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SEPTEMBER/OCTOBER 2015

BANKING ON AN INHERITANCE

Britons rely on a cash windfall to fund their retirement plans

IS *CASH* REALLY KING?

Retirees exploit new pension freedoms

INVESTING

Six principles to consider

CHANGING FINANCIAL ATTITUDES

New priorities increase the protection gap

THE CRITICAL FACTOR

Would a tax-free 'lump sum' help if you became seriously ill?

SUITS YOU SIR!

Over-50s changing the way they work in later life

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INSIDE THIS ISSUE

We accept that planning for the future means making conscious decisions now, and rather than always being preoccupied with day-to-day events, it's important to take a step back and look to the bigger picture. We hope the articles featured inside this issue provide you with a perspective on some of the areas you may need to consider in the present to ensure that your future is what you desire.

Anticipated inheritances often don't materialise. But one in three working Britons (35%) are still relying on an inheritance in order to achieve a stable financial future. The reality is that many could be in for a big shock. On page 06 we look at findings from a study released by LV= that shows millions are banking on an inheritance to provide them with financial assistance, and with this cash windfall often key to their retirement plans. Without the right advice and careful financial planning, HM Revenue & Customs could become the single largest beneficiary.

Most home buyers purchase life assurance when they arrange a mortgage, but many overlook another form of financial protection that they are potentially more likely to need prior to retirement. Critical illness cover, also known as critical illness insurance, covers specified serious illnesses and provides a tax-free 'lump sum' that could be used to help pay for your mortgage, liabilities or alterations to your home such as wheelchair access should you need it, but ultimately it's your choice how you use it. Turn to page 03 to find out more.

Changes to the pension rules are creating new opportunities for scams. On page 11 we consider the importance of being cautious of anyone approaching you with advice on how to invest your pension. Almost one in ten pensioners has been targeted by financial fraudsters since their retirement.

The full list of the articles featured in this issue appears opposite.

We hope you enjoy reading this issue and find it informative. To discuss any of the articles featured, please contact us.

Need more information? Simply complete and return the 'Information Request'.

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THE CRITICAL FACTOR

Would a tax-free 'lump sum' help if you became seriously ill?

Most home buyers purchase life assurance when they arrange a mortgage, but many overlook another form of financial protection that they are potentially more likely to need prior to retirement.

CRITICAL ILLNESS COVER, also known as critical illness insurance, covers specified serious illnesses and provides a tax-free 'lump sum' – a one-off payment that could be used to help pay for your mortgage, liabilities or alterations to your home such as wheelchair access should you need it, but ultimately it's your choice how you use it.

SPECIFIED MEDICAL CONDITIONS

Critical illness insurance will pay out if you are diagnosed as suffering from one of the specified medical conditions or injuries listed in the policy. But you need to be aware that not all conditions are covered, and the policy will also state how serious the condition must be. Conditions covered could include heart attack, stroke, certain types and stages of cancer, and conditions such as multiple sclerosis.

Some policies may also include permanent disabilities as a result of injury or illness. Some policies may make a smaller payment for less severe conditions, or if one of your children has one of the specified conditions.

MAJOR FINANCIAL COMMITMENTS

People typically purchase critical illness cover when they take on a major financial commitment, and it also pays to start young when premiums should be relatively cheap, rather than leaving it until later in life when the price of cover can start to rise substantially.

You might already have some cover included in other products or work benefits. However, if you don't, State benefits might not be enough to replace your income if something goes wrong. In this eventuality critical illness cover should be considered if you don't have sufficient savings to tide you over if you become seriously ill or disabled, or you don't have an employee benefits package to cover a longer time off work due to sickness. ■

TIME TO DISCUSS YOUR CRITICAL ILLNESS OPTIONS?

The good news is that medical advances mean more people than ever are surviving conditions that might have killed earlier generations. For example, more than 90% of men diagnosed with testicular cancer are still alive five years later, while more than 80% of women diagnosed with breast cancer have the same survival rate, according to the Office for National Statistics. If you're not sure if this type of protection is suitable for you, or you'd like to discuss your options, please contact us.

READER REPLY

WANT TO MAKE MORE OF YOUR MONEY?

For more information please tick the appropriate box or boxes below, include your personal details and return this information directly to us.

Name ....

Address ....

....

.... Postcode ....

Tel. (home) ....

Tel. (work) ....

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- ☐ Arranging a financial wealth check
- ☐ Building an investment portfolio
- ☐ Generating a bigger retirement income
- ☐ Off-shore investments
- ☐ Tax-efficient investments
- ☐ Family protection in the event of premature death
- ☐ Protection against the loss of regular income
- ☐ Providing a capital sum if I'm diagnosed with serious illness
- ☐ Provision for long-term health care
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You voluntarily choose to provide your personal details. Personal information will be treated as confidential by us and held in accordance with the Data Protection Act. You agree that such personal information may be used to provide you with details and products or services in writing or by telephone or email.

INVESTING

Six principles to consider

Successful investing involves making choices that meet your unique needs today and your financial goals for the future. Your personal circumstances will affect your decisions every step of the way. Whether you are saving for a home, retirement or your child's education, here are six investing principles to consider:

1. INVEST FOR THE LONG TERM

It may seem very obvious but the longer you invest, the bigger the potential effect of compound performance on the original value of your investment. Many investors will be familiar with the term 'compounding' from owning cash savings accounts. The term refers to money multiplying itself by earning a return on the return. Over time, compounding can make a significant difference.

Your investments can also benefit from compounding in a similar way if you reinvest any income you receive. You should remember, however, that the value of stock market investments will fluctuate, causing prices to fall as well as rise and you may not get back the original amount you invested.

SPREADING RISK ACROSS A WIDE RANGE OF INVESTMENTS IS AN EFFECTIVE WAY TO REDUCE YOUR RISK EXPOSURE AND INCREASE POTENTIAL RETURNS OVER THE LONG TERM.

2. DIVERSIFY TO SPREAD RISK

Spreading risk across a wide range of investments is an effective way to reduce your risk exposure and increase potential returns over the long term. Holding a mixture of different types of investments can help cushion your portfolio from downturns, as the value of some investments may go up while the value of others may go down. Shares, bonds, property and cash react differently in varying conditions, and opting for more than one asset class can help to ensure your investments won't all rise or fall in value at the same time.

Holding a portfolio of investments with a low level of correlation can help to diversify the perils associated with investing in individual assets and markets, as well as less visible hazards such as inflation risk – the possibility that the value of assets will be adversely affected by an increase in the rate of inflation. Geographical exposure and long-term investing are other ways of spreading risk. Above all, investors should aim for a level of risk they are comfortable with, which reflects their investment objectives.

3. UNDERSTAND YOUR INVESTMENTS

While a well-constructed portfolio can produce a healthy return for investors, the opposite is also true. It is easy to incur permanent losses by putting money into an asset that behaves in an unexpected way. Investors should always set aside time to try and understand what it is they want to hold.

The type of investments you choose will also depend on whether you're saving for long-term or short-term goals. For your long-term goals, you may want to consider long-term, growth-oriented investments. Your short-term goals call for investments that are more conservative and more accessible. For example, if you're investing to save for a house deposit, you'll want quick and easy access to your funds.

4. AVOID PORTFOLIO COMPLACENCY

The mix of investments within your portfolio is also known as your portfolio's asset allocation. A portfolio should typically hold a combination of savings, income and growth investments. History is no indication of how an investment might act in the future, and investors should always try to weigh the potential risks associated with a particular investment alongside the prospective rewards. One consideration is to invest smaller amounts over time – also known as 'pound-cost averaging' – to benefit from lower average costs than infrequent purchases. For example, your money will buy more units or shares within a fund when prices are low, and fewer units or shares when prices are high. Provided the fund gains in value over the long term, you'll have the opportunity to profit from your purchases during short-term price declines.

5. SEEK BROADER OPPORTUNITIES

As we witnessed in 2008 following the collapse of US investment bank Lehman Brothers, unexpected or adverse news flow can have a significant effect on stockmarket performance. More recently, the crisis in Greece may well present broader opportunities in European stocks for investors willing to take on a certain level of risk.

Indeed, there have been times when highly cash-generative, defensive businesses capable of creating value in a range of market conditions have been subjected to the same negative sentiment that has driven down the price of stocks more sensitive to economic cycles and those that are poorer quality.

6. FOCUS ON THE REAL RATE OF RETURN

Inflation, taxation and charges (such as dealing, switching and ongoing charges) are three of the factors that can affect the real rate of return on your investment. There are certain options that can reduce costs, including the use of tax-efficient wrappers, namely Individual Savings Accounts (ISAs), private pension plans and employment 'save as you earn' schemes.

There are also inflation-protected instruments, such as index-linked bonds (interest-bearing loans where both the value of the loan and the interest payments are related to a specific price index – often the Retail Prices Index), National Savings investments or commercial property holdings, where rents can often be increased in line with the rate of inflation. ■

DO YOU HAVE THE RIGHT INVESTMENT STRATEGY?

Creating and maintaining the right investment strategy plays a vital role in securing your financial future. Whether you are looking to invest for income or growth, we can provide the quality advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. To find out more, please contact us.

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Retirees exploit new pension freedoms

Since 6 April this year, anyone aged 55 or over could – in theory – empty their money purchase pension funds entirely, although any withdrawals will be treated as income and taxed as such. Nine in ten people (90%) going in to drawdown have taken advantage of the new pension freedoms and have chosen to take a cash lump sum, according to pension provider Zurich. The remainder are opting for an annuity or drawdown.

LESS ONEROUS TAX IMPLICATIONS

Among the people accessing their pension, 80% are taking sums of less than £10,000, with the average amount being withdrawn totalling £4,000. This highlights the fact that many are making the most of the new pension freedoms to access their money in a way that best suits them. For very wealthy individuals, high levels of tax may also not be a deterrent, as they would typically be subjected to paying a high level of tax on that income.

Some people are withdrawing small pots in full, while others, according to findings, are taking out small lump sums using the partial uncrystallised funds pension lump sum (UFPLS) option. This is one of the most notable changes brought in on 6 April 2015. An UFPLS can be paid from uncrystallised money purchase funds as a lump sum – there is a 25% tax-free element, and the balance is taxed at the individual's marginal rate of tax.

USING A PENSION AS A BANK ACCOUNT

If the scheme allows, people can take their entire money purchase pot as an UFPLS in one go, or take a series of smaller UFPLSs, each of which will have a 25% tax-free element. Some media reports have likened this to using a pension as a bank account, but the reality is more complex. ■

PROVIDING FOR YOUR NEEDS IN THE FUTURE

As you approach retirement, if applicable, you'll need to check your personal, company and State Pensions to ensure you have enough income to provide for your needs in the future. We can help you assess your situation and take advantage of the options available to you. To find out more, please contact us.

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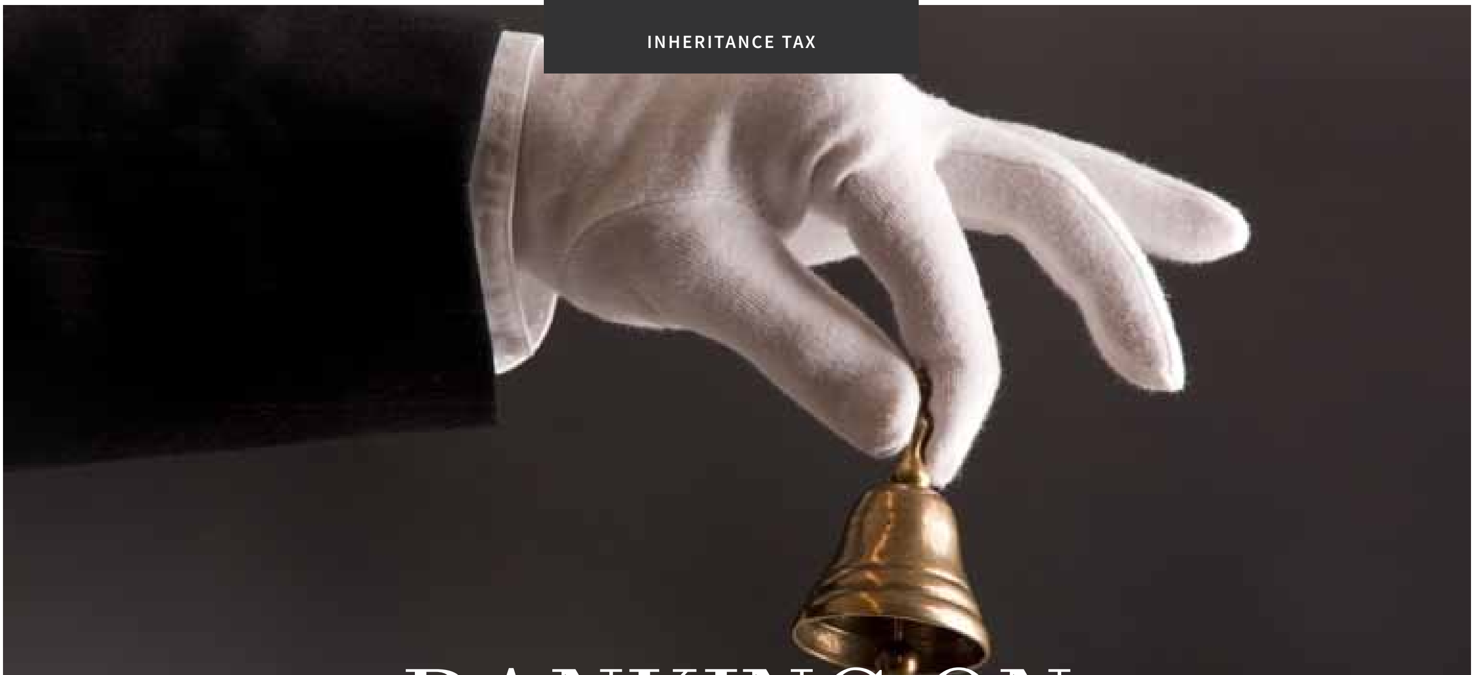

BANKING ON AN INHERITANCE

One in three Britons rely on a cash windfall to fund their retirement plans

Anticipated inheritances often don't materialise. But one in three working Britons (35%) are still relying on an inheritance in order to achieve a stable financial future. The reality is that many could be in for a big shock. The study[1] released by LV= shows millions are banking on an inheritance to provide them with financial assistance, with this cash windfall often key to their retirement plans[2].

UNSURPRISINGLY, THE MOST COMMON thing people would do with an inheritance is to pay off their mortgage and clear other outstanding debts[3]. One in six people (16%) would also use inherited funds to bolster their retirement savings.

LEAVING LESS OR NOTHING

For those individuals who are hoping to be left an inheritance, unfortunately the number of people leaving significant amounts to the younger generation is falling, with most people leaving less or nothing at all[4].

According to the findings, a quarter of retirees (28%) say they don't expect to leave much to their children. A fifth (20%) say they intend to spend their money enjoying their retirement rather than leave it behind, and 4% say they will follow Bill Gates and Warren Buffett's lead and leave their money to charity.

UNPREPARED FOR LATER YEARS

Without such help, many working people admit that they would be unprepared for their later years. One in five (20%) say they will struggle to retire comfortably without inheriting and a quarter (25%) will have to work longer than planned should they not receive such a windfall.

Increasingly people are now spending almost as long in retirement as they do in the workplace, so it's worrying to see that so many people say they are reliant on something essentially out of their control to provide them with a comfortable retirement. ■

TAKING STEPS TO SECURE THE LIFESTYLE YOU DESERVE IN RETIREMENT

With all the everyday demands on our time, retirement planning is often at the bottom of the to-do list, but it is important that people take steps to secure themselves the lifestyle they deserve in retirement. Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension plans and requirements. To discuss the ways we could help you make the most of your retirement opportunities, please contact us.

Source data:

UK nationally representative research carried out by Opinium between 24-27 March 2015, questioning 2,004 UK adults online, of which 516 were retired.

[1] Of those questioned who were not yet retired (1,488 adults), 35% said they relying on some sort of inheritance to help financially now or in the future.

[2] 20% of non-retired respondents said that without some form of inheritance they will struggle to have a comfortable retirement.

[3] Respondents said that if they were to receive an inheritance, 60% would make other provisions (apart from putting towards pension) to ready themselves for later years, such as paying off debts (31%) or paying off the mortgage (29%).

[4] Sourced from HM Revenue & Customs statistics. Latest figures on number of Inheritance Tax paying individuals (not including estimated figures) shows the number of individuals falling from 35,000 in 2005/06 to 16,000 in 2011/12.

UNSURPRISINGLY, THE MOST COMMON THING PEOPLE WOULD DO WITH AN INHERITANCE IS TO PAY OFF THEIR MORTGAGE AND CLEAR OTHER OUTSTANDING DEBTS[3].

SUITS YOU SIR!

Over-50s changing the way they work in later life

If you are approaching your 50s, you may be considering your retirement options. Perhaps you want to work flexible hours and work when it suits you. You might want to be 'your own boss' and set up a business or become self-employed. Or you may want to know what your options are for working after retirement.

NEARLY TWO-THIRDS of over-50s workers would consider retraining so they could work longer in retirement. Findings from research conducted by MetLife[1] found 63% of over-50s are looking at potentially lengthening their working lives, with 50% considering learning new skills to continue in full or part-time employment, while 13% would look to retrain so they could launch their own business.

WORKING PATTERNS IN LATER LIFE

Traditional working patterns in later life are changing dramatically. The research among all adults shows around 71% of all workers say they would consider working after retirement with just one in three (31%) expecting to retire completely from full-time work.

The decision to work past traditional retirement ages is not entirely financially driven, with 23% of over-50s saying they enjoy working and don't feel ready to retire, while a further 30% would miss the social interaction that work provides, and 29% say they feel that work gives them a sense of purpose.

NOT FINANCIALLY WELL PREPARED

However, the study found 55% of working over-50s admit they are not financially well prepared for retirement. The change in working patterns was highlighted in an independent report from Dr Ros Altmann CBE, 'Flexibility in Retirement – Planning for change'.

The report by Dr Altmann, now the Government's Business Champion for Older Workers, highlighted the tremendous opportunity of how the change in working patterns can dovetail with pensions planning, flexible approaches, new products and more creative methods of funding retirement. It's also ironic that many over-50s are considering retraining to become more flexible at work just as pensions are being changed to be more flexible. ■

Source data:

[1] Research conducted online between 11 and 12 March 2014 among a nationally representative sample of 2,531 employed adults aged 18+ by independent market research firm Consumer Intelligence

MAKING THE BEST USE OF PENSION FREEDOMS

The numbers contemplating working in retirement – whether it's full-time or part-time – shows that as the retirement landscape changes and people prefer to phase retirement, flexible income solutions will be needed to enable people to make the best possible use of pension freedoms. To discuss how we could help you plan for a successful retirement, please contact us – we look forward to hearing from you.

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50% OF OVER-50s ARE CONSIDERING LEARNING NEW SKILLS TO CONTINUE IN FULL OR PART-TIME EMPLOYMENT

CHANGING FINANCIAL ATTITUDES

New priorities increase the protection gap

Many Britons consider that having an Internet connection and mobile phone is a greater financial priority than protecting their mortgage and income, according to new research. The economic downturn in previous years, low interest rates, job uncertainty and government cuts appear to have taken their toll on some people's protection priorities.

THE LATEST SCOTTISH WIDOWS PROTECTION REPORT revealed that only 39% considered providing financial security for their family in the event of their premature death as essential – which has dropped from more than half in four years.

BECOMING CRITICALLY ILL

Meanwhile, just over a quarter (28%) of the 5,144 UK adults polled felt financial security for dependents in the event of becoming critically ill or a partner being unable to work (18%) was a necessity.

This slip down the financial priority ladder could leave a significant proportion of the 14.5 million mortgage holders in the UK and their families at risk of losing their homes by failing to have adequate protection in place. The report found just a third (33%) of the UK population have a life insurance policy, less than one in ten (8%) have critical illness cover and fewer than one in twenty (4%) have income protection insurance.

ESSENTIAL FINANCIAL PROTECTION

The age group where the largest proportion of people had protection is 35-44, with those who had mortgages most likely to own financial protection products. Almost 45% of 35-49 year-olds feel life insurance is essential, with almost a quarter (24%) of the same group feeling that protecting their or their partner's income is essential, compared to 18% of the general population.

Despite this, just under a quarter of those polled didn't know how long they could pay the mortgage for or said they would run out of money within five months if they lost significant income.

REMAINING AT RISK

Against an average £1,085 monthly cost of running the home and more than a third of people (35%) carrying non-mortgage debt over each month, a vast proportion remain at risk if the unexpected were to happen to themselves or a loved one without this type of safety net in place.

Almost half said they could live on a single income if necessary, cutting back on spending (43%), using savings (38%) and relying on the state (27%) for support if one wage earner was unable to work for six months or more. Less than one in ten (8%) would claim on an insurance policy, and a quarter don't know how they would cope.

Age	Mortgage	Life insurance	Critical Illness	Income protection
25-34	35%	24%	10%	5%
35-44	54%	42%	17%	7%
45-54	42%	43%	12%	5%
55+	15%	36%	2%	1%

LIFESTYLE AND EXPENDITURE

The Mortgage Market Review has placed greater scrutiny over lifestyle and expenditure, with an increase in mortgage holders and potential new longer repayment terms impacting the way we assess our short and longer-term financial priorities, yet more[1] of us continue to give more attention to home, contents and car insurance than protecting mortgage repayments. ■

Source data:

The Scottish Widows Protection Report examines the habits and attitudes of the UK adult population in relation to protection and financial robustness. Research conducted online by YouGov among 5,144 respondents aged 18+ between 31 October and 5 November 2014. Results weighted to the profile of the UK population aged 18+

[1] Scottish Widows - 40% said they give a lot of attention to home, contents and car insurance; 31% said protecting their mortgage repayments was important

TIME TO REVIEW YOUR PROTECTION PLANS?

Although the here and now tends to dominate when it comes to the way we assess our needs and spending, it is more important now than ever to have the appropriate protection in place at the right time to protect our families and lifestyles. There are many things to consider when looking at financial protection, and deciding what type and level of cover to take can be a challenge, especially without the right professional advice. If you would like to see how we could enhance your current situation, please contact us – don't leave it to chance.

TAXING TIMES

Reduction in the amount those with income of more than £150,000 can contribute tax-free to pensions each year

A gradual reduction in the tax-free limit on pension contributions from the current £40,000 a year to £10,000 for high income individuals was announced by the Chancellor, George Osborne, in the July Summer Budget 2015. High income individuals could see their retirement pots reduced by hundreds of thousands of pounds over a lifetime after he confirmed that pensions tax relief will be reduced for those with income (including all pension contributions) of more than £150,000.

THE GOVERNMENT HAS PRESSED AHEAD with plans to progressively reduce the annual amount those earning over £150,000 can contribute tax-free to a pension each year.

TAPERED ANNUAL ALLOWANCE

With effect from 6 April 2016, the Annual Allowance of £40,000 will be reduced by £1 for every £2 of income over £150,000 per annum, up to a maximum reduction of £30,000. This means individuals with 'adjusted income' of £210,000 or more will only have an Annual Allowance of £10,000.

The income definition of 'adjusted income' will include any employer pension contributions. This means that the tapered allowance cannot be manipulated by reducing income via salary sacrifice.

While the annual contributions will be capped at this low level in future, there may still be an opportunity for individuals caught by this change to maximise contributions with the use of two particular measures.

CARRY FORWARD ALLOWANCES

All individuals are able to carry forward any amount of their Annual Allowance that remains unused for up to three full tax years. While their levels of carry forward accrual will be significantly limited in the future, high earners who currently have carry forward relief should consider using it before it expires.

Anyone who has not fully maximised their pension contributions across these back years could make use of accrued carry forward and receive additional-rate relief before the end of the current 2015/16 tax year. If the carry forward allowance for the above tax years is not used, it will start reducing as each year falls off and will be lost completely by 6 April 2019. The levels of unused relief from the tax years before 2016/17 will still be available in full (subject to falling within the previous three tax years), but in any years from 2016/17 onwards where the annual allowance has been reduced, only the balance of the tapered annual allowance will be available for carry forward to future years.

PENSION INPUT PERIODS

A further change which will considerably simplify the Annual Allowance is the alignment of Pension Input Periods (PIP) to the tax year. A PIP is the period over which an individual's pension savings are tested against the Annual Allowance. It has previously not always been aligned to the tax year, but all existing PIPs open on 8 July 2015 automatically ended on this date. A new PIP then opened on 9 July will run to 5 April 2016. Future PIPs will then be aligned with tax years.

For those who have made contributions in PIPs ending between 6 April and 8 July 2015, the Annual Allowance for 2015/16 could be as much as £80,000. The £80,000 allowance is split between contributions paid in the two (or, in some cases, three) PIPs. Anyone with a PIP that previously ended between 6 April and 7 July will have a PIP that had already ended in the pre-alignment tax year, plus the additional PIP that was ended by the Government on 8 July 2015, so could have three in total in 2015/16. Any allowance not used up to 8 July 2015 could be carried forward to the post–8 July PIP, but up to a maximum of £40,000.

This provides a one-off opportunity to those who have paid contributions in PIPs ending between 6 April and 8 July 2015 of less than £80,000 to make additional contributions in this tax year of the balance of the £80,000, up to a maximum of £40,000 if they have sufficient earnings to use against an additional contribution in the current tax year, or it can be made as an employer contribution. Anyone who has made no pension contributions in PIPs ending between 6 April and 8 July 2015 can make contributions of up to £40,000 in the period between 9 July 2015 and 5 April 2016.

Coming in a year that has witnessed the biggest shake-up to pensions in more than a century, the Chancellor also indicated he might be willing to go further with reforms to retirement savings.

He said the recent pension freedoms had helped those who had 'worked hard and saved hard all their lives', but that now it was time to look at those starting to save.

'For the truth is Britain isn't saving enough and that's something we need to fix in our economy, too,' he said. ■

NEED MORE INFORMATION?

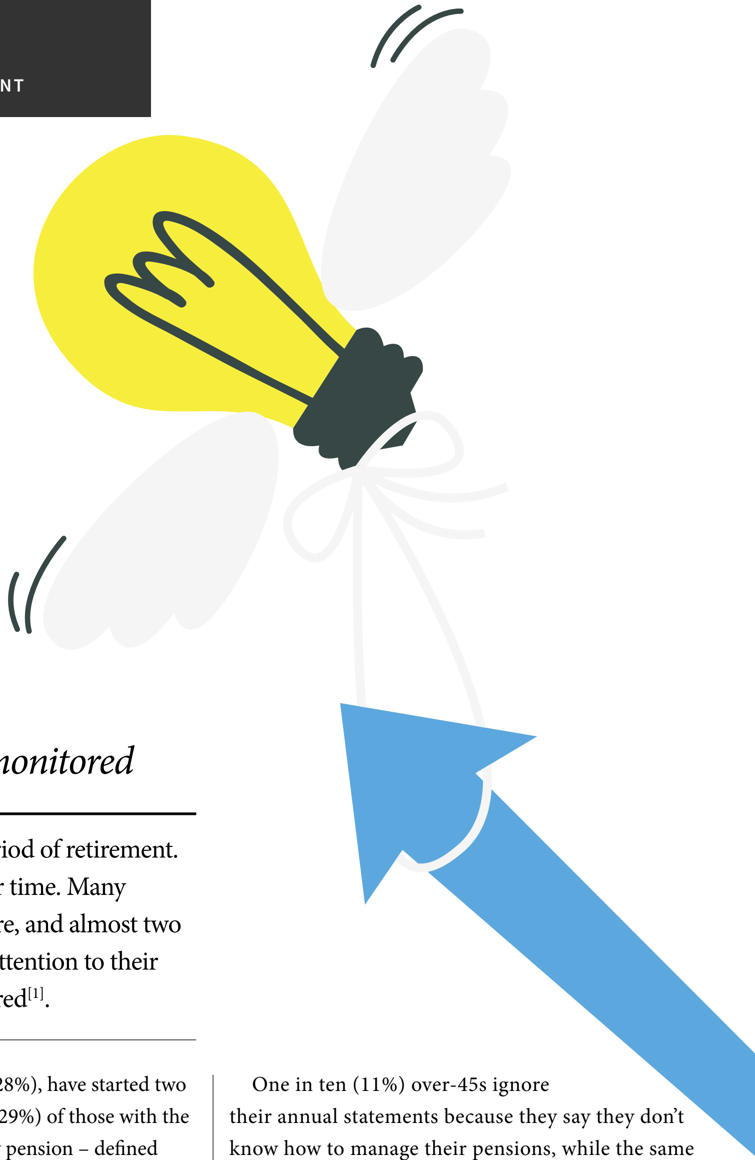
Looking for more information about how the reduction in the tax-free limit on your pension contributions could impact on you? To find out more, please contact us.

ANNUAL ALLOWANCES FOR THE PREVIOUS THREE TAX YEARS:

2012/2013	2013/2014	2014/2015
£50,000	£50,000	£40,000

AMOUNT OF CONTRIBUTION WHICH COULD BE PAID BASED UPON DIFFERENT LEVELS OF CONTRIBUTION PAID BEFORE JULY 2015:

Contributions paid in PIPs ending between 6 April and 8 July 2015	Annual Allowance 9 July 2015-5 April 2016
£0	£40,000
£20,000	£40,000
£40,000	£40,000
£60,000	£20,000
£80,000	£0



PENSION PLANNING APATHY

More than ten million pots are being left largely unmonitored

Individuals are living longer, meaning that savings have to fund a longer period of retirement. However, there has been a well-documented decline in pensions saving over time. Many people do not think about retirement as they consider it's too far in the future, and almost two thirds (63%) of over-45s who are not yet retired admit they pay little or no attention to their pensions, leading to more than ten million pots being left largely unmonitored[1].

The findings form part of research from Aviva which also highlights that two fifths (41%) of over-45s never spend any time planning and reviewing their pensions, while almost a third (29%) spend just one day a year or less doing this.

FAILING TO DEDICATE ANY TIME

Those who are further away from retirement are most likely to spend no time reviewing their pension, but a quarter (25%) of those retiring in two years or less still fail to dedicate any time towards doing this.

Among those with more than one pension, just 27% manage them all very closely while 34% ignore their secondary pots completely – including a worrying 24% who ignore their main pension pot too. Even among those who have just one pension pot, 33% do not pay any attention to it.

UNCLEAR ABOUT THE TYPES OF PENSIONS

The majority (61%) of over-45s with a personal pension scheme have only joined one scheme, although more than a quarter (28%), have started two or more. A similar proportion (29%) of those with the most common type of company pension – defined contribution – has two or more.

However, many over-45s aren't sure how many pension schemes they have started. Overall, 6% don't know how many personal pension schemes they have, rising to 7% who are unclear on the number of defined contribution schemes and 9% who don't know how many defined benefit schemes they have. This may suggest that some savers are unclear about the types of pensions they have and/or are not closely involved in managing them.

TOO LATE TO MAKE ANY IMPROVEMENTS

Half (49%) of over-45s do nothing about the routine information they receive about their pension, including one in ten (12%) who don't even read it. Only a third (37%) use the information to check if their pension savings are on track and act upon it. An even smaller proportion (7%) discuss this with a professional financial adviser.

One in ten (11%) over-45s ignore their annual statements because they say they don't know how to manage their pensions, while the same proportion believe their pensions are so small they aren't worth bothering with. 8% delay looking at them until they are ready to retire – when it could already be too late to make any improvements on their financial situation.

TOP THREE REASONS THAT OVER-45s IGNORE THEIR PENSION STATEMENT

However, people tend to make more effort to monitor their pensions the closer they are to retirement – for example, only 7% of those retiring in two years or less believe their small pension pots are not worth the effort, compared to 11% who are retiring in six to ten years.

MULTIPLE PENSION SCHEMES

Just 14% have consolidated their pension pots or intend to do so in the future. A fifth (17%) will keep their multiple pension schemes separate, and 13% are waiting for their pension provider to contact them

	All	Retiring in 2 years or less	Retiring in 3-5 years	Retiring in 6-10 years
I don't know how to manage my pensions	11%	6%	11%	10%
My pensions are worth so little they're not worth bothering with	11%	7%	9%	11%
I prefer to look at it when I'm ready to retire	8%	7%	10%	9%

before deciding what to do with their pots. More than one in ten (14%) prefer to keep things simple by having just one pension pot and don't intend to change this in the future.

Of those who have consolidated their pots, 21% did so because they took the advice of their professional financial adviser – however, nearly the same proportion (19%) did so because they found it easier to manage. ■

Source data:

The Real Retirement Report is designed and produced by Aviva in consultation with ICM Research. The above findings are based on an online survey carried out among more than 1,500 over-45s who have not yet retired.
[1] ONS Pension Trends Chapter 7 (October 2014) estimates there are 8.1 million active occupational pensions and 8.2 million active members of private pension schemes. 63% of 16.3 million = 10,269,000.

PLANNING IN AN INFORMED WAY FOR RETIREMENT

An alarming proportion of the UK's pensions pots are being left unmonitored, with many simply ignoring their pension statements and hoping for the best. At the heart of this is how involved people are with their pensions. At the very least people need to understand what their total savings are across all of their pension pots, so they can plan in an informed way for their retirement. To discuss any concerns you may have about your retirement provision, please contact us – we look forward to hearing from you.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND UPON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

PENSIONER SCAMS

Financial fraudsters using reforms to target retirees

Changes to the pension rules are creating new opportunities for scams. Be cautious of anyone approaching you with advice on how to invest your pension. Almost one in ten pensioners has been targeted by financial fraudsters since their retirement.

A NATIONWIDE STUDY by MetLife[1] shows that among retired people, 9% say they have been victims of financial scams or targeted by financial scammers since they stopped work. That rises to 14% among retired people in the South West.

VISHING SCAMS

Recent reported frauds involving retired people have ranged from attempting to gain access to bank or savings accounts through so-called vishing scams, where people are tricked into handing over bank details and cards, to selling bogus investment and pension schemes.

The risk of fraud underlines the need for professional financial advice, especially as people retiring this year have greater pension freedoms enabling defined contribution pension savers aged 55 and over to take their funds as cash, subject only to tax rules. Beware of financial fraudsters who take advantage of these new options by tricking people into cashing in their pension and handing over their money for them to invest – you could lose some, if not all, of your pension savings, or end up with a large tax bill.

REGION	PERCENTAGE OF RETIRED PEOPLE TARGETED
South West	14%
Wales	13%
London	11%
East Midlands	10%
South East	10%
West Midlands	9%
Yorkshire & Humberside	7%
North East	6%
Scotland	5%
Eastern	3%
Average	9%

WARNING SIGNS

The Association of British Insurers in conjunction with The Pensions Advisory Service[2] has launched a campaign to help people avoid pension scams, including the warning signs and how fraudsters operate.

The table shows the picture across the country – retired people in the South West are the most likely to have been targeted by fraudsters. ■

YOUR PENSION SAVINGS: WHAT CHOICES DO YOU NEED TO CONSIDER?

Deciding what to do with your pension savings is an important step, and now you'll have more choices to consider once you reach 55. To discuss your options, please contact us for professional financial advice.

Source data:

[1] Research conducted online between 2 and 15 January 2015 among a nationally representative sample of 1,006 retired people by independent market research firm Consumer Intelligence.
[2] http://www.pensionsadvisoryservice.org.uk/news/tpas/tpas-and-abi-launch-new-social-media-campaign-tacklingpension-scams

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ESTATE MATTERS

Structuring your affairs efficiently means starting the correct planning early enough

INHERITANCE TAX (IHT) is payable by some people who, for the most part, could have avoided it. If you want your estate to go to your loved ones with the minimum amount of IHT payable, you should obtain professional advice. There are currently a number of generous reliefs relating to IHT.

NEW MAIN RESIDENCE TRANSFERABLE NIL-RATE BAND

From 6 April 2017, there will be a new main residence transferable nil-rate band (family home allowance) that will apply when a main residence is passed on to a direct descendant. This new main residence transferable nil-rate band will work alongside the existing IHT nil-rate band which is currently £325,000. In the same way as with the current nil-rate band, any unused main residence transferable nil-rate band will be transferred to a surviving spouse or registered civil partner.
A property which was never a residence of the deceased, such as a buy-to-let property, will not qualify. The allowance will initially be set at £100,000 in 2017/18, increasing to £125,000 in 2018/19, £150,000 in 2019/20 and up to £175,000 in 2020/21 (and then increase each year in line with inflation (CPI)).

INHERITED FROM A SPOUSE

It is possible therefore that by 2020/21, an individual will have their own nil-rate band of £325,000 as well as a main residence transferable nil-rate band of £175,000 in respect of their main residence, plus a nil-rate band of £325,000 inherited from their spouse and a main residence transferable nil-rate band of £175,000 inherited from their spouse.

This gives the much advertised total of £1 million. It is worth noting that the current nil-rate band of £325,000 is now set to remain until 2020/21. There is also going to be a tapered withdrawal of the main residence transferable nil-rate band for estates worth more than £2 million.

EFFECT OF THE PROPOSED CHANGES

Few taxes are quite as emotive – or as politicised – as IHT. The structures into which you transfer your assets can have lasting consequences for you and your family. The current rate of IHT payable is 40% on property, money and possessions above the nil-rate band. The rate may be reduced to 36% if 10% or more of the estate is left to charity.

It makes sense to ensure that your affairs are structured in the most tax-efficient way possible. However, it isn't easy to keep up with the many exemptions and reliefs available. So what should you consider?

LIFETIME GIFTS

Lifetime gifts to individuals are potentially exempt transfers and fall outside the scope of IHT, provided the donor survives at least seven years from the date of the gift.

TRUSTS

Trusts can sometimes help you to eliminate unnecessary tax charges, enabling the maximum possible part of your family's wealth to be preserved. You may like to transfer part of your wealth to a family member but still retain control; our specialists can advise on setting up trusts and can take care of all the administration.

WILLS

One important way to minimise IHT is to make a Will, so as to leave your family with the maximum assets and at the least tax cost.

BUSINESS AND CORPORATE STRUCTURES

If you have a business, it is also important to examine the structure of your business when considering your affairs. Changing the structure of a business can have significant tax implications.

ENJOY SPECIAL CONCESSIONS

The treatment for IHT purposes is more favourable for some assets than others. Business assets and shares in unquoted companies, agricultural land and works of art, for example, all benefit from special concessions which may assist in passing wealth from one generation to the next.

CHARITABLE GIFTS

Making gifts for charitable purposes can be highly effective in potentially reducing an IHT charge on death.

ARE YOUR NEEDS FULLY CONSIDERED?

Without the right advice and careful financial planning, HM Revenue & Customs could become the single largest beneficiary of your estate following your death, which is why you should obtain professional financial advice to ensure your needs are fully considered. To review your situation, please contact us.

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Published by **Goldmine Media Limited**,
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL