your WEALTH

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AUTO-ENROLMENT CANNOT BE IGNORED

The rollout of pension auto-enrolment started last October with the nation's biggest employers and companies of decreasing size are being drawn in as each month passes.

A TV ad campaign, starring various business experts, urges people not to opt out. Now companies with 4,000 or more employees must join the scheme, which requires them to put their entire workforce, with few exceptions, into a pension scheme and help to fund it.

The process of involving smaller and smaller companies has some way to go yet. One with 4,000 employees is hardly small; most have far fewer. It will be April 2017 before all the very smallest employers are enlisted. The all-important 'staging date' is rapidly approaching, however, for some companies with fewer than 100 employees, as those with 90 to 159 employees must be ready for auto-enrolment by 1 May 2014.

It is not as if those smaller employers can wait until 30 April next year to take action; they need to prepare well ahead and their employees must also look at the options beforehand. Meanwhile, by October this year, some companies with just hundreds of employees will be roped in. As those TV ads recognise with their 'I'm in' catchphrase, individual workers may opt out, but they need to bear in mind that the tax relief and employer's contributions would then be forgone.

EXPERT ADVICE USEFUL

Many businesses will need expert advice as they prepare for the administrative and financial implications. Hurried preparation and implementation would not be ideal and could mean a less than optimum result for employer and employees. Whilst auto-enrolment was designed mainly for those who might have had to rely on the State Pension alone, almost every employee must be enrolled. This includes senior personnel with large pension pots already; they may need to act during the one-month opt-out period or risk losing any enhanced or fixed protection given by HMRC with the proviso that no further pension contributions are made.

To start with, minimum contributions under auto-enrolment are 1% each from employee and employer, but these percentages will rise in stages to 4% and 3%, respectively, between October 2017 and October 2018. At that point, taking account of tax relief on the employee's contribution, the effective total is 8% of salary. That is a basic minimum, says the National Association of Pension Funds, which sees 10% as more realistic. Please contact your adviser to discuss your auto-enrolment or other pension issues.

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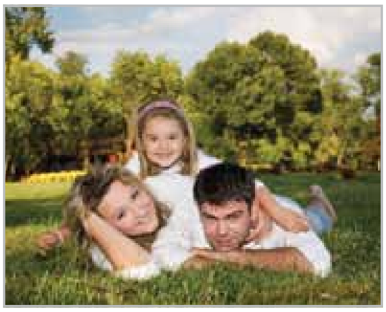

TAX BREAKS FOR SMALL PEOPLE

Ultra-wealthy people have some lessons for the rest of us when it comes to keeping money in the family...

Hang on to all the assets until death and the taxman will be there to grab a share that could force sale of the family's country mansion or its thriving business operation. The answer has been to hand over that wealth to successors, sometimes skipping a generation to remove one bite of inheritance tax, and often setting up a complex trust.

We are not all multi-millionaires, but only leaving assets in your Will, whether to children, grandchildren or both, may not be the ideal way to help younger generations when they need it. Clearly, you must consider your own finances in old age but, if you have more than you should require, it could make sense to offload some of it during your lifetime. You might consider Junior ISAs as one way to channel cash gifts to minors and reduce your eventual estate.

FINANCIAL CHALLENGES

Upcoming generations have various financial issues to confront. These include university expenses, under-24 joblessness, housing costs and eventually their own pensions. House purchase is a big challenge, as even those in well-paid work will struggle to buy their first home if parents or grandparents do not offer to help with the deposit. Within certain annual limits, gifts can be removed from a subsequent IHT calculation and your survival for another seven years would remove larger gifts as well.

Junior ISAs are a tax-efficient way of building capital for when a child reaches the age of majority. These superseded Child Trust Funds in 2011, for youngsters born outside the qualifying CTF date range. Up to £3,720 per tax year (2013-14 level) may be put into cash or stocks & shares JISAs, with tax breaks similar to 'grown up' ISAs. Parents, other relatives and friends may make regular or occasional contributions.

Usually a JISA is opened by an adult 'registered contact' with parental responsibility for a child living in the UK that is not entitled to a Child Trust Fund. Over-16s may open and maintain their own JISAs. Every qualifying child may have both a cash and stocks & shares JISA but, whatever the source, total funds added must fall within the annual limit per child per tax year. JISA assets may not be withdrawn until the child is 18, so professional advice is worth seeking before set-up.

KEEP WATCH ON THE FINANCIAL CALENDAR

Miss a vital date and it could cost you a fine, or a missed opportunity to add tax-efficient investments to your portfolio.

Many people used to keep 'birthday books', perpetual diaries to remind them of important occasions through the year. Now a lot rely on prompts from social media when a friend or relative's birthday is coming up. You can still buy birthday books and, whilst the internet appears to be hastening their redundancy, a wide selection of them are offered online.

Whether you prefer a traditional birthday book or the online alternatives, you might consider adding some dates from the financial calendar to the birthdays and anniversaries. Where financial matters are involved, timing can be very important, whether it is sending your self-assessment to HMRC on time or considering when to buy or sell investments. Miss a vital date and it could cost you a fine, or a missed opportunity to add tax-efficient investments to your portfolio.

Arguably, the most crucial period in the financial year is the month or so approaching the year-end on 5 April. That is when it dawns on some people that just weeks remain in which to use the full ISA allowance or make a substantial pension contribution. Each new tax year also brings adjustments to income tax personal allowances, state benefit levels and occasionally tax rates, following earlier announcement by the Chancellor of the Exchequer.

SELF ASSESSMENT DEADLINE

The first of those important tax dates is 31 January, the deadline for self assessment tax returns and any balancing payment due for the preceding tax year and first instalment in respect of the current year. The second payment on account of what has by then become the previous tax year is due on 31 July. By halfway through the tax year, 5 October, HMRC should be advised of new sources of income if no tax return has been issued. Any paper-based self-assessments must be with HMRC by 31 October.

Some seasonal issues do not involve specific dates. Stock markets are naturally less active when many participants are on vacation, so in the height of summer and around Christmas things may be quieter, though prices are not bound to fall. There is an old saying 'sell in May and go away; don't come back till St Leger Day' – that is in September. Looking back over the decades, UK share prices appeared to fare better between November and April than in the half-year from May to October. Markets are global now, of course, so better to rely on sound advice than market folklore.

PROTECTION – FOR PEACE OF MIND AND REAL HELP

When we reach adulthood and then take on responsibility for the well-being of others, there are many threats to us and our family that are easy, but unwise, to ignore. The risks we face include temporary or long-term loss of earnings due to redundancy, accident or illness.

Most worryingly of all, the threats we face also include a low, but real, risk of early death, which can be devastating for surviving family members. The emotional impact is always huge, but this can be exacerbated by the financial consequences. Protection insurance products exist to help deal with those.

Thousands of people annually have their lives ruined or ended by particular illnesses, as various charities' quoted statistics often remind us. Rather than fret about such data, it makes sense to take action and then get on with life. Protection insurance brings both peace of mind and financial benefits if certain things happen. It can help avert total reliance on state support and keep a roof over the family's head. Figures from the Association of British Insurers show that that every day 170 individuals and families initiate protection insurance claims.

PROTECTION, PROTECTION, PROTECTION...

Let us just run through the main forms of protection insurance. These are life, income protection, critical illness and private medical insurance (PMI), although the many daily PMI claims are not included in the ABI figure of 170 per day.

The most straightforward life insurance pays out a lump sum (or specified regular amount) if the insured person dies within a timescale agreed at the outset. If there are no serious pre-existing health issues, such cover may seem remarkably cheap. It could pay off an outstanding mortgage or provide for other outgoings faced by any family.

Fortunately, life claims are relatively uncommon, but a claim may be more likely under the other types of protection insurance. An income protection policy pays out, after any pre-agreed delay period that can keep premiums down, if someone becomes unfit for work due to accident or illness; payment of an income can even continue long-term.

Group income protection schemes are operated by some employers. Critical illness insurance is designed to meet valid claims through a lump sum if an illness specified under the policy terms is diagnosed. Private medical insurance offers the advantage of access to private treatment for specified family members. Your adviser can help you focus on the protection your family needs.

HOME OR BUSINESS? *It's vital to know*

The march of technology has enabled more people to work from home. This is not usually a problem, but if your home is deemed to serve as business premises, there can be consequences in relation to capital gains tax (CGT), planning law, insurance and your mortgage lender. Sometimes, there may be a narrow dividing line between simply working from home and turning at least part of your home over to business use.

The point about CGT is that profits on the sale of your sole or main residence are usually exempt from the tax, but there are various exclusions from that concession. Her Majesty's Revenue and Customs pointed this out in recent advice on this 'private residence relief', saying: "This exemption may not apply, however, when it has not been their only home or main residence throughout, or they have used it for business purposes, including letting the property, or they have sold part of the garden."

The phrase 'or they have used it for business purposes' has particular significance. It suggests that, if there has been business use, then some or all of the private residence relief could be disapplied when your home is sold for a profit and a large CGT liability could result. As so many people do work from home, this is an important issue to clarify, especially as HMRC is not the only entity to have an interest in the use of residential property for business purposes.

LENDER MAY DISAPPROVE

If your home has been purchased with a normal owner-occupier mortgage and is even just partly used for business or letting, your lender may disapprove. Furthermore, household buildings and contents policies will not extend to business risks and may even be voided by the business operation. Then there are planning matters and the local authority may decide that there has been a change of use that requires planning permission and also that liability for business rates arises.

Inevitably, as often happens, things are not simply black or white. You could say that somewhere in between an employed person sitting on a sofa at home preparing a sales report on their laptop and a self-employed beautician with a busy salon in a converted integral garage, there is a point at which residential use ends and the responsibilities relating to business premises kick in. It is vital to know which side of that point you are.