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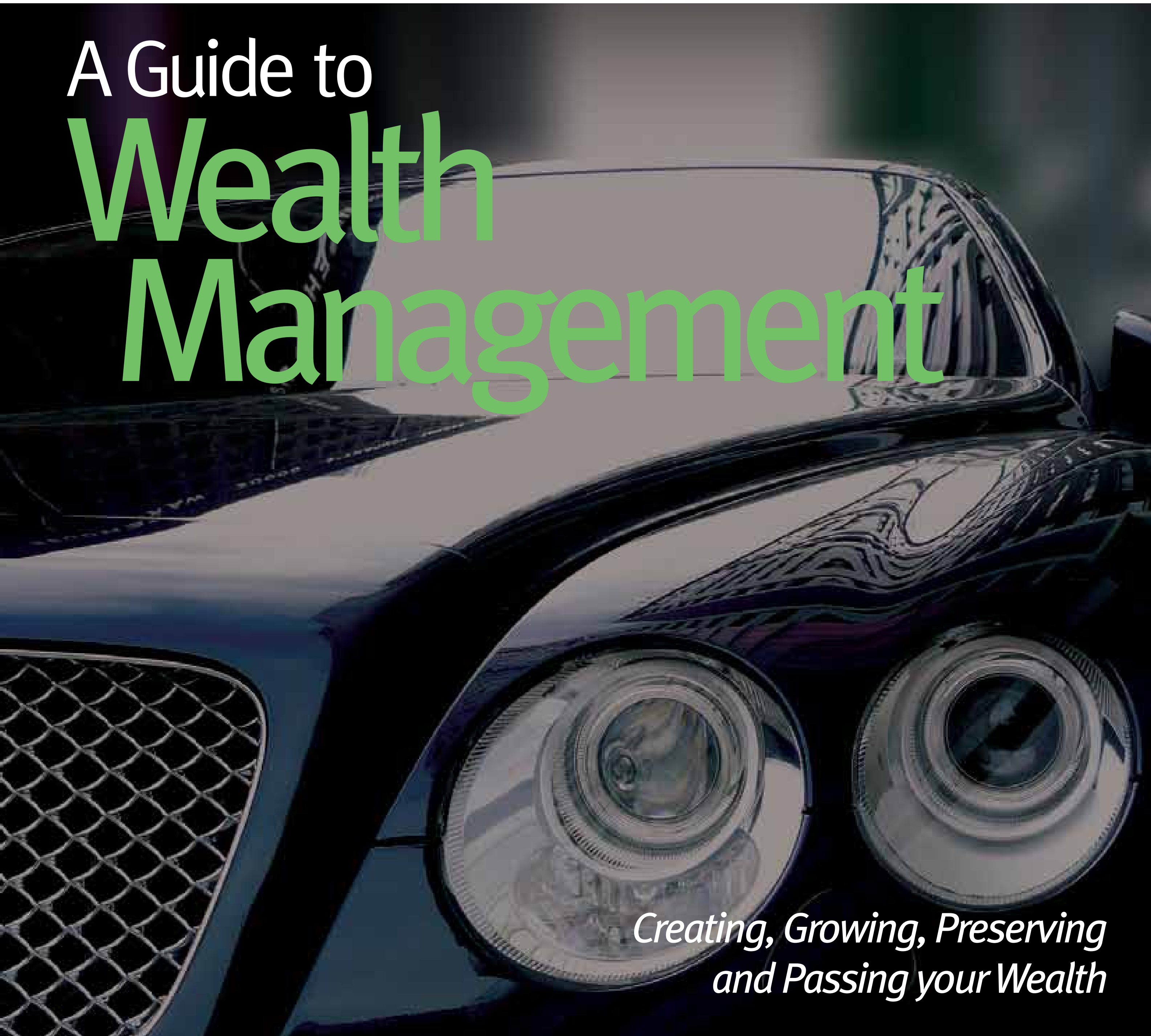
Financial planning for the life you want.

A Guide to Wealth Management



Creating, Growing, Preserving and Passing your Wealth

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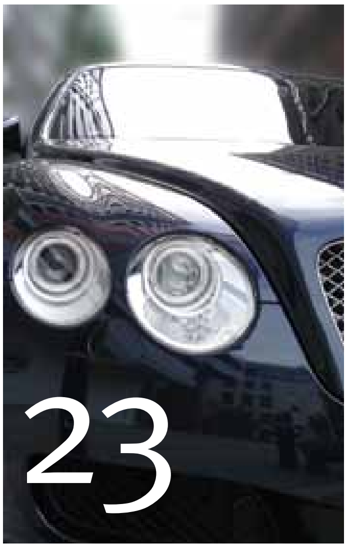
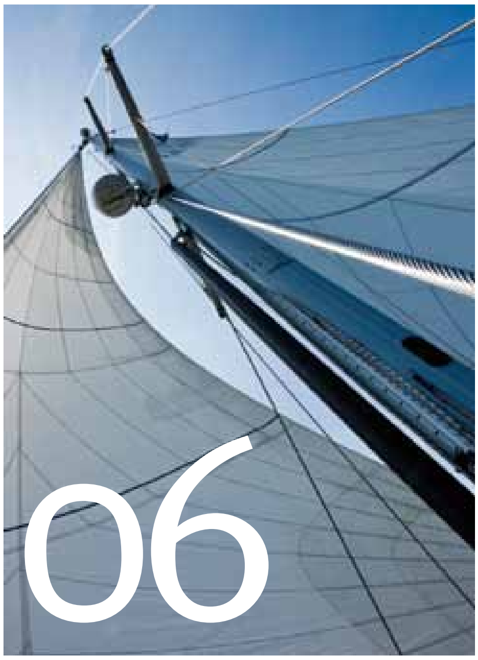
A Guide to Wealth Management

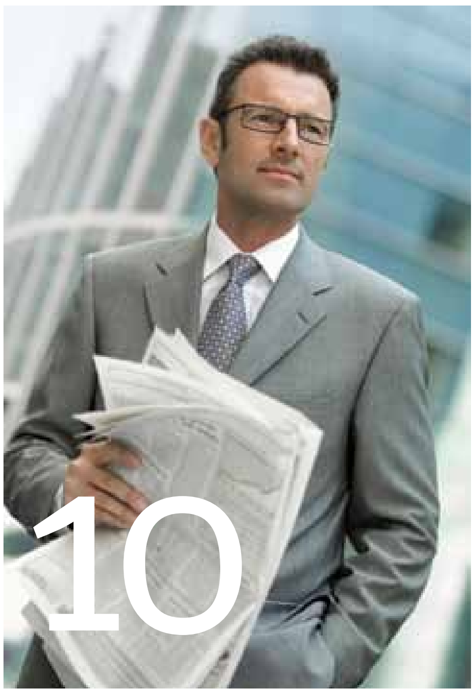
Welcome to 'A Guide to Wealth Management'. We understand that no two people share the same financial situation or goals. The bespoke advisory service we provide reflects our individual clients' objectives, and is aimed at maximising and safeguarding their wealth.

We appreciate that making sense of your planning objectives and finances requires even more time and effort in today's constantly fluctuating economic environment. The all-round and ongoing approach to wealth management we offer will help you plan and achieve your financial and lifestyle objectives, in the most tax-efficient way, within your desired timescale and with the appropriate amount of acceptable risk.

We provide expert advice, professional objectivity, a dedicated approach to client service and financial solutions tailored to your specific needs. There is no substitute for personal advice. Wealth isn't just about your needs, it's about your aspirations and values too. We also provide wealth structures that will protect your estate, now and into the future. If you would like to discuss the range of personal and corporate planning services we offer, please contact us for further information. ■





To obtain further information, please contact us.

Contents...

CREATING WEALTH

FINANCIAL INDEPENDENCE

WEALTH PROTECTION

BUSINESS STRATEGY

Creating wealth

We provide solutions for the diverse needs of both our wealthy clients and those who aspire to become wealthy, enabling each individual to structure their finances as efficiently as possible.

There are many different ways to grow your wealth, from ensuring you receive the best rates for short-term cash management, to a more complex undertaking of creating an investment portfolio to grow your wealth for the long-term.

We can help you make informed decisions about the investment choices that are right for you by assessing your life priorities, goals and attitude towards risk for return. Any number of changing circumstances could cause your wealth to diminish, some inevitable and some unpredictable - new taxes and legislation, volatile markets, inflation and changes in your personal life. Structuring your wealth in a way that minimises the impact of these changes is essential. ■

Pooled investments

If you require your money to provide the potential for capital growth or income, or a combination of both, provided you are willing to accept an element of risk pooled investments could just be the solution you are looking for. A pooled investment allows you to invest in a large, professionally managed portfolio of assets with many other investors. As a result of this, the risk is reduced due to the wider spread of investments in the portfolio.

Pooled investments are also sometimes called 'collective investments'. The fund manager will choose a broad spread of instruments in which to invest, depending on their investment remit. The main asset classes available to invest in are shares, bonds, gilts, property and other specialist areas such as hedge funds or 'guaranteed funds'.

Most pooled investment funds are actively managed. The fund manager researches the market and buys and sells assets with the aim of providing a good return for investors.

Trackers, on the other hand, are passively managed, aiming to track the market in which they are invested. For example, a FTSE100 tracker would aim to replicate the movement of the FTSE100 (the index of the largest 100 UK companies). They might do this by buying the equivalent proportion of all the shares in the index. For technical reasons the return is rarely identical to the index, in particular because charges need to be deducted.

Trackers tend to have lower charges than actively managed funds. This is because a fund manager running an actively managed fund is paid to invest so as to do better than the index (beat the market) or to generate a steadier return for investors than tracking the index would achieve. However, active management does not guarantee that the fund will outperform the market or a tracker fund. ■

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Unit trusts

Unit trusts are collective investments that allow you to participate in a wider range of investments than can normally be achieved on your own with smaller sums of money. Pooling your money with others also reduces the risk.

The unit trust fund is divided into units, each of which represents a tiny share of the overall portfolio. Each day the portfolio is valued, which determines the value of the units. When the portfolio value rises, the price of the units increases. When the portfolio value goes down, the price of the units falls.

The unit trust is run by a fund manager, or a team of managers, who will make the investment decisions. They invest in stock markets all round the world and, for the more adventurous investor, there are funds investing in individual emerging markets, such as China, or in the so-called BRIC economies (Brazil, Russia, India and China).

Alternatively, some funds invest in metals and natural resources, as well as many putting their money into bonds. Some offer a blend of equities, bonds, property and cash and are known as balanced funds. If you wish to marry your profits with your principles you can also invest in an ethical fund.

Some funds do not invest in shares directly but in a number of other funds. These are known as multi-manager funds. Most fund managers use their own judgment to assemble a portfolio of shares for their funds. These are known as actively managed funds.

However, a sizeable minority of funds simply aim to replicate a particular index, such as the FTSE all-share index. These are known as passive funds, or trackers. ■

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Investment trusts

Investment trusts are based upon fixed amounts of capital divided into shares. This makes them closed ended, unlike the open-ended structure of unit trusts. They can be one of the easiest and most cost-effective ways to invest in the stock market. Once the capital has been divided into shares, you can purchase the shares. When an investment trust sells shares, it is not taxed on any capital gains it has made. By contrast, private investors are subject to capital gains tax when they sell shares in their own portfolio.

Another major difference between investment trusts and unit trusts is that investment trusts can borrow money for their investments, known as gearing up, whereas unit trusts cannot. Gearing up can work either to the advantage or disadvantage of investment trusts, depending on whether the stock market is rising or falling.

Investment trusts can also invest in unquoted or unlisted companies, which may not be trading on the stock exchange either because they don't wish to or because they don't meet the given criteria. This facility, combined with the ability to borrow money for investments, can, however, make investment trusts more volatile.

The net asset value (NAV) is the total market value of all the trust's investments and assets minus any liabilities. The NAV per share is the net asset value of the trust divided by the number of shares in issue. The share price of an investment trust depends on the supply and demand for its shares in the stock market. This can result in the price being at a 'discount' or a 'premium' to the NAV per share.

A trust's share price is said to be at a discount when the market price of the trust's shares is less than the NAV per share. This means that investors are able to buy shares in the investment trust at less than the underlying stock market value of the trust's assets.

A trust's shares are said to be at a premium when the market price is more than the NAV per share. This means that investors are buying shares in the trust at a higher price than the underlying stock market value of the trust's assets. The movement in discounts and premiums is a useful way to indicate the market's perception of the potential performance of a particular trust or the market where it invests. Discounts and premiums are also one of the key differences between investment trusts and unit trusts or OEICs.

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Open-ended investment companies

Open-ended investment companies (OEICs) are stock market-quoted collective investment schemes. Like unit trusts and investment trusts, they invest in a variety of assets to generate a return for investors.

An OEIC, (pronounced 'oik'), is a pooled collective investment vehicle in company form. It may have an umbrella fund structure allowing for many sub-funds with different investment objectives. This means you can invest for income and growth in the same umbrella fund, moving your money from one sub fund to another as your investment priorities or circumstances change. OEICs may also offer different share classes for the same fund.

By being 'open ended', OEICs can expand and contract in response to demand, just like unit trusts. The share price of an OEIC is the value of all the underlying investments divided by the number of shares in issue. As an open-ended fund, the fund gets bigger and more shares are created as more people invest. The fund shrinks and shares are cancelled as people withdraw their money.

You may invest into an OEIC through a stocks and shares Individual Savings Account (ISA). Each time you invest in an OEIC fund, you will be allocated a number of shares. You can choose either income or accumulation shares, depending on whether you are looking for your investment to grow or to provide you with income, providing they are available for the fund you want to invest in. ■

Individual Savings Accounts

Make sure that you are using your Individual Savings Account (ISA) allowance to its full advantage. The earlier you invest in the tax year, the longer your money is outside the reach of the taxman.

ISAs are virtually tax-free savings, which means that you do not have to declare any income from them, and you can use an ISA to save cash or invest in stocks and shares.

WHAT CAN YOU SAVE OR INVEST IN AN ISA?

ISAs can be used to:

- save cash and the interest will be tax-free
- invest in shares or funds – any capital growth will be tax-free and there is no further tax to pay on any dividends you receive

TRANSFERRING MONEY FROM CASH ISAS TO STOCKS AND SHARES ISAS

If you have money saved from a previous tax year, you can transfer some or all of the money from a cash ISA to a stocks and shares ISA without this affecting your annual ISA investment allowance. However, please remember once you have transferred your cash ISA to a stocks and shares ISA it is not possible to transfer it back into cash.

Money saved in the current tax year:

ISA Contribution Rules...

As of 6th April 2010 you can invest a total of £10,200 each tax year into an ISA if you are a UK resident aged 18 or over.

There are only two types of ISA – a cash ISA and a stocks and shares ISA.

You can save up to £5,100 in to a cash ISA each tax year.

Or, you can invest up to £10,200 in to a stocks and shares ISA each tax year.

The overall limit is £10,200 and as long as this is not exceeded you could open a cash ISA and stocks and shares ISA in the same tax year, keeping within the limits detailed above. So for example, you could invest £4,000 in a cash ISA and £6,200 in a stocks and shares ISA.

All PEPs are now stocks and shares ISAs.

All Mini cash ISAs, TESSA-only ISAs, and the cash component of stocks and shares ISAs from before April 2008 have become cash ISAs.

ISAs can only be held individually and cannot be held as a joint account, and account holders must be 18 or over (16 or over if you are only investing in a Cash ISA), and a UK resident.

HOW MUCH TAX WILL YOU SAVE?

Interest and dividends from savings:

- if you pay tax at the basic rate, outside an ISA you would usually pay 20 per cent tax (2010/11) on your savings interest
- if you pay tax at the higher rate, outside an ISA you would usually pay tax at 40 per cent on your savings interest
- if you pay the 'saving rate' of tax for savings, outside an ISA you would pay tax at 10 per cent on your savings interest
- if you're a basic rate taxpayer inside or outside an ISA you pay tax at 10 per cent on dividend income. This is taken as a 'tax credit' before you receive the dividend and cannot be refunded for ISA investments
- if you're a higher rate taxpayer you would normally pay tax on dividend income at 32.5 per cent. In an ISA you won't get back the 10 per cent dividend tax credit element of this, but you will save by not having to pay any additional tax

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Income distribution bonds

Distribution bonds are intended to provide income with minimal effects on your original investment. They attempt to ensure that any tax-free returns, up to 5 per cent and usually in the form of dividends, do not greatly reduce your original investment, thereby providing the opportunity for future long-term growth. They also combine two different asset classes, equities and bonds, inside one investment wrapper.

Distribution bonds tend to have a higher amount invested in UK equities than other types of bonds, so they may be riskier. Nevertheless, distribution bonds normally have a strong income flow to them from reliable investments to increase their security. A larger exposure to equities as part of their overall investment mix provides the potential for longer-term growth.

Depending on the performance, the income produced from distribution bonds will fluctuate, and for tax purposes withdrawals can be deferred for up to 20 years. ■

Investment bonds

An investment bond is a single premium life insurance policy and is a potentially tax-efficient way of holding a range of investment funds in one place. It can be a good way of allowing you to invest in a mixture of investment funds that are managed by professional investment managers.

Each bond is usually designed to provide benefits for different types of investors but a common element is that they aim to produce long-term capital growth and/or generate a long-term return. When you invest in a bond, you will be allocated a certain number of units in the funds of your choice or those set out by the conditions of the bond.

Each fund invests in a range of assets and the price of your units will normally rise and fall in line with the value of these assets. Investment bonds are single premium life insurance policies, meaning that a small element of life insurance is provided. This is paid out after your death.

No capital gains tax is paid on the gains that you make, and you do not pay basic rate income tax on any income. As a higher rate taxpayer you may become liable to income tax at a rate equal to the difference between the basic rate and the higher rates (20 per cent), but not until you cash in your bonds or make partial withdrawals of over 5 per cent per annum of your original investment. This is because there is a special rule which allows you to make annual withdrawals from your bonds of up to 5 per cent for 20 years without any immediate tax liability. It is possible to carry these 5 per cent allowances forward, so if you make no withdrawals one year, you can withdraw 10 per cent of your investment the next, without triggering a tax charge. ■

Investing for income

If you are an income-seeking saver in search of good returns from your savings in this low interest rate environment, we can provide you with the professional advice you need to enable you to consider all the options available. In addition, we can help you determine what levels of income you may need and work with you to review as your requirements change. Another major consideration is your attitude towards risk for return and availability. This will determine which asset class you are comfortable investing in.

Cash, especially in the current climate, is an important element for any income investor. One option you may wish to discuss with us is cash funds, also known as 'money market' portfolios. These use the pooled savings of many investors to benefit from higher rates not available to individuals. They can invest in the most liquid, high-quality cash deposits and 'near-cash' instruments such as bonds. But, unlike a normal deposit account, the value of a cash fund can fall as well as rise, although in theory, at least, it should not experience volatile swings.

Bonds are a form of debt, an 'IOU' issued by either governments or firms looking to raise capital. As an investor, when you purchase a bond you are essentially lending the money to the government or company for a set period of time, which varies according to the issuer. In return you will receive interest, typically paid twice a year, and when the bond reaches maturity you usually get back your initial investment. But you don't have to keep a bond until maturity. You can, if you wish, sell it on.

Much of the government's debt, including the additional money being used to aid the economy and refinance the banks, is in the form of bonds it issues. Gilts are bonds issued by the British government. The advantage of gilts is that the government is unlikely to fail to pay interest or repay its debt, so they are generally the safest investments. To date, the UK government has never failed to pay back money owed to investors. Government bonds pay a known and regular income (called the coupon) and a lump sum at maturity (called the par). They typically perform well as the economy slows and inflation falls.

Government bonds tend to move in the opposite direction to shares and historically are good diversifiers. But on the flipside, the government is likely to issue more gilts and this large supply may lead to falls in gilt prices. As government bonds pay a fixed income stream, the real value of these payments erodes if inflation rises. Similarly, the value of bonds typically falls when interest rates rise.

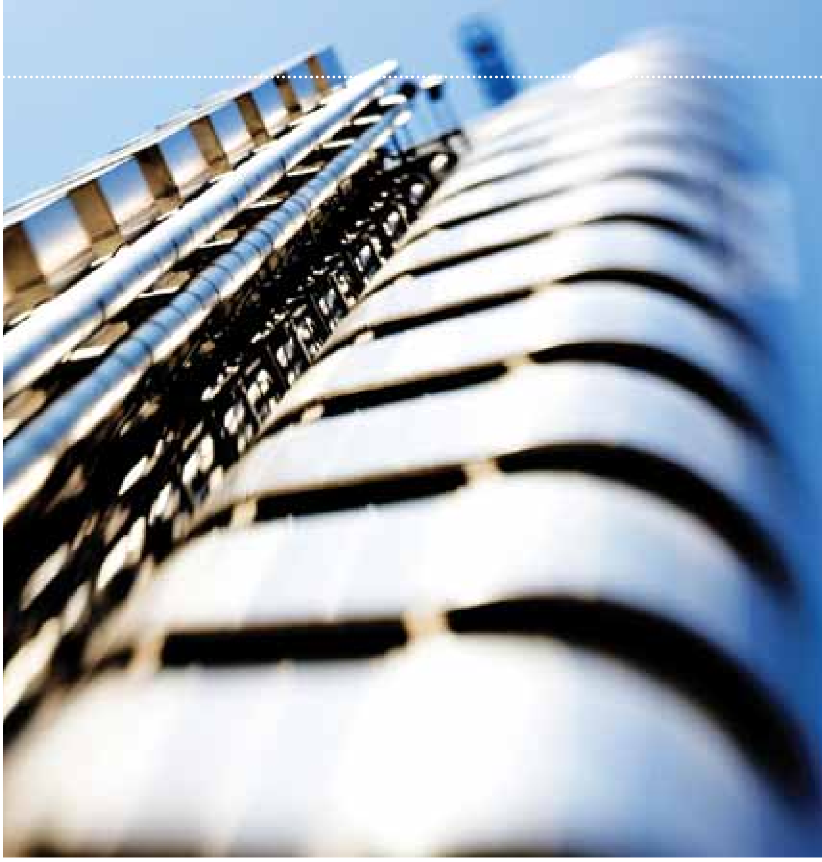
Corporate bonds operate under the same principle as gilts, in other words companies issue debt (bonds) to fund their activities. High-quality, well-established companies that generate lots of cash are the safest corporate bond issuers and their bonds are known as 'investment grade'.

High-yield bonds are issued by companies that are judged more likely to default. To attract investors, higher interest is offered. These are known as 'sub-investment grade' bonds.

The risks related to investing in bonds can be reduced if you invest through a bond fund. Here the fund manager selects a range of bonds, so you are less reliant on the performance of one company or government. The 'distribution yield' gives a simple indication of what returns are likely to be over the next 12 months. The 'underlying yield' gives an indication of returns after expenses if all bonds in the fund are held to maturity.

An alternative route to generating income is by investing in stocks that pay a dividend. If a firm is making good profits it can decide to share this with investors rather than reinvest it in the business, so essentially dividends are the investors' share of company profits. Share prices of companies that regularly pay dividends tend to be less volatile than other companies, but remember that company shares can fall in value. In addition, dividends can be cut if a company finds itself in need of extra cash.

Another way to invest in equities for the purpose of obtaining a better income is via an equity income fund. The fund manager running the portfolio selects a wide range of equities, so you are less reliant on the performance of any one particular company, and will look to select companies that pay regular dividends. ■



Spreading risk during economic uncertainty

Interest rates have fallen to their lowest levels in the Bank of England's 316-year history and could fall even further, along with further inflationary falls.

If, during this current recessionary climate, you are seeking higher returns from your investments, you may want to consider a combination of the following: corporate bonds, equity income, absolute return funds and emerging markets. This will, of course, depend a great deal on your attitude towards risk for return.

In times of economic uncertainty it is even more important to spread risk by having a good mix of assets. You need to get the right balance within your portfolio and this will also depend upon your individual needs.

Corporate bonds are issued by companies to raise capital. The bond is a tradeable instrument in its own right and its value will tend to rise as interest rates fall and remain low. Conversely, its value tends to fall when interest rates rise.

Absolute return funds can protect investors when markets go down and, indeed, in some cases give a return. When markets rise, they should also capture a portion of the rise. They achieve their steadier results through a combination of different strategies.

Some exposure to emerging economies, whose currencies look likely to appreciate against sterling, is worth considering. There is also an argument for foreign income funds, even if their dividends remain the same. ■

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Offshore investments

For the appropriate investor looking to achieve capital security, growth or income, there are a number of advantages to investing offshore, particularly with regards to utilising the tax deferral benefits. You can defer paying tax for the lifetime of the investment, so your investment rolls up without tax being deducted, but you still have to pay tax at your highest rate when you cash the investment in. As a result, with careful planning, a variety of savers could put offshore investments to good use.

The investment vehicles are situated in financial centres located outside the United Kingdom and can add greater diversification to your existing portfolio. Cash can also be held offshore in deposit accounts, providing you with the choice about when you repatriate your money to the UK, perhaps to add to a retirement fund or to gift to children or grandchildren. Those who work overseas or have moved abroad to enjoy a different lifestyle often want to pay as little tax as is legally possible.

Many offshore funds offer tax deferral. The different types of investment vehicles available offshore include offshore bonds that allow the investor to defer tax within the policy until benefits are taken, rather than be subject to a basic rate tax liability within the underlying funds. This means that, if you are a higher rate tax payer in the UK, you could wait until your tax status changes before bringing your funds (and the gains) back into the UK.

The wide choice of different investment types available include offshore redemption policies, personalised policies, offshore unit trusts and OEICs. You may also choose to have access to investments or savings denominated in another currency.

Many banks, insurance companies and asset managers in offshore centres are subsidiaries of major UK, US and European institutions. If you decide to move abroad, you may not pay any tax at all when you cash-in an offshore investment, although this depends on the rules of your new country.

Regarding savings and taxation, what applies to you in your specific circumstances is generally determined by the UK tax regulations and whatever tax treaties exist between the UK and your host country. The UK has negotiated treaties with most countries so that UK expats in those countries are not taxed twice. Basically, if a non-domiciled UK resident is employed by a non-UK resident employer and performs all of their duties outside the UK, the income arising is only subject to UK tax if it is received in or remitted to the UK.

Investor compensation schemes tend not to be as developed as in the UK, so you should always obtain professional advice to ensure that you fully understand each jurisdiction. It is also important to ensure that you are investing in an offshore investment that is appropriate for the level of risk you wish to take.

If you are an expatriate you should find out if you are aware of all the investment opportunities available to you and that you are minimising your tax liability. Investing money offshore is a very complex area of financial planning and you should always obtain professional advice. Currency movements can also affect the value of an offshore investment. ■

Pensions

Since April 2006, simpler rules have been applied to both personal and company (occupational) schemes. The new rules allow most people to pay more into their pension schemes and on more flexible terms.

Financial independence

Retirement for many today is rarely an all-or-nothing decision, where one day you are collecting a salary and the next your pension. You may have existing pension plans in place, such as a company pension or personal pension plans. Perhaps you're just starting to save, are approaching retirement or have already retired.

Whatever you want to do, understanding how to build up enough retirement savings and how pensions work should help you achieve your future goals. Retirement may seem some way off, but in financial terms delaying the planning process could have a considerable effect on your future standard of living.

We can work with you to help select the most suitable form of retirement planning strategies applicable to your particular situation, and recommend what investment opportunities are right for you. We can also advise on what steps you should take to keep your pension plans up to date by creating a retirement plan that's tailor-made for you. ■

You can now contribute as much as you like into any number of pension schemes (personal and/or company) each year, and there is no upper limit to the total amount of pension saving you can build up.

Each year you will receive tax relief on your pension contributions up to 100 per cent of your earnings (salary and other earned income), subject to an 'annual allowance' above which tax will be charged.

If you have little or no earnings and are in a 'relief at source' scheme, you will currently receive tax relief for every £80 you contribute in this tax year and the government will contribute a further £20 until the total value of contributions reaches £3,600 for the year.

BASIC STATE PENSION

You can claim the basic State Pension from State Pension age, 65 for men and 60 for women born on or before 5 April 1950. The State Pension age for women born on or after 6 April 1950 will increase from 60 to 65 between 2010 and 2020. It will increase for both men and women from age 65 to 68 between 2024 and 2046.

You can get a basic State Pension by building up enough 'qualifying years'. A qualifying year is a tax year in which you have sufficient earnings upon which you have paid, are treated as having paid or have been credited with, National Insurance contributions.

You don't have to claim your State Pension as soon as you reach State Pension age. You can claim it later and receive a higher weekly amount or take the option of a one-off taxable lump-sum payment in addition to the normal State Pension.

ADDITIONAL STATE PENSION

You may also be entitled to an additional State Pension – for instance, if you're in full-time employment and make Class 1 National Insurance contributions. When you retire and claim for a basic State Pension, any additional State Pension due will be added.

If you've been a member of a company pension scheme you may have paid a lower rate of National Insurance contributions which will have qualified you for only the basic State Pension. If you do this, most or all of your second pension will come from your company pension rather than the State Second Pension.

PERSONAL PENSIONS

Personal pensions are available from banks, building societies and life insurance companies, who invest your savings on your behalf. You can start receiving an income from a personal pension from the age of 55. There's no limit on the number of personal pension schemes you can set up, and any contributions you make won't affect your entitlement to the basic State Pension. Non earners may be able to pay into a personal pension.

You can save as much as you like into a personal pension. Each year you'll be able to get tax relief on your pension contributions up to 100 per cent of your earnings (salary and other earned income) subject to an 'annual allowance' above which tax will be charged. In practice this means that for each pound you put into your pension, the government tops up your pension pot using money it would otherwise have taken from you as tax. Read 'Pension rules from April 2006' for further details.

STAKEHOLDER PENSIONS

Stakeholder pensions are a type of personal pension. They have to meet certain government standards to ensure they are good value.

Stakeholder pensions are open to everyone and may be worth looking into if you are self-employed or if your employer doesn't offer a company pension. They allow you to contribute as little as £20 a month. You don't have to be working to contribute to a stakeholder pension, and you don't have to contribute every month if you're unable to.

With stakeholder pensions, you can start receiving an income from the age of 55. You get tax relief on stakeholder pension contributions up to the annual allowance described earlier.

COMPANY (OCCUPATIONAL) PENSIONS

Company (occupational) pensions are set up by employers for their employees.

In most cases, your employer will make contributions to the scheme on your behalf and require that you make regular payments from your salary.

A company pension may also offer a death benefit, which is paid to your beneficiary if you die before them. Your employer may also provide you with a pension before the normal retirement age of the scheme if you need to retire early due to ill-health.

However, if you leave your employer you are unlikely to be able to continue making payments into the pension scheme.

You receive tax relief on your contributions to company pensions up to an overall annual allowance. Some schemes may offer you the opportunity to carry on working while drawing your company pension.

GROUP PERSONAL PENSIONS THROUGH YOUR EMPLOYER

Some employers offer access to a personal pension scheme. They may also have negotiated lower administration costs with pension providers and make contributions to your pension themselves. Your employer will usually select a pension provider and choose a pension scheme which they think will be suitable for their employees. Such an arrangement is called a group personal pension plan (GPPP).

A pension taken out through a GPPP is a personal pension and should not be confused with an occupational pension scheme. You receive tax relief on your contributions, as described earlier.

If you decide to leave your employer you may still be able to make payments into your pension, but you may pay higher administration costs.

PENSIONS FOR THE SELF-EMPLOYED

If you're self-employed you make Class 2 National Insurance contributions. These will entitle you to the basic State Pension, but not the additional State Pension. If you want to receive more than the basic State Pension when you retire, you might want to consider starting a personal or stakeholder pension scheme. You'll then be able to make regular payments to build up savings for your retirement. ■

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Self-Invested Personal Pensions

Following the introduction of Pension Simplification legislation in 2006, Self-Invested Personal Pension Plans (SIPPs) have become more accessible to more sophisticated investors who require greater control over their pension planning and want greater access to different investment markets. They also offer excellent tax planning solutions, and in these current difficult financial markets provide the appropriate investor with the maximum amount of flexibility when planning for retirement.

SIPPs are wrappers that provide individuals with more freedom of choice than other conventional personal pensions. They allow investors to choose their own investments or appoint an investment manager to look after their portfolio.

If you are a basic rate tax payer or pay no income tax at all you will receive 20 per cent from HMRC on up to 100 per cent of your earnings. However, if you are earning £60,000 per annum and make a contribution to your SIPP of £8,000 per annum, then HMRC will add another £2,000 making £10,000 in total. Then through your tax return you can claim another £2,000 in tax.

It's worth noting that if you make a contribution which takes your taxable earnings below the higher rate tax threshold then the tax relief will be less than 40 per cent. In effect you receive a blended rate which would be between 20 per cent and 40 per cent.

For very high earners from the 6 April 2011 income tax relief on pension contributions is restricted for those earning in excess of £150,000 per annum or more. It will be tapered all the way down to 20 per cent when income exceeds £180,000 per annum.

You have to appoint a trustee to oversee the operation of your SIPP, but having done this you can then effectively run your pension fund according to your investment requirements.

Ultimately it is down to the trustees of your pension plan to agree whether they are happy to accept your investment choices into the SIPP. The trustees are responsible and liable for ensuring that the investment choices fall within their remit. A fully fledged SIPP can accommodate a wide range of investments under its umbrella. However, you are likely to pay for the wider level of choice with higher charges.

At its most basic, a SIPP can contain straightforward investments such as cash savings or government bonds. You can also include unit and investment trust funds, and other more esoteric investments such as commercial properties and direct share investment. Other options are derivatives, traded endowment policies and shares in unquoted companies. So investments held within your SIPP wrapper can range from low to high risk, but crucially cannot include a second home or other residential property.

If you are considering transferring your existing pension money into a SIPP, there are a number of important considerations you should discuss with us first. These will include the potential charges involved, the length of time you have to retirement, your investment objectives and strategy, your existing pension plan guarantees and options (if applicable) and the effects on your money if you are transferring from with-profits funds.

If you are an expatriate living overseas or hoping to move overseas in the very near future, then it may also be worth considering a Qualifying Recognised Overseas Pension Scheme (QROPS). A QROPS is a pension scheme set up outside the UK that is regulated as a pension scheme in the country in which it was established, and it must be recognised for tax purposes (i.e. benefits in payment must be subject to taxation). The procedure for overseas transfers has been simplified significantly since April 2006. Now, as long as the overseas scheme is recognised by HM Revenue & Customs as an approved arrangement, the transfer can be processed in the same way as a transfer to a UK scheme.

There is in fact, no financial limit on the amount that you can contribute to your SIPP, although there is a maximum amount on which you will be able to claim tax relief in any one tax year and a lifetime allowance restricting the total fund size. Under the rules which came into force from April 2006, investors now have much more freedom to invest money in their SIPP.

You can make contributions of up to 100 per cent of your net relevant earnings and receive full tax relief on the total, subject to a maximum earnings limit of £245,000 in 2009/10. If you were to invest more than your earnings but within the annual allowance you would not receive any additional tax relief. Where the total pension input amount exceeds the annual allowance, a tax charge of 40 per cent of the amount in excess of the limit will be levied.

Contributions can be made by employers, employees and the self-employed. Where previously employees in a company pension scheme who earned more than £30,000 were not permitted also to contribute to a SIPP, they are now free to do so, provided that they do not exceed the limit of 100 per cent of their earnings, up to the maximum earnings limit. Alternatively, an employer can also make an annual contribution of up to £255,000 in 2010/11 on behalf of an employee regardless of their remuneration.

There are charges associated with SIPPs, including the set-up fee and the annual administration fee. A low-cost SIPP with a limited range of options, such as shares, funds and cash, might not charge a set-up fee and only a modest, if any, annual fee.

A full SIPP will usually charge a set-up fee and then an annual fee. The charges are usually a flat rate, so they benefit investors with larger pension pots. There will, in addition to annual charges, be transaction charges on matters such as dealing in shares and switching investments around.

If appropriate, you are also permitted to consolidate several different pensions under the one SIPP wrapper by transferring a series of separate schemes into your SIPP. However, it is important to ascertain if there are any valuable benefits in your existing schemes that would be lost on such a transfer. The actual transfer costs also have to be taken into consideration, if applicable. SIPPS are not appropriate for everybody and there are alternative methods of saving for retirement. Transferring your pension will not guarantee greater benefits in retirement. ■

Generating an income for retirement

The earliest you are currently permitted to take your retirement benefits is from the age of 55. If you are considering setting up a conventional lifetime annuity, which pays a secure income for life, there is now no requirement to buy an annuity by the age of 75. However, you must start to take your benefits from the age of 75, in addition to any tax-free element.

THE OPTIONS

CONVENTIONAL-LIFETIME ANNUITY

A conventional-lifetime annuity converts your pension fund into an income for the rest of your life, however long you live. You can add different options and purchase different types depending on your needs and circumstances. For example, your annuity can pay out to your spouse or partner on your death, or you can choose an enhanced or impaired life annuity, which may give a higher income than a conventional annuity if you have an illness or medical condition, or are a smoker. A conventional-lifetime annuity is the simplest retirement option and provides a secure, taxable income which is payable for the rest of your lifetime.

INVESTMENT-LINKED ANNUITY

Investment-linked annuities offer the chance to obtain a higher level of income, but you need to be comfortable with linking your income in retirement to the stock market. They may be suitable if you have other income sources, are prepared to take a risk to achieve a higher income or can accept the risk that your income may reduce. Investment-linked annuities are designed to give you the opportunity to obtain an income that increases during your retirement. If the risk of an unpredictable and possibly falling retirement income worries you, then conventional annuities may be more appropriate.

UNSECURED PENSION (FORMERLY INCOME DRAWDOWN)

Under the option of Personal Pension Fund Withdrawal, you can choose to take a tax-free cash lump sum immediately and then, instead of buying an annuity, leave the remainder of the fund in a tax-efficient environment. An annual income (taxed as earned income) can be taken, within prescribed limits, from the invested pension fund. This is a flexible option which may be a consideration for more substantial funds or if you have other sources of income. This allows you to take a taxable income directly from your fund, leaving the remainder invested. It is available up to age 75.

PHASED RETIREMENT

Phased retirement is a personal pension plan and allows you to buy an annuity or income drawdown in stages rather than all at once. It is up to you to decide how much income you need and when you would like to start taking it. You then cash in as much of the plan as necessary to provide your chosen level of income. You can take out a phased retirement plan any time after the age of 55.

ALTERNATIVELY SECURED PENSION FROM AGE 75

The government's A-Day pensions simplification legislation, which came into force in April 2006, created Alternatively Secured Pensions (ASPs). ASPs are available to people reaching age 75 who do not want to buy an annuity with their pension fund. ASPs are intended to provide an income in retirement for scheme members and their dependants, rather than be used as a device to pass on tax-privileged pension funds. ■

Transferring pensions

There are a number of different reasons why you may wish to consider transferring your pension schemes, whether this is the result of a change of employment, poor investment performance, issues over the security of the pension scheme or a need to improve flexibility.

You might well have several different types of pension. The gold standard is the final-salary scheme, which pays a pension based on your salary when you leave your job and on years of service. Your past employer might try to encourage you to move your pension away by boosting your fund with an 'enhanced' transfer value and even a cash lump sum. However, this still may not compensate for the benefits you are giving up, and you may need an exceptionally high rate of investment return on the funds you are given to match what you would get if you stayed in the final-salary scheme.

Alternatively, you may have a money purchase occupational scheme or a personal pension. These pensions rely on contributions and investment growth to build up a fund. When you retire, this money can be used to buy an annuity which pays an income.

If appropriate to your particular situation, it may make sense to bring these pensions under one roof to benefit from lower charges, and aim to improve fund with the aim of improving fund performance and making fund monitoring easier. Transferring your pension will not guarantee greater benefits in retirement. ■

NEED MORE INFORMATION?
PLEASE CONTACT US WITH YOUR ENQUIRY.

Small Self-Administered Schemes

A Small Self-Administered Scheme (SSAS) is an occupational pension scheme that does not have the involvement of a life assurance company but where the assets are invested and managed by the scheme trustees, an internal investment manager or an external investment manager. SSASs historically have proven popular because of the investment powers and greater control they conferred on the members.

Consequently HM Revenue & Customs has imposed tighter control on their operation than on other types of scheme. Since 6 April 2006, following the implementation of tax simplification measures, most if not all of the special features of SSASs have been removed.

For a scheme to qualify as a SSAS there must be fewer than 12 members currently building up pension benefits, at least one of whom must be a controlling director. ■

Locating a lost pension

If you think you may have an old pension but are not sure of the details, the Pension Tracing Service may be able to help. They will try and match the information you give them to one of the schemes on their database and inform you of the results. If they have made a match they will provide you with the contact address of the scheme(s) and you can get in touch with them to see if you have any pension benefits.

They will not be able to tell you if you have any entitlement to pension benefits, only the scheme administrator can give you this information. There is no charge for using this service and it typically takes about 15 minutes to complete the form.

To trace a pension scheme by phone, or post the Pension Tracing Service can be contacted by calling 0845 6002 537. Telephone lines are open Monday to Friday 8.00am to 6.00pm.

The Pension Tracing Service will need to know at least the name of your previous employer or pension scheme. If you can give them the following information they will have a better chance of finding a current contact and address for the scheme:

- the full name and address of your employer who ran the occupational pension scheme you are trying to trace. Did your employer change names, or was it part of a larger group of companies?
- the type of pension scheme you belonged to. For example, was it an occupational pension scheme, a personal pension scheme or a group personal pension scheme?
- when did you belong to this pension scheme?

FOR OCCUPATIONAL PENSION SCHEMES:

- did your employer trade under a different name?
- what type of business did your employer run?
- did your employer change address at any time?

FOR PERSONAL PENSION SCHEMES:

- what was the name of your personal pension scheme?
- what address was it run from?
- what was the name of the insurance company involved with your personal pension scheme?

NEED MORE INFORMATION?
PLEASE CONTACT US WITH YOUR ENQUIRY.

Wealth protection

Whatever happens in life, we can work with you to make sure that you and your family are provided for. Premature death, injury and serious illness can affect the most health-conscious individuals and even the most diligent workers can be made redundant.

One important part of the wealth management process is to develop a protection strategy that continually remains relevant to your situation. We can help you put steps in place to protect your standard of living, and that of your family, in the event of an unexpected event. We achieve this by assessing your existing arrangements and providing you with guidance on how to protect your wealth and family.

Planning your legacy and passing on your wealth is another area that requires early planning. You might want it to pass directly to family members. You might want to leave a philanthropic legacy. You may even wish to reduce the effect of inheritance tax on your estate and consider the use of family trusts or charitable foundations. Or your wealth might encompass businesses, property and investments in the UK and abroad that require specialist considerations. ■

Inheritance tax planning

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 (IHT) is the tax payable on your estate when you die if the value of your estate exceeds a certain amount.

IHT is currently paid on amounts above £325,000 (£650,000 for married couples and registered civil partnerships) for the current 2010/11 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 IHT threshold, tax will be due on the balance at 40 per cent.

Without proper tax 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 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.

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 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.

Any gifts between husbands and wives, or registered civil partners, are exempt from IHT 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 IHT 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.

In most cases, IHT must be paid within six months from the end of the month in which the death occurs. If not, interest is charged on the unpaid amount. Tax on some assets, including land and buildings, can be deferred and paid in instalments over ten years.

However, if the asset is sold before all the instalments have been paid, the outstanding amount must be paid. The IHT threshold in force at the time of death is used to calculate how much tax should be paid.

If you have concerns about the impact IHT could have on your particular situation, please contact us so that we can review your financial position and offer professional advice about the options available. ■

Protecting you and your estate

With so many different protection options available, making the right decision to protect your personal and financial situation can seem overwhelming. There is a plethora of protection solutions which could help ensure that a lump sum, or a replacement income, becomes available to you in the event that it is needed. We can make sure that you are able to take the right decisions to deliver peace of mind for you and your family in the event of death, if you are too ill to work or if you are diagnosed with a critical illness.

You can choose protection-only insurance, which is called ‘term insurance’. In its simplest form, it pays out a specified amount if you die within a selected period of years. If you survive, it pays out nothing. It is one of the cheapest ways overall of buying the cover you may need.

Alternatively, a whole-of-life policy provides cover for as long as you live.

LIFE ASSURANCE OPTIONS

- Whole-of-life assurance plans can be used to ensure that a guaranteed lump sum is paid to your estate in the event of your premature death. To avoid inheritance tax and probate delays, policies should be set up under an appropriate trust.
- Level term plans provide a lump sum for your beneficiaries in the event of your death over a specified term.
- Family income benefit plans give a replacement income for beneficiaries on your premature death.
- Decreasing term protection plans pay out a lump sum in the event of your death to cover a reducing liability for a fixed period, such as a repayment mortgage.

Simply having life assurance may not be sufficient. For instance, if you contracted a near-fatal disease or illness, how would you cope financially? You may not be able to work and so lose your income, but you are still alive so your life assurance does not pay out. And to compound the problem, you may also require additional expensive nursing care, have to adapt your home or even move to another more suitable property.

Income Protection Insurance (IPI), formerly known as permanent health insurance, would make up a percentage of your lost income caused by an illness, accident or disability. Rates vary according to the dangers associated with your occupation, age, state of health and gender but IPI is particularly important if you are self-employed or if you do not have an employer that would continue to pay your salary if you were unable to work.

If you are diagnosed with suffering from one of a number of specified ‘critical’ illnesses, a critical illness insurance policy would pay out a tax-free lump sum if the event occurred during the term of your policy. Many life insurance companies offer policies that cover you for both death and critical illness and will pay out the guaranteed benefit on the first event to occur.

Accident, Sickness and Unemployment (ASU) can be taken out for any purpose to protect your income and to give you peace of mind. The benefits only pay for 12 to 24 months on a valid claim if you have an accident, become ill or unemployed. Most of these protection policies operate a ‘deferred period’, which is the period from when a claimable event happens to when the policy starts paying out.

Private medical insurance covers you for private medical treatment and you can choose to add on extra cover, such as dental cover. You may select the hospitals where you would want to be treated close to home. As always, the more benefits and the more comprehensive the policy you select, the more it will cost.

Beyond taking the obvious step of ensuring that you have adequate insurance cover, you should also ensure that you have made a will. A living will makes clear your wishes in the event that, for example, you are pronounced clinically dead following an accident, and executes an enduring power of attorney, so that if you become incapable of managing your affairs as a result of an accident or illness, you can be reassured that responsibility will pass to someone you have chosen and trust.

Of course, all these protection options also apply to your spouse and to those who are in civil partnerships. ■

Long-term care

Long-term care provision in the United Kingdom has been the subject of much debate and analysis over the past decade, yet the issue of how to fund the cost of that care for future generations remains unresolved. Much of the debate has revolved around how the State should address the problem.

As you get older, you might develop health problems that could make it difficult to cope with everyday tasks. So you may need help to stay in your own home or have to move into a care home.

The State may provide some help towards the costs of this care depending on your circumstances, but there are also other ways to help you cover the cost of care, including using savings and investments.

Long-term care refers to care you need for the foreseeable future, maybe as a result of permanent conditions such as arthritis, a stroke or dementia. It could mean help with activities such as washing, dressing or eating, in your own home or in a care home (residential or nursing).

You should check with your local authority about any support they give. The social services department will assess your care needs and your income and savings. If your income and savings are low, the local authority will pay some or all of your long-term care costs.

You may also qualify for Disability Living Allowance if you are under 65 or Attendance Allowance if you are over 65. Attendance Allowance cannot normally be paid if social services or the NHS are funding your care in a care home.

Although social security benefits are the same throughout the UK, other help provided by local authorities varies. So you should find out what your local authority offers.

If you don't qualify for financial help from the local authority, you will normally have to pay towards the cost of care out of your own income and savings – which could result in you eventually having to sell your own home to meet the costs.

There are many different ways to help you pay for long-term care.

LONG-TERM CARE INSURANCE

Long-term care insurance is one way of insuring yourself against the cost of long-term care.

There are basically two types of long-term care insurance (LTCI):

- Immediate care LTCI - you can buy this when you actually need care; and
- Pre-funded LTCI - you can buy this in advance, in case you need care in the future

IMMEDIATE CARE LONG-TERM CARE INSURANCE

This can be purchased when you have been medically assessed as needing care, which can be at any age.

You buy an immediate care plan with a lump sum. This pays out a regular income for the rest of your life, which is used to pay for your care.

The amount you pay will vary depending on:

- the amount of income you require
- whether you want the income to increase, for example, with inflation
- your age and sex; and
- the state of your health

You'll be assessed medically to determine how much you must pay for your chosen level of income.

PRE-FUNDED LONG-TERM CARE INSURANCE

You can buy this in advance, in case you need care in the future. You can buy it at any age, but some have a minimum age for receiving the plan benefits of 40 or 50.

You take out an insurance policy that will pay out a regular sum if you need care. It pays out if you are no longer able to perform a number of activities of daily living (such as washing, dressing or feeding yourself) without help, or if you become mentally incapacitated. The money it pays out is tax-free.

Some existing policies may be linked to an investment bond, which is intended to fund the premiums for the insurance policy. These policies involve more investment risk and, in some cases, can use up your capital.

You typically pay either regular monthly premiums or a single lump sum premium. In either case, the insurance company usually reviews the plan, say every five years, and the premiums may then rise, even if you've bought a single premium policy. Premiums depend on your age, sex and the amount of cover you choose. ■

NEED MORE INFORMATION?
PLEASE CONTACT US WITH YOUR ENQUIRY.

UK trusts, passing assets to beneficiaries

You may decide to use a trust to pass assets to beneficiaries, particularly those who aren't immediately able to look after their own affairs. If you do use a trust to give something away, this removes it from your estate provided you don't use it or get any benefit from it. But bear in mind that gifts into trust may be liable to inheritance tax.

Trusts offer a means of holding and managing money or property for people who may not be ready or able to manage it for themselves. Used in conjunction with a will, they can also help ensure that your assets are passed on in accordance with your wishes after you die. Here we take a look at the main types of UK family trust.

When writing a will, there are several kinds of trust that can be used to help minimise an IHT liability. On 22 March 2006 the government changed some of the rules regarding trusts and introduced some transitional rules for trusts set up before this date.

A trust might be created in various circumstances, for example:

- when someone is too young to handle their affairs
- when someone can't handle their affairs because they're incapacitated
- to pass on money or property while you're still alive
- under the terms of a will
- when someone dies without leaving a will (England and Wales only)

WHAT IS A TRUST?

A trust is an obligation binding a person called a trustee to deal with property in a particular way for the benefit of one or more 'beneficiaries'.

SETTLOR

The settlor creates the trust and puts property into it at the start, often adding more later. The settlor says in the trust deed how the trust's property and income should be used.

TRUSTEE

Trustees are the 'legal owners' of the trust property and must deal with it in the way set out in the trust deed. They also administer the trust. There can be one or more trustees.

BENEFICIARY

This is anyone who benefits from the property held in the trust. The trust deed may name the beneficiaries individually or define a class of beneficiary, such as the settlor's family.

TRUST PROPERTY

This is the property (or 'capital') that is put into the trust by the settlor. It can be anything, including:

- land or buildings
- investments
- money
- antiques or other valuable property

THE MAIN TYPES OF PRIVATE UK TRUST

BARE TRUST

In a bare trust the property is held in the trustee's name but the beneficiary can take actual possession of both the income and trust property whenever they want. The beneficiaries are named and cannot be changed.

You can gift assets to a child via a bare trust while you are alive, which will be treated as a Potentially Exempt Transfer (PET) until the child reaches age 18 (the age of majority in England and Wales), when the child can legally demand his or her share of the trust fund from the trustees.

All income arising within a bare trust in excess of £100 per annum will be treated as belonging to the parents (assuming that the gift was made by the parents). But providing the settlor survives seven years from the date of placing the assets in the trust, the assets can pass IHT free to a child at age 18.

LIFE INTEREST OR INTEREST IN POSSESSION TRUST

In an interest in possession trust the beneficiary has a legal right to all the trust's income (after tax and expenses), but not to the property of the trust.

These trusts are typically used to leave income arising from a trust to a second surviving spouse for the rest of their life. On their death, the trust property reverts to other beneficiaries (known as the remaindermen), who are often the children from the first marriage.

You can, for example, set up an interest in possession trust in your will. You might then leave the income from the trust property to your spouse for life and the trust property itself to your children when your spouse dies.

With a life interest trust, the trustees often have a 'power of appointment', which means they can appoint capital to the beneficiaries (who can be from within a widely defined class, such as the settlor's extended family) when they see fit.

Where an interest in possession trust was in existence before 22 March 2006, the underlying capital is treated as belonging to the beneficiary or beneficiaries for IHT purposes, for example, it has to be included as part of their estate.

Transfers into interest in possession trusts after 22 March 2006 are taxable as follows:

- 20 per cent tax payable based on the amount gifted into the trust at the outset, which is in excess of the prevailing nil rate band
- Ten years after the trust was created, and on each subsequent ten-year anniversary, a periodic charge, currently 6 per cent, is applied to the portion of the trust assets that is in excess of the prevailing nil rate band
- The value of the available nil rate band on each ten-year anniversary may be reduced, for instance, by the initial amount of any new gifts put into the trust within seven years of its creation
- There is also an exit charge on any distribution of trust assets between each ten-year anniversary

DISCRETIONARY TRUST

The trustees of a discretionary trust decide how much income or capital, if any, to pay to each of the beneficiaries but none has an automatic right to either. The trust can have a widely defined class of beneficiaries, typically the settlor's extended family.

Discretionary trusts are a useful way to pass on property while the settlor is still alive and allows the settlor to keep some control over it through the terms of the trust deed.

Discretionary trusts are often used to gift assets to grandchildren, as the flexible nature of these trusts allows the settlor to wait and see how they turn out before making outright gifts.

Discretionary trusts also allow for changes in circumstances, such as divorce, re-marriage and the arrival of children and stepchildren after the establishment of the trust.

When any discretionary trust is wound up, an exit charge is payable of up to 6 per cent of the value of the remaining assets in the trust, subject to the reliefs for business and agricultural property.

ACCUMULATION AND MAINTENANCE TRUST

An accumulation and maintenance trust is used to provide money to look after children during the age of minority. Any income that isn't spent is added to the trust property, all of which later passes to the children.

In England and Wales the beneficiaries become entitled to the trust property when they reach the age of 18. At that point the trust turns into an 'interest in possession' trust. The position is different in Scotland, as, once a beneficiary reaches the age of 16, they could require the trustees to hand over the trust property.

Accumulation and maintenance trusts that were already established before 22 March 2006, and where the child is not entitled to access the trust property until an age up to 25, could be liable to an IHT charge of up to 4.2 per cent of the value of the trust assets.

It has not been possible to create accumulation and maintenance trusts since 22 March 2006 for IHT purposes. Instead, they are taxed for IHT as discretionary trusts.

MIXED TRUST

A mixed trust may come about when one beneficiary of an accumulation and maintenance trust reaches 18 and others are still minors. Part of the trust then becomes an interest in possession trust.

TRUSTS FOR VULNERABLE PERSONS

These are special trusts, often discretionary trusts, arranged for a beneficiary who is mentally or physically disabled. They do not suffer from the IHT rules applicable to standard discretionary trusts and can be used without affecting entitlement to state benefits; however, strict rules apply.

TAX ON INCOME FROM UK TRUSTS

Trusts are taxed as entities in their own right. The beneficiaries pay tax separately on income they receive from the trust at their usual tax rates, after allowances.

TAXATION OF PROPERTY SETTLED ON TRUSTS

How a particular type of trust is charged to tax will depend upon the nature of that trust and how it falls within the taxing legislation. For example, a charge to IHT may arise when putting property into some trusts, and on other chargeable occasions – for instance, when further property is added to the trust, on distributions of capital from the trust or on the ten-yearly anniversary of the trust.

Trusts are very complicated, and you may have to pay IHT and/or Capital Gains Tax when putting property into the trust. If you want to create a trust you should seek professional advice. ■

Business Strategy

We provide a comprehensive planning service designed to meet the distinct and changing needs of you and your business. We understand that having a sound financial plan is vital to the success and growth of your business, and to your own personal wealth and security.

Developing a comprehensive benefits package that includes staff pensions, flexible benefits, shareholder and key person assurance and protection for employees against premature death or long-term illness will help attract and retain quality employees, allowing you to implement your business strategy more effectively.

We also assess and recommend planning actions that can be taken to enhance and protect the personal affairs of directors, senior executives and employees. Our corporate financial planning service is designed to help companies like yours develop and succeed by protecting and growing their business. ■

Protecting your business

Many businesses recognise the need to insure their company property, equipment and fixed assets. However, they continually overlook their most important assets – the people who drive the business.

Many fail to realise the impact on the financial security of a business that could result from the death or diagnosis of a critical illness of a key employee, director or shareholder.

Keyman insurance is designed to compensate a business for the financial loss brought about by the death or critical illness of a key employee, such as a company director. It can provide a valuable cash injection to the business to aid a potential loss of turnover and to provide funds to replace the key person.

Share or partnership protection provides an agreement between shareholding directors or partners in a business, supported by life assurance. It is designed to ensure that the control of the business is retained by the remaining partners or directors, but the value of the deceased's interest in the business is passed to their chosen beneficiaries in the most tax-efficient manner possible.

The above are essential areas for partnerships or directors of private limited companies to explore. We can help you to determine the level of cover you may need, pinpoint any necessary trust arrangements that could be required and provide agreements for you to use. If a shareholding director or partner were to die, the implications for your business could be very serious indeed. Not only would you lose their experience and expertise, but consider too what might happen to their shares.

The shares might pass to someone who has no knowledge or interest in your business. Or you may discover that you can't afford to buy the shareholding. It's even possible that the person to whom the shares are passed then becomes a majority shareholder and so is in a position to sell the company.

A written legal agreement should be in place which would give the other directors or partners the right to buy the shares and gives the person to whom the shares have been passed the right to sell those shares to the remaining directors or partners.

To protect against these eventualities, each director or partner should take out a life insurance policy to cover a specified amount. ■

NEED MORE INFORMATION?
PLEASE CONTACT US WITH YOUR ENQUIRY.

Corporate pension planning

If you're a business owner there are many different pension options available both to you and to your employees. We can help you navigate this complex area and advise you on how to make sure that you choose the most suitable pension schemes available for your particular requirements.

Offering employee benefits such as pensions is a very effective solution to attract and retain good staff. Talk to us about how we could help you take advantage of the options available and tailor a package that really works for your business.

If you currently employ five or more staff, you need to offer them access to a Stakeholder pension, unless you are exempt, for example, if you have an existing qualifying scheme. You don't have to actually contribute yourself, but you must facilitate employee contributions.

If current pension legislation proceeds in the future, you will either have to contribute to a national scheme called 'Personal Accounts' for your employees or offer a private scheme that makes them exempt.

State pension age is increasing. From 2026, it will increase to 66, increasing gradually to 68 by 2046. It is also important, therefore, to plan for the effect these changes could have on your business.

Pensions are investment plans specifically designed to help you save for your retirement and, if you are the owner of a business, they can also be a very tax-efficient way of drawing money from the business. Pensions shouldn't be dismissed without careful consideration. However, if you don't like the idea of investing in a pension, talk to us about other possible alternatives.

If you are currently in the early days of building your business, you should be mindful of the dangers of relying on this entirely to support your retirement years. One advantage of having your own pension provision is that you can build up wealth independently of your business, essential if your business isn't as successful as you had planned.

Pension funds do not just invest in stocks and shares. Most plans allow you to invest in all the main asset classes, including cash, fixed interest, property and shares, allowing you to tailor your plan to meet your own preferences. Self-Invested Personal Pensions (SIPPs) can offer even greater choice for the more sophisticated investor. ■

NEED MORE INFORMATION?
PLEASE CONTACT US WITH YOUR ENQUIRY.

Employee benefits packages

Implementing a successful employee benefits package should not only enable your business to meet its legal obligations in respect of making pension schemes available, it could also help to increase your successes when looking to recruit the best people.

In today's business environment, with budgets under constant pressure, it is even more vital to deliver more cost-effective solutions. Employee benefits should be regularly reviewed to take advantage of new developments and improved terms offered by providers keen to compete for business.

Many employees today expect to have access to death-in-service cover or income protection as part of their financial package. Some also look to employers who give them the option of being part of a flexible benefit scheme that enables them to select their own benefits from a menu, using an agreed allowance that provides a more tailored employee choice.

A business that wants to retain or recruit directors or senior executives may find it much easier to achieve this if they provide them with a suitably tax-effective remuneration strategy. This may also go a long way towards promoting loyalty and safeguarding them from the potential threat of the competition.

It's also important to protect your business against the unexpected death or serious illness of your key employees, shareholders or partners. Many businesses recognise the need to insure their company property, equipment and fixed assets. However, they continually overlook their most important assets, the people who drive the business, and the impact their death or illness could have on the financial security of the business.

Receiving the appropriate professional advice can help to ensure that premiums paid are competitive and set up in a tax-efficient manner. Services offered to corporate clients include:

- Corporate investments
- Individual pension plans
- Key person insurance
- Partnership insurance
- Employee benefit plans
- Business succession planning
- Group retirement planning

Whatever the size of your business, if you require objective professional advice on corporate financial planning and employee benefits, please contact us for further information. ■