FOCUS

SHARING A WEALTH OF WISDOM

WINTER 2014

AUTUMN STATEMENT

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SEMINAR:
EXPLAINING THE AUTUMN STATEMENT
21ST JAN 2015

BOOLERS

FINANCIAL PLANNERS CII CHARTERED

2014/15 tax year will go down in pensions history as being immensely radical. My last article focused on the income drawdown changes with the potential of complete flexibility and how income levels are chosen for each individual's drawdown fund.

When making these announcements the Chancellor promised a review of death benefits. For large parts of the summer months it was anticipated that this review would yield an alteration to the flat rate tax charge of 55 pence in the pound to, lets say, harmonise at 40% to match the Inheritance Tax charge. Certain articles written in the late summer hinted at more detailed changes. They arrived as a headline act in the Tory Party Conference. The thought of tax free transactions on death raises an exciting prospect.

Chris Ward in his article talks in detail about how monies can pass tax free from generation to generation – all give away statements have their caveats. My overall view is that the proposed legislation is hugely beneficial when taken in the round.

Strategy

We have had time to formulate some of our thoughts and, over the period from September through to now, client conversations have been able to consider both the increased income flexibility and the lower potential tax charge structure into the longer term on death.

The bottom line is how much do you trust the legislation to stay intact for decades to come? The ultimate act of faith is to save your pension fund, draw little income from it and pass it Inheritance Tax free to generations below, making it a supremely efficient tax saving scheme. The contra view is not to trust the legislation, draw down maximum income rates of tax and either support an expansive lifestyle or give away monies out of surplus income.

This is a wonderful set of circumstances to discuss with clients. For our business, excitement is not only for our existing clients but for those searching out the advice and coming to us for the first time. With some expectation we now look forward to our next round of client meetings to formulate successful strategies into the future.

David Ball

AUTUMN STATEMENT

Chris Ball
Financial Planner

As I write, the world, or at least our small corner of it, is considering Mr Osborne's Autumn Statement. I am once again left with a number of headlines to discuss, but not yet the minutiae that our business relies upon to add value to your long term planning.

On face value George Osborne may have yet again played into the hands of savers up and down the country, with a seemingly sensible amendment to Stamp Duty Land Tax (marginal rates rather than the ratcheted system currently in place) and significant headlines for ISA savings (with the tax free benefits associated with ISAs now able to be transferred to partners on death).

It truly has been a year to remember in respect of changes – as my colleague, Chris Ward, highlights in this very newsletter. It strikes me that each time the Chancellor stands up, we get more headlines incentivising the nation to save, but not necessarily the detail we require to be able to navigate fully through the changes. The cynic in me wants to highlight the proximity we have to a general election and suggest that some of these headlines are purely designed to win votes. However, regardless of your political views and indeed the intentions of the Chancellor, these changes will leave you with a significant amount of questions and we will need to spend some time reading the finer detail before we can comment emphatically.

As such, and as part of our ongoing endeavour to deliver value and service to our clients, we have created the **Boolers Technical Committee**. This committee is designed to deliver simple and clear analysis of changes in legislation as and when they happen.

More than ever we have recognised how long twelve months can feel in between each annual review meeting. The core objective of the Boolers Technical Committee will be to offer contact throughout the year so that you always have the option of staying 'bang' up to date with the latest legislation, and what it means to you.

To launch this committee our first event will be taking place in January 2015 at The Hilton East Midlands Hotel at Junction 24 of the M1. The seminar will be looking at legislative changes throughout 2014, specifically the Autumn Statement, and how these changes will affect you and your family.

Event: Explaining the Autumn Statement

Hilton East Midlands Hotel
Junction 24, M1, Derby Rd, Derby, DE74 2YW

Wednesday 21st January 2015 – 9.30am for 10.00am start

An hour long seminar considering the changes to legislation announced throughout 2014 and how theses will affect clients into the future.

You are welcome to secure a place at this event by contacting **Louise Wilcox on 0116 2407082, or emailing seminars@boolers.co.uk**.

If you are reading this newsletter after the 21st January, or you are unable to join us on that date, then please stay in touch with future events via the Boolers website, www.boolers.co.uk/resources.

We hope that the Boolers Technical Committee will provide a valuable source of up to date information for you to rely upon. If you have any suggestions for future events or topics that you would like to see covered, please do not hesitate to contact us.

We look forward to seeing many of you in January and throughout 2015.

ROLL UP, ROLL UP...

I cannot recall a busier year than 2014. On a personal front my partner in crime, Carole Waghorne, has been on maternity leave for the last few months, however the major culprit for my increased workload has been the Chancellor of the Exchequer and his Coalition Government partners in the Treasury Department.

The proposed changes to the pensions arena have come thick and fast, from the removal of drawdown caps and guidance guarantees to flexible death benefits and charging caps on workplace pension schemes. Pensions have all of a sudden become big news, with them taking many column inches in the national press, despite not all that has been written having anything to do with the reality of the proposals.

I suppose this year we have seen the equivalent of a pensions Big Bang, with a regulator - the Financial Conduct Authority - keen to make waves, a Chancellor wanting to win votes and raise tax revenue and an engaged Pensions Secretary, who may well not survive the election next year.

The proposed speed of the changes, with many expected to be in place in a little over six months from being revealed, is breathtaking. My worry is that pensions are being utilised as a pre election punch bag, an easy vote winner, and I feel this brings into question whether there should be cross party planning on such significant changes. This may be particularly relevant given the constant tinkering by this and previous Governments – remember the groundbreaking 'pensions simplification' in 2006?

Those in drawdown over this period will have seen maximum pensions originally set at 120% of the Government Actuary’s Department (GAD) rates, reduced to 100%, returned to 120% and finally increased to 150%, where we are today. The total cap on pensions, the Lifetime Allowance, has similarly risen from £1.5m to £1.8m, returned to £1.5m and finally reduced to £1.25m, with similar changes in respect of the allowable accrual, the Annual Allowance, over the period. These changes do not help you actively plan for your retirement and they make our life in advising you a challenge.

Speaking of challenges, there are still some ahead in regards to the making of the Chancellor's words reality. Much is yet to become law and there is plenty still to do prior to April 2015. What further tinkering takes place pre and post election remains to be seen. On a positive note the opposition did not oppose the Taxation of Pensions Bill, which introduced many of the concepts, at its second reading in the Commons in late October.

And so, onto the proposed changes...

Recap on pension flexibility - tax dangers and need for advice

I wrote in some detail about the proposed flexibility in our Spring newsletter (a copy is available on our website) and subsequently in our website's news section so I do not intend spending long on the matter here. However, fundamentally there is due to be much more flexibility to you in the way that benefits can be paid from a Money Purchase (MP) pension arrangement, such as a Personal Pension, SIPP or SSAS.

Capped Drawdown will remain, for those who already receive this and want to continue to do so. From 6 April, individuals over age 55 who want to take benefits without purchasing an annuity will have two major options. Flexi-access Drawdown will replace Capped Drawdown and will allow access to funds without limit (except to the funds held). Uncrystallised Funds Pension Lump Sums (UFPLS) will again allow access to funds without limit however this option removes the requirement to provide an ongoing pension by allowing payment of 25% of the selected fund tax-free and the remaining 75% taxed as income.

The tax is important here and arguably is the one reason for the flexibility being offered. Any pension received will be taxed as income and therefore without sufficient consideration there could be a nasty tax 'bite' waiting for those unsuspecting souls. With there being reports that as many as 200,000 may be looking to take all their pension benefits in one go, post 5 April I fear that many will experience the tax consequences of this, which I suppose at least allows for a little less 'austerity' for the rest of us! And do not get me started on the ability to make further pension accrual after taking pension from Flexi-Access Drawdown or taking a UFPLS – this would take two pages in isolation.

Pensions and tax advice will become more important from April 2015 and we would urge you to talk to us before making rash decisions, especially for any of your pension arrangements where we do not currently advise you.

PENSIONS AND TAX ADVICE WILL BECOME MORE IMPORTANT FROM APRIL 2015 AND WE WOULD URGE YOU TO TALK TO US BEFORE MAKING RASH DECISIONS, ESPECIALLY FOR ANY OF YOUR PENSION ARRANGEMENTS WHERE WE DO NOT CURRENTLY ADVISE YOU.

Chris Ward DipPFS
Pensions Manager

Proposed death benefit changes - work in progress...

If flexibility was the 'bombshell', from a pensions viewpoint, of the 2014 Budget, the Chancellor's speech at the Conservative Autumn Conference was the equivalent. He had previously intimated that the tax charges payable on the death benefits available from MP pensions were too high, but it was anticipated that further detail would follow in the Autumn Statement. Mr Osborne let the 'cat out of the bag' a little earlier than initially planned, although I am sure this had nothing to do with the defection of two Tory MPs in the same week..

The changes from 6 April 2015 are largely twofold:-

1. For those who die under age 75, irrespective of whether they have commenced benefits or not, their beneficiaries will be able to receive MP funds tax-free, whether taken as a lump sum or income.
2. For those who die over 75, their beneficiaries will be able to receive an income, taxed at their marginal Income Tax rate for the year, or a lump sum less a 45% tax charge initially (with this also intending to be reduced to a marginal rate from 2016-17).

This is a change from the current position which largely concentrates on whether benefits have been taken. Age 75 still plays a part, despite it being a less appropriate life expectancy consideration than it was when introduced in 1976.

These changes are particularly notable ones, given that currently death benefits tax charge exemptions are only strictly available to dependants. The Taxation of Pensions Bill looks to introduce the concepts of nominee and successor beneficiaries to allow for this.

The Bill does not seem to allow for those currently receiving dependants' benefits to take advantage of the new flexibilities, which seems a great shame.

Guidance guarantees - when is advice advice?

Guidance guarantees were another introduction in Mr Osborne's 2014 Budget, which again need to be in place from 6 April 2015. This will be provided free of charge to all MP members from six months prior to their expected date of retirement. Citizens Advice will be charged with offering face-to-face guidance, whilst The Pensions Advisory Service (TPAS) will provide telephone guidance.

What this guidance will be and how many individuals utilise the guarantees remain to be seen. However, what is clear is that it will not substitute the detailed financial advice required by many at the time of taking benefits.

Workplace pensions - just guidance?

I included a piece in the Spring newsletter regarding the changes to workplace pension schemes largely in connection with charging caps and the removal of adviser commissions. Whilst I agree with the principles of the changes being introduced, most would benefit from advice on making pension accumulation decisions from the beginning of a working career. How this advice is paid for remains a burning question, with few employers generous enough to offer it in their benefits packages. Still, I suppose the guidance guarantee will cover these, if they have not already utilised their funds given the new flexibilities.

'Final salary' pension transfers - care needed

There may be many Defined Benefit (DB) members considering transferring their benefits to MP arrangements in light of the new proposed flexibility. As part of their guidance guarantees, most DB members will need to take financial advice to determine whether such a transfer is suitable.

From our experience, and we currently have three advisers able to advise on this extremely complex area, transfers are rarely suitable given the guarantees that are offered in the DB arena. Careful thought and specific advice will continue to be needed in this area.

Gavin O'Neill
Chartered Financial Planner

MARKET COMMENTARY

As we approach the end of the year, it is time for our review of markets and once again there are no lack of discussion topics.

Thus far, we look back on a year of mixed fortunes for many global markets. The US continues to lead the way with the S&P 500 Index regularly hitting all time highs throughout the year. From a pretty weak position at the start of the year, Emerging Markets have made progress and look set to post a reasonable return for investors. The UK and Japan so far have achieved a slight positive return, with Europe pulling up the rear with a slight negative return. Bond markets have continued to surprise this year with yields edging lower and capital values increasing.

In our Spring Newsletter we highlighted the volatility within markets and, whilst the early summer months were broadly flat, August and particularly October saw investors react to short term concerns over valuations. The good news is that markets recovered quite quickly, something which demonstrates the benefit of taking long term positions in equity markets rather than trying to time the market.

UK

Looking more closely at the UK equity market, which is where we have our largest exposure for investors, the general consensus carries a positive message. Over the last 18 months economic growth has been strong and we remain in a low interest rate and low inflationary environment, a position reinforced by Mark Carney's quarterly inflation report in November. The Bank of England predicts that the UK will achieve growth of 2.9% in 2015 and a similar number in 2016. Interest rate rises are now not expected until at least the autumn of 2015 and any increases are expected to be modest and gradual. Inflation is currently below the target figure of 2% but is expected to fall below 1% in the coming months, principally due to falling commodity prices and cheaper import prices. The good news is that wage inflation is starting to come through.

Overseas

Europe continues to struggle with individual countries having vastly differening fortunes. Spain and Ireland have started to benefit from the reforms put in place following the financial crisis, but clearly some other countries are struggling, particularly France. At the time of writing, Mario Draghi has so far relied mainly on his promises (of QE) rather than actions and further stimulus will be required in the near term. The situation in the Ukraine remains an issue, especially for Germany. We are keeping a very close eye on Europe indeed.

Further afield, Syria and Iraq have, at times, dominated headlines and to a lesser extent markets. The threat of a worldwide Ebola outbreak looks very slim, but nevertheless uncertainty only adds to any existing nervousness in markets.

Optimism

From an investment perspective, there are a number of reasons to be optimistic for equity returns going forward. Many companies have strong balance sheets with surplus cash. We therefore hope to see further merger and acquisition activity, although companies are mindful of not wasting this surplus cash and are looking for the right investment opportunities. Activity had started to increase, but recent proposed changes in the US tax system, aimed at combating the attractiveness of the (now aborted) takeover of AstraZeneca, have had a short term detrimental effect here.

Income remains an important factor and one look at what is available from the different asset classes will help confirm why we are overweight in equities. Clearly the return on cash deposits is low or even nil. Bond yields remain at very low levels; total redemption yields for 10 year UK, US and German Government Bonds of 1-2%, some believe, indicate "bubble territory". In comparison, equity yields of 4-5% per annum, from funds which aim to increase this year on year and any capital growth being on top, continue to look attractive. At these levels, risk is certainly being rewarded.

Whilst we remain positive, markets always look well ahead of where the economy sits now and, with the strong recovery in share prices that we have seen over the last five years, companies must continue to make increasing profits and be in a position to pass this income stream onto shareholders. It is, after all, companies that we are investing in, not merely a share price. Whist we would not describe equities as being cheap (which they only tend to be when bad news abounds), the recent weakness in share prices we believe presents a more solid platform to move forward from hereon.

OFFICE NEWS

Jo Clamp
HR Manager

ARRIVALS, CHANGES AND NOTABLE EVENTS...

Our teams have continued to grow and develop in response to the continued success and developing needs of the Business:-

Pensions

To provide additional support to the SIPP team, Catherine James was recruited to the role of Account Executive in May. Having spent over 12 years working in a range of roles within a local financial services business, Catherine has brought with her a wealth and range of Pensions experience which has already been invaluable.

Investments

Following the successful completion of his CII exams and achievement of diploma status, Blake Beardsley has now successfully completed an intensive internal training and development proramme and is in the process of being approved by the FCA to provide advice across the full range of Investments.

Accounts

Hema Lad was originally recruited to a dual role, working in both the Accounts and SIPP teams. However, in recognition of the ever increasing accounting requirements needed to support the growth of the Business and its development of systems, Hema is now part of the Accounts team as a qualified Accountant on a full time basis.

Compliance

Alex Rogers joined the Team as a Trainee Compliance Officer in October. Alex attained a law degree in June 2012 and has since worked at AXA PPP Healthcare before joining us.

New Arrivals

I am delighted to report that in June Carole Waghorne and Sarah Makosch each gave birth to beautiful little girls, Hatty and Evie, respectively. Carole will return in December 2014 and Sarah towards the end of March 2015. Richard Borrington also became father to his second daughter, Sienna...welcome and congratulations!

Birthdays

In recent months three of the Partners had very special birthdays! Carole Waghorne celebrated her 40th, David France his 50th and Mr David Ball turned 60. The events have been celebrated with a range of parties and special holidays.

Business Development

As a part of the Business' programme of professional development, Sophie Partyka who initially joined the Compliance team in the New Year has taken up the role of Trainee Financial Planner. Sophie is already qualified to diploma level and has a number of years' experience as a paraplanner and will be completing an extensive training and development programme in financial planning over the next year.

We are also delighted to welcome Simon Woodhead to the Financial Planning Team. Simon has many years' experience in senior consultant roles, the last 17 years of which were at KPMG, a very prestigious global business. Simon brings with him not only a huge amount of experience in the provision of financial advice but also an extensive specialist knowledge in the very complex and ever changing field of Pensions. We are delighted that he is joining us.

Professional Development Programme

We continue to encourage staff to obtain further qualifications and congratulations go to the following for key exam achievements attained over the last few months: -

Arti Lad – R02 (Investment Principles and Risk)
Chris Ward – R03 (Personal Taxation)

Simon Watts has recently been formally recognised by the Chartered Institute of Insurers for his many exam sucesses and for being awarded Fellowship status. Congratulations go to Simon.

Charity Events

Since our last newsletter we have continued to sponsor and support a wide variety of charities again, the most notable being:

- **The annual Macmillan coffee morning for staff and local businesses raised £481.**
- **The Brain Game in Derby which raised over £28,900 for Marie Curie Nursing Care.**
- **During October a number of staff took part in the 'Stay sober for October' initiative raising £320 for Macmillan.**
- **Supported After Adoption with a Christmas Jumper Day on 12 December**

BOOLERS ARE COMMITTED TO DELIVERING INNOVATION, INTEGRITY AND RELIABLE SERVICE, ADDING GENUINE VALUE TO BOTH PROTECT AND ENHANCE OUR CLIENTS' WEALTH.

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