



INTEGRITY

Financial Management Ltd.

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Further changes for 'pension investors' on the horizon

What the proposed retirement rule reforms could mean to you

Choosing the right life assurance

How to protect your family from financial hardship

Estate protection

Safeguarding your home and assets from care costs

Financial wealth check

How to get your money into shape for the New Year

Absolute return funds

Achieving positive growth in bear as well as bull markets

Investing for income

How much risk are you prepared to take?

Welcome

Welcome to our personal financial planning and wealth management magazine.

The start of the New Year is rapidly approaching and for many this is a time to start setting financial goals. But before you contemplate the important factors in achieving your financial success, follow our New Year wealth check and start by keeping your tax bills to a minimum and protecting your wealth from increasing taxation. Read the full article on page 08.

The Chancellor of the Exchequer, George Osborne, announced during the Coalition Budget 2010 the removal of the obligation to purchase an annuity by age 75. Currently, the government is consulting on the proposed changes and further details will follow after a period. On page 03 we consider how the Chancellor's announcement offers individuals the choice over what they do with their lifetime savings rather than having to purchase an annuity at the age of 75.

The time when an elderly person needs to go into residential care is often a huge strain on family members. Illness or infirmity may have forced a sudden change in circumstances and time may be short. On page 06 we consider how prior planning could prevent local councils from forcing the sale of a family home to pay for the costs of care.

Also inside this issue: discover strategies that can boost your retirement income and why absolute return funds can achieve positive growth in bear as well as bull markets. A full list of the articles featured in this edition appears on page 03.

Enhancing your income

Can you increase your pension income?

If you suffer from certain medical conditions, or if you smoke, an impaired-life or enhanced annuity could significantly increase your income in retirement. Choosing to draw an income from your pension by purchasing an annuity offers a secure taxable income paid to you for the rest of your life by an insurance company and, in return for your pension savings, you could also qualify for some enhancement on your income.

An impaired-life annuity pays out more to people with particular health problems (anything from a triple heart bypass to high blood pressure) and is based on the individual's circumstances. Most providers look at your personal situation in detail. For example, two people who have both had a heart attack could still receive different levels of enhancement, depending on the type of attack and when it occurred.

An enhanced annuity is less tailored than an impaired-life annuity and pays a higher annuity rate to those with particular lifestyles, including smokers and the obese. Even if you're not eligible for an enhanced annuity, or you're unsure whether you're eligible, you should receive professional advice to see if you can obtain a better deal

than the one you're being offered by your pension scheme or provider.

You shouldn't automatically accept the income offered to you by your pension company without first considering what other options are available elsewhere. Different rates of income are offered by different insurance companies, so it's important to shop around to secure the highest income possible.

It may seem an easy option to purchase your annuity from the same provider with whom you built up your pension. However, by taking advantage of the Open Market Option (OMO) you could significantly increase the level of income you receive and therefore your lifestyle in retirement.

With life expectancy levels on the increase and the possibility of new European legislation driving annuity rates downwards, you need to ensure that you obtain the highest possible level of income from your pension.

By shopping around and taking your health into consideration, it's possible to increase your income and give yourself a better standard of living in retirement. ■

TO DISCUSS YOUR INDIVIDUAL REQUIREMENTS, PLEASE CONTACT US FOR FURTHER INFORMATION.

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.

- 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)

Name

Address

Postcode

Tel. (home)

Tel. (work)

Mobile

Email

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.



Further changes for 'pension investors' on the horizon

What the proposed retirement rule reforms could mean to you

The Chancellor of the Exchequer, George Osborne, announced during the Coalition Budget 2010 the removal of the obligation to purchase an annuity by age 75. Currently, the government is consulting on the proposed changes and further details will follow after a period.

This announcement offers individuals the choice over what they do with their lifetime savings rather than having to purchase an annuity at the age of 75.

Currently, pension investors are required to take pension benefits by the age of 75. The income can be provided either from an annuity or income drawdown (unsecured pension) and post age 75 from an Alternatively Secured Pension (ASP). If you reached age 75 on or after 22 June, income drawdown has now been extended to age 77 as an interim measure while the government consults on ending effective compulsory annuitisation at age 75. Currently, in drawdown before age 75 there is a 35 per cent tax charge if benefits are paid out as a lump sum. On death in ASP a lump sum payment is potentially subject to combined tax charges of up to 82 per cent.

It is proposed that these tax charges will be replaced with a single tax charge of around 55 per cent for those in drawdown or those over 75 who have not taken their benefits. If you die under the age of 75 before taking benefits, your pension can normally be paid to your beneficiaries as a lump sum, free of tax. This applies currently and under the new proposals. The new rules will be introduced from April 2011.

The government also plans to abolish the Alternatively Secured Pension (ASP), which is similar to income drawdown but has a more restrictive income limit, a

requirement to take a minimum income and less flexible death benefits. Instead, income drawdown can continue for the whole of retirement.

Under the proposals, there will no longer be a requirement to take pension benefits by a specific age. Tax-free cash will still normally only be available when the pension fund is made available to provide an income, either by entering income drawdown or by setting up an annuity. Pension benefits are likely to be tested against the Lifetime Allowance at age 75.

For investors using drawdown as their main source of retirement income, the rules will remain similar to those in existence now with a restricted maximum income. However, for investors who can prove they have a certain (currently unknown) level of secure pension income from other sources, there will potentially be a more flexible form of drawdown available that allows the investor to take unlimited withdrawals from the fund subject to income tax.

Proposed changes include extending the ability to take small pensions as cash using the 'triviality' rules beyond age 75, allowing value protected annuities after this age and changing the tax charge on a lump sum from a value protected annuity to 55 per cent.

The changes outlined above are still subject to consultation with the details still to be finalised. ■

TO FIND OUT HOW THE PROPOSED CHANGES COULD AFFECT YOUR RETIREMENT PLANNING PROVISION, PLEASE CONTACT US - DON'T LEAVE IT TO CHANCE.

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Investing for income

How much risk are you prepared to take?

It's important to be able to invest with confidence in uncertain times and maximise your income in a low interest rate environment. If you're planning to invest for income, you need to set yourself goals and be happy with the amount of investment risk you're prepared to take. You also need to work out how you'd like to invest your money.

If you are investing for the short term and want to retain access to your money, you should remain in cash. Even though returns are low, the capital will be secure, and that will be important if you don't want to put any of your money at risk.

If you haven't used your cash Individual Savings Account (ISA) allowance for the tax year 2010/11, you can save up to £5,100 and receive tax-free interest. Interest rates available from these products can vary enormously, as can the regularity with which they are paid. Some accounts may also offer complex terms and conditions, such as additional bonuses.

If you're looking to yield a slightly higher income you need to move away from cash. If you do not wish to take much of a risk, you could consider fixed-interest accounts, usually accessed through a specialist bond fund, which normally pay a better rate of interest than cash in return for a higher risk.

These products, usually known as bonds, mean you effectively loan money to a government or company in exchange for a fixed rate of interest over a predetermined period. The product's face

value is returned on a specified future date. Bonds issued by stable governments such as the UK government are regarded as the safest, although the downside is that their low-risk status means they will usually offer a much lower rate of interest than higher-risk bonds.

In the UK, government bonds are known as 'gilts'. There are two main types of gilt – conventional and index-linked – although both are denoted by the interest paid (known as the 'coupon rate'), as well as the date on which they mature. With conventional gilts, the government agrees to pay the holder a fixed cash payment, known as a 'coupon', every six months until the maturity date, at which point the initial sum invested (also known as the 'principal') is returned. Index-linked gilts, meanwhile, take inflation into account, which means both the coupon and the principal will be adjusted in line with the UK retail prices index.

You could also consider corporate bonds, which are slightly riskier but usually generate a higher yield. These mean you lend money to companies in exchange for an agreed rate of interest and the face value of the bond back

in the future. Each bond will have a nominal value (usually £100), which is the price that will be paid to you when it reaches the end of its life, in addition to the bond's yield.

Although life spans will vary, they are generally less than ten years. There is, however, no guarantee that the issuing company will keep up with the interest payments or pay the face value on the date of maturity. The likelihood of them honouring their commitments is analysed by specialist ratings agencies on a sliding scale. The most trusted bonds will be awarded AAA status.

If you're happy to take this level of risk, other asset classes you could consider are equity and commercial property. On the equity side, you can buy into companies that are expected to pay a decent income to investors in the form of regular dividends. A more common option is to invest in an equity income fund, whereby you rely on the skills of a specialist fund manager to do the research on your behalf and purchase a portfolio of shares for you.

The next area to consider is commercial property. Specialist funds have the capability and financial means to acquire commercial property. The current rental yields paid on the average UK commercial property, as a percentage of the current significantly reduced property values, may be attractive to income-

seekers, although capital values could still fall further.

It's also worth remembering investment trusts. This sector has provided a good track record of dividend increases, which is particularly relevant right now when interest rates are at an all-time low and yield is much harder to come by. An investment trust is basically a company listed on the stock exchange that buys and sells shares in other companies rather than producing specific products or services.

Another alternative is guaranteed equity bonds. These promise a stock market-linked return if the market rises and the return of your original investment if it falls. However, there are different types of guaranteed equity bonds. Most of the deposit-based products from banks and National Savings & Investments will return your capital in full, but that's not the case with many other providers. ■

The value of investments and the income from them can go down as well as up and you may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent finance acts.

NO MATTER WHAT YOUR INVESTMENT GOALS ARE, WE CAN WORK WITH YOU TO DEVELOP THE BEST PORTFOLIO FOR YOUR REQUIREMENTS. TO FIND OUT MORE OR TO DISCUSS HOW WE COULD HELP, PLEASE CONTACT US.



Tax-privileged saving allowance reduced

An alternative approach to restricting pensions tax relief

The cost of tax relief on pension contributions doubled under the previous government to an annual cost of around £19bn by 2008/09. The government confirmed in the Coalition Budget that it is committed to reform of pensions tax relief and would continue with plans that it inherited to raise revenues from restricting pensions tax relief from April 2011.

The government had reservations about the previous plans. It felt that this approach could have unwelcome consequences for pension saving, bring significant complexity to the tax system, and damage UK business and competitiveness. These concerns were shared both by representatives of the pensions industry and by employers.

The June Coalition Budget announced that the government was considering an alternative approach to restricting pensions tax relief, involving reform of existing allowances. A discussion document on the subject 'Restriction of pensions tax relief: a discussion document on the alternative approach' was published in July, inviting views on a range of issues around the precise design of any such regime.

From April 2011 the government has announced the annual allowance for tax-privileged saving will be reduced from its current level of £255,000 to £50,000. Tax relief will be available at an individual's marginal rate. Deemed contributions to defined benefit schemes will be valued using a 'flat factor' of 16. Individuals will be allowed

to offset contributions exceeding the annual allowance against unused allowance from the previous three years. For those individuals who see a very significant increase in their pension rights in a specific year, the government will consult on options that enable them to pay the tax charge out of their pension rather than current income.

According to the government, only around 100,000 individuals currently have annual pension savings above £50,000 – around 80 per cent of whom are on incomes above £100,000. The government anticipates that most individuals and employers will look to adapt their pension saving behaviour and remuneration terms following introduction of the new rules.

The lifetime allowance will also be reduced from its current level of £1.8m to £1.5m. The government's intention is that the reduced lifetime allowance will operate from April 2012. It is inviting views on the detail of its approach, including the relative burdens for schemes and employers of implementation in 2011 compared with 2012. ■

Mind the 'pensions gap'



Why every adult in the UK needs to save more to retire comfortably

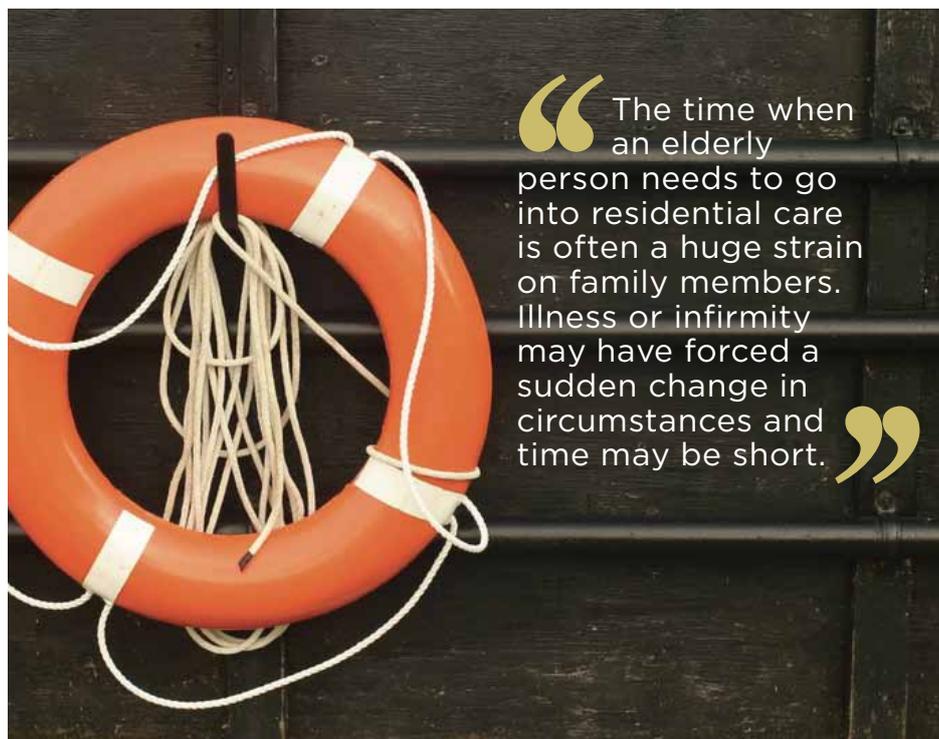
Findings from a study published in September by Aviva, in conjunction with accountants Deloitte, are a wake-up call for individuals and governments across Europe. The study concluded that the UK has the largest pensions gap per person in the whole of Europe and UK adults now need to save an average of £10,300 every year to catch up. Europe's annual pensions gap now stands at £1.6 trillion.

The UK savings shortfall of £10,300 a year is an average based on the 31 million UK adults who are due to retire between 2011 and 2051.

Aviva warns that the problem is more acute for older people who have less time to top up their savings, especially if they intend to retire at age 65. It could also particularly affect those on lower incomes, for whom setting aside money may be more difficult.

The National Association of Pension Funds commented that 'under-saving is a live and growing issue that will impact on more and more people as the UK ages'. Investing from an early age, even a small amount, can make a big difference in closing the gap. ■

TO DISCUSS YOUR INDIVIDUAL REQUIREMENTS, PLEASE CONTACT US FOR FURTHER INFORMATION.



“ The time when an elderly person needs to go into residential care is often a huge strain on family members. Illness or infirmity may have forced a sudden change in circumstances and time may be short. ”

Estate protection

Safeguarding your home and assets from care costs

The time when an elderly person needs to go into residential care is often a huge strain on family members. Illness or infirmity may have forced a sudden change in circumstances and time may be short.

Under the Community Care Act 1990, local councils have the right, by law, to force the sale of a family home to pay for care costs or to take a charge against a property to be repaid on the eventual sale of the home. This could result in very little being left for the surviving family.

You and your spouse or civil partner should each make a provision in your Wills ensuring that, upon the first death, the deceased's half of the property is placed in trust for your children or other beneficiaries instead of passing directly to the survivor. However, you need to understand the powers that local authorities have to include in the means testing assessment assets that they consider have been subject to 'deliberate deprivation'. This occurs when a resident transfers an asset out of their possession in order to achieve a better position that enables them to obtain assistance.

A trust arrangement keeps any designated property owned by the deceased away from the council's reach. At the same time it allows the surviving spouse or civil partner to continue benefiting from the assets, which may

include the family home. On the death of the remaining member of the couple, the assets owned by the trust, together with whatever is left of the assets of the second spouse or civil partner, can be given to the surviving family.

The majority of people own their homes jointly which means that, on first death, the survivor would then own 100 per cent of the full property value. By changing the way you own your home to what is known as 'Tenants In Common', combined with the appropriate trust planning, this could effectively ensure that your property is fully protected should either of you enter into care. In addition, by changing the way your assets are invested and held, this could also ensure that your cash or liquid assets are fully protected from future long-term care costs. ■

THE RULES SURROUNDING THE ABOVE ARE LIABLE TO CHANGE AND EACH CASE WOULD BE ASSESSED BY THE LOCAL AUTHORITY ON A CASE-BY-CASE BASIS. TO DISCUSS HOW WE COULD HELP YOU PRESERVE YOUR WEALTH FOR FUTURE GENERATIONS, PLEASE CONTACT US TO DISCUSS YOUR OPTIONS.

Choosing the right life assurance

How to protect your family from financial hardship

Choosing the right life assurance will enable you to protect your family's lifestyle in the event of your premature death, help them cope financially and protect them from financial hardship.

That's why obtaining the right advice and knowing which products to choose - including the most suitable sum assured, premium, terms and payment provisions - is essential.

So what are your options?

The cheapest, simplest form of life assurance is term assurance. It is straightforward protection, there is no investment element and it pays out a lump sum if you die within a specified period. There are several types of term assurance:

Level term assurance - this offers the same payout throughout the life of the policy, so your dependants would receive the same amount whether you died on the first day after taking the policy out or the day before it expired. This tends to be used in conjunction with an interest-only mortgage, where the debt has to be paid off only on the last day of the mortgage term.

Decreasing term assurance - the payout reduces by a fixed amount each year, ending up at zero at the end of the term. Because the level of cover falls during the

term, premiums on this type of insurance are lower than on level policies. This cover is often bought with repayment mortgages, where the debt falls during the mortgage term.

Increasing term assurance - the potential payout increases by a small amount each year. This can be a useful way of protecting the initial amount against inflation.

Convertible term assurance - the policyholder has the option of switching in the future to another type of life assurance, such as a 'whole-of-life' or endowment policy, without having to submit any further medical evidence.

Family income benefit - instead of paying a lump sum, this offers the policyholder's dependants a regular income from the date of death until the end of the policy term.

Lifetime protection

The other type of protection available is a whole-of-life assurance policy designed to provide you with cover

throughout your entire lifetime. The policy only pays out once the policyholder dies, providing the policyholder's dependants with a lump sum, usually tax-free. Depending on the individual policy, policyholders may have to continue contributing right up until they die, or they may be able to stop paying in once they reach a stated age, even though the cover continues until they die.

Some plans also offer cover for additional benefits, such as a lump sum that is payable if the policyholder becomes disabled or develops a specified illness.

Whole-of-life assurance policies are often reviewable, usually after ten years. At this point the insurance company may decide to put up the premiums or reduce the cover it offers. ■

WE TAKE THE TIME TO UNDERSTAND YOUR UNIQUE NEEDS AND CIRCUMSTANCES SO WE CAN PROVIDE YOU WITH THE MOST SUITABLE PROTECTION SOLUTIONS IN THE MOST COST-EFFECTIVE WAY. TO DISCUSS YOUR OPTIONS, PLEASE CONTACT US.



Financial wealth check

How to get your money into shape for the New Year

The start of the New Year is rapidly approaching and for many this is a time to start setting financial goals. But before you contemplate the important factors in achieving your financial success, follow our New Year wealth check and start by making sure you keep your tax bills to a minimum and protect your wealth from increasing taxation.

Arrange your finances tax-efficiently

We all pay tax on our own individual earnings and assets. By taking advantage of a number of reliefs and allowances offered to married couples and civil partners, it is possible to reduce the total amount of tax you pay as a couple if you arrange your finances correctly.

Consider switching income-producing assets, such as shares, investment funds, bank and building society accounts and jointly owned property, into the name of the partner who pays the lower rate of tax. This way, you pay less tax on dividends, rent and savings interest. The general rule that jointly owned income is taxed 50/50 can be altered by making a specific election where there has been a genuine outright gift of assets. If you are unmarried and transferring assets, you should be aware this could potentially trigger a capital gains tax (CGT) bill.

Take advantage of jointly owned assets

For assets likely to trigger a capital gain (such as a property or shares), it may be worth owning them jointly. Much will depend on how much annual income they generate, when you are likely to sell them and the size of the potential gain.

Basic-rate taxpayers pay CGT at 18 per cent, rather than the higher 28 per cent rate. But couples need to be careful. When calculating CGT, the gain realised is added to the income earned in that tax year; if these two combined push you into the higher tax bracket you will pay the 28 per cent rate on the gain. People

realising assets, such as a second home, are usually better off jointly owning the asset to take advantage of two CGT allowances, as in practice either partner, regardless of earnings, often pays the higher CGT rate.

Check you're paying the right amount of tax

It's important to know how to check you're paying the right amount of tax, especially following the announcement that HMRC's computers have led to thousands of people paying the wrong tax through their tax code. Even if you are not one of the six million taxpayers who received a letter saying tax has been over or underpaid, it's still important to check your code.

If you are over 65, you should check that you are receiving the appropriate higher personal allowances. Those aged 65-74 can earn £9,490 before tax is charged, rising to £9,640 for those 75 and over. If you're married and aged 75 and over, you are also entitled to the £6,965 Married Couple's Allowance. The standard personal allowance is currently £6,475.

Plan to reduce a future Inheritance Tax bill

There are a number of exemptions allowing you to reduce a future Inheritance Tax (IHT) bill. Everyone has an annual gift exemption worth £3,000, which removes this money from your estate regardless of how long you live (if this is not used in the previous year you can carry it forward to the next, so effectively you could gift £6,000). In

addition, grandparents can give £2,500 to each grandchild who marries; parents can give £5,000. Taxpayers can also make regular gifts out of income, which will be IHT-free. These can be paid monthly, annually or even termly. With other gifts, people have to survive the transfer by seven years for it to be disregarded for IHT purposes.

Claim for the extra costs involved in running your business

If you are self-employed you can claim for the extra costs involved in running your business from home. This includes lighting, heating, council tax, property insurance, repairs and even mortgage interest. These costs can be offset against profits, reducing your overall tax bill. You should be aware that if a part of your property, even a single room, is devoted entirely to your business then there may be a CGT charge when the property is sold, so this needs to be considered before a claim is made.

Make tax and National Insurance savings on valuable lifestyle benefits

Salary sacrifice is a contractual arrangement whereby an employee gives up the right to receive part of their cash remuneration, usually in return for their employer's agreement to provide some form of non-cash benefit. It's possible to give up part of your salary and in return receive non-taxable benefits, such as childcare vouchers, reducing your (and



your employer's) tax and National Insurance bills. Salary sacrifice schemes prove very popular with employees, enabling them to make tax and National Insurance savings on valuable lifestyle benefits.

Completing your financial wealth check

Finally, make sure that you fully maximise your ISA (Individual Savings Account) and pension contributions, which can be extremely tax-efficient. You can shelter up to £10,200 in an ISA – of which half can be in cash. This means a couple could effectively currently invest £20,400 this financial year, on which they pay virtually no tax on income or growth.

The government has announced that from April 2011 the annual pension allowance for tax-privileged contributions will be reduced from its current level of £255,000 to £50,000. ■

OUR EXPERTISE CAN HELP YOU DEVELOP THE MOST APPROPRIATE WEALTH STRATEGIES TO ENABLE YOU TO ACHIEVE YOUR FUTURE FINANCIAL GOALS. IF YOU WOULD LIKE TO DISCUSS YOUR CURRENT REQUIREMENTS, PLEASE CONTACT US FOR FURTHER INFORMATION.

The value of investments and the income from them can go down as well as up and you may not get back your original investment. Past performance is not an indication of future performance.

Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent finance acts.

Strategies to boost your retirement

10 ways to build a bigger pension income

Look at some of the ways in which you could secure a financially brighter retirement.

1. Start saving for your retirement early

It may seem really obvious but the younger you are when you start a pension, the better, because it means you've got more time to make contributions and there is more time for those invested contributions to grow. According to a study published in September by Aviva, in conjunction with accountants Deloitte, the UK has the largest pensions gap per person in the whole of Europe, and UK adults now need to save an average of £10,300 every year to catch up.

2. Join your employer's occupational pension scheme

If your employer offers membership of an occupational pension scheme, join it. These are employer-run schemes that have trustees who are responsible for the schemes being run properly, legally and fairly. If your employer has a scheme, it is almost always in your interests to join because of the employer contribution, which is in effect a tax-free benefit. More than one

million people who could join company schemes don't, according to the National Association of Pension Funds.

3. Take advantage of tax relief from HMRC

Make the most of tax breaks. Tax relief reduces your tax bill or increases your pension fund. Anyone, including children and non-taxpayers, can receive tax-relief from HM Revenue & Customs (HMRC) to help increase their pension. The way you get tax relief on pension contributions depends on whether you pay into an occupational, public service or personal pension scheme. Contributions attract basic-rate tax relief. So £80 paid into a pension is automatically increased to £100 before costs. High earners can achieve the same effect by paying in £60, subject to complex and changing restrictions.

4. Increase the control over where you invest your money

Unlike most traditional personal pensions, a Self-Invested Personal Pension (SIPP) offers you different investment options and gives you more choice and control over where

you can invest your money. There are significant tax benefits. The government contributes 20 per cent of every gross contribution you pay. If you're a higher or additional rate taxpayer, the tax benefits could be even greater.

When you wish to withdraw the funds from your SIPP, currently between the ages of 55 and 75, you can normally take up to 25 per cent of your fund as a tax-free lump sum. The remainder is then made available to provide you with a taxable income. As with all investments, the value of the fund you have invested can go down as well as up and you may not get back as much as you invest. The increased cost and control of a SIPP will generally come with higher charges, so for individuals not requiring the additional flexibility, a traditional personal pension may be more appropriate.

5. Pay extra National Insurance contributions

Consider paying extra National Insurance contributions (NICs) to increase the state pension. This is most likely to benefit women who have taken time off work, perhaps to bring up children. However, you need to beware of means tests. There could be risks associated with buying back missing years of NICs and you should always obtain professional financial advice. Although buying back missing years can be a good deal, the government won't go out of its way to tell people about this with its finances stretched.

6. Make additional contributions to increase your retirement fund

Topping up an Occupational Pension Scheme pension is one of the simplest and most effective ways of cutting your tax bill and increasing your retirement fund. An Additional Voluntary Contribution (AVC) is an extra pension contribution you can make if you are a member of your employer's Occupational Pension Scheme. AVCs offered by an employer's scheme

are sometimes referred to as 'In-House AVCs'. Some AVC plans attract 'matched' contributions from the employer and you should check if your employer offers this benefit.

7. Take advantage of the Open Market Option (OMO)

When you are nearing retirement, your pension provider will usually send you a quotation regarding your pension scheme. It's important you take advantage of the Open Market Option (OMO) to maximise your pension fund. The annuity offered by your pension company may not be the most competitive scheme and choosing the OMO could considerably increase the value of retirement income. The OMO is a legal right to buy a pension annuity from any provider on the market. This can apply to both a standard annuity and a with-profits annuity. Choosing the right pension annuity is extremely important, because once purchased, annuities cannot be switched to another annuity provider, changed to a different type of annuity or altered in any other way

8. Buy an annuity that pays out a higher income

If you enter retirement with a medical condition, or if you smoke, you could be eligible for an enhanced or impaired-life annuity. They work on the basis that you will have a shorter life-span than someone in a better state of health, essentially enabling you to use up your pension fund more quickly by giving you access to more money each year. It is always important to obtain professional financial advice, as the decisions you make determine the income you will receive for the rest of your life and you can't correct bad decisions later on.

9. Different retirement income alternatives

There are alternatives to purchasing annuities, including income drawdown, which enables older people to withdraw

small amounts of their retirement money annually as income and then leave the rest invested in the stock market with the aim of achieving better returns, although this is not guaranteed. Another option is 'phased retirement', where, rather than converting your entire fund into an annuity at the same time, you take the benefits of your pension gradually over a period of time, either by setting up an annuity or moving more money into income drawdown. These alternatives are not suitable for everyone. Therefore it is important, if you would like to know more, to obtain professional advice.

10. Get advice about the annuity rule changes

It has long been the case that anyone with a personal or company 'money purchase' pension had to purchase an annuity with their pension fund by the age of 75 (current temporary measures to age 77). But the Chancellor of the Exchequer, George Osborne, announced during the Coalition Budget 2010 the removal from April 2011 of the effective obligation to purchase an annuity by age 75. Consultations on these proposed changes are continuing and final rules are awaited.

This is a major change that will give many people more choice about how they make use of their money, but there will still be restrictions. You will almost certainly have to meet a minimum income requirement in order to benefit fully from the new flexibility. However, the changes will not mean the end of the annuity and, for most people, buying one could still remain the best way of securing a guaranteed income for life. ■

IF YOU'RE LOOKING TO ACCUMULATE WEALTH IN ORDER TO ENJOY YOUR RETIREMENT YEARS, PLEASE CONTACT US TO DISCUSS YOUR PARTICULAR SITUATION.



Absolute return funds

Achieving positive growth in bear as well as bull markets

During both bear as well as bull markets, absolute return funds aim to achieve positive growth. They offer ordinary investors access to a range of sophisticated investment techniques and seek to deliver a positive (or 'absolute') return every year regardless of what is happening in the stock market.

These funds deploy many of the same investment tools, such as futures, as those used by hedge funds, the objective being to provide a regular return above what is available through a cash savings account but with less risk than a standard stock market fund.

More adventurous investors use them as a core holding for their portfolio while buying more aggressive funds alongside them. With their potential to provide real growth, but more smoothly than traditional funds, they also appeal to more cautious investors.

Funds traditionally buy assets that they aim to sell later at a higher price, with any profit reinvested in the next idea. However, the stock market isn't always rising. Two events in the last ten years, the dotcom crash and the credit

crunch, caused significant setbacks in the markets, when most traditional funds fell in value.

Absolute return funds aim to make money when prices fall and reduce overall volatility by using more sophisticated investment techniques such as shorting. However, the success of this strategy is heavily dependent on the skill of the fund manager. Not only must they decide which stocks they think will rise in value, but also which will fall. The manager's decisions will therefore have the greatest influence on returns, rather than the direction of the market.

Instead of just buying and holding shares that the fund manager thinks will increase in value, an absolute return manager is able to take positions that will make the fund money if a particular share actually falls in value. In addition, managers can invest in a mixture of shares, bonds or cash accounts, all with the aim of giving a smoothed return to the investor.

In a quickly rising stock market the majority of absolute return funds will

underperform traditional funds but, when markets are tough, in theory they can still deliver annual gains. Performance between absolute return funds will vary as different managers employ different strategies and take their own view of the market. Some target higher returns than others and so necessarily take more risk, and not all absolute return funds are the same. ■

TO DISCUSS HOW WE CAN HELP YOU WITH YOUR INVESTMENT STRATEGY, PLEASE CONTACT US FOR FURTHER INFORMATION.

The value of investments and the income from them can go down as well as up and you may not get back your original investment. Past performance is not an indication of future performance.

Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent finance acts.