GROUP Rapport

Autumn 2014

financial FOCUS

Women and pensions – time to get serious

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Revolutionary Critical Illness Cover – Now Available in UK

Preferred Care is a revolutionary new concept in health insurance offering people a 30% higher chance of surviving critical illness through access to world leading expertise, drugs and technology in the US.

Preferred Care offers

- Treatment in leading US medical centres for all cancers (except non-invasive skin cancer and cancer in the presence of HIV), heart surgery, neurosurgery, major organ transplants.
- Verification of initial UK diagnosis by experts at Harvard medical school in the US
- Optimum treatment plan based on this diagnosis
- Return travel to, and accommodation for, the person being treated and a companion in the US
- All hospital, treatment and consultant costs in the US, up to $2million per episode
- Treatment at a hospital in the top 1% of the US for that particular condition
- Informed patient participation throughout and a personal care manager to support the patient through every step of the process

The above is a summary – Key Facts document is available for full details.

Main Reasons for US

- The US spends $405.3bn each year on medical research and development compared to $38.4bn in the UK
- Some cancer treatments such as Proton Beam Therapy have been readily available in the US for many years but are still not available in the UK
- Experience and volume of cases seen

Preferred Care can perfectly compliment an existing medical insurance policy, but is equally as effective as a standalone product, and comes at a surprisingly low cost. Access to potentially life saving treatment not available in the UK is certainly no longer out of reach for you, your employees or loved ones.

WHAT DOES IT COST?		
Age Band	Annual Premium *	Monthly Premium ** (over ten months)
1 - 19	£148.91	£15.78
20 - 29	£189.93	£20.13
30 - 34	£276.41	£29.30
35 - 39	£399.46	£42.34
40 - 44	£595.63	£63.14
45 - 49	£786.43	£83.36
50 - 54	£1,015.59	£107.65
55 - 59	£1,338.37	£141.87
60 - 64	£1,709.30	£181.19
65 - 69	£2,129.88	£225.73
70 - 74	£2,416.73	£256.17
75 - 79	£2,502.34	£265.25
80 - 89	£2,562.27	£271.60
90 - 99	£2,624.08	£278.15
* Includes 6% IPT		
** Includes 5% premium finance charge plus an annual administration charge of £15		

Individual Private Healthcare – Your Current Provider Will Not Want You To Know This..

There has been significant change in the private medical insurance markets for individuals. You may be surprised to hear that transfers between providers are now possible. New rules mean that if you have not made a serious claim in the last 12 months you can secure full cover for pre-existing conditions and you are not stuck with your existing, uncompetitive provider. The market has changed in favour of the consumer and choice.

Looking beyond student loans

The new academic year is underway and with it comes more student borrowing.

Quite how much each student can borrow towards tuition fees and maintenance depends on which part of the United Kingdom they come from, family income and where their chosen university or other higher education institution is located.

Scottish students in Scotland pay no fees and there are varying levels of fees elsewhere in the UK. Worst off are those students with English roots who in 2014/15 face borrowing:

- Up to £9,000 to cover tuition fees.
- Up to £5,555 to cover living costs away from home (£7,751 if studying in London).

This will be the third year of £9,000 tuition fees and while the Government had originally hoped that competition would keep fees well below the £9,000 cap, in practice the average fee in 2013/14 was £8,499. It doesn't take a mathematics degree to calculate that a three year course could easily leave the newly job-hunting graduate with debt of over £40,000, even before inflation is taken into account. The London university leaver could have accumulated £50,000 of loans, virtually double the median graduate starting salary in 2014.

Once the course is completed (or the student leaves college), the borrowing ends and the potentially long process of repayment begins. The rule for this year's student intake is that repayment does not start until earnings exceed £21,000 a year and, in any case, will not begin before April 2016. Repayments are then at the rate of 9% on the excess, so a graduate with an initial salary of, say, £25,000 would pay £360 a year (9% x [£25,000 - £21,000]). That doesn't sound too bad until you consider:

- The 9% is coming out of income that has already suffered 20% income tax and, probably, 12% national insurance contributions. So for each extra £1 earned, only 59p is retained.
- Student loans are not interest-free, but carry inflation-linked interest that varies between RPI and RPI + 3%. In the first instance, that £360 in the example may not do anything more than slow the pace at which the debt grows.

  The well-respected Institute for Fiscal Studies recently examined the likely repayment pattern for today's (English) students and estimated that:

- The average graduate will start working life with debt of over £40,000 (in 2014 prices).
- Nearly three quarters of all graduates may not repay their debt by the end of 30 years after graduation, at which point the outstanding amount will be written off.
- That average write off – in their early 50s for the typical graduate – may be about £30,000.

If you have children (or grandchildren) at university or planning to go, those numbers should give serious pause for thought. For many graduates, student debt will be a factor for at least the first half their working lives, reducing their net income and potentially limiting the amount of mortgage they can raise. If you want to help out financially, then the obvious courses of action – supplying funds to replace loans or paying off part or all of the debt – may not make sense. Either could simply be saving the Government money on debt it would otherwise eventually forgive.

As a result, in terms of financial assistance you now need to think beyond the issue of loan repayment. Your aim should focus more on a flexible build up of capital for your graduate (grand) child, so that their student debt becomes less of a deadweight on their life plans. And as with so much else involving children, the sooner you start planning, the better…

Women and pensions – time to get serious

The age at which people can start to take the state pension is changing and women are particularly affected. Until 5 April 2010, women were still able to receive a state pension at age 60 but a woman currently aged 45 now has to wait until she is 67 for her state pension.

Some studies show that women can be better money managers than men because they tend to be more conservative and do their homework. However, there does seem to be a major problem for many women when it comes to providing for their pension. A recent Scottish Widows 'Women and Pensions' report stated "by the time they retire, 41% of women have realised they didn't prepare adequately compared with only 24% of men."

Someone retiring now may expect to spend 40% of their adult life in retirement. For women particularly, this time of life can be long lasting, enjoyable and fulfilling. The proviso is that there needs to be a sufficiently high income to allow for a desirable lifestyle.

Status is immaterial

Single, separated, divorced and widowed women are in no different a position from a man when it comes to the need to provide for adequate income in later life. Any woman or man who relies on state pension benefits alone will be in for a great disappointment.

Married or in a civil partnership

Married women and those in civil partnerships or who are in long-term relationships, may be relying on their partner's pension to provide for them as well. This ignores the possibilty of their partner's death, or even divorce, separation or one of the many other potential major upheavals in life. In such circumstances, any pension can be very much reduced compared to the amount that might have been paid to both partners in retirement.

Divorce and separation

A divorced woman may now receive some pension benefit if her former husband or civil partner had a pension. However, this is most unlikely to be anywhere near the real value of the income in retirement that she might have expected if they had stayed together.

Divorce is highly likely to lead to financial difficulties in retirement planning. Some 40% of those planning to retire in 2013 had been divorced and were less likely to have private pensions and more likely to retire with debts, according to 'The Prudential Class of 2013' study. They were also less likely to believe they were financially well prepared for retirement.

In general, it makes a great deal of sense for women to make sure they build up adequate pensions of their own.

Redundancy of a spouse or partner

Women planning for their future also have to contend with the possible redundancy of a spouse or partner, or the failure of their business. In such events pension contributions naturally cease and any resulting pension would be very much reduced from that which would be otherwise expected.

Tax savings

There are often sound tax reasons in many families for ensuring that both spouses have pensions. It is still common to encounter wives, for example, who have little or no income in retirement and are therefore not making full use of their personal allowance, under which the first £10,000 of their income is tax-free. At the same time, the husband may be paying income tax on his pension and income from other sources at 20%, 40% or even 45% in a few cases. It is also not unusual to find a husband paying at least 40% in retirement while his wife pays no tax or tax at just 20% because she has a much lower income.

Often this position can be corrected by the spouse transferring income-bearing investments over to her – assuming they are prepared to do this. But in general, it makes a great deal of sense for women to make sure they build up adequate pensions of their own.

We are here to advise you should you need help with pension planning.

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. The value of tax reliefs depends on your individual circumstances. Tax and pension laws can change. Any levels and bases of, and reliefs from taxation, are subject to change.

New ISA limits – lucky 16 (and 17)?

The introduction of New ISAs (NISAs) on 1 July and the new higher limits for Junior ISAs (JISA) have created a curious anomaly. 16 and 17 year-olds now have an investment limit of £19,000 per tax year – £15,000 in a cash NISA and £4,000 in JISA – more than any other age group. We can help should you need advice. The value of tax reliefs depends on your individual circumstances. Tax laws can change. The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

Investments that can improve the world

Ethical investing in the UK has been available since the 1960s. But, it has only really been of interest to investors with serious concerns about such issues as the environment or the working conditions in developing countries.

It is estimated that there is now around £12.2 bn invested in UK green and ethical retail funds. While such funds tend to be referred to under the generic name of 'ethical funds' or increasingly often 'socially responsible investments' there are differences that can be very important for particular investors.

Ethical funds

Funds that call themselves 'ethical' or 'socially responsible' tend to apply negative standards when deciding which companies to invest in. For example, they may avoid investment in companies which are involved in the production of alcohol, tobacco and pornography. They may avoid companies that supply armaments, or operate in countries with oppressive regimes.

Green funds

Funds that call themselves 'green', concentrate largely on what has become known as 'green consumerism'. In many green funds you will find stocks such as Marks & Spencer and Tesco because they sell organically grown vegetables and detergent that is said to be environmentally friendly.

Many green funds are passive, investing in companies that they believe do not actually damage the environment 'too much'.

Environmental funds

Funds that call themselves 'environmental' do not apply ethical criteria as such. Their main aim is to invest in companies with a significant involvement in improving or maintaining the quality of the environment.

A size issue

It is important for investors in ethical funds to realise that nearly all such funds are heavily invested into smaller companies. The screening process has tended to drive ethical funds away from large companies. However, when we speak of 'smaller companies' these are usually defined as those with a capitalisation of less than £200m.

Anyone thinking of investing into an ethical fund should appreciate the impact that investing predominantly in smaller companies could have on the short-term performance of their investment. Such funds are predominantly suitable for growth investments rather than producing income. There is a wide choice of ethical investments and in order to ensure funds are chosen to suit your circumstances, you should seek financial advice.

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Tax, pensions, and politicians

As pension reform continues, there is a new protection option to consider, along with fresh threats to the future of tax relief.

Individual Protection, a new option to protect your pension benefits from tax, is now available. On 6 April 2014 the lifetime allowance, which effectively sets the normal maximum tax-efficient total value of your pension benefits, was cut to £1.25m. Individual Protection allows you to keep a lifetime allowance equal to the value of your pension benefits on the day before that reduction, subject to a maximum of £1.5m.

To be eligible to claim Individual Protection:

- Your pension benefits on 5 April 2014 must have had a total value exceeding £1.25m; and
- You must not have already chosen Primary Protection.

If you are eligible to claim Individual Protection, you should discuss the option with us before taking any action. An early start makes sense, as gathering the values of your pension benefits can be a slow process.

The tax treatment of pensions

How pensions generally are taxed looks set to return after next year's general election. The current pensions minister, the Liberal Democrat Steve Webb, has called for tax relief on pension contributions to be at a flat rate of 30%, while the Labour Party is also talking about restricting tax relief to basic rate for some high earners. As yet the Conservatives have said nothing about future plans for tax relief. However, the Centre for Policy Studies (CPS), a think tank with links to the party, has proposed scrapping tax relief completely and replacing it with a Government top up of 50p per £1 of savings, up to a maximum of £8,000 annual savings.

Contribution tax relief is one of the few remaining 'low hanging fruits' for politicians who are anxious to raise revenue with the minimum amount of public outcry. In other words, if you are planning to make a large pension contribution, it seems wise to consider doing so before the polls close. This is a complex area of retirement planning and you should seek financial advice so individual circumstances can be considered.

The value of tax reliefs depends on your individual circumstances. Tax and pension laws can change. The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

The other bricks and mortar

It is not only residential property that is rising in value.

The UK's fixation with house prices is once again to the fore, with a relentless stream of press comment and increasing regulatory activity aimed at preventing a housing bubble. Much less attention has been paid to the commercial property market, which is also enjoying a strong revival.

The recession hit commercial property values hard, with a decline from the 2007 peak to the 2009 trough of 44%. However, since May 2013, commercial property values have risen each month, bringing total growth by June 2014 to 10.1%, according to Investment Property Databank (IPD). Prices are "still well below the peak levels of 2007" according to IPD, which means rental yields remain close to 7%. It is therefore no real surprise that in May, commercial property was the most popular fund sector for individual investors.

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investment in property should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

Estate planning: changes ahead

New and future legislation are set to change some longstanding rules.

The Inheritance and Trustees' Powers Act 2014 will affect many estates in England and Wales when it comes into force, probably on 1 October. It substantially changes some of the rules of intestacy, which determine how your estate is distributed if you die without a valid will. For example, the Act says the survivor of a childless married couple or civil partners, will inherit the whole estate, rather than part potentially passing to the deceased's parents, siblings or the siblings' children. The Act undoubtedly improves the intestacy provisions, but is still no substitute for a properly drafted will.

There has also been an announcement of the 'simplification' of the inheritance tax treatment of most trusts. Legislation is due next year, but some changes were effective from 7 June 2014. As often happens when 'simplification' is promised, some tax saving opportunities have disappeared. Full details are awaited, but it is already clear that fresh gifts into existing trusts need careful consideration. The use of trusts in wills is also likely to require review, even if you made your will before 7 June.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate will writing or tax and trust advice.

Beware of phishing – HMRC warning

Most people are astute enough to ignore dubious emails purporting to be from their bank and asking for details of their account. Bogus HMRC emails, however, offering a tax refund can catch some people out – particularly if they are actually due a refund.

The aim of such 'phishing' emails is to obtain bank account or credit card information, and HMRC have warned of a recent surge in their use. Be particularly careful of links to what looks like the homepage of HMRC's website, and of course do not download any attachments. Remember – HMRC only contacts customers who are due a tax refund by post, never via email.

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