Fidelius
Wealth Management

talking money

MAY/JUNE 2013

FOOL'S GOLD

Demystifying some of the key fund management concepts

FLEXIBLE DRAWDOWN RULES UNTOUCHED BY BUDGET 2013

BOOSTING RETIREMENT SAVING AMONG UK WORKERS

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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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As we move into summer, in this issue we examine new research from Standard Life that has found UK adults have many money regrets. But when asked what one thing, if anything, they most wish they had started doing earlier to be financially efficient with their money, saving for retirement came top of the list. Read the full article on page 20.

In his Budget speech delivered in March, the Chancellor, Mr Osborne, said this was a Budget for 'an aspiration nation'. He explained that this meant 'helping those who want to keep their home instead of having to sell it to pay for the costs of social care.' On page 11 we look at the confirmation of a £72,000 cap on social care costs.

In order to protect your family and business, on page 28 we explain why it is essential to have provisions in place after you're gone. The easiest way to help prevent unnecessary tax payments such as Inheritance Tax is to organise your tax affairs by obtaining professional advice and having a valid will in place to help ensure that your legacy does not involve just leaving a large Inheritance Tax bill for your loved ones.

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

We hope you enjoy reading the magazine. To discuss your financial planning requirements or to obtain further information, please contact us.

STRIVING TO LOOK AT MARKET OPPORTUNITIES IN A RATIONAL WAY

Even in challenging markets there are opportunities to be found

Post the credit crunch of 2008, the banking crisis, concerns over the Eurozone and continuing low interest rates have tested even the most unwavering investor. There is no doubt that these are some of the toughest economic conditions we have seen for many years.

Even in challenging markets there are opportunities to be found and investing in shares or bonds (fixed interest assets) over the long-term presents a greater opportunity than not investing at all, for several good reasons.

LONG-TERM VIEW

Markets have survived events such as the Great Depression of the 1930s and the recession of the early 1990s. Short-term movements in the price of stocks and shares are smoothed out over the long term, putting dramatic losses and sudden gains into perspective. Staying invested can increase the likelihood that your investment will benefit from rebounds in the market and minimise the overall impact of volatility on your potential returns.

CASH OR SHARES?

In a volatile environment it is tempting to transfer investments to a more secure asset class such as cash, waiting to reinvest when the market settles. However, you could miss the opportunity of a market rebound. In addition, although cash retains its capital security, over the long-term it will suffer the erosional effects of inflation, especially if interest rates remain at current lows.

KEEPING INVESTED

Negative commentary often results in investors taking flight in difficult markets, with investments being sold when the price is falling and bought when the market is rising, which can be a costly strategy. The current investment environment still presents many opportunities with many good-quality companies. We can advise you how to identify these opportunities.

FOCUS ON YOUR GOALS

A key challenge for investors is to decide which is the greater risk: potentially losing money over the short term or not achieving investment goals at all. With life expectancies increasing and retirements sometimes lasting as long as 20 or more years, planning ahead and investing for the future is becoming more and more important.

MAKING THE RIGHT CHOICE

With such a wide choice of funds on the market to choose from, making the right choice can be daunting, particularly as even very similar funds can deliver significantly different returns. If you want to invest but are unsure where, we always recommend you seek professional financial advice. Past performance is no guide to the future. The value of an investment can fall as well as rise, may be affected by exchange rate variations and you may get back less than you originally invested. ■

SEEKING OUT THE OPPORTUNITIES AVAILABLE TO YOU

We understand that difficult markets can create tough decisions for investors. To discuss your requirements and investigate the opportunities available to you, please contact us today.

A key challenge for investors is to decide which is the greater risk: potentially losing money over the short term or not achieving investment goals at all. With life expectancies increasing and retirements sometimes lasting as long as 20 or more years, planning ahead and investing for the future is becoming more and more important.

FOOL'S GOLD

Demystifying some of the key fund management concepts

We understand that the fund management industry has an array of jargon that can confuse both the novice and well-seasoned investors. Here we aim to demystify some of the key concepts.

FUND TYPES

Funds exist to enable many investors to pool their money and invest together. This allows them to achieve economies of scale when buying stocks and diversify their exposure to a variety of stocks, rather than buying each one individually.

Funds are often known as 'collective investment schemes'. These come in a number of guises, but largely fall into two key categories: 'open-ended' or 'closed-ended'. In the UK, the most common types of open-ended funds are unit trusts and investment companies with variable capital (ICVCs), also known as open-ended investment companies (OEICs). Unit trusts and OEICs have different legal structures: one operates under trust law and issues 'units'; the other operates under company law and issues 'shares'.

However, they share a common characteristic: the number of units (or shares) is not fixed, but expands and contracts depending on the level of investor demand - hence the name 'open-ended'.

Another name for this kind of investment scheme is 'mutual fund', a term which is commonly used in the US. Because these funds are open-ended, the price at which they can be bought and sold relates directly to the underlying value per share of the entire portfolio.

Investment trusts are an example of a 'closed-ended' investment scheme. The defining characteristic of these is that the number of shares on offer does not change according to investor supply or demand, but is limited to the amount in issue. These investments are bought and sold on the stock market and can trade at a premium or discount to the underlying value per share of the portfolio depending on the level of supply and demand for the shares.

INVESTMENT CONCEPTS

'Long only' is one of the most common investment styles in fund management. It refers to buying a basket of stocks and/or bonds with the aim of generating returns through an increase in the price of the underlying holdings and from any income generated by these holdings.

'Absolute return' is a style of investment which aims to produce a positive return in all market conditions. It involves quite sophisticated strategies, including the use of derivatives to create short positions where the manager seeks to profit from a fall in the price of an underlying security.

> 'With more of us living longer in the UK, maintaining our standard of living in retirement and funding holidays and outings requires some careful planning. Have you considered how a longer lifespan and rising inflation could affect you and your ability to generate income?'

ASSET CLASSES

Investments can usually be made in a number of different asset classes, such as stocks, bonds, currencies and cash.

Multi-asset funds may adopt 'long only' or 'absolute return' strategies. Typically they invest across a number of different asset classes, especially those that do not move in correlation, and thereby attempt to reduce the volatility of returns.

Active management involves trying to select a range of investments with the aim of outperforming a particular benchmark index. The ultimate aim of active managers is to generate positive 'alpha', i.e. invest in stocks that outperform the market and return more than is expected given the perceived level of risk the shares carry.

Passive management involves trying to replicate the performance of a particular index, such as the FTSE All-Share. Tracker funds are a form of passively managed fund.

NOT PUTTING ALL YOUR EGGS IN ONE BASKET

Diversification is the technical term for 'not putting all your eggs in one basket'. In theory, stock-level risk can be reduced by holding about 20 to 30 different stocks, so that a downturn in the fortunes of one holding may be mitigated by the performance of other holdings in the fund.

Additional diversification across countries, sectors and asset classes is needed to reduce macroeconomic and political risk.

CHANNELLING INVESTMENTS

Asset allocation involves channelling investments across asset classes, geographic regions and/or market sectors. A weighting toward bonds might be increased to boost a portfolio's income, for example, or greater investment might be made in emerging markets

for those seeking growth who are prepared to accept a higher level of risk.

COMPANY SHARE PRICES

A 'bottom up' approach focuses on the prospects and valuations of individual shares while a 'top down' approach focuses on broad economic issues or market themes that have the potential to influence company share prices. Many managers may incorporate both into their investment processes, but usually have an emphasis on one or the other.

INVESTMENT BIASES

Growth and value describe certain investment biases adopted by funds and fund managers. A growth manager will look for stocks with good earnings momentum, but be careful not to buy when expectations are too optimistic (i.e. stocks are highly priced). Small and mid-sized companies from flourishing industries tend to be good growth candidates. A value manager ideally looks for attractively priced businesses that have fallen out of favour with the market and have been neglected, but whose fortunes are expected to change. ■

WE CAN DEVELOP THE BEST PORTFOLIOS FOR YOU

No matter what your investment goals are, we can work with you to develop the best portfolios for you. To discuss how we can help you make an informed choice to growing your wealth, please contact us for more information.

Past performance is not necessarily a guide to the future. The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

PENSION FACT

Non-earners, such as non-working spouses and even children, can have a pension. They can also receive tax relief on their contributions, despite not paying income tax.

Each tax year they - or someone acting on their behalf - can pay up to £2,880 into a pension. The government automatically adds £720, making a total contribution of £3,600. Making a contribution into someone else's pension doesn't affect your own allowances.

Want to find out more? Contact us to discuss your requirements. Please note, tax rules can change and the value of benefits depends on an individual's circumstances.

NEW HIGHER FLAT-RATE STATE PENSION

One of the biggest overhauls of Britain's pension system in decades

The Government recently announced that up to 400,000 more Britons will qualify for a new higher flat-rate State Pension and they'll introduce the reform a year earlier than expected. The simplified scheme will provide a weekly flat-rate payment of £144.

The date has been moved forward to April 2016, and is one of the biggest overhauls of Britain's pension system in decades. The current system includes a basic pension, a State Second Pension and/or some means tested pension credit. From 2016 this will all be merged into the universal flat-rate payment. ■

WEALTH CREATION TIP

Raising the personal income tax allowance to £10,000 from April 2014 is positive news for pension savers. Pensions are one of the most tax-efficient savings vehicles available but these efficiencies are not just limited to tax relief on pension savings.

If a married couple are able to equalise their pension pots, significant amounts of money could potentially be saved in retirement by using both personal allowances, which will be worth £10,000 each.

LIVE BETTER IN RETIREMENT

If you are approaching your retirement, we can take you through the process step by step to find the best annuity for you. Your retirement should be a special time when you do those things you never had the opportunity to do before. So it's essential you think and plan carefully, as the decisions you take now cannot be undone later. If you are concerned about your retirement provision, please contact us to review your current situation.

YOU'VE WORKED HARD FOR THIS; NOW'S THE TIME TO ENJOY IT

Start your retirement by celebrating your newfound freedom

Few aspects of financial planning are as important as pension and retirement planning, especially in the run-up to your retirement. Many people see the final ten years before they retire as an opportunity to build up their pension pot. But it is also vitally important to protect your pension fund as you approach retirement.

Some pensions allow you to switch your money into lower risk investments as you near retirement date, which can help to protect you from last-minute drops in the stock market. However, doing this may reduce the potential for your fund to grow, plus your fund cannot be guaranteed because annual charges may reduce it.

OBTAIN AN UP-TO-DATE PENSION FORECAST

With only months to go before you start accessing your pension, it's important to get a very clear view of the level of income you can expect to receive. Contact your pension provider or providers for an up-to-the-minute forecast of your tax-free lump sum and income. You should also request a State Pension forecast, which will come complete with details of your basic State Pension and any additional State Pension you will receive. In addition, find out when you'll be eligible to take your State Pension in the light of changes to the State Pension Age.

Also think about other sources of income you might be likely to get when you retire. These could include income from investments, property or land, part-time employment or consultancy, or an inheritance. Having as full a picture as possible will enable you to make detailed and practical final decisions about exactly how you want to take your pension income, as well as allowing you to make more accurate plans for your new lifestyle.

CHOOSE HOW TO TAKE YOUR PENSION

Although you may already have given some thought to how you want to take your pension benefits, it's worth reviewing your plans at this point. Circumstances can change – for example, you might have received a significant inheritance or you may have been diagnosed with a medical condition, and former plans may no longer be quite appropriate.

You can either take your pension as an annuity, as income drawdown or as a combination of the two. With any of these options, normally you'll also be able to take up to 25 per cent of your fund as a tax-free lump sum.

Additionally, now that the compulsory maximum annuity age no longer applies, you can decide to defer taking your pension. By keeping your pension pot invested there is an opportunity for further growth. However, you should think about the risks involved and look to de-risk as much as possible at this point. Investments can go down as well as up and your pot will be affected by the ups and downs of the markets. There can also be tax benefits but, as this is a complex decision, you should obtain professional financial advice – and remember, you may get back less than you invest.

TAX MATTERS

Most people pay less tax when they retire, but it's worth considering your tax position at this stage. Although you can normally take up to 25 per cent of your pension fund tax-free, any income you receive from it will be subject to tax under the Pay As You Earn (PAYE) system.

Meanwhile, if you've taken the option of income drawdown, you may be able to adjust the income you take to minimise the tax you pay. For example, if you plan to do some consultancy work or continue working in a part-time capacity, you could think about reducing your income withdrawals to stay within the basic rate of tax. Bear in mind that tax regulations can change and tax benefits depend on your personal circumstances.

Additionally, keep your savings and investments as tax-efficient as possible with products such as Individual Savings Accounts (ISAs) and offshore bonds.

You'll also stop paying National Insurance contributions when you reach State Pension age. If you decide to continue working, whether full-time, part-time or on a consultancy basis, it's a good idea to contact the tax office to make sure contributions aren't still being deducted.

PREPARE FOR LIFE AFTER WORK

As well as sorting out your finances, don't forget to think about how your life will change when you retire. Even if you intend to keep working part-time, you're going to have much more free time to enjoy.

Planning these first few months will help you set the tone for your future. Perhaps there's somewhere, or someone, you've always wanted to visit. Maybe you want to learn a new sport or leisure activity, but have always had too many commitments. You might even want to start the search for that perfect retirement bolthole. The financial planning you've been doing for years all starts to bear fruit now. ■

YOUR NEWFOUND FREEDOM

Whatever you decide to do, start your retirement by celebrating your newfound freedom. You've worked hard for this; now's the time to enjoy it. To discuss how we can help you in the run-up to your retirement, please contact us for more information.

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.

FLEXIBLE DRAWDOWN RULES UNTOUCHED BY BUDGET 2013

Greater opportunities for those with over £20,000 pension income

The eligibility rules for flexible income drawdown from pensions were untouched by Budget 2013, which is welcome news if this is something you are considering or would like to find out more about.

Flexible income drawdown is a type of income withdrawal where you can take pension income direct from your pension fund without having to purchase an annuity. Ordinarily, there are limits on the maximum income you can take under income withdrawal (known as 'capped drawdown').

Provided you have a secured pension income of over £20,000 'Minimum Income Requirement' a year (which can include any State pension), you could be eligible to use flexible income drawdown in respect of your money purchase pension savings.

AMOUNT OF INCOME

Under flexible income drawdown there is no limit on the amount of income you can take in any year. You can tailor your drawdown pension to suit your personal requirements, whether taking regular amounts at a set frequency or ad hoc income when required. There is even the option to draw the entire fund in one go. All income withdrawal payments are subject to income tax under PAYE at your appropriate marginal rate.

> Flexible drawdown in its basic form is the option to take unlimited, but taxable withdrawals from a pension from age 55. But to qualify you must have a guaranteed pension income of £20,000, the 'Minimum Income Requirement'.

TAX-EFFICIENT

Flexible income drawdown is tax-efficient, particularly where you wish to 'phase in' the use of your pension savings to provide that income. Any money left in drawdown on death is subject to a 55 per cent tax charge, whereas any untouched pension fund money (pre age 75) can pass on to your beneficiaries free of tax.

Once you go into flexible income drawdown you can no longer make tax-efficient pension contributions, so you should look to maximise all allowances, including carry forward, this tax year.

Flexible income drawdown is a complex area. If you are at all uncertain about its suitability for your circumstances we strongly suggest you seek professional financial advice. This is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, particularly leaving you short on income later in retirement.

At a time when people are being squeezed by the taxman, anything that helps save tax should be considered, and the potential to avoid the 55 per cent tax charge on part of those savings on death could result in significantly more of their estate being passed on to beneficiaries. ■

NO 'ONE-SIZE-FITS-ALL' APPROACH

When it comes to turning your pension savings into an income for your retirement, you will be faced with a number of choices, so obtaining professional financial advice is essential. There is no 'one-size-fits-all' approach to retirement planning and your individual needs will depend on your own personal situation and priorities. To discuss or review your current requirements, please contact us – don't leave it to chance.

Flexible income drawdown is a complex area. If you are at all uncertain about its suitability for your circumstances you should seek professional financial advice. Your income is not secure. Flexible income drawdown can only be taken once you have finished saving into pensions. You control and must review where your pension is invested, and how much income you draw. Poor investment performance and excessive income withdrawals can deplete the fund.

GREATER CLARITY ON HOW MUCH CARE IN 'OLD AGE' MAY COST

Cap provides long-term savers with a greater idea of future spending

In his Budget speech delivered in March, the Chancellor, Mr Osborne, said this was a Budget for 'an aspiration nation'. He explained this meant 'helping those who want to keep their home instead of having to sell it to pay for the costs of social care.' The confirmation of a £72,000 cap on social care costs provides long-term savers with a greater idea of future spending, but doesn't cover additional costs incurred in a residential care home.

COST OF CARE

Savers who were hoping that the Budget 2013 announcement around social care would provide greater clarity on how much their 'old age' may cost them could be disappointed to find out that they will still have to foot the bill for uncapped 'hotel costs' incurred in a care home, such as food and board.

MEANS TESTING LIMIT

Despite an increase in the means testing limit covering total care costs (social care and 'hotel costs') to £118,000, many whose estate is worth more than the limit will have to pay for the bill themselves. This means the majority of home owners will still find themselves in the uncertain position of not knowing how much their old age will cost.

HIGH CARE HOME FEES

People may be surprised that the social care cap does not cover their total care bill. This will result in many pensioners and elderly people having to prepare for high care home fees. Some may even find themselves in the unfortunate position of having to sell their assets to fund their old age. It is important for those who find themselves near or over the means testing threshold to prepare for the financial burden that may be placed upon them to avoid undesired consequences.

> The threshold up to which people are entitled to means-tested help with care costs is raised from just over £23,000 to £118,000. The £72,000 ceiling does not include 'hotel costs' such as food and accommodation.

WILL YOU BE LEFT TO PICK UP THE PIECES?

The future of social care is one of the most important issues facing the country. All too often the NHS and families are left to pick up the pieces when older people fail in their struggle to cope alone. If you are concerned about how this could impact on you or a family member, please contact us to review your requirements. ■

BOOSTING RETIREMENT SAVING AMONG UK WORKERS

Millions of people are not saving enough to have the income they are likely to want in old age

Up to 11 million workers will now start to be automatically enrolled into a workplace pension which commenced from October last year. Larger employers were the first, with small and medium-sized employers following over the next six years.

Karren Brady

NEST is a trust-based, defined contribution pension scheme. It was specifically established to support automatic enrolment and make sure all UK employers have access to a suitable pension scheme for their employer duties.

A workplace pension is a way of saving for retirement arranged by an individual's employer. It is sometimes called a 'company pension', an 'occupational pension' or a 'works pension'.

The fact is that millions of people are not saving enough to have the income they are likely to want in retirement. Life expectancy in the UK is increasing and at the same time people are saving less into pensions.

In 1901, for every pensioner in the UK there were 10 people working. In 2010, for every pensioner there were 3 people working. By 2050, it is expected that this will change to just 2 workers.

AUTOMATICALLY ENROLLING WORKERS

Auto-enrolment is the Government's key strategy to boost retirement saving among UK workers, at a time when employers have been closing company schemes, particularly the most generous final-salary pensions.

Employers will automatically enrol workers into a workplace pension who:

- are not already in a qualifying pension scheme
- are aged 22 or over
- are under State Pension age
- earn more than £9,440 a year (this figure is reviewed every year), and work or usually work in the UK

REQUIRED BY LAW

For the first time employers are required by law to automatically enrol all eligible workers into a workplace pension and make a contribution to it. The Pensions Regulator is responsible for ensuring employers comply with the new law and have produced guidance to help employers to do this. They will write to each employer before the date they are required to start enrolling workers into a workplace pension, and depending on employer size, on at least one other occasion.

One of the employer duties relating to automatic enrolment is that employers are required by law to provide the right information in writing, to the right individual at the right time, so that people know how automatic enrolment will affect them.

DATES FOR YOUR DIARY

The date on which workers are enrolled, called a staging date, depends on the size of the company they work for and is being rolled out over the next six years.

- Large employers (with 250 or more workers) started automatically enrolling their workers from October 2012 to February 2014
- Medium employers (50 - 249 workers) will have to start automatically enrolling their workers from April 2014 to April 2015
- Small employers (49 workers or fewer) will have to start automatically enrolling their workers from June 2015 to April 2017
- New employers (established after April 2012) will have to start automatically enrolling their workers from May 2017 to February 2018

Once The Pensions Regulator has notified employers of their date to enrol eligible workers into a workplace pension, employers can choose to postpone automatic enrolment for up to three months from that date. If they choose to postpone, employers must inform those workers in writing, including notice of their right to opt-in before the end of the postponement period.

Employers can also use the 'postponement period' for any newly eligible workers.

NATIONAL EMPLOYMENT SAVINGS TRUST (NEST)

NEST is a trust-based, defined contribution pension scheme. It was specifically established to support automatic enrolment and make sure all UK employers have access to a suitable pension scheme for their employer duties. The scheme is not-for-profit and the Trustee has a legal duty to act in its members' best interests. It is designed to be straightforward and easy for employers to use.

NEST offers a low-cost way for people to put money away for their retirement. NEST members have one retirement pot for life that they can keep paying into if they stop working for a period or become self-employed.

TAX-FREE LUMP SUM

Most people will be automatically enrolled into a Defined Contribution scheme or money purchase scheme. This means that all the contributions paid into your pension are invested until you retire.

The amount of money you have when you retire depends on how much has been paid in and how well investments have performed. In most schemes when you retire you can take some of your pension as a tax-free lump sum and use the rest to provide a regular income.

The Government has set a minimum amount of money that has to be put into a Defined Contribution scheme by employers and workers.

CONTRIBUTION LEVELS

The minimum contribution level is just that, a minimum. Employers will be able to contribute more than the minimum if they wish, and many already do. Individuals can also contribute more than the minimum if they want to. These amounts can be phased in to help both the employers and employees manage costs.

Some people may be automatically enrolled into a Defined Benefit or Hybrid pension scheme. This type of scheme may also be known as a 'final salary' or 'career average' scheme. If you are enrolled into one of these schemes, the amount you get when you retire is based on a number of things, which may include the number of years you've been a member of the pension scheme and your earnings. In most schemes you can take some of your pension as a tax-free lump sum and the rest as a regular income.

Alternative arrangements can apply for Defined Benefit and Hybrid pension schemes to help them manage the introduction of auto enrolment. For example, the full provisions can be postponed until 30 September 2017 for existing scheme members. New staff will have to be enrolled from the employer's staging date.

If employers or individuals do not know what type of scheme they are using for automatic enrolment, their employer will be able to tell them.

CHALLENGES OF THIS NEW LEGISLATION

Not surprisingly, with new legislation comes new jargon and employers will need to become familiar with terms such as 'eligible jobholders' and 'qualifying pension schemes' when considering their duties.

We can help you through the challenges of this new legislation and provide a full analysis of your options, so that you can identify and implement an agreed plan that best suits your requirements. ■

We understand the importance of creating bespoke solutions. Compliance with auto-enrolment doesn't have to be heavy duty. If you would like to find out more about how we can help, please contact us for more information.

TIMING	MINIMUM TOTAL PERCENTAGE THAT HAS TO BE CONTRIBUTED
1 Oct 2012 to 30 Sept 2017	2%
1 Oct 2017 to 30 Sept 2018	5%
1 Oct 2018 onwards	8%

Theo Paphitis, the *Dragons' Den* star, and Karren Brady, Alan Sugar's assistant on *The Apprentice*, are among the celebrities leading a campaign to publicise the new national pension scheme.

Theo Paphitis

WHICH INVESTMENTS ARE RIGHT FOR YOU?

Assessing how best to achieve your goals

Building an investment portfolio can be a daunting challenge. However, if you are seeking to save over the long-term, perhaps for retirement or school fees, it may be worth taking the time to assess how best to achieve your goals.

INCOME OR CAPITAL GROWTH OR A MIXTURE OF BOTH

You need to consider which investments are right for you. It is easy to be tempted by the potential for short-term profits, particularly with interest rates so low, but you must also consider your ability to cope with losses, as any investment comes with risks. Knowing what you are prepared to lose helps establish your overall risk profile. Other considerations might include your level of financial understanding and whether you require an income or capital growth or a mixture of both.

CONSTRUCTING YOUR PORTFOLIO CAREFULLY

Once you have established these objectives, it is important to construct your portfolio carefully and continue to review it on a regular basis. What one person might consider cautious, another might consider risky, so it is important to understand your needs and seek professional financial advice. ■

SO WHAT DO I DO WITH MY MONEY?

Today there is a wide choice of investments available to investors, and with it scope to find greater diversification. Some asset classes and investing techniques, once the preserve of sophisticated institutional investors, now offer interesting opportunities to individual private investors. To talk to us about the different investment opportunities that could be right for you, please contact us for further information.

Past performance is not necessarily a guide to the future. The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

ARE YOU PLANNING FOR THE WORST-CASE SCENARIO?

The majority of families who rely on just one income are under protected and unprepared

New research from Scottish Widows shows that over half (52 per cent) of the UK population with at least one wage earner in the household is reliant on a single income in order to make ends meet for their family. However, with 15 million UK adults currently failing to save, and a further one in five Britons who expect their financial priorities to change concerned about their job security, families could be risking their livelihood by failing to protect themselves financially.

WORSE-CASE SCENARIO

The fifth Scottish Widows Protection Report, based on research amongst more than 5,000 UK adults, shows that despite three quarters of the population living in a one or two income household and 84 per cent being aware of income protection, only 5 per cent of the population have taken it out to protect their salary should they be unable to work. When asked about other types of protection, the report revealed that nearly nine in 10 (89 per cent) of adults do not have critical illness cover and nearly two-thirds (63 per cent) do not have life insurance.

Although the findings reveal that many Britons are not planning for the worst-case scenario, the report showed that one in six (16 per cent) of the population has experienced a critical illness, with nearly half of people who fell ill forced to either change their lifestyle dramatically or make a number of small changes in order to survive financially. Worryingly, only 5 per cent of those who fell ill had any kind of protection policy in place to help act as a buffer for this substantial shift in well-being.

ECONOMIC AND UNEMPLOYMENT UNCERTAINTY

Despite a backdrop of continued economic and unemployment uncertainty, the report indicates that families are leaving themselves under protected and unprepared, with over half (56 per cent) of people not in retirement saying that if they were to lose their main income they would only be financially secure in the short-term (under six months) or 'not at all'.

The report showed that the main reason behind people taking out protection, such as life insurance, critical illness and income protection, is at the point of purchasing a property. Yet with the number of private renters increasing by nearly a quarter since 2008, and 61 per cent of renters saying they do not ever expect to buy a home, this shift in homeownership trends has worrying implications for the financial security of future generations.

THE VALUE OF SECURITY

The findings demonstrate that the majority of people consider tangible items like having broadband (75 per cent), a car (72 per cent), and a phone (57 per cent) as essential, whilst financial security for dependants in case of death (44 per cent) and illness (29 per cent) fall far below these material possessions. However, 85 per cent of Britons say they would not cut back on life insurance and critical illness cover if they had to reduce their outgoings, indicating the value of security.

Whilst affordability is the main barrier for one in four people in taking out protection, it is clear that many have simply not taken the need for protection into consideration, with over 41 per cent of people saying they either haven't 'got round' to taking out protection, or don't feel that it is a priority or a necessity for them. ■

FIND PEACE OF MIND AND ADD FINANCIAL SECURITY

No one likes to think about the unexpected happening to them, and it is clear that this tendency to ignore the worst case scenario is preventing families from preparing for the future and protecting their livelihood. To help you find peace of mind and add financial security, please contact us for further information.

SOURCE

The fifth annual Consumer Protection Report from financial provider Scottish Widows takes an in-depth look at the habits and attitudes of the UK adult population in order to analyse their protection provision. The survey was carried out online by YouGov who interviewed a total of 5,086 adults between 4 - 9 January 2013. The figures have been weighted and are representative of all UK adults (aged 18+).

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.

SUPPORTING YOUNG OFFSPRING AT RETIREMENT AGE

Rapidly growing numbers of men and women are having children in their 40s, 50s, 60s and beyond

Up to one million people in the UK can now officially class themselves as 'parensioners': people having children in their 40s, 50s and 60s who will reach retirement age while financially supporting young offspring.

PARENTING TRENDS

The increase of parensioners was discovered during a new study into parenting trends by retirement specialist LV=. In the twenty years between 1992 and 2012, the number of people having children after the age of 40 (45 for men) has risen by 298 per cent for women and 149 per cent for men. 49 and 43 are now widely considered to be the 'cut-off' ages for men and women to have children.

Looking at the ages when this group became parensioners, one in eight (12 per cent or 65,022) men were over 60, while a quarter (24 per cent or 135,508) were in their 50s when their last child was born. For women, while the majority (94 per cent or 347,126) were between 40 and 44 years of age, one in 20 (6 per cent or 18,781) were over 45 when they last welcomed new life into their world.

ACCEPTABLE 'CUT-OFF' AGE

The results of the research also show a significant change in attitude when it comes to what the nation now believes is the acceptable 'cut-off' age for having children. On average, 49 is considered to be the acceptable age for men, with almost a quarter (22 per cent) saying 55 is the acceptable cut-off point. Understandably the age drops for women, with the acceptable cut-off point for having a baby cited as 43 years of age. Today's average ages are both seven years later than the perceived acceptable cut-off age for the previous generation having children.

The top reasons for people becoming parensioners include:

- Wanting to have one more child before they were "too old" (32 per cent)
- Having a child later than they hoped after trying to conceive for some time (24 per cent)
- Not meeting the right person to have a child with until they were older (20 per cent)
- The pregnancy was unplanned (13 per cent)
- The feeling that they were not ready to be a parent at a younger age (13 per cent)
- The desire to enjoy the freedom of not having a child for as long as possible (10 per cent)
- Advancements in IVF (7 per cent)
- The financial demands of modern life, such as getting on the property ladder first (7 per cent)
- The desire to establish a successful career before starting a family (6 per cent)

CELEBRITY PARENSIONERS

In this celebrity-obsessed world, some men and women are being influenced by high-profile cases of parensionhood when choosing to become parents. One in fourteen (7 per cent) admitted they were directly influenced to have children later in life by the likes of Sir Elton John (65), Sir Paul McCartney (70), Rod Stewart (68), Madonna (54), Steve Martin (67) and the fictional portrayals of parensioners in TV shows such as 'Modern Family'. However, the everyday parensioners of Britain are left facing a crisis with regards to how to fund their fast-approaching retirement while financially supporting a young family.

CONSIDERABLE OUTLAY

There are potential financial strains for those entering parensionhood when comparing the £10,593.23 average annual cost of raising a child alongside the savings parensioners currently have for retirement, which would give them an annual income of £8,407 – if they have a private pension. Worryingly 27 per cent of parensioners confessed to not having saved a single penny for their retirement.

Nearly a quarter (22 per cent or 219,311) of parensioners have children that will be aged 15 or younger when they reach pensionable age, while many more parensioners will see their retirement years coincide with one of the most expensive periods of raising a child: university. The average cost of attending university over the course of a typical degree stands at £53,330; at a time when many parensioners will be hoping to rein in spending to make ends meet, that is a considerable outlay.

COMFORTABLE RETIRED LIFESTYLE

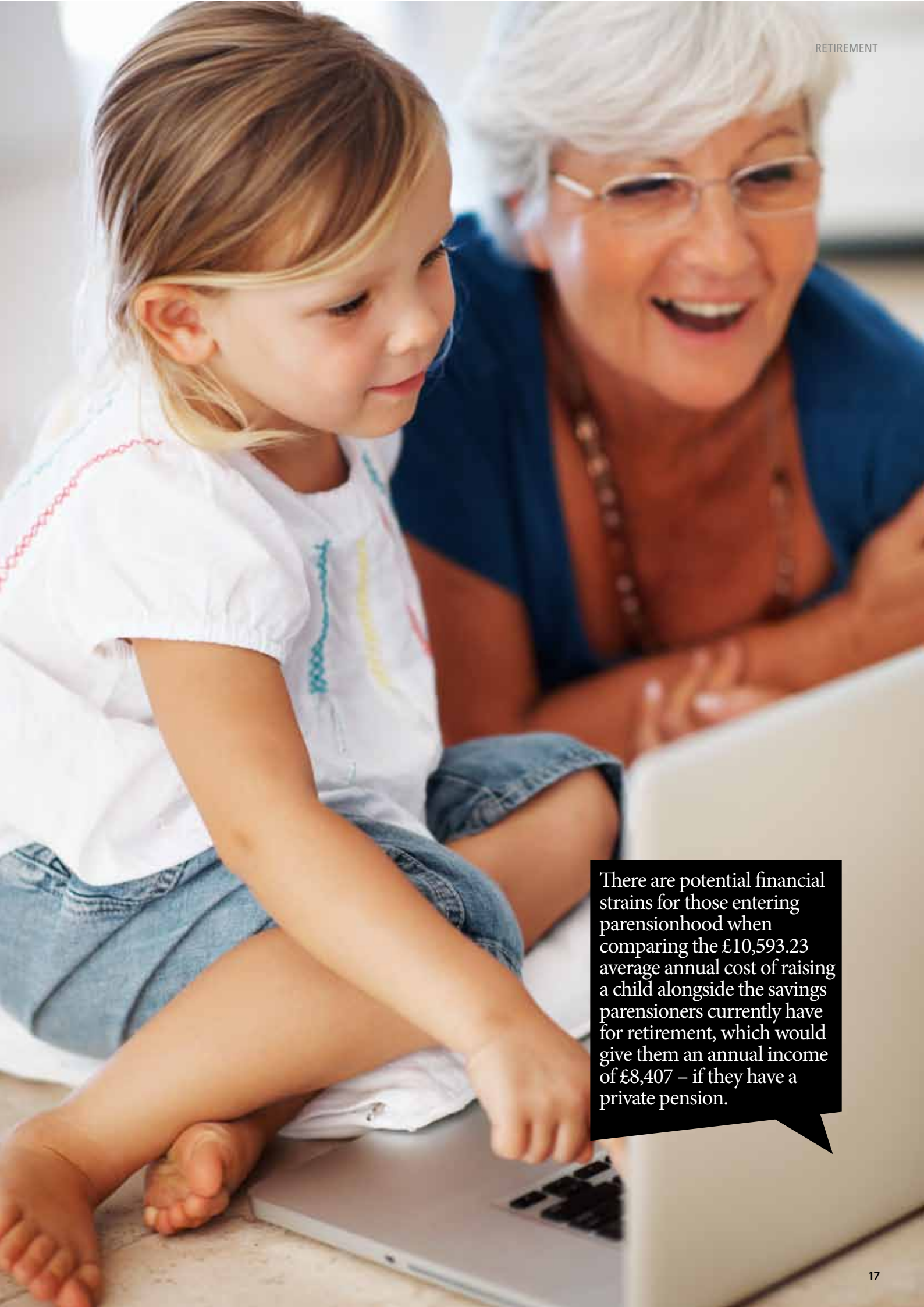
Almost half (47 per cent) of parensioners believe they need to urgently increase their savings and life cover for retirement, by almost £500 per month on average, to help cope with their impending financial struggle. This would enable parensioners to feel they could maintain a comfortable retired lifestyle and continue to support their young children – something that is no doubt easier said than done! It is understandable that almost three- quarters (73 per cent) of parensioners regularly worry about how they will cope with the dual financial pressures of parenting and retiring. Sadly, almost half (47 per cent) admitted that money woes have them wishing they'd started a family at a younger age. ■

CAN WE HELP YOU?

For anyone that is considering having children, whatever their age, it is imperative to seek professional advice and consider all of the options that will help them sustain their lifestyle and continue to be able to provide for their children on their paths to adulthood. For further information, please contact us today.

SOURCE

The study was conducted by Opinium Research using custom and omnibus research on behalf of LV=. This included a poll of 520 British men and women over the ages of 45 / 40 (respectively) that had become parents to a new child from 1992 to 2012 and a nationally representative online poll of 2,002 adults aged 25 and over. The research was carried out from 7 – 11 March 2013.



There are potential financial strains for those entering parensionhood when comparing the £10,593.23 average annual cost of raising a child alongside the savings parensioners currently have for retirement, which would give them an annual income of £8,407 – if they have a private pension.

Isn't it time you had a financial review?

We'll make sure you get the right advice for your individual needs.

We provide professional financial advice covering most areas of financial planning, including, tax-efficient savings, investment advice, retirement planning, estate & inheritance tax planning, life protection, critical illness cover and income protection.

To discuss your options, please contact us.

HOW MUCH RISK ARE YOU WILLING TO TAKE TO SECURE A HIGHER RETURN?

55s and over are most likely to be taking the lead with Stocks and Shares Individual Savings Accounts (ISAs)

When it comes to taking investment risk to secure a higher return, those aged 55 and over are most likely to be taking the lead with Stocks and Shares ISAs, according to research from Standard Life. Over one in ten (11 per cent) of 55 and overs invest in the stock market via their ISA, compared to just 7 per cent of those aged between 35 and 44.

Around two-fifths (41 per cent) of UK adults are currently investing in cash ISAs. However, less than one in ten (9 per cent) are investing in Stocks and Shares ISAs, despite low interest rates meaning that even tax-efficient Cash ISAs could be struggling to keep pace with inflation.

NEW ISA LIMITS

With the Monetary Policy Committee keeping interest rates low and inflation relatively high, cash held in an ISA or a savings account is often being eroded in real terms. So with the arrival of the new tax year and new ISA limits, it might be worth reviewing your approach, to see if you can take more risk with some of your cash; you could potentially invest in the stock market instead, through a tax-efficient Stocks and Shares ISA, with the aim of achieving a return above inflation. However, it's always sensible to keep some money in cash, where it is safe and you can get instant access to it.

RISK-MANAGED FUNDS ARE PROVING POPULAR

Those who are willing to take more risk with some of their money should possibly consider using as much of the current annual £11,520 Stocks and Shares ISA allowance as they can this tax year. But they may still feel they don't know enough about the stock market and be wary about taking too much risk. Diversifying the investment portfolio remains the key to managing ISA risk, which is why some risk-managed funds are proving so popular. These funds are designed to make it easier for investors to gain exposure to a diversified investment portfolio that aims to maximise potential returns, in line with the level of risk an investor is willing to take. They match an investor's appetite for risk with a portfolio of investments in a wide range of underlying assets.

DIFFERENT INVESTMENT APPROACHES

The research from Standard Life also reveals men and women take a very different approach to their investments. Over one in ten (12 per cent) men currently save into a Stocks and Shares ISA, compared to only just over one in twenty (6 per cent) women. An equal percentage of men and women are currently saving into cash ISAs (41 per cent for both). In the current tax year, 6 per cent of adults in the UK are planning to save more into a Stocks and Shares ISA than they did in the last tax year; again, more men (8 per cent) than women (4 per cent) are planning this. ■

SOURCE

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2059 adults. Fieldwork was undertaken between 25 - 28 January 2013. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

RECOGNISING THE CHALLENGE OF SAVING EFFICIENTLY, HERE ARE OUR THREE TOP TIPS TO HELP:

- Use as much of your £11,520 ISA allowance as possible in the current tax year. You can invest this full amount in a Stocks and Shares ISA so you have the chance of greater tax-efficient growth over the longer term. Investing regularly each month can help to smooth out any short-term ups and downs in the stock market.
- Review your Stocks and Shares ISA investment regularly to make sure it is performing as expected
- Re-invest to help generate more income. Remember that if you choose an ISA that generates income, you can re-invest this money as well as paying it into a bank account. This means you have the opportunity to continue to generate income based on your long-term investments.

PLANNING YOUR LIFE PRIORITIES, GOALS AND ATTITUDE TO RISK

There are many different ways to grow your wealth. Our skill is in helping you to understand your choices, and then to explain which investment decisions are right for you. This will depend on your life priorities, your goals and your attitude to risk. To discuss how we could help you, please contact us.

‘I WISH I’D STARTED SAVING FOR RETIREMENT EARLIER’

New research shows why many older UK adults have many money regrets

Research from Standard Life has found that UK adults have many money regrets. But when asked what one thing, if anything, they most wish they had started doing earlier to be financially efficient with their money, saving for retirement came top of the list. Nearly one in seven (15 per cent) UK adults said they wish they’d started saving for their retirement when they were younger.

TODAY'S BABY BOOMERS

And if you ask those aged 55 plus, today's baby boomers, then an even higher number – one in five – say this is their biggest regret. This figure rises further among adults who are saving into a personal pension rather than being part of a workplace scheme, with a quarter (25 per cent) wishing they'd started saving earlier, compared to just 13 per cent of those saving into a workplace pension.

IMPACT ON FUTURE FINANCES

Hindsight is a wonderful thing, but we can all learn from those who are older and wiser. The earlier we start saving, the bigger the impact on our future finances. Someone who starts saving £100 a month at age 25 could receive an income of £3,570 per annum by the time they are 65. Using the same assumptions, someone saving the same amount from age 40 would have a pension income of only £2,000 per annum at the same age [1].

IMPORTANT NOT TO PANIC

For those of you who feel you've already left it too late, the important thing is not to panic and save what you can now. And those of you who are not already saving through a workplace scheme or about to be automatically enrolled into one should find out more about personal pensions if you don't want to end up with the same regrets as many other personal pension savers. These days most personal pensions are really flexible, so you can increase, decrease or stop and start contributions to suit changes in the future.

THE CHALLENGE OF SAVING EFFICIENTLY

It's important to take advantage of whatever opportunities you have to increase your pension contributions. Remember, with pension plans, the government contributes whenever you do. So if you are a basic rate tax payer, in most cases for every £4 you save in a pension, the Government adds another £1. And if you're in a workplace scheme, your employer is likely to be topping up your contributions too. So consider increasing your regular pension savings as and when you can; or pay in a lump sum after a windfall such as a bonus [2].

Don't think it's ever too late to start saving for your retirement. And if you're younger, don't think that because you can't save very much, there's no point bothering. Even if you can start to save a small amount from a young age it can make a difference.

If you don't feel you can put your money away in a pension just now, then you might want to consider investing in a tax-efficient Stocks & Shares Individual Savings Account (ISA) instead. This means you can still access your investment, while you also have the potential to help your money grow. There is no personal liability to tax on anything you receive from your Stocks & Shares ISA, so you might want to think about using as much of your £11,520 ISA allowance as possible before the end of this tax year. You can invest up to half of this in a tax-efficient Cash ISA, which you can earmark for more immediate concerns. Then you may want to consider investing the rest in a Stocks & Shares ISA so you have the potential of greater tax-efficient growth over the longer term [2]. ■

ACCORDING TO THE RESEARCH, THE TOP FIVE BIGGEST FINANCIAL REGRETS ARE:

1. I wish I had saved for retirement earlier (15 per cent)
2. I wish I had avoided running up debt on credit cards or store cards (14 per cent)
3. I wish I had set and stuck to a budget (10 per cent)
4. I wish I had spent less on nights out and saved more in general (9 per cent)
5. I wish I had sold things I no longer needed (5 per cent)

It's important to take advantage of whatever opportunities you have to increase your pension contributions. Remember, with pension plans, the government contributes whenever you do.

TALK TO US ABOUT BEING FINANCIALLY EFFICIENT

Always remember that the value of an investment can fall as well as rise, and may be worth less than you invested. To find out more about being financially efficient and to learn more about investments such as pensions and Stocks & Shares ISAs, please contact us for further information.

SOURCE

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,059 adults. Fieldwork was undertaken between 25 - 28 January 2013. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

[1] All pension figures are sourced from Standard Life and are based on an individual retiring at 65, making monthly pension contributions, assuming a growth rate of 5 per cent per annum, inflation of 2.5 per cent per annum, an annual increase in contributions of 3 per cent and an annual management charge of 1 per cent. The income produced is based on an annuity that does not increase, paid monthly from age 65, and this will continue to be paid for the first five years even if the individual dies.

[2] Laws and tax rules may change in the future. The information here is based on our understanding in April 2013. Personal circumstances also have an impact on tax treatment. All figures relate to the 2013/14 tax year, unless otherwise stated.

THE 'OSTRICH GENERATION' ARE WAKING UP TO PENSIONS

Public debate about pensions and retirement over the past few years has fuelled awareness among younger people

A survey for the National Association of Pension Funds (NAPF) has shown that young workers born in the 1980s are more 'switched on' to pensions than older colleagues and plan to save more, despite the pressures of student debt and buying property.

Half (53 per cent) of the respondents aged 25-34 plan to increase the amount they save towards retirement in the coming year. By contrast, only 26 per cent of those aged 45-54 say they will save more, and the survey average was just 38 per cent.

MORE INTEREST IN SAVING FOR RETIREMENT

Surprisingly, half of the 1980s generation (47 per cent) said they wished they had taken more interest in saving for retirement at an earlier stage. This was the highest of any age group and above the average of 42 per cent. Almost half (43 per cent) of those aged 25-34 said they had talked about pensions more in the past year than in previous years. Only those much closer to retirement aged 55-64 showed more interest (56 per cent).

The findings reflect a growing awareness among younger people that has been driven by recent public debate about pensions, changes to the state pension age, and new rules to auto-enrol all workers in a pension. A few years ago, the young workers in question (once known as the 'ostrich generation' as they knew they needed to plan their retirement, but were doing nothing about it) may be decades away from their retirement, but it looks like they are taking their heads out of the sand when it comes to pensions.

POSITIVE DEVELOPMENT

The 80s generation faces potentially significant financial pressures in paying off student debt or building a deposit on a home. That so many are thinking about saving more and remaining with their new workplace pension can be seen as a very positive development.

There has been a lot of public debate about pensions and retirement over the past few years, and that has fuelled awareness among younger people. Many have also heard about the Government's drive to automatically put all workers in a pension.

CAUSES FOR CONCERN

Of the 25- to 34-year-olds covered by the survey, 48 per cent are already a member of a workplace pension. 65 per cent of those who are not yet in a workplace pension say they are likely to stay in their new pension when they are auto-enrolled, which is markedly higher than the average of 50 per cent. However, the survey also highlighted causes for concern, as 44 per cent of the 25-34 group do not know whether their pension is a good one or not, compared with 32 per cent on average. And 45 per cent are not comfortable with their approach to saving for retirement, which is higher than the survey average of 37 per cent. ■

SOURCE

The NAPF is the leading voice of workplace pensions in the UK, who speak for 1,300 pension schemes with some 16 million members and assets of around £900 billion. NAPF members also include over 400 businesses providing essential services to the pensions sector. The results were part of the latest NAPF Workplace Pensions Survey. Populus conducted the fieldwork online between 15 - 17 February 2013. The survey had 2050 respondents, of whom 923 were employees.

WHAT SHOULD YOU BE DOING IN THE RUN-UP TO RETIREMENT?

To discuss your retirement planning options, don't leave it to chance - please contact us for more information. We look forward to hearing from you.

Of the 25- to 34-year-olds covered by the survey, 48 per cent are already a member of a workplace pension. 65 per cent of those who are not yet in a workplace pension say they are likely to stay in their new pension when they are auto-enrolled, which is markedly higher than the average of 50 per cent.

WEEKENDS ARE BECOMING 'WORKENDS'

Achieving the right work-life balance is becoming increasingly difficult for two out of five employees in the UK

For more than 7.3 million UK employees, weekends have become 'workends' as they battle to clear their workloads and cope with increasing demands on their time, new research by MetLife Employee Benefits shows.

CAUSING TENSION FOR FAMILIES

The nationwide study shows nearly two out of five employees (39 per cent) are seeing weekends lost to work despite only being contracted and paid to work Monday to Friday. The extra hours at weekends cause tension for families with 29 per cent of workers saying partners, friends and family resent their failure to switch off from work. Men are just as likely as women to run into trouble with their families for weekend working. Around 30 per cent of men admit to tensions at home over weekend work compared with 28 per cent of women.

However, for millions of staff the lost weekends are unavoidable – 54 per cent admit they need to put in extra hours on Saturdays and Sundays simply to keep on top of their job; 23 per cent say they find it hard to relax and switch off. The other 23 per cent say their employer expects them to always be available.

STRUGGLING TO FORGET ABOUT WORK

The research shows that women are more likely to have to catch up on work at the weekend: 59 per cent of female staff say they have to, compared with 52 per cent of men. Women also find it harder to switch off, with 25 per cent admitting to struggling to forget about work compared with 21 per cent of men.

Employees aged between 35 and 54 are the most likely to lose weekends to work – around 43 per cent say they've had to work at weekends – while just 28 per cent of workers aged 18 to 24 have to put in overtime over Saturdays and Sundays.

ALWAYS-ON-CALL CULTURE

Smartphones and mobile devices have created an always-on-call culture amongst a huge section of British workers. Regular checking of work emails and texts at weekends and on holiday is now considered quite normal, and switching off from work is increasingly tough. However, it is in the interests of both employers and employees that staff take the time off they are entitled to; stress can lead to health risks and long term absence. With the right employee benefits packages in place, employers can help by offering a range of employee assistance services as well as simply recognising when people are under pressure.

SOURCE

Research conducted by Vision Critical among a nationally representative sample of 1,067 employed adults aged from 18 upwards between 25 – 28 January 2013.

Achieving a comfortable retirement.

Do you need a professional assessment of your situation to make this a reality?

If you are unsure whether your pension is performing in line with your expectations, and that you've made the right pension choices – don't leave it to chance.

Contact us to discuss these and other important questions, and we'll help guide you to a comfortable retirement.

BUSINESS PROTECTION GAP WIDENS

Changing the way debt is structured and managing day-to-day cash flow

UK businesses currently have a £1.35 trillion shortfall in business protection, with their level of underinsurance rising 18 per cent in four years, according to L&G research. The insurer found a decrease in key person protection of just over £21 billion and a significant increase in the shareholder protection gap of over £255 billion.

The biggest factor to account for the increase in the protection gap is the growth in the number of limited companies and partnerships without cover, which now stands at 1.3 million, up 100,000 from 2008.

PAYING OFF OUTSTANDING DEBT

The research found businesses have changed the way they are structuring their debt and managing day-to-day cash flow issues. L&G's 2008 research showed that bank-based loans made up 30 per cent of all corporate debt but this has now reduced to 16 per cent as banks restricted investment in businesses and business owners have worked to pay off outstanding debt.

But the research shows a significant rise in the proportion of alternative forms of debt, including overdrafts and regular credit card used, from 21 per cent in 2011 to 41 per cent today, of the total debt held. Clearly this is a more expensive way of funding debt. Figures from insolvency trade body R3 show that 1 in 10 companies in the UK are only able to pay the interest on their debts but not reduce the debt itself.

A PRECARIOUS POSITION

The study also revealed that over half of all corporate debt remains unprotected, an increase of 19 per cent on 2011. L&G says this increased reliance on short-term debt like credit cards and overdrafts shows the precarious position many businesses could be in if something unexpected happened to an owner or other key person.

The research also found almost 70 per cent of businesses had no plans in place to be able to repay balances on director loan accounts to a deceased estate in the event of death.

ASSESSING AND MANAGING BUSINESS RISK

The study also found 31 per cent of business owners surveyed take assessing and managing business risk very seriously to ensure that they have an appropriate level of insurance cover. Yet 50 per cent say that whilst business risk is important, they don't always feel they need to be insured for everything, with 30 per cent of business owners saying they didn't have any insurance cover in place in the event of a key person within the business dying or becoming terminally or critically ill, because they either hadn't even considered it, hadn't got round to it or because they were too busy to evaluate it.

The findings come as Legal & General and Unbiased, the professional adviser search, launch a campaign to raise awareness of business protection issues. The 'Every Business Matters' campaign aims to examine attitudes to business protection, highlight the gaps in the business protection market and raise awareness of key issues such as the financial impact of a key worker and where businesses are most at risk without cover.

ADAPTING TO SURVIVE RECENT ECONOMIC PRESSURES

Businesses have always had to adapt to survive but recent economic pressures have meant that the pace of change has sped up significantly and as a result UK businesses are holding more un-indemnified risk than ever. The aim of the 'Every Business Matters' campaign is to raise awareness about the importance and need for cover amongst the business community. ■

CONTACT US FOR FURTHER INFORMATION

As part of our service we also take the time to understand our business clients' unique needs and circumstances, so that we can provide them with the most suitable corporate protection solutions in the most cost-effective way. If you would like to discuss the range of services we offer, please contact us for further information.

Business Protection Gap	2009	2011	2013
Corporate Debt	£294,640,152,281	£264,790,868,450	£223,604,063,103
Shareholder Protection	£424,001,720,178	£427,977,312,753	£683,711,169,935
Key person - Profit	£425,265,134,444	£460,371,704,508	£439,180,978,564

The research found businesses have changed they way they are structuring their debt and managing day-to-day cash flow issues. L&G's 2008 research showed that bank-based loans made up 30 per cent of all corporate debt but this has now reduced to 16 per cent as banks restricted investment in businesses and business owners have worked to pay off outstanding debt.

'NOTHING IS CERTAIN BUT DEATH AND TAXES' – AND THEY ARE INTRINSICALLY LINKED

Will your legacy involve just leaving a large Inheritance Tax bill for your loved ones?

In order to protect your family and business, it is essential to have provisions in place after you're gone. The easiest way to prevent unnecessary tax payments such as Inheritance Tax is to organise your tax affairs by obtaining professional advice and having a valid will in place to ensure that your legacy does not involve just leaving a large Inheritance Tax bill for your loved ones.

SAVING YOUR BENEFICIARIES THOUSANDS OF POUNDS

Effective Inheritance Tax planning could save your beneficiaries thousands of pounds, maybe even hundreds of thousands depending on the size of your estate. At its simplest, Inheritance Tax is the tax payable on your estate when you die if the value of your estate exceeds a certain amount. It's also sometimes payable on assets you may have given away during your lifetime, including property, possessions, money and investments.

Inheritance Tax is currently paid on amounts above £325,000 (£650,000 for married couples and registered civil partnerships) for the current 2013/14 tax year, at a rate of 40 per cent. If the value of your estate, including your home and certain gifts made in the previous seven years, exceeds the Inheritance Tax threshold, tax will be due on the balance at 40 per cent.

LEAVING A SUBSTANTIAL TAX LIABILITY

Without proper planning, many people could end up leaving a substantial tax liability on their death, considerably reducing the value of the estate passing to their chosen beneficiaries.

Your estate includes everything owned in your name, the share of anything owned jointly, gifts from which you keep back some benefit (such as a home given to a son or daughter but in which you still live) and assets held in some trusts from which you have the right to receive an income.

Against this total value is set everything that you owed, such as any outstanding mortgages or loans, unpaid bills and costs incurred during your lifetime for which bills have not been received, as well as funeral expenses.

Any amount of money given away outright to an individual is not counted for tax if the person making the gift survives for seven years. These gifts are called 'potentially exempt transfers' and are useful for tax planning.

POTENTIALLY EXEMPT TRANSFERS

Money put into a 'bare' trust (a trust where the beneficiary is entitled to the trust fund at age 18) counts as a potentially exempt transfer, so it is possible to put money into a trust to prevent grandchildren, for example, from having access to it until they are 18.

However, gifts to most other types of trust will be treated as chargeable lifetime transfers. Chargeable lifetime transfers up to the threshold are not subject to tax but amounts over this are taxed at 20 per cent, with up to a further 20 per cent payable if the person making the gift dies within seven years.

Some cash gifts are exempt from tax regardless of the seven-year rule. Regular gifts from after-tax income, such as a monthly payment to a family member, are also exempt as long as you still have sufficient income to maintain your standard of living.

COMBINED TAX THRESHOLD

Any gifts between husbands and wives, or registered civil partners, are exempt from Inheritance Tax whether they were made while both partners were still alive or left to the survivor on the death of the first. Tax will be due eventually when the surviving spouse or civil partner dies if the value of their estate is more than the combined tax threshold, currently £650,000.

If gifts are made that affect the liability to Inheritance Tax and the giver dies less than seven years later, a special relief known as 'taper relief' may be available. The relief reduces the amount of tax payable on a gift.

LEAVING A TAX LIABILITY

Inheritance Tax can be a complicated area with a variety of solutions available and, without proper tax planning, many people could end up leaving a tax liability on their death, considerably reducing the value of the estate passing to chosen beneficiaries. So without Inheritance Tax planning, your family could be faced with a large tax liability when you die. To ensure that your family and business benefits rather than the government, it pays to plan ahead. As with most financial planning, early consideration is essential. ■

CAN WE HELP?

Benjamin Franklin once said that 'nothing is certain but death and taxes' – and they are intrinsically linked. Obtaining the right professional financial advice can have lasting consequences for your family and business interests. To discuss how we could help you, please contact us for further information.

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.

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