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Will you be forced to delay your retirement?

The impoverished state of pensions caused by the ongoing financial crisis

Where should I put my money?

Recession-proof your portfolio

Budget 2009

Chancellor increases tax rate on high earners'

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Your questions answered

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Inside this issue

Welcome to the latest issue of our personal finance and wealth management magazine. In this issue we look at what the Chancellor, Alistair Darling, had to say when he delivered his second Budget speech on 22 April. On pages 5 and 6, we provide our guide to the key announcements that could affect your finances.

Falling property values may result in inheritance tax (IHT) relief for families selling the homes of deceased relatives. On page 6 we look at how delays in finding buyers in this current economic climate may mean that some homes are being sold for significantly less than their 'probate' valuation, the amount calculated at the time of death and registered with the tax authorities.

An increasing number of people may be forced to delay their retirement plans because of the impoverished state of their pensions caused by the ongoing financial crisis. Pension funds have been affected by the stock market falls, and those who confidently assumed that their property would subsidise their retirement have seen their house prices fall. If you find yourself in this situation, take a look at the options on page 10.

At the time of going to press, the global financial crisis and events are changing very quickly, and some further changes are likely to have occurred by the time you read this issue. A full content listing appears on page 3.

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Maintaining the financial security of your business

Don't overlook your most important assets

Many businesses recognise the need to insure their company property, equipment and fixed assets. However, they continually overlook their most important assets – the people who drive the business.

Many fail to realise the impact on the financial security of a business that could result from the death or diagnosis of a critical illness of a key employee, director or shareholder.

Keyman insurance is designed to compensate a business for the financial loss brought about by the death or critical illness of a key employee, such as a company director. It can provide a valuable cash injection to the business to aid a potential loss of turnover and to provide funds to replace the key person.

Share or partnership protection provides an agreement between shareholding directors or partners in a business, supported by life assurance. It is designed to ensure that the control of the business is retained by the remaining partners or directors, but the value of the deceased's interest in the business is passed to their chosen beneficiaries in the most tax-efficient manner possible.

The above are essential areas for partnerships or directors of private limited companies to explore. We can help you to determine the level of cover you may need, any necessary trust

arrangements that could be required and provide agreements for you to use.

If a shareholding director or partner were to die, the implications for your business could be very serious indeed. Not only would you lose their experience and expertise, but consider too what might happen to their shares.

The shares might pass to someone who has no knowledge or interest in your business. Or you may discover that you can't afford to buy the shareholding. It's even possible that the person to whom the shares are passed then becomes a majority shareholder and so is in a position to sell the company.

A written legal agreement should be in place which would give the other directors or partners the right to buy the shares and gives the person to whom the shares have been passed the right to sell those shares to the remaining directors or partners.

To protect against these eventualities, each director or partner should take out a life insurance policy to cover a specified amount. ■

Business Protection and Corporate Financial Planning are integral to the service that we provide for our corporate clients. 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)

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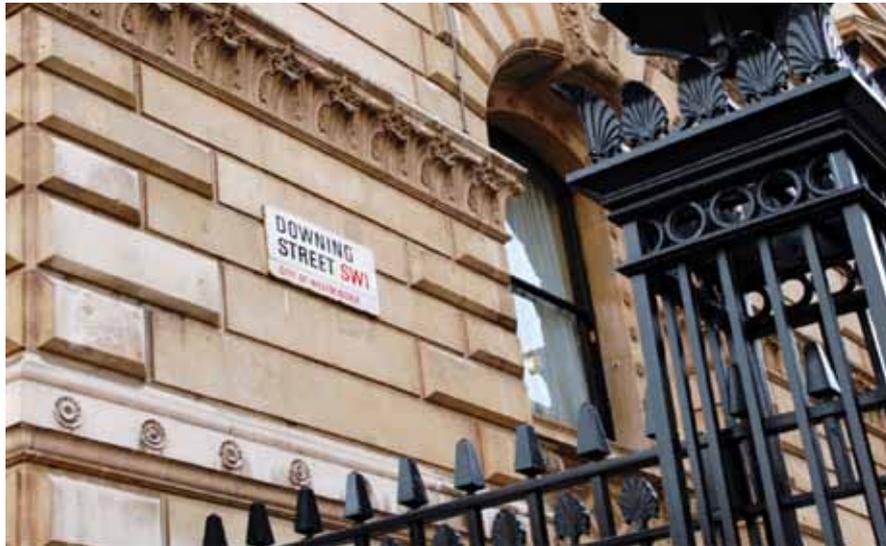
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Budget 2009

Chancellor increases tax rate on high earners

The Chancellor, Alistair Darling, unveiled plans during his second Budget speech on 22 April to increase taxes for the highest paid, rein in public spending and substantially increase borrowing to restore the public finances.

The economy is forecast to contract by 3.5 per cent in 2009, but growth is expected to resume 'towards the end of the year', according to the Chancellor.

Growth is predicted at 1.25 per cent in 2010, and the Chancellor said he expected the economy to grow at a rate of 3.5 per cent from 2011 onwards. The current public deficit was 'set to halve within four years'. He also said the Budget would cut growth in real spending on public services from 1.2 per cent to 0.7 per cent from 2011.

Public borrowing is set to reach a post-war high of £175bn this financial year, or 12.4 per cent of gross domestic product, falling to £173bn next year and £140bn the year after. The public sector net debt will almost double to 79 per cent of national income by 2013/14. After that it is expected to stabilise and then start to fall only from 2015/16.

The previously planned introduction of a new 45 per cent income tax rate on income over £150,000 from April 2011 will now be brought forward by a year, and the rate will increase to 50 per cent.

In addition, the personal tax allowance will be withdrawn for those earning more than £100,000 from next April, instead of a year later. From April 2011, the Exchequer also intends to restrict pension tax relief for those with incomes above £150,000.

Other measures included the introduction of a car scrappage scheme, paying buyers of new cars

£2,000 if they dispose of cars that are more than ten years old. The scheme will run until March 2010.

Public borrowing is set to reach a post-war high of £175bn this financial year, or 12.4 per cent of gross domestic product, falling to £173bn next year and £130bn the year after.

The government aims to cut carbon emissions by 35 per cent by 2020, and will offer additional funding for energy-efficient homes and buildings. There was also funding for green manufacturing.

The Chancellor doubled capital allowances for businesses this year to 40 per cent, in an effort to encourage companies to bring forward investment.

For savers, the annual Individual Savings Account limit has been increased from £7,200 to £10,200, half of which can be invested in cash. The new limit applies from October this year for the over-50s, and from April 2010, becomes available for all other savers. ■

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2009/10 Tax Tables

What do the numbers mean to you?

Income Tax personal and age-related allowances

Allowances	2008/09	Change	2009/10
Personal allowance (age under 65)	£6,035	+£440	£6,475
Personal allowance (age 65-74)	£9,030	+£460	£9,490
Personal allowance (age 75 and over)	£9,180	+£460	£9,640
Married couple's allowance* (aged less than 75 and born before 6 April 1935)	£6,535		**
Married couple's allowance* (age 75 and over)	£6,625	+£340	£6,965
Married couple's allowance* - minimum amount	£2,540	+£130	£2,670
Income limit for age-related allowances	£21,800	+£1,100	£22,900
Blind person's allowance	£1,800	+£90	£1,890

* Married couple's allowance is given at the rate of 10pc.

** In the 2009/10 tax year all in this category will become 75 at some point and will therefore be entitled to the age 75 and over allowance.

Additional higher rate of Income Tax from 2010

The Chancellor Alistair Darling announced during Budget 2009 that from April 2010 a new rate of Income Tax of 50 per cent will apply to income over £150,000. Also, the Income Tax Personal Allowance will be reduced for those with incomes over £100,000, tapering down to zero.

These changes are to replace the proposed 45 per cent Income Tax rate and the two-stage taper of the personal allowance announced in last November's Pre-Budget Report.

Income Tax - taxable bands

2008/09	£ per year	2009/10	£ per year
Starting savings rate: 10pc*	£0-£2,320	Starting savings rate: 10pc*	£0-£2,440
Basic rate: 20pc	£0-£34,800	Basic rate: 20pc	£0-£37,400
Higher rate: 40pc	Over £34,800	Higher rate: 40pc	Over £37,400

*There is a 10p starting rate for savings income only. If an individual's non savings taxable income exceeds the starting rate limit, the 10p starting rate for savings will not be available for savings income.

Budget 2009 at a glance

Were you a winner or a loser?

Take a look at our guide and see how your finances could be affected by Budget 2009.

Budget 2009 highlights

The Economy – Growth

The UK economy contracted by 1.6 per cent in the last quarter of 2008. Gross Domestic Product (GDP) growth for the year as a whole is expected to be -3.5 per cent.

Growth forecast of 1.25 per cent in 2010. From 2011, the economy will continue to recover with growth of 3.5 per cent from then on. In future years, the economy will recover towards a trend rate of growth of around 2.75 per cent.

Inflation is expected to reach 1 per cent by the end of this year. The Bank of England inflation target remains unchanged at 2 per cent. RPI inflation is forecast to remain negative, falling to minus-3 per cent by September, before moving back above zero next year.

The Economy - Borrowing

- UK figures for public sector net borrowing will be £175bn this year, 12.4 per cent of GDP. From 2010, borrowing will fall to £173bn, then £140bn, £118bn and £97bn.
- As a share of GDP, borrowing will be 11.9 per cent next year, 9.1 per cent in 2011/12, then 7.2 per cent in 2012/13 and 5.5 per cent in 2013/14.
- UK net debt, including the cost of stabilising the banking system, will as a share of GDP increase from 59 per cent this year to 68 per cent next year, 74 per cent in 2011/12, then 78 per cent and 79 per cent in subsequent years. It will stabilize and then begin to fall in 2015/16 rising to 79 per cent by 2013/14.
- The UK's current deficit is expected to halve within four years.

Income tax

- New 50 per cent tax rate introduced for those earning more than £150,000 to take effect from 6 April 2010.

- Personal allowances to be fully withdrawn for those with incomes over £100,000 from 6 April 2010.
- No income tax increases this year.

Pensions

- From April 2011, pension tax relief for those with incomes over £150,000 will be restricted so that it is gradually tapered to the 20 per cent rate.
- Basic state pension increased by at least 2.5 per cent, regardless of the Retail Price Index.
- Capital disregard on Pension Credit is to be raised from £6,000 to £10,000 from November 2009.

Education

- £250m will be provided this year and £400m in 2010/11 for an additional 54,000 places in sixth form and further education colleges, with consequential provisions for Scotland, Wales and Northern Ireland.

Housing

- The stamp duty holiday on properties sold for less than £175,000 will be extended until the end of 2009.
- An extra £80m is to be given to the HomeBuy Direct, the government's shared equity mortgage scheme.
- An extra £1bn will be provided to help homeowners and boost housing.
- A scheme will be introduced to guarantee securities backed by mortgages in a bid to increase lending.
- £500m of extra financial support will be provided for housing projects, including £100m for councils to build new energy-efficient housing.
- £50m to accelerate the modernisation of housing for military families.

Environment

- £435m extra support for energy efficiency measures for homes, businesses and public places.
- Additional £1bn to help combat climate change by supporting low-carbon industries and green jobs.
- £525m of new support will be given over the next two years for offshore wind projects.
- £405m to encourage low-carbon energy and advanced green manufacturing in Britain to drive new technology and investment in small-scale projects.
- Most energy-efficient new power stations using combined heat and power (CHP) technology to be exempt from climate change levy.

Jobs

- An additional £1.7bn for Job Centre Plus and the New Deal is to be provided.
- Additional support for people who have been out of work for 12 months.
- From January, everyone under the age of 25 who has been jobless for 12 months will be offered a job or a place in training.
- £260m of new money allocated for training and subsidies for young people to help them gain skills and experience.
- Statutory redundancy pay will increase from £350 to £380 a week.

Welfare

- The child element of the Child Tax Credit to increase by £20 from April next year.
- £100 extra for Child Trust Fund vouchers for new babies with disabilities, extra £200 for those with severe disabilities.
- Grandparent care for young relatives to count towards basic state pension.

Savings

- Annual Individual Savings Account limit to be increased from £7,200 to £10,200, half of

which can be invested in cash. New limit introduced this year for over-50s, next year for all other savers.

Pensioners

- Pensioners' Winter Fuel Allowance is to be kept at the higher level of £250 for over-60s and £400 for over-80s for another year.

Tax avoidance

- The aim is to raise £1bn of extra revenue over the next three years by closing tax loopholes and schemes.

Government

- Efficiency savings from 2011 are expected to give a further £9bn of additional savings a year by 2013/14.

Financial services

- Treasury paper to be published with recommendations for wide-ranging reform of financial services, including action to reduce the impact of the failure of financial firms.

Motoring

- A car scrappage scheme introduced from this May to provide motorists with a £2,000 discount on new vehicles bought when they trade in cars over ten years old. The scheme will end in March 2010.

Other announcements

- Alcohol duties increased by 2 per cent.
- Tobacco duty increased by 2 per cent.
- Fuel duty will increase by 2p per litre in September and then by 1p a litre above indexation each April for the next four years.

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Budget 2009

A Budget for Business

The highlights at a glance

Loss-making companies can reclaim taxes paid on profits made in the past three years to November 2010.

Extension of scheme allowing businesses to defer tax bills.

Support for companies' cashflow, with a top-up trade credit insurance scheme to match private sector trade credit insurance provision.

Businesses' main capital allowance rate doubled to encourage firms to bring forward investment.

New £750m investment fund to provide financial support to emerging technologies and regionally important sectors in advances businesses.

Enhanced tax relief to support investment of £50bn this year, including £10bn to support the communications sector and extend the broadband network.

Incentives to encourage smaller North Sea oil fields to be brought into production.

Post-Budget business wealth check

Talk to us about our comprehensive planning service

Following any Budget, and certainly during this period of economic downturn, we believe it is important that all businesses consider their corporate financial planning requirements. Talk to us about our comprehensive planning service designed to meet the distinct and changing needs of you and your business.

We can assess and recommend planning actions which aim to enhance and protect your business interests.

Comprehensive planning service

- Corporate Financial Planning Review and Advice
- Directors' Pensions and Small Self-Administered Schemes
- Shareholder Protection and Keyman Insurance
- Employee Benefits

Whatever the size of your business, if you require objective professional advice on corporate financial planning, please contact us for further information.



Housing market fortunes

Could you end up paying too much tax?

Falling property values could result in inheritance tax (IHT) relief for families selling the homes of deceased relatives. However, delays in finding buyers in this current economic climate may mean that some homes are being sold for significantly less than their 'probate' valuation, the amount calculated at the time of death and registered with the tax authorities.

As the value of an individual's estate is usually dominated by their home, the significant rise in property prices over the past decade has taken many over the £325,000 (2009/10) IHT threshold at which surviving children or other relatives, except a spouse, pay 40 per cent tax.

IHT is based on the valuation at the time of death, so it makes sense to have a full survey of the property. Otherwise, if the figure is passed to HM Revenue & Customs (HMRC) based only on an estate agent's marketing valuation, without a survey, it may be rather bullish and you could end up paying too much tax.

As a result of the credit crunch, falls in property prices have been far-reaching, and the sellers of probate properties could potentially claw back a significant amount if the estate has vastly reduced.

When UK house prices were rising, it was common for the sale price of a property to exceed the probate valuation, in which case capital gains tax was payable on the difference. The reversal in housing market fortunes has thrust the tax relief into the spotlight, and application for the process must follow a set, clear path.

First, when an estate worth over £325,000 is left to children, say, or if no will exists, the executor must as usual arrange for the estate to be valued and the recommended figure be reported to HMRC.

An appeal against the value of the estate because of an inflated property value has to be made within four years of the date of death. You'll need evidence, first, that the eventual sale was made on the open market for a realistic figure.

Fluctuating asset values also mean that now is a good time to review your will, or write one if you don't have one. Typically, people leave gifts on two bases: their monetary value and their sentimental value. Usually, this is based mostly on the approximate calculation of physical items such as property, equity portfolios or cash in the bank.

However, the credit crunch, economic downturn and recession mean that these calculations can now be significantly awry and the benefactors may, albeit inadvertently, leave vastly different values to the beneficiaries.

If a death has already occurred, you could use the HMRC loss relief rules that already exist to ensure that you don't pay inheritance tax based on the price of an asset that has fallen dramatically between death and sale. ■

Minimising your inheritance tax liability is all about a long-term planning strategy. If you would like to discuss your current situation, please contact us with your enquiry.

Absolute return funds

Making money during both rising and falling markets

Absolute return funds aim to make money for investors during both rising and falling markets. They look to give a better return than holding cash by using the powers for shorting stocks – that is, selling shares they do not own in the hope that the price will fall – and other hedging techniques that are now open to conventional fund managers under European directives.

Investors should not expect the funds to make money for them month in, month out. Over the medium term they aim to produce positive returns, but not all absolute return funds are that consistent. In the retail market, most absolute return funds aim to be cautiously managed and shouldn't take on too much risk.

These funds can be expensive, so the onus is on the managers to justify their fees. Most will charge a flat annual fee, plus a performance fee which is generally a percentage of the return above Libor, the interest rate that banks charge each other.

These are very specialist investments and professional advice should always be taken to ensure that they meet your risk-for-return requirements. Investors need to look carefully at the fund in which they invest, which should meet their risk profiles and objectives.

If a fund promises exceptional returns, then it will probably be cautiously managed; likewise, if it is cautiously managed, it could underperform in a bull market, one in which share prices are rising. These funds should provide stable returns and form part, but not too large a part, of a well-diversified portfolio. They can be used to reduce the volatility of investments, helping to maximise returns. ■

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 to 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.

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Moving your pension

Bringing your money under one roof

Many of us may have two or three careers during our working lives, and that could mean we head into retirement with a number of different pensions, both workplace and personal. This has the advantage of diversification and of spreading our investment risk. But there may also be downsides, particularly in terms of converting these retirement funds into an annuity.

The most obvious reason for moving a pension is to achieve hopefully better investment performance and lower charges to boost retirement income. However, the disadvantage of consolidating your pension funds is that you may have penalties imposed by insurers for moving your money. In such instances, you need to think very carefully before combining.

Pensions taken out ten or so years ago could also be subject to exit penalties of as high as 15 per cent. And if you are close to retirement you might not have time to recoup the costs, even if you do move to a better-performing fund.

You might well have several different types of pension. The gold standard is the final-salary scheme, which pays a pension based on your salary when you leave your job and your years of service. Final salary schemes, which offer guaranteed benefits to members, have been facing pressure from falling stock markets, falling interest rates and growing life expectancy. If you have any past or current contributions in a final-salary scheme, and are concerned about the security of the scheme, it is essential that you receive professional advice before moving your money.

Your past employer might try to encourage you to move your pension away by boosting your fund with an 'enhanced' transfer value and even a cash lump sum. This may still not compensate for the benefits you are giving up, and you may need an exceptionally high rate of investment return on the funds you are given to match what you would get if you stayed in the final-salary scheme.

If you've got any other kind of pension, a money purchase

occupational scheme or a personal pension, you can consider bringing all your past pensions into one place. These pensions rely on contributions and investment growth to build up a fund. When you retire, this money can be used to buy an annuity which pays an annual income or you can take out an unsecured pension but this is dependant on your circumstances.

It can often make sense to bring these pensions under one roof, as you may benefit from lower charges and you might be able to boost performance. A key advantage of moving your funds into one pension pot is the ability to monitor fund performance more easily, however a full review of your circumstances including your attitude to risk and existing policies should be carried out prior to any decisions being made. ■

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NEED MORE INFORMATION?

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If you have money in some past pension schemes and would like to discuss your options, please contact us for further information. As you will appreciate by bringing together past pensions into one place there is no guarantee that this will boost performance or achieve higher growth.



State pension age is increasing. From 2026, it will increase to 66, increasing gradually to 68 by 2046.

Corporate retirement planning

Choosing the right pension scheme options for you and your employees

If you're a business owner there are many different pension options available both to you and to your employees. We can help you navigate this complex area and advise you on how to make sure that you choose the most suitable pension schemes available for your particular requirements.

Offering employee benefits such as pensions is a very effective solution to attract and retain good staff. Talk to us about how we could help you take advantage of the options available and tailor a package that really works for your business.

If you currently employ five or more staff, you need to offer them access to a Stakeholder pension, unless you are exempt, for example, if you have an existing qualifying scheme. You don't have to actually contribute yourself, but you must facilitate employee contributions.

From 2012, if current pension legislation proceeds, you will either have to contribute to a national scheme called 'Personal Accounts' for your employees or offer a private scheme that makes them exempt.

In addition, from 2012 to 2015 you could also have to contribute 3 per cent of employee band earnings. Band earnings are currently proposed to be between £5,035 and £33,540 for employees, staggered over this period. You should plan ahead for these potential changes as you could be faced with an increase in your wage bill.

State pension age is increasing. From 2026, it will increase to 66, increasing gradually to 68 by 2046. It is also important, therefore, to plan for the effect these changes could have on your business.

If you are the owner of a business, pensions are investment plans specifically designed to help you save for your retirement. They can also be a very tax-efficient way of drawing money from the business. Pensions shouldn't be dismissed without careful consideration. However, if you don't like the idea of investing in a pension, talk to us about other possible alternatives.

If you are currently in the early days of building your business, you should be mindful of the dangers of relying on this entirely to support your retirement years. One advantage of having your own pension provision is that you can build up wealth independently of your business, essential if your business isn't as successful as you had planned.

Pension funds do not just invest in stocks and shares. Most plans allow you to invest

in all the main asset classes, including cash, fixed interest, property and shares, allowing you to tailor your plan to meet your own preferences. Self-Invested Personal Pensions can offer even greater choice for the more sophisticated investor. ■

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If you would like to talk to us about the different retirement options available, please contact us for more information.



Will you be forced to delay your retirement

Advice is invaluable, particularly when you are dealing with more complex financial products

An increasing number of people may be forced to delay their retirement plans because of the impoverished state of their pensions caused by the ongoing financial crisis. Pension funds have been affected by the stock market falls, and those who confidently assumed that their property would subsidise their retirement have seen their house prices fall. Add to this the fact that annuity rates have also fallen, due largely to increased longevity and declining gilt yields.

As a result, many of those who are fast approaching retirement are suddenly aware that their pension fund isn't sufficient to provide the standard of living required during their retirement. This leaves them in the invidious position of either delaying retirement and working longer or accepting a far lower standard of living in retirement. So if you are approaching retirement and find yourself in this position, there are steps that you can take which may improve your pension situation.

Firstly, we believe that it is essential that you receive professional advice so that you can assess your options. You also need to take measures which aim to protect your existing pension funds from any further sudden market falls.

Should you make a conscious decision to move your funds into safer cash and fixed-interest investments now, effectively selling out at a low point of the market?

Alternatively, should you keep your investments exposed to the stock market and hope there will be a recovery between now and your retirement date?

Your decision will depend on your attitude to risk for return, whether you have any other pensions or investments to fall back on and how long it is until you retire. Some may even consider delaying their retirement for a year or two hoping for a recovery in the stock market.

Retirement for many today is rarely an all-or-nothing decision, where one day you are collecting a salary and the next your pension plan is converted into a fixed income for life. While your pension fund may not be big enough to buy you sufficient income today to provide the standard of living you want, you may still be able to achieve this in future if you look at 'phased' options. This may mean working part-time, doing consultancy work or taking a retirement product that enables all or part of your pension fund to

remain invested, potentially giving you a higher income in future.

It's not only your pension you need to consider. Do you have other savings and investments that can be used to supplement your income?

There are also a number of new annuity products that are designed to provide a 'halfway house' between the security of a conventional annuity and the investment freedom of an unsecured pension. New annuity products, so-called third way annuities, aim to provide the best of both worlds. Alternatively, there are now fixed-term annuities, which give pensioners the option of re-annuitising after five years. The guarantees offered by these products do come at a cost and they are not very popular in this country.

In the current recessionary climate, many are concerned about deflation. But if the economy does pick up again, either this year or next, then inflation could once again become a big problem, particularly given the government's recent strategy of quantitative easing, or 'printing money'.

Inflation can be particularly damaging to those on a fixed income, as it means that, in real terms, the buying power of your pension decreases. There are a number of ways to 'inflation-proof'

your pension, although all come at a cost, usually of receiving a lower starting pension. But if inflation does take off, then these could prove to be a good option.

Those buying a standard annuity can simply opt for it to increase at a set amount, so it should keep track with price inflation. Alternatively, an annuity (or unsecured pension) that leaves your pension fund invested may achieve a similar result if the stock market recovers. ■

Advice is invaluable, particularly when you are dealing with more complex financial products such as the new generation of annuity products. But even with more basic annuity products, it makes sense to explore your options so that you make the right decisions about the various pension products available. For more information, please contact us.

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Where should I put my money?

Recession-proof your portfolio

The big question that all savers and investors are asking during this period of economic downturn and low interest rates is: 'Where should I put my money?'

Banks no longer seem the secure bastions they once were, although savers should, if possible, keep a sense of perspective. In this economic climate it certainly pays to err on the side of caution, but this does not mean withdrawing funds from the banks completely.

Those who want to take a more cautious approach should ensure that no more than £50,000 is deposited in any one institution. This is the amount protected under the Financial Services Compensation Scheme (FSCS) for deposits, and is the total amount protected across any one banking group. To further complicate matters, some groups have kept a separate banking licence for each of their subsidiaries.

It is also worth noting that these limits apply to each individual person, not per account. So if you have a joint savings account, up to £100,000 is covered under the FSCS (for deposit accounts) if two names appear on the account.

Make sure you are not holding your money in accounts paying a low rate of interest, as your actual return after the effects of inflation could be negative. Don't neglect to utilise your Cash Individual Savings Account allowance. Consider, too, Index-linked certificates from National Savings & Investment, which guarantee to beat the Retail Prices Index over either three or five years, free of tax; however, your money is tied up for the term of the certificate. If you have sufficient emergency cash savings, government gilts are another lower risk option.

By taking a longer-term view of at least five to ten years, you may wish to consider investing in equities. Much of this will depend on your attitude towards risk for return. No-one can predict how long this current turmoil will go on for, or how low markets will continue to fall. Investing in equities has historically been a good long-term hedge against inflation, particularly when the shares delivered a growing dividend stream. It's worth remembering that dividend income can equate to a significant share of total returns.

In five years time, if you believe things will be better, then it probably makes sense not to get out of the stock market completely. However, in the medium-term, it's worth bracing yourself

for more turbulence during this interim period. Also, it is crucial to keep a disciplined approach to investing and not to forget your long-term goals. Now would be a prudent time to review your current holdings with the aim of ensuring that you have a balanced portfolio that matches your risk profile.

If you have regular savings plans, whether these are monthly contributions payable into Individual Savings Accounts or pensions, don't be unduly worried. Even during this period of market turbulence, putting money into the market at regular intervals means that you benefit from buying shares or units of funds at lower prices than when markets were higher. Effectively this may mean your savings plan or pension is better value for money today. And this should put you in a good position to benefit from future upturns.

The situation could be somewhat different if you are within five years of your retirement. You may not have sufficient time to see your investments recover in value. During this period in the run-up to your retirement, it may make sense to reduce your risk and stock market exposure. If you are considering a Self-Invested Personal Pensions although they offer greater flexibility, they are not suitable for everyone and are likely to incur higher charges. ■

If you have any concerns and would like us to review your current savings and investments strategy, please contact us to receive a professional assessment of your particular situation.

The level of security attached to equity investments is not the same as for bank and building society accounts. Stocks and shares are not as secure as bank accounts and by seeking the potential to achieve capital growth you are increasing the chances of depleting your money.



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Retirement matters

Your questions answered

Q: I'm 39 and don't have a pension. Should I wait until after the economy recovers before I commence my pension provision?

A: As a general rule and if appropriate to your particular situation, you should start saving as soon as possible. The longer you delay your pension planning, the more you will eventually have to pay. If your employer offers a pension, take it; if they do not, start your own personal pension. The pension system was overhauled in 2006 and, as a result, the industry has become more transparent. Pensions are also a very tax-efficient way of investing for your future, and depending on the type of pension provision you choose, now could be a good time to invest in pensions, when you can buy more shares or units for less.

Q: I am relying on my property for my pension instead. Isn't that a good idea, long term?

A: Relying only on your property is tantamount to putting all your eggs in one basket. Although property has proved to be a very good investment for so many over the past decade, the market is in a different cycle now. It would be prudent to diversify your investments beyond just the property market.

Q: So what different kinds of pension are there? What should I go for and how do I go about it?

A: If you are offered a pension by your employer, it is usually the best option as they may provide a contribution, so they are effectively giving you money. If you are self-employed or not eligible for a company pension, you have several options. You could opt for a Self-Invested Personal Pension, which allows a more flexible approach. An alternative is a stakeholder pension, introduced in 2001 as an easy-to-understand pension with lower charges. Or, there is the personal pension, which may offer more investment choice than a stakeholder plan.

Q: Should I take a couple of years off paying into my pension while times are uncertain?

A: If you are contemplating taking this action, don't do it if you can possibly help it. Any kind of break could have a big impact on your cumulative total and will affect the amount of money you have available during your retirement years.

Q: I am coming close to retirement age. Should I be worried about my pension fund having dropped?

A: If you are not retiring for another ten years, you still have time to ride out the current market volatility and hopefully enjoy the higher long-term returns that equities generally provide. If you have five years or less before you retire it is important to obtain professional advice, as much will depend on what your pension has been invested in. If you have just a year to go, it may be wise to consider decreasing your exposure to risk. First, get an up-to-date fund value from your pension provider. If your pension fund has been hit by the recent market fall, your aim should be to discuss ways of minimising turning your paper losses into real ones.

Q: I am approaching my retirement. Can you tell me what an annuity is?

A: Pension savings may be used at retirement to buy an annuity, which pays you a guaranteed income for the rest of your life, but you don't have to buy it from the provider you have been using for your pension

plan. An 'Open Market Option' enables you to shop around to find the best deal. The more you put in, the higher the annual payout you will receive.

Q: I didn't decrease my exposure to stock market-based investments prior to the commencement of the current economic turbulence and have seen the value of my pension drop. Is it possible to delay taking my pension?

A: You could delay your retirement and buy your savings some time in a bid to help them recover. Or consider keeping the majority of your pension pot fully invested by going for an unsecured pension, if you are risk averse, and taking only your tax-free cash sum now. The disadvantages are that whilst invested, your funds could fall as well as rise. If the value of your fund goes down, you would have less to purchase an annuity in later years. There would also be an ongoing need to regularly review your pension fund whilst in deferment. By deferring the purchase of an annuity, any annuity cross-subsidy would be missed. However, you could take up to 25 per cent of your total fund value when you retire to provide you with an income for a few years. Also, consider looking at any liquid assets you could use, such as Individual Savings Accounts, to generate short-term income. Hopefully the stock markets will improve, although the risk is that annuity rates could drop. But phasing may help you to balance out this problem. ■

If you would like us to answer any of your retirement questions, please contact us.