



SABRE
FINANCIAL

SMARTMONEY

Your Partner for Life

MAY/JUNE 2015

UNLOCKING THE NEW PENSION LANDSCAPE

Are you ready for the responsibilities
of being in complete control over all
of your money?

TEN KEY ANNOUNCEMENTS FROM BUDGET 2015

Which of these could impact on your financial
plans, both positively and negatively?

TRADING PLACES

It's not just about picking investments wisely,
it's holding them in the most suitable place

Plus
**Pensions
Freedom**

Your questions answered

**NATION OF
SAVERS**

Year-on-year rise in the number
of long-term savers

Sabre Financial,
3 South Place, The Promenade, Kingsbridge, Devon, TQ7 1JE
T: 01548 856444 F: 01548 856888 E: advisers@sabrefinancial.co.uk

Sabre Financial is a trading title of Sabre Financial Planning Ltd.
Sabre Financial Planning Ltd is Authorised and Regulated by the Financial Conduct Authority



INSIDE THIS ISSUE

AS THE DAYS ARE STAYING LIGHTER for longer and the weather begins to warm up, we are also experiencing some major changes on the financial landscape post-Budget 2015: the start of a new financial year, 'pensions freedom day' and a General Election. This publication was produced prior to the General Election outcome, so we'll look at how the results could impact on your financial plans in the next issue.

Most people now have more options when it comes to their retirement choices. But generally they'll still want their pension income to last their lifetime – so careful planning is a must. Since 6 April, when Britain's pension system underwent a seismic change (known as 'pensions freedom day'), we've been asked many different questions by our clients about the breadth of the reforms and how they may affect them. On page 04, we provide answers to our top ten most frequently asked questions.

In his final Budget speech to parliament on 18 March, the Chancellor of the Exchequer, George Osborne, announced that Britain was 'walking tall again' after five years of austerity. We've provided our summary of the ten key announcements that could impact on your personal financial plans, both positively and negatively. Turn to page 10 to find out more.

Now that we've entered a new tax year, if you are already planning how you are going to fully utilise your current Individual Savings Account (ISA) tax-efficient allowance, it's not just about picking investments wisely – it's also important to make sure you hold them in the most suitable place. On page 06, we look at the top ten highest performing sectors over the previous decade.

In a survey by the National Association of Pension Funds (NAPF) of people aged 55-70 with private pensions, 47% who had a private pension were worried people would be mis-sold unsuitable products due to the new pension rules, 44% felt people might make bad financial decisions and two thirds (36%) were worried about pension scams. Read the full article on page 07.

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

04 PENSIONS FREEDOM

Your questions answered



Contents

03 GETTING MORE FINANCIALLY SAVVY

Sorting out finances high on most people's list

04 PENSIONS FREEDOM

Your questions answered

06 TRADING PLACES

It's not just about picking investments wisely, it's holding them in the most suitable place

07 WITH GREAT FREEDOM COMES GREAT RESPONSIBILITY

Savers positive about pension reforms but concerned about scams

08 GENDER DISPARITY

Funding a post-work life will be difficult without sufficient planning

09 NATION OF SAVERS

Year-on-year rise in the number of long-term savers

10 TEN KEY ANNOUNCEMENTS FROM BUDGET 2015

Which of these could impact on your financial plans, both positively and negatively?

12 UNLOCKING THE NEW PENSION LANDSCAPE

Are you ready for the responsibilities of being in complete control over all of your money?

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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

TAXATION & TRUST ADVICE IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results.

GETTING MORE FINANCIALLY SAVVY

Sorting out finances high on most people's list

BRITONS ARE DETERMINED to become more financially savvy about their saving and spending habits this year, with three quarters (76%) of adults admitting they are prepared to moderate their lifestyle, according to a new survey by Standard Life.

SAVING A KEY FINANCIAL PRIORITY

Showing that sorting out our finances is high on our list, nearly half of adults (46%) made a money-related New Year's resolution at the start of this year. Topping the table is saving more – nearly a quarter (22%) of adults plan to save more this year, and one in five (19%) hope to cut day-to-day costs.

Less than a third of people (28%) are currently happy with the amount of money they save. However, a quarter of adults (26%) are not currently saving at all despite thinking they should, while 37% don't save as much as they think they should.

'BIG TICKET' SPEND

Despite the increased focus on saving, 65% of adults are still planning a 'big ticket' spend at some point this year. Over half of these people (53%) are expecting to cover the cost from their savings, while 27% plan to cut back on day-to-day spending to afford these bigger buys.

TAKE STOCK OF WHERE YOU ARE

If you would like to review your financial plans and take stock of what you need to do next, please contact us to discuss how we can help you. ■

Source data:

All figures are from research conducted by Vision Critical on behalf of Standard Life in January 2015. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

READER REPLY

WANT TO MAKE MORE OF YOUR MONEY IN 2015?

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)

Mobile

Email

- 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
- School fees/further education funding
- Protecting my estate from inheritance tax
- Capital gains tax planning
- Corporation tax/income tax planning
- Director and employee benefit schemes
- Other (please specify)

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.

MOST PEOPLE NOW HAVE more options when it comes to their retirement choices. But generally they'll still want their pension income to last their lifetime – so careful planning is a must.

Since 6 April, when Britain's pension system underwent a seismic change (known as 'pensions freedom day'), we've been asked many different questions by our clients about the breadth of the reforms and how they may affect them.

Everyone needs some knowledge of pensions and how they are changing, so we've provided answers to our top ten most frequently asked questions.

Q. WHAT HAS CHANGED?

A. The changes are designed to give extra flexibility with how you use your pension savings from age 55 onwards. For many people, taking a tax-free cash sum and/or buying an annuity (a guaranteed income) was previously the only option. But this is no longer the case.

PENSIONS FREEDOM

Your questions answered

Q. WHEN DID THE CHANGES TAKE EFFECT?

A. The changes took effect on 6 April 2015, with some smaller changes to the rules having been in place since March 2014.

Q. WHO WILL BE AFFECTED BY THE CHANGES?

A. The changes give extra flexibility to anyone aged 55 or over with a 'defined contribution' pension.



SINCE 6 APRIL, WHEN BRITAIN'S PENSION SYSTEM UNDERWENT A SEISMIC CHANGE (KNOWN AS 'PENSIONS FREEDOM DAY'), WE'VE BEEN ASKED MANY DIFFERENT QUESTIONS BY OUR CLIENTS ABOUT THE BREADTH OF THE REFORMS AND HOW THEY MAY AFFECT THEM.

Q. WHAT IF MY PENSION IS 'DEFINED BENEFIT' ('FINAL SALARY' SCHEME)?

A. Some defined benefit pensions may be eligible for the new freedoms, but you would need to transfer the money to a suitable scheme first. Under plans put forward by the Financial Conduct Authority (FCA), you must ensure that you have been advised by someone with a specific 'pension transfer specialist' qualification before you transfer your savings to a defined contribution scheme (unless the transfer value is less than £30,000).

Q. WILL I STILL HAVE TO BUY AN ANNUITY?

A. No. However, annuities may still remain an important option. You now also have the option of a flexible access pension or withdrawing cash direct from your pension fund. Before making a decision, it's important to consider each of the options, taking into account the benefits, risks and tax implications of each.

Q. HAS PENSION FREEDOM BEEN EXTENDED TO PEOPLE WHO HAVE ALREADY PURCHASED AN ANNUITY?

A. Yes, an announcement was made during Budget 2015 to extend pensions freedom to about 5 million people who have already bought an annuity. A consultation published on the day of the Budget on how a secondary annuities market could work suggests mirroring the £30,000 mandatory advice threshold for defined benefit pension transfers.

Q. CAN I WITHDRAW MY ENTIRE PENSION POT?

A. Yes you can, as long as your pension scheme's rules allow it. Any amount above your initial 25% tax-free cash sum entitlement would be taxable at your marginal income tax rate as earned income (i.e. before savings or investment income). Depending on the size of the payment (and your other income), this could mean you might be taxed at a higher rate than you normally would. You should also ensure that your overall savings will give you sufficient income in retirement.

Q. AM I ABLE TO LEAVE MY PENSION POT TO MY LOVED ONES?

A. Yes, if some or all of your money remains invested in a pension fund, then you can pass it on to your loved ones when you die. This would be tax-free should you die before you reach age 75 but taxable after that.

Q. WHAT ARE THE TAX IMPLICATIONS?

A. Other than your initial 25% tax-free cash sum entitlement, pension income and cash withdrawals remain taxable. You should take care if you are considering withdrawing amounts of money that could put you into a higher income tax band.

You can still pay into a defined contribution pension after you access your pension fund. But if you take flexible access income or cash withdrawals from your fund, the maximum amount you can pay in each year without incurring a tax charge is £10,000.

Q. HOW WILL I BE AFFECTED BY HAVING ONLY A FEW SMALL PENSION POTS?

A. Generally, your options remain as before. They include taking the money from any of your small pension pots as a taxed cash sum (the first 25% of which would be tax-free if you haven't already started taking benefits from them), and you can now do this from age 55. Another is 'consolidating' all or some of your pensions into another pension (or pensions). The implications of this would, however, depend on your personal circumstances. ■

THE MOST IMPORTANT DECISION YOU'LL EVER NEED TO MAKE?

Making the right retirement choices is likely to be one of the most important decisions you'll ever need to make. If you have any questions regarding the pensions freedom changes, then it's essential that you receive guidance and advice to help you decide what to do with your pension savings. For further information or to discuss your requirements, please contact us.

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.

Highest performing sector over a ten-year period – Sector Specialist: Biotechnology & Healthcare.

INVESTMENT



Asia Pacific highest performing Country Specialists sector over a ten-year period.

TRADING PLACES

It's not just about picking investments wisely, it's holding them in the most suitable place

NOW THAT WE'VE ENTERED a new tax year, if you are already planning how you are going to fully utilise your current Individual Savings Account (ISA) tax-efficient allowance, it's not just about picking investments wisely – it's also important to make sure you hold them in the best place.

With this in mind, the Association of Investment Companies (AIC) has taken a look at investment company performance data when the full ISA limit is invested. If you had invested a lump sum of £15,000^[1] into the average investment company ten years ago, you would now have £38,323.50. This is £6,433.90 more than the same investment in the FTSE All-Share, which would generate £31,889.60.

If you had invested £15,000 per year for the past ten years into the average investment company, you would now have £272,811. This is £17,927 higher than the £254,884 you would

now have if you had invested the same in the FTSE All-Share.

SECTOR PERFORMANCE

In share price total return terms, the highest performing sector over a ten-year period was Sector Specialist: Biotechnology & Healthcare. If you had invested last year's ISA allowance of £15,000 into the average Sector Specialist: Biotechnology & Healthcare company ten years ago, you would now have an impressive £76,363.50. The same investment into the average Country Specialists: Asia Pacific company would now be worth £52,611, and into the average Global Emerging Markets company would be worth £48,982.50.

ENHANCED RETURNS

Investment companies have a strong long-term performance record and their closed-

ended structure allows managers to take a long-term view. With other features such as the independent board, the ability to gear to enhance returns and their income advantages, investment companies (if appropriate to your particular situation) should be considered when it comes to making the most of your £15,240 2015/16 ISA allowance. ■

MEETING YOUR INDIVIDUAL NEEDS

To find out more about how our investment services can meet your individual needs, please contact us for further information.

Source data:

^[1] Calculated using the ISA allowance for tax year 2014/2015

^[2] Performance data is share price total return to 28 February 2015 and is mid-market share price with net income reinvested. No buying and selling costs into account. Source: AIC using Morningstar.

TEN HIGHEST PERFORMING SECTORS

(£15,000 LUMP SUM, TEN YEARS TO 28/02/2015)^[2]

INVESTMENT COMPANY	10 YEARS
Overall investment company average	£38,323.50
Sector Specialist: Biotechnology & Healthcare	£76,363.50
Country Specialists: Asia Pacific	£52,611.00
Global Emerging Markets	£48,982.50
Asia Pacific – Excluding Japan	£48,285.00
UK Smaller Companies	£45,727.50
European Smaller Companies	£43,395.00
Europe	£41,094.00
UK All Companies	£40,584.00
Global	£39,898.50
North American Smaller Companies	£38,865.00

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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

Past performance is not a reliable indicator of future performance

WITH GREAT FREEDOM COMES GREAT RESPONSIBILITY

Savers positive about pension reforms but concerned about scams

THE NEW PENSIONS FREEDOM rules giving far greater flexibility over what you can do with your pension pot came into force on 6 April 2015. In a survey by the National Association of Pension Funds (NAPF) of 850 people aged 55-70 with private pensions, 47% who had a private pension were worried people would be mis-sold unsuitable products, 44% felt people might make bad financial decisions and two thirds (36%) were worried about pension scams.

Of the 850 people surveyed, 49% of those with a defined contribution pension scheme said they would 'wait to see how things work out nearer retirement' or were unsure what they would do about the changes. A minority (5%) planned to buy an annuity and a further 4% wanted to take a cash lump sum. Nearly a fifth (18%) said they would leave their pension pots invested and draw a regular income, while 24% said they would use a combination of these options.

But the NAPF warned that those who were interested in investments and drawdown might not have a complete picture of what it will or will not offer them. More than half (52%) said drawdown would provide them with a guaranteed income, and 45% thought that if they took no more income than they would

through an annuity, their money would last until they died. In addition, 23% felt there were no risks with drawing a regular income from their pension pot.

A total of 77% of those polled were aware of the government retirement guidance service, Pension Wise, but nearly half (55%) were unclear about the services it offered.

Of those with a defined benefit pension scheme, the survey found that 75% would like their savings to remain in their current scheme, while 3% planned to switch to a defined contribution scheme. A fifth did not know what they planned to do. ■

Source data:

Survey conducted by the National Association of Pension Funds (NAPF) of 850 people aged 55-70 with private pensions and carried out as part of NAPF's wider research to examine the nature of retirement for those who've recently finished work and those approaching it in the next 15-20 years.

MAKING INFORMED DECISIONS IS VITAL

It is vital to make informed decisions about how to best use your savings and manage your income in retirement. If you would like to review your current situation or plans, 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.



GENDER DISPARITY

Funding a post-work life will be difficult without sufficient planning

A NEW REPORT HAS revealed a huge gender disparity when it comes to pension savings and income, indicating that funding retirement is likely to be a significant challenge for many women.

According to the annual 'State of Retirement' report by LV=, women who have occupational or private pensions reach retirement with pots worth on average £107,000. This is almost half that of men who, on average, retire with a fund worth £201,000.

POTENTIAL DIFFICULTY

The potential difficulty facing women is highlighted by the fact that one in four (23%) women approaching retirement have only the State Pension to rely on, compared to just 9% of men. As fewer women have pension savings, the income gap is even wider if we look across the genders at all those approaching retirement. This sees the average woman's private pension at retirement fall to just under £10,000, which is less than a tenth of the equivalent average male pension pot (£131,000).

INCOME GAP

However, that's not to say it is all plain sailing for men. The report reveals that, regardless of gender, funding a post-work life will be difficult. The findings uncover a gap between the level of income those approaching retirement say they need and what they can expect. Indeed, although those nearing retirement say, on average, that they will need at least £14,352 a year to meet essential expenses, they can actually expect just £10,590 a year from their private and State Pension combined – a shortfall of £3,744 a year[1].

BURDEN OF DEBT

For many, this problem is heightened by the burden of debt and family dependencies now following them into retirement. Currently, 4.3 million retirees have some form of debt in the form of a mortgage (1 million) or outstanding credit card debt (2.5 million). Over a third (4.4 million) of retirees have

given financial help and support to family members, mainly children, in the last 12 months. The figures also reveal that 1 in 50 over-50s plan to take their pension as a lump sum to pay off debts.

RETIRING LATER

These financial concerns, coupled with the fact that people are spending longer in retirement, have caused many to reconsider their retirement plans. Nearly a quarter (22%) of over-50s say that they now plan to retire later than previously considered, while 1.6 million over-50s don't think they'll ever stop working. The findings also show that one in five (18%) over-50s who had retired have since re-entered the workplace.

ALIVE AND WELL

It is clear that some people have returned to work because they need to. However, for others, the adage that '60 is the new 40' is alive and well, with one in four (23%) retirees re-entering the workplace because they wish to keep working. One of the main reasons for this is a desire to keep active and make use of the skills they have spent a lifetime honing; the other is the social aspect of being at work.

PENSIONS FREEDOM

The recent pensions freedom changes that commenced on 6 April now offer retirees the chance to make more of their pension pot by selecting alternatives to standard annuities and potentially combining annuities with income drawdown. However, there is confusion among over-50s around what the new rules mean. Only a fifth (23%) claim to have a good understanding of the reforms, while a further third (33%) have little or no understanding at all. One in ten (12%) over-50s are completely unaware of any pension freedom changes, resulting in the fact that many could miss out on the chance to improve their income in retirement. ■

TIME TO SIGNIFICANTLY BOOST YOUR INCOME?

The new government campaign, Pension Wise, will go some way to informing people about the new pensions landscape and the ways in which they could fund their retirement; however, we recommend that if you are considering accessing some or all of your pension pot, obtaining professional financial advice is essential to ensure you make the most of your savings tax-efficiently. Please contact us to review your situation.

Source data:

The State of Retirement research was carried out by Opinium Research from 27-30 January 2015. The total sample size was 1,518 British adults over 50 and was conducted online. Results are weighted to a nationally representative criteria.

[1] According to the research by Opinium, 879 over 50s (those not retired) people were questioning how much money they thought they would need in retirement per week, as a bare minimum. The mean answer was £276 (equivalent to £14,352 per year).

According to research by the Centre for Economics and Business Research (CEBR) carried out for the report, the average retiree has £73,100 in private pension wealth upon retirement. An average annuity for a male or female smoker retiring with this sum would pay £4,709 a year. With the State Pension (£5,881), this brings the total income to £10,590 a year or £204 a week, i.e. £3,744 less per year or £72 less per week than the minimum standard.

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.

NATION OF SAVERS

Year-on-year rise in the number of long-term savers

THE UK IS BECOMING a nation of savers, with three quarters (74%) of people saying they are currently saving, research from Scottish Widows has revealed.

The savings study – which polled 5,000 Britons – found that the number of savers is up to 74% from 63% in 2010, with a steady year-on-year rise in the number of long-term savers. The average amount people have in short- and long-term savings now stands at £32,407, compared to £30,175 last year, marking a 7% rise.

SAVING IMPETUS

A 'more secure future' was the main reason 40% of those saving for the long term were putting money away, while emergencies or a 'rainy day' is the main saving impetus for more than a third of short-term savers (38%).

The proportion of people not saving at all has been steadily declining since 2010, as more and more people begin to wake up to the importance of having a financial buffer. A growing awareness around the importance of preparing for the long term was particularly marked, with the proportion of people choosing to focus just on this type of saving jumping from 14% to 17% over a four-year period.

FINANCIAL BUFFER

Despite this year-on-year improvement, the study highlighted that a significant proportion of the nation is still failing to build up a financial buffer, with one in four (26%) not saving anything at the moment and 18% having no savings at all.

A third of respondents (33%) were aware that they were definitely not saving enough to meet their long-term needs, and 32% admitted they hadn't saved anything at all over the past 12 months. The study revealed that failing to save was most common among those aged 45-54, with 33% currently not putting any cash aside for the future.

SAVINGS BARRIER

The research also highlighted that almost half (42%) said not knowing how to go about saving or investing was a barrier to saving, while 23% said they would be inclined to save more if savings options were generally easy to understand. ■

Source data:

The survey was carried out online by YouGov, who interviewed a total of 5,144 adults between 31 October and 5 November 2014. The figures have been weighted and are representative of all UK adults (aged 18+).

MAKE SURE YOU REVIEW YOUR PLANS REGULARLY

Whether you're saving for your retirement or another goal, it's essential to review your plans regularly and stay on track. To review your situation, please contact us for further information. 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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.



IN HIS FINAL BUDGET SPEECH to parliament on 18 March, the Chancellor of the Exchequer, George Osborne, announced that Britain was 'walking tall again' after five years of austerity.

We've provided our summary of the ten key announcements that could impact on your personal financial plans, both positively and negatively.

1. THE TAX-FREE PERSONAL ALLOWANCE SET TO INCREASE IN APRIL 2017 TO £11,000

The tax-free personal allowance – the amount of income people can receive before they have to start paying tax – will rise to £10,800 in 2016/17 and £11,000 the year after.

The increases to the personal allowance from £6,475 in 2010 to £11,000 in 2017/18 will save a typical taxpayer £905.

£500 for higher-rate taxpayers) will be introduced for the interest that people earn on savings.

If you are a basic-rate taxpayer and have a total income of up to £42,700 a year, you will be eligible for the £1,000 tax-free savings allowance.

If you are a higher-rate taxpayer and earn from £42,701 to £150,000, you'll be eligible for a £500 tax-free savings allowance.

3. INTRODUCING THE HELP TO BUY ISA – FOR EVERY £200 THAT PEOPLE SAVE TOWARDS THEIR FIRST HOME, THE GOVERNMENT WILL PUT IN AN EXTRA £50, UP TO A MAXIMUM BONUS OF £3,000

Following the introduction of Help to Buy, which allows people to purchase a home with just a 5% deposit, the Government will

TEN KEY ANNOUNCEMENTS

FROM BUDGET 2015

Which of these could impact on your financial plans, both positively and negatively?

To make sure the full benefits of the personal allowance increase are passed on to higher-rate taxpayers, the Government is also increasing above inflation the point at which higher earners start paying 40% tax. It will increase by £315 in 2016/17 and by £600 in 2017/18 – taking it to £43,300 in 2017/18.

2. NEW PERSONAL SAVINGS ALLOWANCE WILL TAKE 95% OF TAXPAYERS OUT OF SAVINGS TAX ALTOGETHER

From April 2016, a tax-free allowance of £1,000 (or

help first-time buyers save for a deposit with the introduction of the Help to Buy Individual Savings Account (ISA).

People will be able to open an ISA and save up to £200 a month towards their first home, and the Government will add a further 25%. That equates to a £50 bonus for every £200 people save, up to a maximum of £3,000.

Help to Buy ISAs will only be available to individuals who are 16 and over and will be limited to one per person. If appropriate, consider buying together to receive a bonus each.



4. PEOPLE WILL HAVE COMPLETE FREEDOM TO TAKE MONEY OUT OF A CASH ISA AND PUT IT BACK IN LATER IN THE YEAR

Savers will have the flexibility to be able to take money out of their Cash ISA and put it back in the same financial year without it counting towards the annual tax-efficient ISA allowance.

Currently, the ISA allowance is £15,240 (2015/16), and once you've deposited that amount, you can't put any more in during the same tax year, even if you make a withdrawal.

The changes, which will come into effect from autumn 2015, will mean that savers who need access to their ISA savings are not penalised if they then want to save more later on that tax year.

The only limit is that you need to top up your Cash ISA during the same financial year the withdrawal was made – if you don't, it will count towards your new tax-efficient ISA allowance.

5. ADDITIONAL FUNDING TO SUPPORT THE NEW PENSION FREEDOMS AND THE NEW PENSIONS GUIDANCE SERVICE

The Budget document stated: 'Additional funding of £19.5m in 2015/16 will be provided to support the new pensions freedom and the new pensions guidance service, Pension Wise. This funding will extend the availability of State Pension statement and pension tracing services.'

6. PENSIONERS WILL BE GIVEN THE FREEDOM TO SELL THEIR ANNUITY FOR A CASH LUMP SUM

Under proposals from April 2016, pensioners who already have an annuity will now be able to effectively sell it on, so that they too can benefit from the pensions freedom announced in Budget 2014.

Currently, people who bought an annuity are unable to sell it without having to pay at least 55% tax on it. From April 2016, it is proposed that the tax rules will change so that people who already have income from an annuity can sell that when they choose and will pay their usual rate of tax they pay on income, instead of 55%.

7. PENSIONS LIFETIME ALLOWANCE REDUCTION

The lifetime pensions allowance, the maximum amount a person can hold within all of their pensions without suffering a tax charge, will be reduced in April 2016 from £1.25m to £1m – this is estimated to affect less than 4% of people.

Pensioners pay a 55% or 25% tax charge on any amount over the lifetime allowance when they withdraw money or buy an annuity, rather than their usual tax rate.

8. REVIEW INTO THE AVOIDANCE OF INHERITANCE TAX

The Government is to review the ways in which inheritance tax (IHT) is avoided through deeds of variation. A deed of variation is used to rearrange Wills, and the most common rearrangements are disclaimers and written variations. The report resulting from the IHT review will be published in the autumn.

9. FURTHER CHANGES TO VENTURE CAPITAL TRUSTS AND ENTERPRISE INVESTMENT SCHEMES

Plans were announced to further alter the rules around Venture Capital Trusts (VCT) and Enterprise Investment Schemes (EIS). Mr Osborne said he was making the changes on the plans, which invest in small, private up-and-coming companies, to 'ensure they are compliant with the latest state aid rules and increasing support to high-growth companies.'

10. ANNUAL TAX RETURN ABOLISHED

Millions of individuals will have the information HM Revenue & Customs requires automatically uploaded into a new online digital tax account by 2020. ■

ARE YOUR FINANCIAL PLANS STILL ON TRACK AFTER BUDGET 2015?

There may have been a number of key announcements in Budget 2015 that will impact on your financial plans, especially around pensions freedom. If you would like to review your current situation to ensure that your plans are still on track, please contact us.

UNLOCKING THE NEW PENSION LANDSCAPE

Are you ready for the responsibilities of being in complete control over all of your money?

On 6 April this year, 'pensions freedom day', the pension landscape changed forever. From this date for the first time ever, individuals were given complete control over all the money in their 'defined contribution' retirement savings plans, whether large or small.

NEW FREEDOMS

What is crucial is that you approach withdrawing your money in an informed and tax-efficient way. Research from MGM Advantage finds that just 1 in 8 (13%) of those aged over 55 intends to make use of the new freedoms by withdrawing cash from their pension pots above the 25% tax-free allowance.

The research, carried out by ComRes, reveals that 60% of respondents do not plan to take advantage of the new freedoms and cash in their pension pots, with a further 27% undecided. Those over-55s who were not intending to make use of the freedoms said they either did not need the money now (40%) or wanted to keep their pension invested and draw from it when needed (29%).

MORE OPTIONS

The new freedoms have opened up many more options for those approaching retirement, but just because those options are available, it doesn't mean taking them up is necessarily an attractive proposition or the right thing to do.

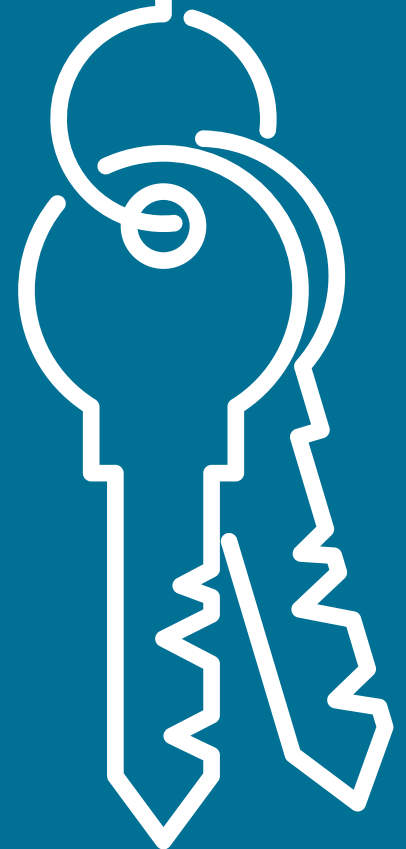
Tax issues are a concern for some retirees, with 16% of those not taking cash above the tax-free limit citing the desire not to pay extra tax when drawing money. 1 in 5 (19%) of people not taking the cash above the tax-free limit stated that, instead of taking all their money in cash, they would look to secure a lifetime income with their pension savings.

MEASURED APPROACH

Although the majority of people appear to be taking a measured approach, just over 1 in 8 will potentially take their money. Given the number of people in the UK retiring each year, that could equate to over 50,000 people. Depending on their circumstances, those opting to take the cash could easily find themselves paying significant amounts of tax. ■

MAKING THE BEST DECISION FOR YOU

More freedom and choice represents an excellent opportunity for people, but it also means more complexity and responsibility. If applicable to your situation, it's vital that you obtain the information you need to make the best decision for you. The Government's Pension Wise service is a good start, but professional financial advice is also the key to helping you find the right approach for your individual circumstances. If you would like to review your current options or have any further questions, please do not hesitate to contact us.



Source data:

Research conducted by ComRes with 1,000 UK residents aged 55 and over who are not retired. Data was weighted to be representative of the known profile of UK adults aged 55+ who are not retired. The fieldwork was carried out online between 27 February and 5 March 2015.

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.