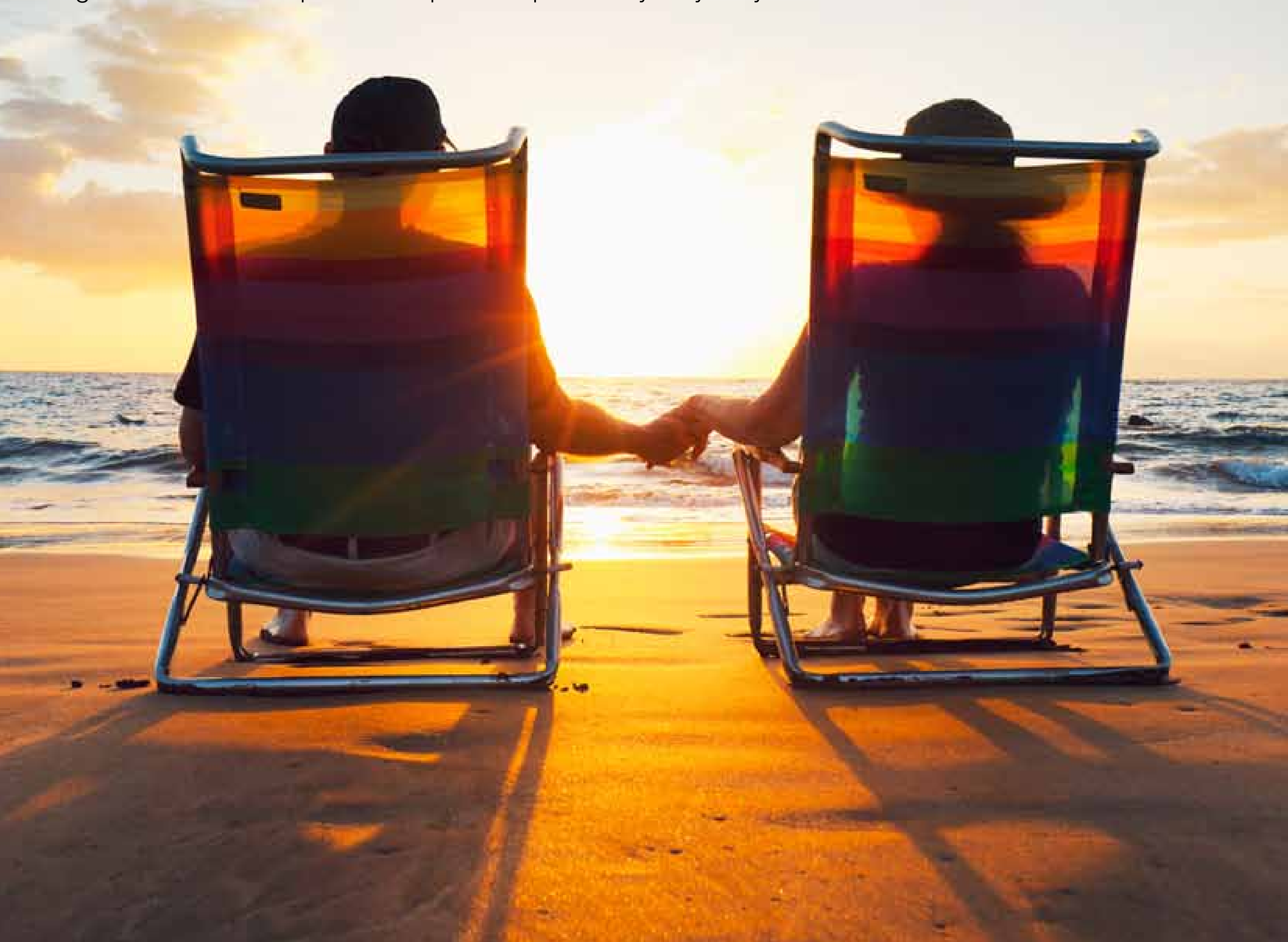
Source data: [1] Research conducted online by Consumer Intelligence among 2,065 adults between 7-14 August 2013.

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. Tax treatment is based on individual circumstances and may be subject to change in the future.

A continuing role for annuities

Peace of mind for a lifelong secure regular income

A huge reform of the defined contribution pension system (as opposed to workplace final salary schemes) announced in Budget 2014 means that under the proposals, from next year, millions of people reaching retirement age will be able to spend their pension pot in any way they want.



The pension reform proposals are set to come into force in April 2015 and they will provide a wider choice over how you eventually use your accumulated pension pot.

Given the significance of these changes, there is still however a continuing role for annuities, especially where you seek the peace of mind for a lifelong secure regular income.

Thinking about retirement?

Covering a minimum level of living costs and regular outgoings – for life

An annuity provides a fixed, guaranteed income, however long you live for. As part of your retirement planning, if you favour income drawdown you may still want to purchase an annuity to cover a minimum level of living costs and regular outgoings. It is important that you shop around for the best annuity rates to ensure that you are able to benefit from the highest retirement income available for life.

A pension annuity converts the funds built up in your pension scheme(s) into a regular income. The income is then payable for the rest of your life. So why would you still consider an annuity as part of your retirement plans?

Qualifying for an enhanced annuity

A significant number of people at retirement could qualify for an enhanced annuity. These typically offer rates from between 15% to 20% higher on average than a standard annuity if you are suffering from certain specified health or even lifestyle conditions. This could make them very attractive if you are seeking the maximum guaranteed income throughout your life.

Security and reassurance

With an annuity, the income is guaranteed, regardless of market movements, how long you live for or any changes in your circumstances. This can provide security and reassurance for you during your retirement. Unlike many other investment products, the quoted rate has no ongoing costs, fees or charges deducted. In addition, annuities are simple to understand, and do not need to be reviewed or managed on an ongoing basis. Once the annuity is set up, there is nothing more for you to do. A fixed payment is made to your bank account each and every month, for the rest of your life.

Tax matters

If you were born between 6 April 1938 and 5 April 1948 the personal allowance is currently £10,500 (2014/15 tax year). This means that in retirement you could potentially pay less or actually no income tax. Taking your entire pension fund as a lump sum before you have considered all of your options could result in a significant tax bill. In addition, you may also potentially pay more tax than necessary on your future income. Withdrawing the fund as cash, apart from the 25% tax-free element, could generate a tax charge. Annuities are purchased gross, so no tax is payable on the fund when it is used to buy your annuity.

Tax is subject to change and depends on individual circumstances.

The Financial Conduct Authority does not regulate Tax Advice.

Scheme guarantees

Regulatory capital requirements mean annuity providers have to be financially robust and well capitalised. In the unlikely event that a provider cannot meet their obligations, a Government-backed scheme guarantees to pay 90% of the amount promised.

Information is based on our current understanding of taxation legislation and regulations. The level of income you receive from your pension plan will depend upon a number of factors including the value of the plan when you decide to take your pension, which isn't guaranteed and can go down as well as up.

> **THE PENSION REFORM PROPOSALS ARE SET TO COME INTO FORCE IN APRIL 2015 AND THEY WILL PROVIDE A WIDER CHOICE OVER HOW YOU EVENTUALLY USE YOUR ACCUMULATED PENSION POT.**

HELPING YOU CHOOSE THE RETIREMENT INCOME OPTIONS

We each have our own ideas about how we want to live in retirement, and how much money we'll need. You may be at the point of retiring or just reducing the amount of time you are at work. If so, you may also want to access the pension you have built up and convert it into an income. Setting up an annuity is easy and straightforward, enabling your income needs to be met with no need for ongoing support or advice. To find out more about annuities and the vital role they could still play in effective retirement planning, please contact us to discuss your requirements.

It's easy to lose track of pensions

Helping you take full control of your retirement savings

People change jobs, employers change their names but, more importantly, we all forget things from time to time. With that in mind, it is easy to lose track of pensions that you have paid into over the years.

If you do not actively look for your lost pensions, then you take the risk of relying on them looking for you! This can be difficult for them to do if, for example, you have changed your name through marriage or moved home yourself.

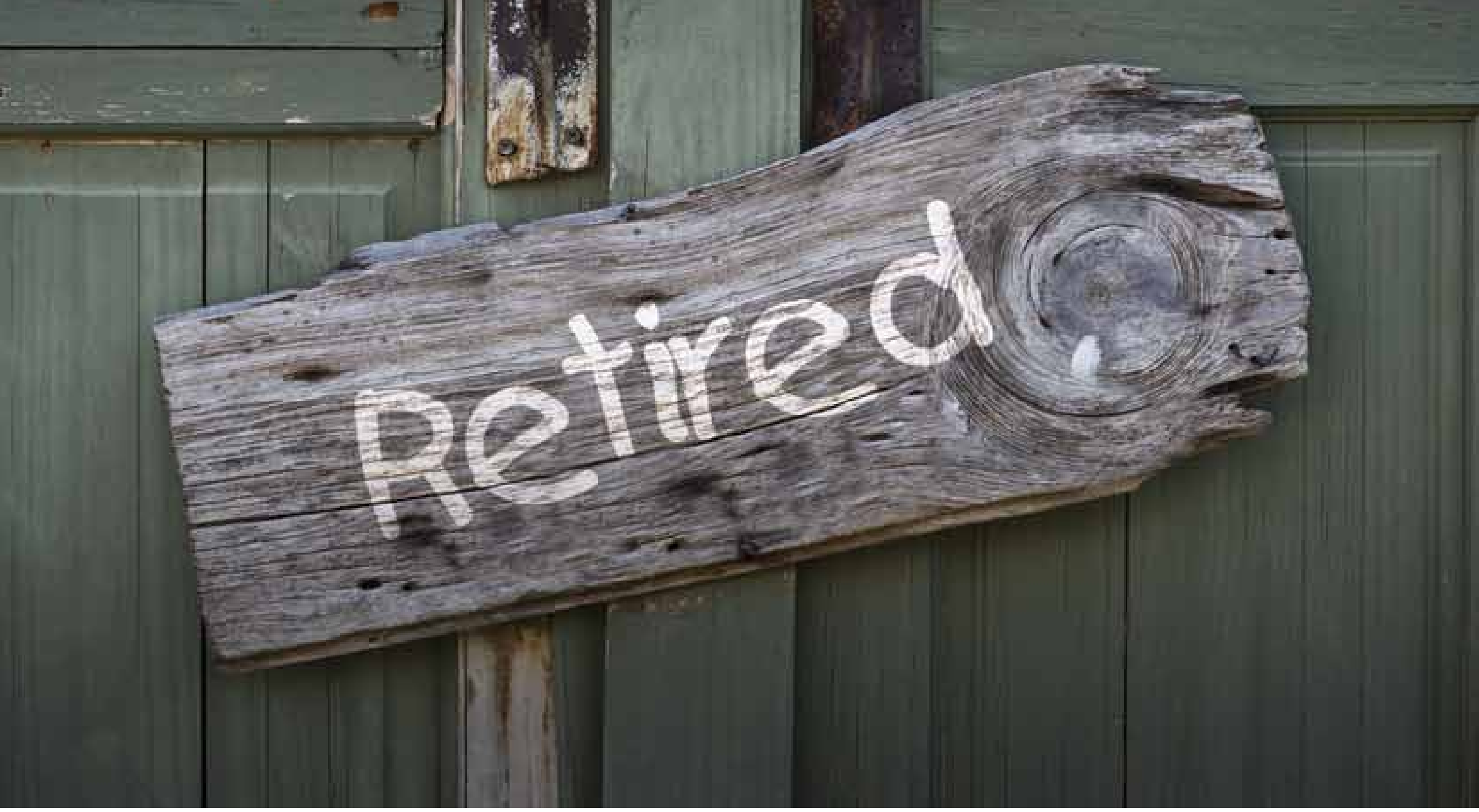
To locate a lost or forgotten pension you can contact The Pension Tracing Service, part of The Pension Service. They have details of more than 200,000 personal and company pension schemes and will search through these free of charge on your behalf.

For the best chance of being reunited with a lost scheme, you need to provide as much information as possible. This can include the type of scheme; the name of the employer, and any new name it may have, and the nature of its business; the name of the pension company; and when you belonged to the scheme.

Once located, they will provide you with the latest contact details to help you track it down and take full control of your retirement savings. ■

GOT A QUESTION OR NOT SURE HOW TO APPLY?

Contact The Pension Tracing Service, call FREEPHONE 0800 1223 170. Operator service is available between 9am to 5:30pm Monday-Friday.



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