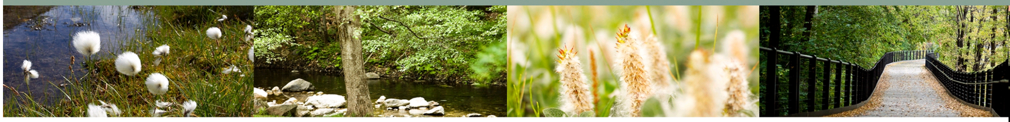
News & Views



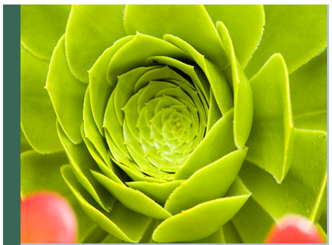
Spring 2012

Budget 2012 - Tax focus

There were no significant tax giveaways in the 2012 Budget but Chancellor George Osborne did increase the overall level of the personal allowance by £1,100 to £9,205 from April 2013. He also started the process of merging age-related allowances with the personal allowance – the so-called 'granny tax'. In the next tax year, the age-related allowance for over-65s will increase from £9,940 to £10,500, but then they will be frozen at 2012/13 levels until they align with the personal allowance. From April 2013, age-related allowances will no longer be available to anyone born after 1948.

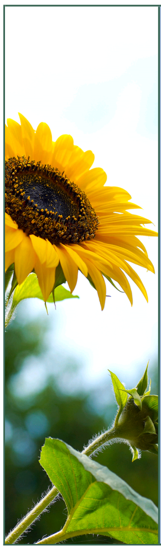
The higher rate tax band was frozen at £42,475 and indeed an additional 300,000 people will pay higher rate tax from 2013/14 when that threshold is cut to £41,450. As expected, the 50% tax rate was reduced to 45% from April 2013, which should have a knock-on effect on available pension reliefs and will make tax wrappers more valuable for an increasing number of people.

Osborne continued to raise rates of Stamp Duty Reserve tax – having raised the threshold to 5% on homes valued above £1m, homes over £2m will now attract duty at 7%. He also clamped down on avoidance schemes, levying a 15% tax on companies buying residential property.The much-discussed mansion tax has not gone away either, with the chancellor saying he would be consulting on the introduction of an annual charge on residential properties valued above £2m. He will also be consulting on a General Anti-Abuse Rule targeted at 'artificial and abusive' tax avoidance schemes.



Welcome to our twice yearly newsletter, which includes news and developments in the world of finance.

If you have questions about any issue raised or any other matter please feel free to contact us.



Our Philosophy

When taking a journey, we tend to plot our route and work out how we're going to get from A to B. Not just knowing what and where B is but when we want to reach our destination. What we can't know is when or where we're going to hit the congestion and more importantly how we're going to navigate around it, indeed if at all.

That's precisely what financial planning is and we refer to as 'planning for life'. Establishing that route from A to B and knowing what we're going to do when something presents itself to throw us off course. This is where our work pays dividends by helping you to plan for such situations.

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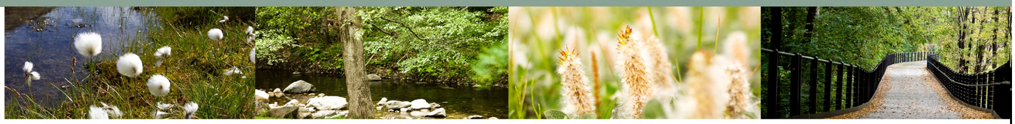
essentially financial
planning for life



RDR: Better business

The Retail Distribution Review is causing advisers to change the way they do business. Many are moving to a financial planning rather than product recommending role. Now, rather than recommending specific funds, say, they are more likely to offer you a comprehensive financial plan and help you keep this on track as your life changes and develops. This will involve recommending a whole range of different products and solutions, depending on what your circumstances demand. Also, as part of the changing charging structure for advisers, you are likely to be able to pick through a menu of different advice options priced at different levels.

Time for a portfolio health-check?

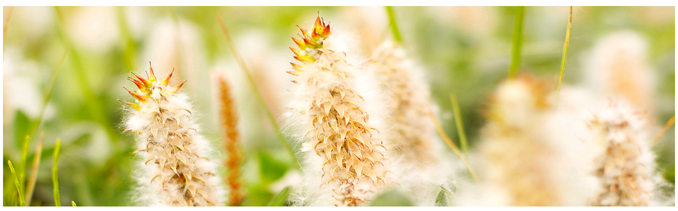
Once a financial plan has been put in place, it is tempting to believe the paperwork can simply be tucked away in a drawer and forgotten. However, like a well-kept garden, a financial plan needs regular tending to ensure it is still on track. 'Weeds' can spring up or you may just like to grow something new. What should a financial health-check comprise?

A financial plan should be regularly reviewed to check it is still fit for purpose. The original financial plan will have been matched to an investor's goals – to retire at 60, say, to fund education for children or whatever. A review will first look at whether these goals have changed, perhaps with the birth of another child, or a change of job or a surprise inheritance. It should consider whether investors need to save more or switch to different types of investments to achieve their goals.

A review will also look at an investor's progress towards their goals. It may be a portfolio has performed particularly well and it is no longer necessary to take as much risk – or the opposite might be true and an investor needs to take on more risk.

A financial health check will also examine whether the underlying investments are performing in line with expectations. Fund managers will have good and bad periods. A run of bad performance may mean their style is out of favour – for example, they may target larger, dividend-paying stocks while the market currently prefers small companies – but your financial adviser will be able to judge whether this is expected or whether it is a sign of a deeper problem. It may be a manager is losing their touch, has left their employer or there are problems within the investment house. In this case, it may be worth switching to another manager.

A portfolio will also need to be tweaked according to the wider economic environment. The 2008 financial crisis changed the investment landscape – for example, the low interest rates that have followed mean income-seekers have had to work harder to generate the same level of yield. While an event of this magnitude will hopefully not repeat itself in the short term, it highlights the importance of regular reviews and ensuring your financial plan continues to be appropriate. Financial health checks can ensure your garden grows abundantly in all weathers. A little tending can go a long way.



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