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Planning your retirement income

Maximising an income from your pension fund

Financial protection for you and your family

With the abundance of choice, we can help you make the right decisions

Emerging markets

Do they have the potential to lead the recovery when the world economy begins to stabilise?

The search for income

Investing for an income in a low interest rate environment

Are you taking advantage of your ISA allowance?

The earlier you invest, the longer your money is outside the reach of the taxman

Transferring your pensions

Your questions answered

Wealth management

Aiming to preserve your wealth and shelter it from the burden of higher taxes

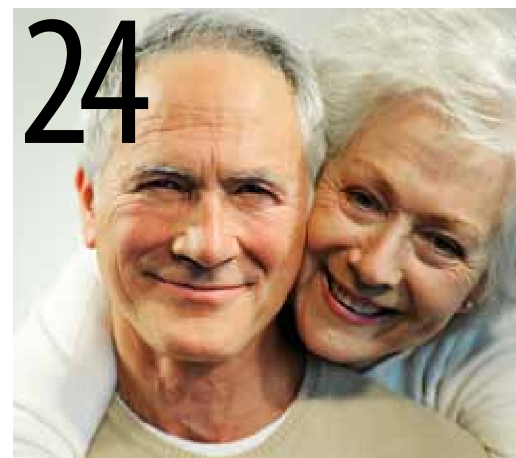
Data bank ■ Corporate bonds ■ Dates for your diary ■ Long term care ■ Inheritance tax

Financial planning is our business.

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

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

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



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Inside this issue

Welcome to the latest issue of our personal finance and wealth management magazine. Achieving the standard of living you require during your retirement will largely depend on the choices you make when considering how to take an income from your pension fund. On page 11 we consider some of the options that may be appropriate to your particular situation and the degree of control you want over your pension.

With so many different protection options available, making the right decision to protect your personal and financial situation can seem overwhelming. On page 16 we look at the 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.

If you are an income-seeking saver in search of good returns from your savings in this low interest rate environment, turn to page 9 to find out how we can provide you with the professional advice you need to enable you to consider all the options available.

At the time of going to press, the global financial crisis and events have been changing very quickly, and some further changes are likely to have occurred by the time you read this issue. A full content listing appears on page 3.

Content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. They should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent finance acts.

TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US.

Corporate bonds

Attracting investors' for all the right reasons

Corporate bonds are a type of fixed interest security. A fixed interest security is a way of 'lending' money to a company in return for a fixed rate of interest over a set period. This type of investment is intended to provide you with a regular, reliable income.

Over the coming years, if the yields from corporate bonds outperform the returns from cash, corporate bonds could become an increasingly larger part of investors' portfolios. This will largely be dependent on the state of the economy, unemployment levels, interest rates and future tax rises.

Every bond issued by a company is given a credit rating by an agency such as Morningstar or Moody's. These credit rating agencies assess how likely it is that the company will be able to make the interest payments and repay the capital. The most secure rating is an AAA rating.

When you invest into a corporate bond fund, you are lending your money to companies who agree to pay you an amount of interest over a certain period of time. Corporate bonds are issued at different rates of interest by different companies. Generally speaking, the more secure a company is, the lower the interest rates it will need to offer to attract investors.

When held within a trust or fund, 'fixed interest' does not mean 'fixed income'. Corporate bonds offer different rates of interest and mature at different times. Money may be invested into, or withdrawn from, a fund that invests in corporate bonds. The income levels from trusts vary because bonds are continually bought and sold by the fund manager at different rates. Yields are used to indicate the income levels received from corporate bond trusts.

The value of your capital in a corporate bond fund is not guaranteed and can vary. In addition, the value of your investment is likely to fall if interest rates begin to rise in the medium to long-term, but on the flip side, it is likely to increase in value if interest rates fall.

The value of investments and the income from them can go down as well as up and you may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent finance acts.

> "Over the coming years, if the yields from corporate bonds outperform the returns from cash, corporate bonds could become an increasingly larger part of investors' portfolios."

If you consider that corporate bonds still look undervalued and would like to discuss the options available to you, please contact us to discuss your particular requirements.

Self-Invested Personal Pensions

Why astute investors are talking to us about taking control of their own investment decisions

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 for the appropriate investor 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.

As a SIPP investor you have the option of choosing when, where and how you invest the assets of your pension fund. Contributions that you make to your SIPP will currently receive tax relief of between 20 per cent and 40 per cent, depending on which personal tax band you are in.

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. The range of available investments will depend largely on your choice of SIPP provider – we can discuss this with you to ensure that you select the most appropriate scheme provider.

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.

> “As a SIPP investor you have the option of choosing when, where and how you invest the assets of your pension fund. Contributions that you make to your SIPP will currently receive tax relief of between 20 per cent and 40 per cent depending on what personal tax band you are in.”

Alternatively, an employer can also make an annual contribution of up to £245,000 in 2009/10 on behalf of an employee regardless of their remuneration.

There are charges associated with SIPPs, these include, 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.

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If you would like to arrange a review of your current retirement provision and discuss the options available to you, please contact us.

NEED MORE INFORMATION?
PLEASE CONTACT US WITH YOUR ENQUIRY.

Wealth management

Aiming to preserve your wealth and shelter it from the burden of higher taxes

Making sense of your planning objectives and finances requires even more time and effort in today's constantly fluctuating economic environment.

With the reduced rate of economic growth and the impact of the recession, a review of your financial and tax planning position could enable you to lower or even defer tax that you have to pay, enabling you to free up cash for other investment purposes in your business or personally.

There is no substitute for personal advice. If you would like to discuss the range of personal and business planning services that we offer, please contact us for further information.

Taxpayers allocated incorrect tax codes

Have you had too much tax deducted from your wages?

HM Revenue & Customs (HMRC) owes hundreds of millions of pounds to as many as 4.5m British taxpayers after allocating them with incorrect tax codes.

The National Audit Office estimates the department could be liable to repay £1.6bn to taxpayers who had too much tax deducted from their wages.

There were 20m queries about tax codes in March this year, up from around 16m last year.

Make sure that you pay the right amount of tax, and claim back money that may have been overpaid, please contact us for further information.

NEED MORE INFORMATION?

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Emerging markets

Do they have the potential to lead the recovery when the world economy begins to stabilise?

The term emerging markets appeared first during the 1990's and is now widely used to describe countries not considered to be developed. Third World, lesser developed countries or under-developed countries. Developed meaning essentially the major European countries plus USA, Canada, Japan, Australia and New Zealand.

In recent months emerging stock markets have reached levels last seen before the collapse of the Lehman Brothers investment bank. The ongoing rally has been due to a returning belief in 'decoupling', the theory by which emerging markets will in future be less dependent on the fortunes of developed markets because they will be able to rely on stronger domestic demand.

Asia and Latin America haven't had the recent fundamental problems in the banking sector that the developed world has had, so lending and credit growth have resumed rapidly and this is helping drive growth.

Emerging markets, particularly China, have seen strong demand for recent initial public offerings, many of which have raced higher in the style of the dotcom boom, raising fears that another bubble could be forming. Emerging markets have had a stormy and volatile past, rallying and slumping far more violently than the developed world.

With world markets remaining volatile, it is important to make sure that your investment portfolio is continually meeting your specific requirements. To arrange a review of your particular situation, please contact us.

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The search for income

Investing for an income in a low interest rate environment

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 this regularly 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, dubbed '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 try to select companies that pay regular dividends.

If you would like to discuss how you could generate more income from your savings in this low interest rate environment, please contact us. We'll ensure that you make an informed decision based on the options available to you.

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Are you taking advantage of your ISA allowance?

The earlier you invest, the longer your money is outside of the reach of the taxman

By investing earlier in the tax year, you could make sure that you are using your Individual Savings Account (ISA) allowance to its full advantage. The earlier you invest, the longer your money is outside the reach of the taxman and has the opportunity to work harder for you.

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 in an ISA and the interest will be tax-free
- invest in shares or funds in an ISA, 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.

Money saved in the current tax year:

- savers are able to transfer money saved in the current tax year from a cash ISA to a stocks and shares ISA, but they must transfer the whole amount saved in that tax year in that cash ISA up to the day of the transfer
- the money transferred is then treated as if it had been invested directly into the stocks and shares ISA in that tax year, the saver is then still able to save or invest the remainder of their £7,200 annual ISA investment limit in that tax year, including up to £3,600 in a cash ISA
- from October 6, 2009, the ISA limit will increase to £10,200, up to £5,100 of which can be saved in cash for people aged 50 or over
- from April 6, 2010, the ISA limit will increase to £10,200, up to £5,100 of which can be saved in cash for all ISA investors

How much tax will you save?

Interest from savings:

- if you pay tax at the basic rate, outside an ISA you would usually pay 20 per cent tax (2009/10) 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

Capital Gains Tax (CGT) savings

If you make gains of more than £10,100 from the sale of shares and certain other assets in the tax year 2009/10, you would normally have to pay CGT. However, you do not have to pay any CGT on gains from an ISA.

If you would like to discuss how planning ahead and making the most of your ISA allowance early could mean you benefit from the potential of greater returns before the end of this tax year, please contact us.

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Planning your retirement income

Maximising an income from your pension fund

The earliest you are currently permitted to take your retirement benefits is from the age of 50, but this is set to rise to age 55 from April 2010. 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 Drawndown)

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 50 (55 from April 2010).

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.

If you are approaching retirement and would like to discuss the options available to you, please contact us.

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Transferring your pensions

Your questions answered

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 performance and make fund monitoring easier.

Transferring your pension

Pension transfers are a complicated area of financial planning and there are many things to consider before proceeding with a transfer. Here are some of the most common questions we are asked by our clients considering this course of action.

Q: Will the new pension be more expensive than my existing one(s)?
A: If the new pension costs more, you must make sure you are satisfied that any additional costs are for good reason. For example, if the new pension is offering you access to more funds than your current pension(s), consider whether you need them. You will receive information about the costs of the new pension in the Key Features Illustration (KFI) that is provided to you. The Key Features Illustration refers to the actual funds and investments that you will be using in your new pension.

Q: Is it a good idea to transfer all of my pensions into a single new pension?
A: If you currently have several pensions and are looking to put them into one new pension, you need to fully understand the associated costs. You may not necessarily need a new pension to put all of your pensions together. If one of your existing pensions already meets your needs and objectives it might be possible to transfer all of your other existing pensions into that one.

Q: Will I lose any benefits?
A: It is possible that your current pension may have valuable benefits that you would lose if you were to transfer out of it, such as death benefits or a Guaranteed Annuity Rate (GAR) option. A GAR option is where the insurance company will pay your pension at a particular rate, which may be much higher than the rates available in the market when you retire.

Q: Are there any penalties if I transfer?
A: Some pensions may apply a penalty when you transfer out.

Q: Would a stakeholder pension meet my needs and objectives?
A: Stakeholder pensions are often the cheapest pensions available and, if appropriate, this could be an option to consider.

Q: Will the investments in the new pension be right for the amount of risk I am prepared to take?
A: We can explain the different funds and investments and make recommendations so that the investments chosen are appropriate for the amount of risk you are prepared to take with your money.

Q: Will I need ongoing advice?
A: Some fund selections may need to be reviewed from time to time to maintain the balance of your portfolio. It is also possible that the amount of risk you are prepared to take could change over time, for example, if your financial situation changes or as you get nearer to retirement.

While transferring your pensions may seem like a good idea, it is a decision that requires professional advice before any action is taken. If you would like to discuss your particular requirements, please contact us.

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"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 performance and make fund monitoring easier."

What type of investor are you?

Building a solid investment strategy through good and bad times

During this period of economic turbulence, what strategy should investors take? Your own attitude to risk is crucial. You may be comfortable to live with capital risk if it means the chance of a higher return in the end. Alternatively, you may be 'risk averse' and don't want to risk your capital under any circumstances.

Whatever your investment strategy the starting points should be the same, and we can help you identify the type of approach best suited to your particular needs and preferred balance between risk and return.

Take a look at some possible strategies for cautious, moderate and aggressive investors.

Cautious Investor

The cautious investor understands that they need to achieve a return better than the rate of inflation to maintain their financial position and that in order to beat the returns available on cash deposits they may need to accept some stock market risk. However the cautious investor is uncomfortable about sharp falls in value and wants to invest in stable investments where the risk of this happening is limited. Keeping ahead of inflation and getting a slightly better return is more important than getting a high return only by accepting a higher level of risk.

Moderate Investor

The moderate investor wants to see their money grow over the medium to long-term 5 years. As well as beating inflation the moderate investor knows that capital growth available from investing in the stock market gives them an opportunity of achieving this. Although not happy about a significant short-term set-back the moderate investor is willing to accept the risk as they are investing for the longer-term. However sustained falls over a longer period might persuade the moderate investor to move to less-risky investments.

Aggressive Investor

The aggressive investor wants to see real capital growth in the short-to medium term of between 3 to 5 years and isn't concerned about short-term fluctuations. This investor will be prepared to take on a wide range of stock market investments including potentially volatile shares where there are high potential gains but also where the risk of losing money is higher. The aggressive investor may offset these high risk investments by diversifying into lower-risk areas and may only be making those high risk investments with money they could afford to lose.

To arrange a review of your investment requirements, please contact us.

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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.

Financial protection for you and your family

With the abundance of choice, we can help you make the right decisions

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.

Choosing the right mix of financial protection for your particular situation is essential to ensure that your specific requirements are fully covered. To discuss your options, please contact us.

NEED MORE INFORMATION?
PLEASE CONTACT US WITH YOUR ENQUIRY.

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.

Inheritance tax planning

Keeping your hard earned assets out of the hands of the taxman

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 2009/10 tax year, at a rate of 40 per cent. From 2010/11 this figure is set to increase to £350,000 (£700,000 for married couples and registered civil partnerships). 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.

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Investing in uncertain times

In a low growth environment, which areas offer the best prospects?

Interest rates have fallen to their lowest levels in the Bank of England's 315-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 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 you may wish to consider spreading the risk by having a good mix of assets. It is important 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 there 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.

NEED MORE INFORMATION?
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Locating a lost pension

Tracing service may provide the help you need!

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 and there is no charge for using this service which 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, 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?

Dates for your diary

Don't miss these deadlines

The deadline for submitting your 2008/09 tax return by post is 31 October 2009

Returns filed manually after this date will result in a £100 fine. Paper returns must reach HM Revenue & Customs (HMRC) by this date so that it can calculate the tax you owe before the 31 January payment deadline.

The end of October is also the final submission date for paper returns if you want the tax you owe to be collected through your tax code. This is possible if you owe less than £2,000.

The deadline for filing your 2008/09 tax return online is 30 December 2009 if you want to pay through your tax code

Six million taxpayers filed online last year, an increase of 50 per cent on the previous year. This method means the tax owed is calculated automatically. Rebates are also paid back more quickly to online filers. All tax owed must be paid by 31 January 2010.

Late filing and payment means taxpayers are automatically fined £100. If the balance has not been paid by 28 February 2010, a further five per cent surcharge is added to the bill and if the tax still has not been paid by 31 July 2010 another five per cent charge is applied.

NEED MORE INFORMATION?
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Buy-to-let landlords acquiring more properties

Interest rate cuts tempting property investors back in to the market

Landlords have been buying more properties in the last quarter according to a survey. The Association of Residential Letting Agents (ARLA) quarterly survey revealed a "bounce back" in the buy-to-let market. In the ARLA members' survey of the Private Rented Sector (PRS) for the second quarter of this year, nearly twice as many ARLA members reported landlords are buying more properties.

The Bank of England's decision to cut interest rates to historic lows over the past year has also helped struggling landlords, according to ARLA. Half of those surveyed said they thought the cuts are tempting investor landlords back to the market because of the minimal interest to savings rates.

The ARLA survey also indicated the rise in buy-to-let activity could be as a result of "increased average weighted rental returns". Houses had risen from 4.8 per cent to 5.1 per cent, with flats up from 4.9 per cent to 5.0 per cent. Returns for flats remained consistent throughout the UK.

However, optimism is muted in the buy-to-let market by the lack of buy-to-let mortgages on the market.

Checklist for investing landlords

This checklist is an introduction to buy-to-let highlighting the types of questions you should be asking yourself before buying a property to let out. It is not intended as an exhaustive list, merely an introduction for new buy-to-let investors, to a range of issues they should consider before entering the residential lettings market for the first time.

You should consider the following points before making any financial commitments:

Making your investment

- Are you investing to generate an income or hoping to see your capital grow and are your expectations realistic?
- Do you have sufficient capital of your own to invest in a property?
- Are you prepared to tie-up your capital for a considerable period?
- Will you have sufficient savings and other forms of capital after you have made this property investment?
- Have you taken specialist tax advice about the implications of buying and selling a buy-to-let property, and the tax treatment of all income and expenditure from renting?

Choosing and managing your property

It is equally important that the property you buy is appropriate for the purpose and is properly managed thereafter.

You should consider the following points before deciding to proceed:

- Are you regarding this as a medium to long term project?
- Have you consulted a professional, qualified local letting agent before beginning your search for a property?
- Have you thought about the type of household which will want to rent your property?
- Have you considered that demand for this type of property may change from year to year?
- Have you made independent inquiries to confirm a likely rental figure?
- Is the location of the property attractive to tenants?
- Most lenders will require you to have an Assured Shorthold Tenancy agreement with your tenants. Are you aware of the legal implications of this?
- If you are thinking of buying a leasehold property, what is the length of the lease remaining and is sub-letting allowed?
- Have you consulted a solicitor about the legal implications of renting out your property?
- Have you investigated the running costs of the property (e.g. ground rent, service charges, repairs, letting and management fees, etc)?
- Have you allowed for furnishings and other start-up costs in your calculations?
- Have you considered how you will repay your mortgage if you have no tenants paying rent?
- Are you aware that your property could decrease, as well as increase, in value?
- Are you aware of all the safety regulations applying to rented property?
- Have you considered the likely costs of dealing with tenants who do not pay their rent or damage your property, including the costs of evicting a tenant in court?
- Have you considered using the services of an agent to let and manage your property on a day-to-day basis or will you be doing this yourself?
- If you are using a letting agent, have you assessed how much they will charge you for their services?
- Will the net rental yield i.e. the rent remaining after you have paid your running costs, be sufficient to meet your monthly mortgage payment?

Choosing your mortgage

If you are thinking of raising a mortgage to help fund the purchase of a property, you should consider the following:

- Have you considered what type of mortgage to buy your property with?
- Have you considered the impact of any future rises in interest rates?
- Could you meet the monthly mortgage payment from your own resources, if the rent was not paid or the property was empty?

If you are unsure of any of your answers to the questions in this checklist, you should seriously consider taking appropriate professional advice. In particular, you may need to take specialist legal and tax advice from suitably qualified professionals.

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Your property may be repossessed if you do not keep up repayments on your mortgage.

Long-term care

There is no panacea when it comes to paying for 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 want;
- 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.

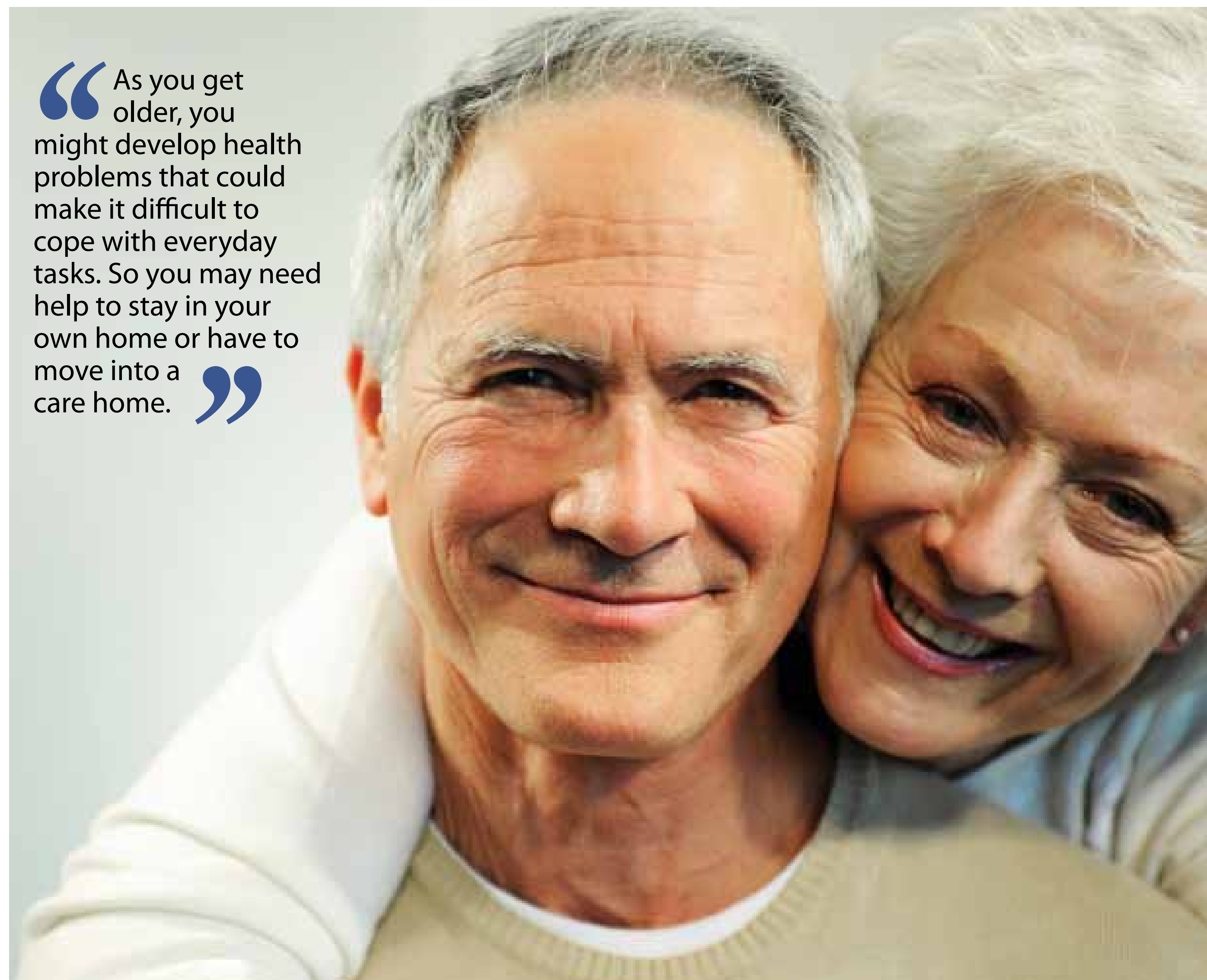
Pre-funded long-term care insurance

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.



> "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."

DID YOU KNOW?

Anyone who requires care in a care home and has assets worth over £23,000, which can include property, will have to pay for their care in full. With care home fees averaging £24,700 a year, or £35,100 a year if nursing is required, according to Saga's Cost of Care Report 2008.

State assistance

There are state benefits that will help, the most common being Attendance Allowance, a tax-free weekly amount of £47.10 or £70.35.

If nursing care is required, the NHS makes a weekly contribution of £106.30 directly to your care home to be offset against fees. Assuming that both of these benefits were received, they could generate an additional £9,185 a year towards the fees.

Private payers who own a property but have savings of less than £23,000 are entitled to a 12-week property disregard where the value of the property is excluded from the financial assessment. As a result, they qualify for state funding during this period. This does mean having to involve the local authority, but it is well worth applying for as this support can add up to a few thousand pounds.

Paying for care

Despite the state benefits, many will not have enough other pension income to cover their fees and will have to rely on their assets to cover the rest.

It is widely believed that people can be forced to sell their properties but this is not the case, although whether to keep or sell the property is one of the hardest decisions to make.

If you wish to keep the property and do not have other savings, the property could be let to generate income. However this is taxable and often is not sufficient to cover the funding shortfall, so additional income would have to be found.

The local authority deferred payment scheme may be able to help and would pay towards the care in return for an interest-free charge against the property that would need to be repaid on death. The property might still have to be sold to repay the debt.

If a property is sold or if there are other savings available, there are other options to meet fees. The simplest option may be to keep the funds in interest-bearing cash accounts and gradually spend the capital down. The risk here is that the funds could be depleted down to the local authority funding levels, which could mean that the current care home was no longer be affordable.

Alternatively, in exchange for a lump-sum payment, a "care fee annuity" may provide a sufficient guaranteed tax-free income for life. This should help ensure that fees could be met for life and also protect any remaining capital. The risk here is that no capital is returned on death.

There is no panacea when it comes to paying for care; there are advantages and risks with each option and it is important to obtain professional advice before making any decisions.

Experiencing mortgage repayment problems?

It's essential to talk

If you are having difficulty meeting your mortgage repayments or are worried it may become a problem in the future, you may wish to consider the following information.

What you should do if you are having trouble paying your mortgage

If you are in this situation there are two steps you should follow:

- Tell your lender as soon as possible: your lender will be sympathetic and will provide as much assistance as possible.
- Check the help available to you: your repayments may be covered by an insurance policy or you may be eligible for government benefits or schemes which could help you to stay in your home.

Inform your lender

If you are having trouble paying your mortgage, or you think it will be a problem in the near future, you should inform your lender immediately. Your lender will be fair and work with you to find a repayment solution.

Some lenders have telephone helplines or debt counselling facilities to assist making contact. The sooner you contact your lender the better, so that action can be taken to deal with the difficulty.

If you can't afford your full mortgage repayments you should talk to your lender and still pay what you can afford. This shows your lender you are committed to solving the problem and makes it easier for them to help you. There are several options that your lender may be able to consider including:

Reducing your monthly payments by lengthening the term of the loan.

Moving a repayment mortgage onto an interest-only basis, provided you understand you will not be paying anything off the actual mortgage.

Adding arrears to the outstanding mortgage amount rather than seeking immediate payment.

Accepting reduced payments for a short period of time until you are able to resume full payments and repay any arrears that build up as a result.

Changing the way you make your payments, or the date you make them.

The earlier you make contact, the more options there are available to resolve the problem. However, these are short-term solutions and in the long-term a repayment problem will have to be resolved. Your lender will wish to stay in regular contact with you to keep up to date with any changes in your circumstances.

Each lender has a policy setting out how they will treat borrowers when their mortgage is in arrears. Your lender should provide you with information explaining how you can expect to be treated by them.

Get advice

There are a number of organisations and counsellors that can help you assess your financial problems and advise the best course of action to solve them.

Check the options and help available to you

If you become unemployed, have an accident, or are too sick to be able to work, you should check whether you have a mortgage payment protection policy. This type of insurance would usually have been taken out at the same time as your mortgage and, if you have an eligible claim, will cover your mortgage repayments up to a period of 12 months or sometimes more.

The state benefits and schemes to help homeowners in difficulty have recently been strengthened. It is worthwhile seeking advice on whether you are eligible for any of the schemes or benefits listed below.

Government schemes to help with mortgage arrears

Income support for mortgage interest

Income Support for Mortgage Interest (ISMI) helps homeowners on benefits with their mortgage interest payments provided that the mortgage was used to purchase the home or for work to maintain the property's fitness for occupation.

There is an upper limit of £200,000 on the size of mortgage which ISMI will cover. Restrictions can be imposed if your housing costs are considered to be excessive. You cannot claim if you work 16 hours or more per week, or your partner works 24 hours or more, or if you have savings of over £16,000.

In addition to interest payments, ISMI may also cover ground rent or certain service charges, but it will not cover the capital part of your mortgage payments or the premiums on an endowment policy.

The timing of the assistance will depend on when you took out your mortgage, but usually you will start receiving assistance 13 weeks after the start of a claim. ISMI is normally paid direct to your mortgage lender and credited to your mortgage account every four weeks in arrears.

The upper limit on the rate of interest paid is 6.08 per cent and there is a two year time limit in which you can claim IS for mortgage interest.

Homeowners mortgage support

Under the homeowners mortgage support scheme borrowers who are facing possession because of a large but temporary reduction in their income can defer part of their interest payments for up to two years. This will reduce your monthly payments but the money isn't written off, the deferred payments are added on to the outstanding mortgage balance. So you will pay it back eventually, with interest, however the scheme is only offered through some lenders.

Mortgage rescue

Mortgage Rescue schemes are operated independently in England, Scotland, and Wales.

To find out if you are eligible for mortgage rescue or another form of assistance you should contact your local authority or Citizens Advice Bureau.

Mortgage rescue in England

Mortgage rescue schemes in England are aimed at vulnerable households facing possession (families with children, the elderly, those with a disability or pregnant women).

There are two forms:

- Shared Equity – the housing association buys a stake of the equity in your property which reduces your monthly mortgage payments. You still remain the outright owner of the property; and
- Mortgage to Rent – the housing association pays off your mortgage debt and you then become a tenant of the housing association, paying a rent you can afford.

Mortgage rescue in Scotland

If you are facing possession in Scotland you may be eligible for the mortgage to rent scheme, where the housing association buys your home and you continue to live there as a tenant.

To apply, you must first get advice about your financial situation from either Citizens Advice, a debt advice service or other advice agency, a solicitor, or your local authority.

The Scottish Government announced an expansion of the Mortgage to Rent Scheme and a new Shared Equity Scheme.

Mortgage rescue in Wales

The mortgage rescue scheme in Wales take two forms:

- Shared Equity, the housing association buys a stake of the equity in your property which reduces your monthly mortgage payments. You still remain the outright owner of the property; and
- Mortgage to Rent, the housing association pays off your mortgage debt and you then become a tenant of the housing association, paying a rent you can afford.

Priority is given to families and people who live in specially adapted housing.

Sale and rent-back schemes

Some companies offer to help you if you get into financial difficulties with your mortgage payments by buying your home and then renting it back to you for a fixed period of time (six months or more). These are sometimes called 'mortgage rescue', 'rent-back' or 'sell-to-let' schemes.

The Financial Services Authority's (FSA) announced recently that they are introducing an interim regime for the regulation of sale-and-leaseback firms. They are not the same as 'home reversion' schemes which are for people who have paid off their mortgage and want to sell part or their entire home for cash and retain the right to live in it for a nominal rent.

They should also not be confused with the government mortgage rescue schemes.

Selling your home in this way may allow you to clear your mortgage debts and stay in your home. However, if you opt for such a scheme you will no longer own your home and could still be evicted if you fall behind with your new rental payments. In addition most of these firms will pay you less than the market value of your property, so think carefully before entering into such a scheme and make sure you understand the consequences.

> “If you are having difficulty meeting your mortgage repayments or are worried it may become a problem in the future, tell your lender as soon as possible.”

YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Data bank

Data Bank

Tax facts, do you know your numbers?

Income Tax

Rates		2009/10	2008/09
10% starting rate band on savings income up to*		£2,440	£2,320
Basic rate		20%	20%
Higher rate of 40% on income over		£37,400	£34,800
Dividends for:	basic rate taxpayers	10%	10%
	higher rate taxpayers	32.5%	32.5%
Trusts:	standard rate band generally	£1,000	£1,000
	dividends (rate applicable to trusts)	32.5%	32.5%
	other income (rate applicable to trusts)	40%	40%
Pre-owned assets tax minimum taxable as income		£5,000	£5,000

**Not available if taxable non-savings income exceeds starting rate band*

Main Personal Allowances and Reliefs

	2009/10	2008/09
Personal (basic)	6,475	6,035
Personal (65-74)	9,490	9,030
Personal (75 & over)	9,640	9,180
Married couples/civil partners (minimum) at 10%*	2,670	2,540
Married couples/civil partners (under 75) at 10%*	N/A	6,535
Married couples/civil partners (75+) at 10%	6,965	6,625
Age-related reliefs reduced by 50% of income over	22,900	21,800
Blind persons	1,890	1,800
Rent-a-room tax-free income	4,250	4,250
Venture capital trust (VCT) at 30%	200,000	200,000
Enterprise investment scheme (EIS) at 20%	500,000	500,000
EIS eligible for capital gains tax re-investment relief	No limit	No limit
* Where at least one spouse/civil partner was born before 6 April 1935		
Non-domicile Remittance Basis Charge:		
For adult non-UK domiciliary after UK residence in at least 7 of the previous 9 tax years:	£30,000	*£30,000*

Basic State Pension

	2009/10		2008/09	
	Weekly	Annual	Weekly	Annual
Single person	£95.25	£4,953.00	£90.70	£4,716.40
Dependant's addition	£57.05	£2,966.60	£54.35	£2,826.20
Total married pension	£152.30	£7,919.60	£145.05	£7,542.60

Pension Credit - Standard Income Guarantee 09-10

Single: £130.00 pw	Married: £198.45 pw

Registered Pensions

	2009/10	2008/09
Lifetime allowance*	£1,750,000	£1,650,000
Annual allowance	£245,000	£235,000
Special annual allowance	£20,000	N/A

Lifetime allowance charge	55% if excess is drawn as cash 25% if excess is drawn as income
Annual allowance charge	40% of excess
Maximum pension commencement lump sum*	25% of pension benefit value
Maximum relievable personal contribution	100% of relevant UK earnings or £3,600 if greater

** Subject to transitional protection for excess amount*

Individual Savings Accounts (ISAs)

Maximum Investment Component	2009/10	2008/09
Cash	£3,600 (£5,100*)	£3,600
Stocks & shares balance to	£7,200 (£10,200*)	£7,200

** from 6 October 2009, higher limits apply only if born before 6 April 1960.*

Inheritance Tax

	2009/10	2008/09
Nil-rate band*	£325,000	£312,000
Rate of tax on excess	40%	40%
Lifetime transfers to and from certain trusts	20%	20%
Overseas domiciled spouse/civil partner exemption	£55,000	£55,000
100% relief: businesses, unlisted/AIM companies, certain farmland/buildings 50% relief: certain other business assets		

**Up to 100% of the unused proportion of a deceased spouse's/civil partner's nil-rate band can be claimed on the surviving spouse's/civil partner's death after 8 Oct 2007*

Reduced tax charge on gifts within 7 years of death

Years before death	0-3	3-4	4-5	5-6	6-7
% of death tax charge	100	80	60	40	20
Annual exempt gifts		£3,000 per donor		£250 per donee	

Capital Gains Tax

Exemptions	2009/10	2008/09
Individuals, estates, etc	£10,100	£9,600
Trusts generally	£5,050	£4,800
Chattels proceeds (5/3excess gain is taxable)	£6,000	£6,000

Rate

Individuals	18%	18%
Trusts and estates	18%	18%

Entrepreneurs' Relief 2008/10:

4/9ths of business gain (effective tax rate of 10%). Lifetime limit: £1,000,000

For trading businesses and companies (min. 5% employee/director shareholding) held for at least one year

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