



## KEY FACTS & FIGURES – The UK Economy

BOE base rate	0.5%	March 2014
Unemployment	7.2%	Nov 2013 – Jan 2014
Inflation (CPI)	1.9%	January 2014

Source: Office of National Statistics

## Agenda

1. Economic Update
2. Changing Time at Retirement
3. Independent V Restricted
4. The Value of Ongoing Service
5. 2locate – Keeping Track of Your Assets

## Base rate remains stable

UK interest rates have been kept on hold at a record low of 0.5% for five years.

## Inflation continues to fall

- The Consumer Prices Index (CPI) fell by 0.6% between December 2013 and January 2014. This led to the CPI 12-month rate falling from 2.0% in December to 1.9% in January.
- The largest and only notable upward contribution came from miscellaneous goods and services including personal care and insurance products.
- The largest downward contributions came from recording media (DVD films), household equipment, and alcoholic beverages and tobacco.

## Employment increases

- The unemployment rate for November 2013 – January 2014 now stands at 7.2% of the economically active population, down from 7.4% in the previous three months. The number of people out of work fell by 63,000 to 2.33 million.
- The number of people in employment increased by 105,000 to a record total of 30.19 million, largely due to an increase in self-employment.
- Average earnings including bonuses for November 2013 – January 2014 was 1.4% higher than a year earlier, with pay excluding bonuses 1.3% higher.

# Changing Times at Retirement

The annual budget was delivered on 19th March 2014 by Chancellor George Osborne. The budget covered the usual rise in cigarette duty, but he actually reduced the price of a pint! He also announced major changes to the pensions market which were totally unforeseen and unexpected by the pensions industry.

The rules currently state that when you reach your retirement that your pension is used to purchase an income for the rest of your life known as annuity. You are able to take 25 % of your pension fund as a tax free lump sum and use the remainder to purchase an annuity. There are various ways types of annuities such as including a guarantee or a benefit so that your spouse would still be paid should you die.

The Chancellor announced that from April 2015, people over the age of 55 with defined contribution pension schemes will still have the option to take 25 % from their pension fund as a tax free lump sum, but the requirement to purchase an annuity has been removed. Instead, you will have the option to take the whole fund as cash. However, this will not be tax free and the remaining 75 % of the fund will be taxed at your marginal rate of income tax.

People who continue to want the security of an annuity will still be able to purchase one and people who want greater control over their finances can draw down their pension as they see fit.

However, from 27th March 2014 there are also some other changes as follows :

For people with smaller pension pots, the current rules, known as “triviality” state that if an individual’s total pension wealth is under the amount of £18,000 then the whole fund can be taken in the way described above (25 % tax free and 75 % taxable). HMRC are increasing the amount of overall pension wealth you can take as a lump sum from £18,000 to £30,000. From April 2015 this limit will be removed and it will apply to all fund sizes.

For clients currently in “drawdown”, the Government are increasing the maximum amount you can withdraw each year from a capped drawdown arrangement from 120 % to 150 % of an equivalent annuity.

For “flexible drawdown” pensions, the Government are reducing the amount of guaranteed income needed in retirement to access flexible drawdown from £20,000 per year to £12,000 per year.

The Government have also announced changes to the “small pension pot” rules. They are increasing the size of a small pension pot that you can take as a lump sum, regardless of your total pension wealth, from £2,000 to £10,000.

They are also increasing the number of personal pension pots you can take as a lump sum under the small pot rules, from two to three. Clearly these are major changes to the pensions and annuity industry and most people will require advice on the wider range of options they are now faced with. Your 2plan IFA is well placed to be able to assist you through all these changes and discuss all your available at retirement options with you.



# Independent V Restricted

It is vital that all consumers of financial advice are clear on what their options are and the basis on which their adviser operates. Ever since 2plan’s Chief Executive Chris Smallwood began his career as a financial adviser in 1988, there has been one constant: that of independence.

On the 31st of December 2012, new rules from the city regulator the Financial Services Authority (FSA) - which has since rebranded as the FCA (Financial Conduct Authority) - came into effect that have changed the way advisory companies operate.

Known as the Retail Distribution Review (RDR), the objective has been to raise professional standards across the industry and introduce greater clarity between the different types of service available.

One such distinction that needed to be drawn is between those advisers that can legitimately describe themselves as independent financial advisers (IFAs) and those that cannot. According to the RDR:

An ‘independent’ adviser can provide advice on products and services from the whole of the market and will need to provide unbiased and unrestricted advice based on a comprehensive and fair analysis of the market.

A ‘restricted’ adviser - previously perhaps known as ‘tied’ or ‘multi-tied’ adviser - is restricted by the number of products or type of products they can advise on.

Every one of 2plan’s wealth management advisers operating UK-wide are independent, offering a service-led proposition that gives its consumers financial advice tailored to their specific needs, drawing on the widest range of products and services available.

That is clear cut. Or, at least, it is intended that it should be.

As it happens, some restricted firms and advisers appear – intentionally or not – to be clouding the issue; and in doing so, potentially misleading the consumer.

In trying to portray themselves as something they are not by using terms such as ‘restricted whole of market’, ‘restricted plus’, and the latest suggestion ‘restricted universal’, it would seem there is a desire to position themselves as close to independent status as they dare. This suggests that they ultimately believe ‘independent is best’ in the minds of the consumers.

It is really quite simple, though: if an adviser or firm cannot hold out to be independent then they are, by default, restricted. And if that distinction is embraced, then restricted status might – eventually – sit more easily in the minds of both the industry and the consumer. Trying to masquerade as independent by using ambiguous and unhelpful monikers, though, only serves to create confusion and mistrust.

At 2plan, we strive for consumers’ full understanding of what being independent means. We operate solely on your behalf, never favouring a particular group of product providers, and will always have your – the consumer’s - best interests at heart.





# The Value of Ongoing Service

The pace of today's world is sometimes so frantic that we don't get the time to sit down and take stock of what we have and what we are doing.

That is very much true of our personal and financial affairs. How are your ongoing investments going? Is the pension portfolio working out for you? Is there a better deal out there that you're just not aware of?

[All these and more are the reason why you should meet with your financial adviser on an ongoing basis.](#)

Often, people will set up financial plans with the best of intentions, but then not keep an eye on them and perhaps stray from the path first set out. We service our cars on an ongoing basis or go to the dentist for regular check-ups, so why not do so with our financial affairs?

Your 2plan IFA will help you review your current circumstances and ascertain whether your financial perspective may have changed or whether you need to take a new tack.

[Has your financial situation changed? Have your goals changed?](#)

2plan's ongoing service is designed for clients that want a relationship with an adviser that is fully conversant with their financial advisers and can actively review and advise on them, taking into account changes in personal circumstances, goals, objectives and legislation changes, the wider economic or political climate and other nuances relevant to your situation.

Most importantly, your 2plan IFA will check your investment risk appetite by asking you to complete an investment risk questionnaire. This will be vital in helping you understand your current risk profile and ensure that your existing investments are still suitable.

This process will include fact finding relating to information regarding your personal and financial situation; researching whether your current investments are indeed still suitable; providing you with an updated assessment of your portfolio, highlighting current holdings in cash, fixed interest, property and equities, and helping you understand how this relates to your attitude to risk.

All of this will help you keep on track to achieve those plans you set out for yourself. We may live in a world of remote working and impersonal online service, but we still believe in the 'personal touch'. Regular contact is vital; and if you have opted for ongoing service with 2plan, we will take you through the process at intervals agreed with you.



## 2locate Keeping Track of Your Assets

Living in the modern world means that we all live incredibly busy – even hectic – lives; and can therefore lose track of the most important things in life.

[The phrase 'if only I had more time' is becoming ever more common - and pertinent.](#)

Technology may well make dealing with everyday tasks significantly easier in so many ways.

But a less welcome by-product is the fragmenting and compartmentalising of incredibly important details such as your financial affairs and interests like investments or pensions. How many people – particularly those that might consider themselves much less tech-savvy than the generation that has grown up with the internet – can identify with Gyles Brandreth's recent attempt on BBC's 'Room 101' to do away with the nightmare of trying to remember increasing numbers of ever more complicated internet passwords?

Funny though that may seem in the context of a comedy TV programme, the fact that our personal and financial arrangements have become so sophisticated and diversified that they are often intangible and held in something as unfathomable as 'the cloud' becomes far less comical when you want to get hold of them. Or, indeed, if you want someone else to be able to access them when you're no longer around.

That is why 2plan wealth management has come up with the idea of 2locate: a simple document designed to help you record all your personal information in one place. Sometimes, the simplest and most sensible ideas are the best.

Although much of the information included in your 2locate document would be captured during the 2plan wealth management Financial Advice Process you go through with your adviser, 2locate allows you to record additional information such as where significant documents can be found, as well as useful reference and account numbers.

This personal and confidential record will greatly assist your loved ones and business associates when they need access to this information.

It should be noted that this document is not a substitute for a will and, naturally, should be kept in a safe and secure place. You will need to ensure that those you feel are likely to need access to the important information included within 2locate have a copy of their own; or should at least know where it can be located when the time comes.

2locate is designed to give you reassurance and peace of mind. Further evidence – if it were needed – that 2plan understands its consumers and has their best interests at heart.

[Talk to your 2plan wealth management adviser to find out more and to take advantage of this service provided.](#)

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