

Monahans Financial Services Ltd Solicitors Newsletter



Monahans
Professional. Personal. Positive.

Pensions set to become flexible!

The single biggest impediment to pension saving will be removed, if proposed changes to legislation come into force. No longer will it be necessary to face the invidious choice between buying an annuity by no later than the arbitrary age of 75, or leaving funds intact in a scheme which provides restricted income and a potential 82% tax charge on the fund in the event of the death of the pension holder. Instead, the age 75 limit is to go, and those who do not opt for annuities will be subject to a reduced 55% tax rate on death (thus inviting the prospect of passing pension pots to the next generation) or, if they can demonstrate that they have sufficient funds to live on without recourse to State benefits, they will be able to draw the whole fund (apart from the 25% which can be drawn tax-free) as a taxable lump sum.

The attraction of pensions as a savings medium has been restored, and retirement planning has been transformed!



A Refreshing New Approach to Investment Management



Standard Life Wealth (SLW) was launched in response to a growing need among private investors, charities, trustees and personal injury trusts for more bespoke investment solutions.

Many client's have found their investments are too exposed to market falls. To enable more effective planning, SLW focuses on minimising risk to provide clients with greater certainty of outcome.

When compared to their peer group, the SLW approach has excelled:

SLW Core Portfolio +22.47%
APCIMS Balanced +1.47%
FTSE All-Share -4.32%

Sources: SLW, FTSE All-Share Index, APCIMS.
Performance from 31/12/07 - 30/4/10. Warning: past performance is not a guide to the future. The value of investments can go down as well as up and cannot be guaranteed.

Where they differ from the traditional stock broker is in the emphasis they place on understanding the client's goals and putting these first.

The result is that each client portfolio is a uniquely tailored combination of SLW's best ideas optimised to provide the best possible match to the client's specific requirements. Typically, a client will receive a series of portfolios each with its own risk/return attributes, specifically targeting the delivery of their goals eg certain capital projects over a given time frame or the need for income now or at some point in the future.

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Therefore, SLW portfolios are benchmarked against the client's goals not an index. This means that clients can have a reasonable expectation that SLW will produce positive returns or endeavour to protect value, regardless of market conditions. Most importantly SLW will not hide behind market fluctuations. Clients and their advisers benefit from regular and open access to their portfolio manager - not a relationship manager - who will be on hand to explain their views on markets and decisions

made. The advanced strategies that deliver the performance figures above have been recognised in the industry, with SLW winning a Private Asset Manager's award (PAM) for the most innovative investment product or service 2009. It also led them to being appointed as investment manager to the £70m VW (UK) Pension fund. The minimum investment is £500,000.

CGT Complications

The announcement in the 2010 emergency Budget that capital gains tax would remain at 18% for basic rate taxpayers but would be increased to 28% for higher rate taxpayers seems simple enough. But what is not immediately apparent is that under the new regime the gain is added to the taxpayer's income to determine the rate at which they are liable for CGT. Consequently a basic rate income tax payer could be liable to gains tax at the higher rate of 28%.

For many people the availability of the £10,100 annual tax-free CGT allowance will ensure that no tax is payable, but basic rate taxpayers disposing of substantial assets such as second homes or investment portfolios could be surprised to find that the 18% rate only applies on gains up to the higher rate tax threshold and gains over that level will be taxed at 28%. Clearly, it would be sensible where possible to phase disposals over several years, to take advantage of several years' allowances, but this would not work in the case of an indivisible asset such as a property. One answer might be to reduce taxable income by making a one-off pension contribution which is the gross equivalent of the CGT charge.



We are ideally placed to help in this area as we will work with Monahans Chartered Accountants team of tax experts, to ensure clients get the best possible advice.

Get in touch...

For further advice and assistance please e-mail marketing@monahans-fsl.co.uk

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