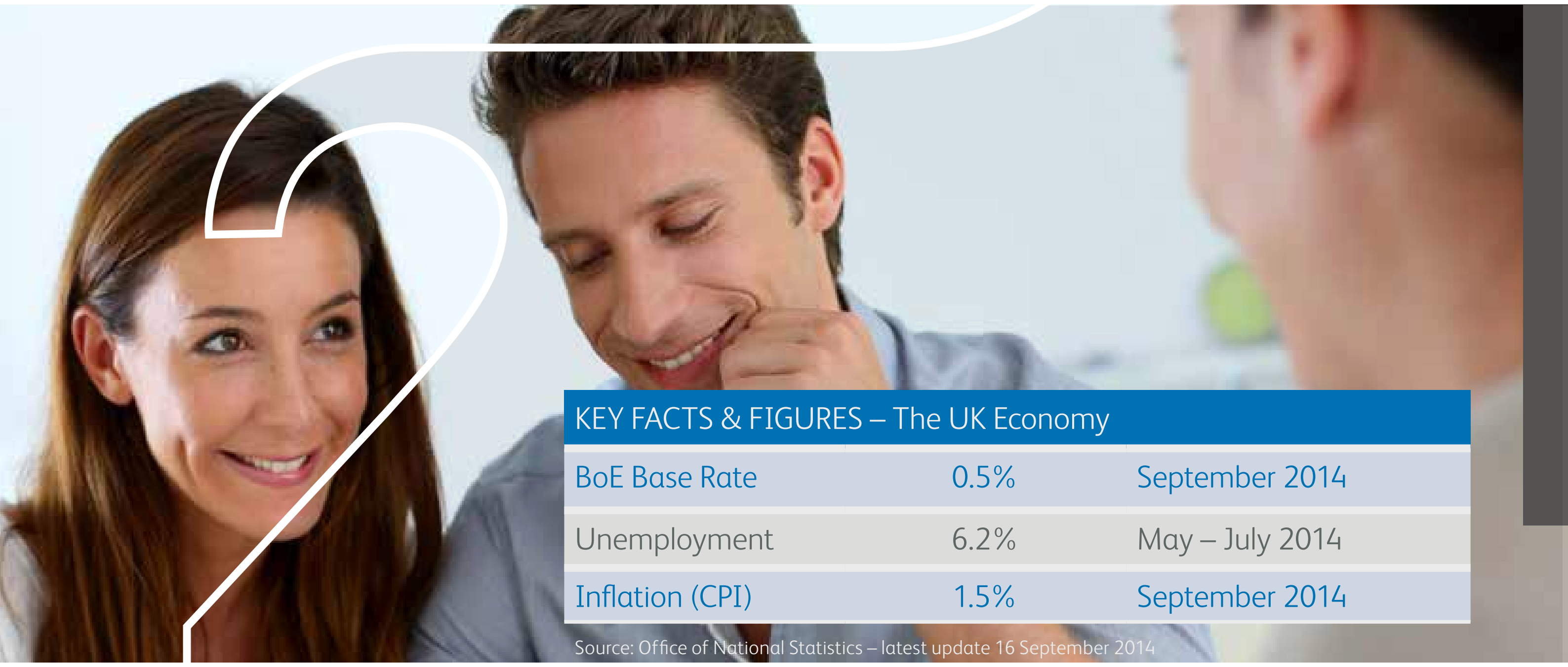
financial

Newsletter

Edition 13 – October 2014



KEY FACTS & FIGURES – The UK Economy		
BoE Base Rate	0.5%	September 2014
Unemployment	6.2%	May – July 2014
Inflation (CPI)	1.5%	September 2014

Source: Office of National Statistics – latest update 16 September 2014

Agenda

1. Economic update
2. Inheritance tax planning
3. Making sure you have the right level of protection in place
4. Start planning for your retirement now
5. Putting your interests at the heart of what we do

Base rate remains stable

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

Inflation

- The headline rate of inflation fell to its lowest rate since 2009 in August.
- The Office for National Statistics said the Consumer Prices Index (CPI) figure was 1.5%, down from 1.6% in July.
- It said falls in the prices of motor fuels and food and non-alcoholic drinks provided the largest downward contributions.
- Upward effects came from clothing, transport services and alcohol. The Retail Prices Index (RPI), which takes into account housing costs, fell to 2.4% from 2.5% in July.

Unemployment

- Britain's jobless rate fell to 6.2% between May and July, the lowest level since the September-November period of 2008, as Britain's economic recovery continued to accelerate.
- Economists in a Reuters poll had expected the rate to fall to 6.3%.
- Average weekly earnings, including bonuses, rose by a mere 0.6% in year-on-year terms although that represented a recovery from a fall of 0.1% in the three months to June.

Inheritance tax planning

It is more than likely that you will want to have some say in what happens to your money and assets when you die. However, even on death you, or rather your estate may still have to pay tax.

In the 2014/15 tax year, everyone is entitled to leave an estate valued up to £325,000 without their beneficiaries paying tax on it. The amount is set by the Government and is called the nil-rate band, because it's the amount you pay a 'nil-rate' of Inheritance Tax (IHT) on.

Above that amount, anything you leave behind is subject to a tax of 40% (or 36% if you leave at least 10% of your assets to a charity).

So for example, if you leave behind assets worth £750,000, your estate pays nothing on the first £325,000, and 40% on the remaining £425,000 if you're not leaving anything to charity which amounts to £170,000.

Officially, the £325,000 limit has been frozen until at least 2017/18, when the Government will look at whether to increase it. There are hopes that the threshold will be increased to £500,000, but whether those proposals come into being is far from certain.

2plan wealth management are in the business of advising you on how best to manage your assets and investments for a better financial future - which can extend to beneficiaries, such as offspring and loved ones.

By planning ahead, you can therefore control and limit the effect that IHT can have on your chosen beneficiaries.

There are financial planning options available to reduce your Inheritance Tax liability.

Some of the options are fairly simple, while others can include more complex schemes including gifts to family members or setting up trusts.

It's worth checking the value of your estate every year or so – things like property and investments can change value fast and the value of your estate could move above the Inheritance Tax threshold without you noticing.

There are a number of ways to assist you with IHT planning and some of the main areas are noted below:

1. Make a Will
   Having a Will means you avoid relying on the intestacy rules that come into play where there is no Will. If you don't draw up a Will, you are leaving your surviving spouse or executors at risk of considerable financial anxiety and costs.

   You should then review this Will on a regular basis and update it, as and when your circumstances change. This will allow you to set in place an ongoing structure to ensure that no more Inheritance Tax is paid than is absolutely necessary.

2. Take full advantage of the available spouse exemption and spouse relief
   Significantly, it should be remembered that if you are married or in a registered civil partnership, IHT rules allow partners to 'inherit' any unused allowance up to £325,000 depending on what has been used by spouse/civil partner. The surviving partner is now allowed to use their own tax free allowance and any of the balance of the nil-rate tax band not used on the death of their partner.

3. Make full use of all allowances
   Any gifts you make to individuals will be exempt from Inheritance Tax as long as you live for seven years after making the gift (known as potentially exempt transfers 'PETs'). There is some relief if death occurs in the seven year period where gifts exceed the Nil Rate band.

   You are also entitled to give away up to £3,000 tax free each year. If this annual exemption allowance is not fully utilised, it can be carried forward to the following tax year. Likewise, full use should be made of the unlimited number of £250 gifts and gifts out of normal, habitual expenditure.

4. Avoid retaining beneficial interests
   If you transfer an asset, such as a house, it is essential that you do not retain a beneficial interest. If an interest is retained, the gifted asset (known as a gift with reservation) is still treated as part of your estate for Inheritance Tax purposes.

   Newly introduced legislation has stopped the use of sophisticated schemes, such as life interests and double trusts, to avoid the gift with reservation rules. If you have one of these schemes in place, you should let your 2plan wealth management IFA know, so they can provide professional advice in considering the alternative options.

5. Make use of trusts
   Trusts can offer extra flexibility in your IHT planning. For example, a family trust can be used to provide a lifetime income for your spouse but with the assets passing to your children, or to help protect ownership of a family business.

   You could consider using a specialised trust such as a Discretionary Will Trust to mitigate your potential tax liability. A trust is a legal arrangement that allows you to give away assets such as money, property or shares in a tax efficient manner and on terms determined by you to beneficiaries chosen by you.

   Hopefully this article provides some information to allow you to start considering the effects of IHT on you and your estate. In many situations your 2plan wealth management Independent Financial Adviser will work with lawyers and solicitors to ensure that any trusts are personalised to suit your specific circumstances and will be happy to discuss this further with you.

Making sure you have the right level of protection in place

You lose your job; a family member falls ill, you have a serious accident, or worse. Nobody likes to think about these things happening – but, unfortunately, sometimes life can throw unforeseen and unwelcome circumstances your way.

That's why it's best to plan for the unexpected with adequate financial protection, so you and your family can have peace of mind if situations like these ever do arise.

You might want to protect your income if you are made redundant, provide for your family if you fall ill, or help your dependants with finance after you have gone.

Life Cover, Income Protection and Critical Illness Cover provide the solid foundation of a sound financial plan.

Whatever your concern, there are a range of protection policies to suit you. The 'independent' status of your 2plan wealth management IFA means that they can research and recommend products and solutions suited to your needs from across the whole market. Many other advisers are restricted to the range of products they can offer, which means you may not receive the most suitable recommendation.

A range of potential solutions are shown below;

Income Protection

You work hard for your income and your lifestyle, but what happens if circumstances change and an illness or accident means you can no longer work?

Income protection offers peace of mind for you and your family, and should the policy be needed, it would pay an income to assist you with your normal expenditure such as your mortgage payments, your bills and to maintain your lifestyle if you experience an unexpected loss of income.

Critical Illness Cover

Nobody plans to get ill, but the financial repercussions of a critical illness can be difficult for you and your family.

Critical Illness cover can help to lighten the load by paying out a lump sum if you are diagnosed with any of the illnesses set out in the policy, so you have one less thing to worry about.

There are a range of critical illnesses covered including Cancer, Heart Attack and Stroke.

Life Cover

How would your family cope if you were gone?

2plan wealth management advisers know that people worry about how their family would manage financially if anything were to happen, and Life Cover can provide the assurance that your family will not be saddled with unexpected financial burdens in the event of your death.

This cover can help to provide your family with financial security, or help to pay off a mortgage or other debt.

If you're thinking of protecting yourself and your family's future, it's a good idea to seek financial advice so you can better understand your options. Your 2plan wealth management Independent Financial Adviser will be able to assess your circumstances and recommend the best policy for you, so you and your family will be prepared for whatever life might throw your way.

Start planning for your retirement now

In contrast to previous generations people approaching retirement today cannot typically be so confident of their financial security and face an increasingly uncertain future in terms of their pensions.

Latest figures show that average annual income drops by two-thirds (66%) in retirement, meaning the average British person retires with an annual income almost 24% less that of the current minimum wage.

Nearly a fifth (19%) of women within five years of retirement have no private pension and must rely solely on the state pension. Men fare better but many may reach retirement with inadequate pension provision.

As a result, 26% of over-50s are pushing back their retirement date, working longer to afford the lifestyle they had hoped for with the state retirement ages also being increased by the Government.

Currently, the basic State Pension for the 2014/15 tax year is as follows:

	Weekly	Annual
Single person	£113.10	£5,881.20
Spouse/civil partner	£67.80	£3,525.60
Pension credit – standard minimum guarantee		
Single	£148.35	£7,714.20
Couple	£226.50	£11,778.00

Retirement planning, therefore, involves thinking about your plans for the future now – and that could mean investing your money with the aim of maximising its value ready for when you retire.

There are many other ways you can save for retirement including pensions, with many people now being auto-enrolled into a workplace pension scheme, investing in the new ISAs (NISAs, introduced in July 2014) and property.

Meanwhile, following a radical overhaul of pension tax rules, drawdown could become an option for some. A drawdown pension allows you to take income from your pension pot while the pot remains invested. You can choose how much pension you want to be paid each year within certain limits.

The Chancellor, George Osborne, also recently announced proposals to abolish the 55% rate of tax payable on death on funds passed on as a pension, instead allowing individuals to pass on their unused defined contribution pension to any nominated beneficiary when they die paying the marginal rate of tax.

Whichever way you choose to save it's important to have a plan for retirement. And yet, a recent survey found that just 18% of over-50s have seen an independent financial adviser (IFA) about retirement planning.

2plan wealth management's IFAs can help, by helping you build a suitable plan for growing your retirement fund in a way that's affordable for you and ensures it's eligible for available tax reliefs.

Considering all the income options will help to ensure that you are able to make the most of your savings and select solutions that best suit your needs. The independent nature of 2plan wealth management's IFAs means that they are able to choose products and solutions from right across the market that they feel would be right for you.

With the right plan in place, you may be able to retire earlier than expected and enjoy your retirement in the knowledge that your finances are secure.

Putting your interests at the heart of what we do

The RDR (Retail Distribution Review) is the name given to a new set of rules and professional standards enforced in the UK from the beginning of 2013.

The rules were introduced to encourage more transparency in the investment industry, and the financial services sector as a whole.

Since being introduced, the RDR has driven structural change throughout the retail investment industry, in order to give consumers confidence that the advice they are given - and products they are sold - are best suited to their needs.

Among the most significant change is that financial advisers are no longer permitted to earn commissions from product providers in return for selling or recommending their investment products.

Instead, investors have to agree fees with the adviser upfront. In addition, financial advisers now have to offer either 'independent' or 'restricted' advice and explain the difference between the two – essentially making clear whether their recommendations are limited to certain products or product providers.

'Independent' Financial Advisers are able to research and draw from products and solutions from right across the market to suit their clients' needs, while restricted advisers are tied to providers, limiting choice and flexibility or restricted to only making recommendations in respect of a certain marketplace.

Coming to terms with the RDR has been a painful process for many financial services organisations and professionals. But a recent survey has revealed that advisers from right across the industry agree that the changes will benefit clients in the long- and short- term.

It was natural that 2plan wealth management has had to adapt to changes along the way. Yet, ultimately, the RDR is effectively a comprehensive expression of the way that 2plan wealth management has and always will do business - putting the interests of the client at the heart of what we do.

The RDR has also meant that there are now many firms and advisers that cannot meet the compliance requirements that allows them to describe themselves as independent, resulting in there being fewer IFAs across the marketplace.

2plan wealth management has always been very protective of its independent status, giving clients the choice they need to be able to plan their finances effectively. All of our advisers are wholly independent.

2plan wealth management strives for a client's full understanding of what being independent means. We operate solely on their behalf, never favouring a particular group of product providers and will always put the client's interest ahead of anything else.

At 2plan wealth managememt, we pride ourselves in offering exceptional client value by focussing on the best possible 'client experience'.

Our approach is to build trusted, professional relationships with our clients, including extensive enhanced services which provide knowledgeable advice on more complex needs and solutions. We aim to protect and enhance clients' assets by creating a truly personal financial plan, allowing the adviser to provide an individually tailored client experience.

If you would like to discuss any of these topics in more detail, please feel free to contact me to make an appointment. If you have friends, family members or colleagues who you think would be interested in these topics, please pass this newsletter to them.

2plan®
wealth management

safety in numbers
2plan.com

The information contained in this newsletter is based on 2plan wealth management Ltd's current understanding of tax laws as at Ocotber 2014. These laws are subject to change at any time and 2plan wealth management Ltd cannot be held responsible for any decisions made as a result of this newsletter. Tax advice is not regulated by the Financial Conduct Authority.

2plan wealth management Ltd is authorised and regulated by the Financial Conduct Authority.
It is entered on the Financial Services Register (www.fca.org.uk/register) under reference 461598.
Registered Office: 3rd Floor, Bridgewater Place, Water Lane, Leeds, LS11 5BZ.
Telephone: 0113 302 1369. Registered in England and Wales: 05998270