your WEALTH

P&P FINANCIAL CARE CONSULTANCY LTD

P & P Financial Care Consultancy Limited
Field View House, 72 High Street, Winterbourne, South Glos. BS36 1JQ
T: 01608 652565 **M:** 07980 221236 **E:** info@pandpifa.co.uk **W:** www.pandpifa.co.uk

AUTUMN 2013

GET INVESTMENTS ON TRACK *with a platform*

How are your investments doing? With a platform you could have the answers at your fingertips.

The internet is changing every aspect of modern life – including the way investments are managed. Now, it provides a new way to monitor holdings, with an investment platform. It's a new kind of online service that lets you and your adviser look at all your assets in one place, and see the very latest valuations of each element within your portfolio. And by making monitoring investments easier, it could also help make the most of them.

A BETTER WAY TO CHECK YOUR INVESTMENT

With a platform, your financial adviser has the very latest figures to help them manage your investment portfolio. Instead of hunting through files, they can see all your holdings at a glance – and identify where action is needed – when a holding is underperforming, for example.

The platform not only makes it simple to monitor performance, it gives your adviser access to a wide range of investment funds. By providing an effective way to select, buy and sell investments from a wide range of providers, it can help them construct a portfolio structured around your needs and preferences. If you have an appetite for risk for example, they can see what stocks have potential and buy accordingly.

ANALYTICAL TOOLS

An investment platform also provides a range of analytical tools for portfolio planning, tax planning and reporting. It supports these with online investment selection tools to let your adviser search through thousands of investments from different providers, supported by filters that help find the right investment for a particular need. Holdings can be compared by returns, volatility ratings, asset allocation, sector splits and more, and market performance of individual investments can be compared. It can even flag up important financial deadlines or policy renewal dates.

HANDLING ANY KIND OF INVESTMENT

Platforms are versatile enough to deal with virtually any kind of investment. They allow your adviser to manage stock market investments, commercial property and gilts, life insurance policies, unit trusts and other collective investments, including those held in tax-sheltered form. They can be ideal for managing Self Invested Personal Pensions.

Talk to your adviser about a platform – and how having easy-to-view assessments of investment performance can help increase your current net worth.

IN THIS ISSUE...

IS SAVING WORTHWHILE?

Low returns make saving look very unattractive right now. But there are steps you can take to help make saving more worthwhile again.

Why save? With a 0.5% Bank of England base rate and an inflation rate that remains stubbornly above the 2.5% mark our money earns little interest – while inflation leaves you worse off in real terms as time goes by. But there are ways to increase your returns.

TAX EFFICIENT SAVINGS

Making your savings tax efficient must be your first priority. If you aren't an income tax payer, make sure tax is not being taken from your savings income. Banks and building societies normally deduct tax from interest paid into to your savings account (or credit the gross amount, then debit the tax). If you are on a low income or a non-tax payer, ask your bank or building society for an HM Revenue & Customs R85 form.

Once you have completed it, they should be able to pay your interest in full. If you are a higher rate tax payer you might be able to put your savings in your spouse's name. If they are a basic rate or non-tax payer, it could mean the money lost to the taxman is reduced.

USE YOUR ISA

Your ISA allowance is also an effective way to make savings more tax-efficient. A cash ISA allows you to invest up to £5,760 for the 2013-14 tax year and enjoy the interest tax free.

Having no tax to pay on compound interest will up returns – and so will investing early. You effectively receive an extra year's tax-efficient income by banking your allowance on the first day of the tax year rather the last.

ALTERNATIVE OPTIONS

Of course, it is important to shop around for the best rates on your savings – but none of the banks or building societies can offer good returns on savings, an exception being regular savings, where low limits on the savings amount and timescale apply.

A Stocks and Shares ISA could be a worthwhile alternative to a Cash ISA, letting you invest up to £11,520 as an individual (or £23,040 as a couple, though in separate accounts) in the 2013-14 tax year. It could be almost as easy to arrange as a Cash ISA, but of course, there is a greater element of risk to consider. Discussing the possibilities with your financial adviser is a sensible next step.

WHAT WILL YOUR PENSION POT REALLY BRING YOU?

For a comfortable retirement the right annuity is essential.

Just what is your pension pot really worth? There's no simple answer. When you retire, you use all or part of your pension pot to buy an annuity – a level or increasing income – for life. But according to the Association of British Insurers (ABI), annuities vary enormously.

One well known provider will offer a 65-year-old smoker with a £24,000 pension pot just £1,213.59 a year, another would be happy to give 46 per cent more at £1,778.23 a year. That's a difference of £11,000 for anyone who lives to the age of 84.

THE OPEN MARKET OPTION

The good news is that if the rate your provider offers is less than generous there is usually no need to accept it. You can take advantage of the open market option (OMO) to shop around.

However the annuity market is a difficult one for anyone but an expert. The ABI site is not a best-buy table, and only provides sample rates. Figures featured will be two months old, and rates constantly change.

But most important of all rates are calculated on individual circumstances. Age, lifestyle and even address details must be taken into consideration, and a firm that tops the table on one scenario may fall to the bottom in another.

The position is complicated even further by the fact there are many types of annuity, and even getting the best rate may not be the whole story. Ensuring you have the kind of annuity that fits your needs – for example, you may want payments to your spouse to continue when you die – is also vital.

THE NEED FOR EXPERT ADVICE

The ABI acknowledge that the position is complicated, and that understanding the details and keeping track of the data on the website could be a challenge for all but the most determined saver. The fact is there is no single 'best performer' who will offer the most rewarding choice for everyone.

Expert independent financial advice on annuities or other pension options remains essential for anyone looking around for the most rewarding way to use their pension savings. To ensure you have the best annuity for your particular circumstances, talk to your financial adviser. It will be time well spent – you could be enjoying the benefits for the whole of your retirement.

DON'T GET CAUGHT UP IN THE INHERITANCE TAX NET

Will the taxman take a share of your legacy before your loved ones?

More and more people are finding they are caught in the Inheritance Tax (IHT) net. Mainly thanks to recovering house prices Inheritance Tax (previously known as estate duty) is no longer confined to the landed gentry. Assets worth above the threshold value of £325,000 – or £650,000 for married couples and civil partners – are liable for a massive 40% tax on the excess.

It's a problem that more and more people are sharing. According to official figures, IHT receipts have climbed for the third year in a row. But the fact is, inheritance tax liabilities can be reduced or even avoided altogether – if you make estate planning part of a long term financial strategy.

GIVING IT AWAY?

The most obvious solution might seem to be to give money away before you die. However, there are limits on how generous you can be for IHT purposes. The tax rules allow you to give £3,000 away every year with IHT exemption. You can also give an unlimited number of small gifts of up to £250 per person and larger gifts to a couple on their marriage. It may seem a simple solution – but if larger amounts are involved you may need to start your generosity early. Outside of these allowances, or regular payments made from income without affecting your standard of living, money given away in the seven years before you die may be counted as part of your estate and subject to IHT.

PLANNING AHEAD

Gifting cash is easy enough, and if we start our largesse early enough, it can allow us to shrink our estates substantially – although we may not want to restrict our own financial position to that extent. Moreover, for most of us, property is our main asset, and often the reason why our estates fall into the scope of inheritance tax in the first place. Obviously, you can't gift small parts of your home – but there are some measures which can take your property outside the IHT threshold. Downsizing is one answer, but there are some financial measures your financial adviser could discuss with you.

Other alternatives include whole of life insurance policies with enough cover to take care of the IHT liabilities. There are also certain classes of investments (examples?) which offer some measure of exemption for your heirs – while still providing you with the potential for income while you can still enjoy it.

As always, the answer is to talk to your financial adviser – as soon as possible.

Estate planning and tax advice are not regulated by the Financial Conduct Authority.

WHEN'S THE BEST TIME TO START SAVING FOR A PENSION?

Most financial advisers would agree the best time to start saving for a pension is when you start earning. Have you left things too late?

It's easy to understand the advantages of starting a pension early. The tax concessions and the wonders of compound interest make it the best investment most of us are likely to make. But there are plenty of other demands on our money when we start our careers. For growing numbers of people student loan repayments, and then the costs of getting on the property ladder have to come before making pension arrangements. Putting things off until we are debt free and financially stable can seem a reasonable compromise.

CAN'T AFFORD TO SAVE?

Of course, it's just the time when a family can come along and mean a new set of expenses and responsibilities. There's a temptation to put things off just a little longer.

Whatever the reasons, putting off saving for a pension is costly. The figures show that those in their 40s would have to save 20% to 25% of their incomes to match what they could have accumulated had they put aside just 10% starting in their 20s. If they wait until their 50s to start, they would have to contribute 40% or more of their incomes, which for most people is simply unrealistic. Faced with the prospect of not being able to save 'enough' some people give up on the whole idea of pension saving at all.

TIME TO START

But however difficult it may be, pension saving makes sense, whenever you start to do it. A state pension will never be generous, and anything you can do to supplement will help make your retirement more comfortable. The sooner you do it, the better off you could be.

You need to have an effective pension savings plan in place, and there are several options to consider. For example, Self Invested Personal Pensions (SIPP) or stakeholder pensions might provide a suitable alternative, depending on your needs and circumstances. You should also think carefully before opting out of pension auto-enrolment when your employer is brought into the scheme.

Planning is essential, and so is getting expert advice. You need to talk to your financial adviser about the best option for you. But if you have left planning your pension late, the most important piece of advice is – do it today.

It is important to take professional advice before making any decision relating to your personal finances. This publication represents our understanding of law and HM Revenue and Customs practice as at the date of publication. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK, please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

Inheritance tax planning is not regulated by the Financial Conduct Authority.

The articles in this newsletter were written by The Financial Marketing Department.

P & P Financial Care Consultancy Limited is an appointed representative of The Whitechurch Network Limited which is authorised and regulated by the Financial Conduct Authority.