

METCALF MOAT UPDATE

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METCALF MOAT
IFA LIMITED

*'Growing by
recommendation'*

YOUR FIRST CALL FOR INDEPENDENT FINANCIAL ADVICE

Over 50? Make the most of your increased ISA allowance

One of the most exciting changes to Individual Savings Accounts took place on the 6th October this year. One of the few benefits of being over 50 occurred, when the ISA allowance increased from £7,200 to £10,200 for those qualifying. So, if you were born before 6th April 1960 you can increase your ISA savings by £3,000. For those under 50, don't be too despondent as you will be eligible for this increase from 6th April 2010 and will be able to contribute £10,200 at that time.

We enclose our revised ISA Guide 2009/2010 with this newsletter with more details, however, if you would like others for friends or family please let us know, or, they can access it online at www.metcalfmoat.co.uk.

With signs of confidence returning to the markets, we believe there are still great opportunities in the markets over a 3-5 year timescale. We feel there is still growth to be had in Equities over that period, although how much does depend on where you invest. If your need is for income, Corporate Bond funds are still paying attractive levels of around 5%. Of course, both types of investment are free of Capital Gains and Income Tax when held within an ISA.

You may also feel that now is an opportune time to review your existing holdings. Metcalf Moat have developed three portfolio's over the last year, and now offer a choice of either Cautious, Balanced and Adventurous portfolio of funds. These offer a range of leading funds from various Investment Houses, and Fund managers. In addition they offer a spread of differing geographical areas and asset classes. We will focus more on these over the next few newsletters, but, if you are interested in finding out more now, please contact your usual adviser.

Buying a House for Your Child at University

- Are you considering buying a property, rather than paying the excessive rent?
- Thus, on the basis that the property increases in value, you can sell at a profit when the University course is completed.
- If you do this through a simple trust where you are the trustee, and have complete control, then any profit made in the future will be completely free of Capital Gains Tax.
- In addition the property could be partly rented out during your child's course to bring in rent to assist with the costs of the University education. If this is done correctly, this can be done using your child's personal allowance for Income Tax, and thus be tax free.
- When the course is finished you may wish to continue holding the property as an investment, in this case there would be more reliefs due to greatly reduce the Capital Gains Tax liability on any subsequent sale.

The tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

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Please note, Buy to Let mortgages and Commercial Borrowing are not regulated by the Financial Services Authority.

Please note that the above investments do not offer the same security of capital as a bank or building society deposit. Past performance is not necessarily a guide to future performance. The value of an investment, and any income from it, is not guaranteed and can go up and down depending on investment performance.

2010 A Year of Opportunity

And not just England playing in the World Cup in South Africa!

If you are contemplating early retirement, then the 6th of April 2010 is a very important date.

Currently, the earliest age you can take your pension benefits from a Personal Pension or Occupational Pension Scheme is **50**. After midnight on the 5th April 2010, it will be **55**.

There will be certain exceptions, such as early retirement due to ill health, but for the vast majority, the ability to retire early will have been made a little more difficult.

This change is one of many being brought in by the Government in response to an ageing population. The equalisation of the state pension age to 65 (currently 65 for men, and 60 for women) by 2020 is another example.

Anyone, male or female, born between 6th April 1955 and 5th April 1960 should seek advice if they are contemplating retiring early, reducing their working hours, drawing some pension benefits to supplement their income (phased retirement) or accessing the Tax Free Cash.

Of course, not everyone can afford to retire at 50, people are living longer and company pensions are becoming less generous than they used to be. This all means that we have to save harder and longer for our retirement.

However, if you are lucky enough to have retirement savings in place and think you will want to retire before you are 55, it is worth considering your options now before it is too late.

There are two main options for taking benefits from your pension, an Annuity or Income Drawdown. Both allow you to take up to 25% of your pension fund as Tax Free Cash and use the rest to generate an income.

THE POTENTIAL TO OBTAIN UP TO 30% MORE INCOME FROM YOUR PENSION

Buying an **Annuity** provides a fixed taxable income. This is one of its most attractive benefits; the income is secure and will be paid for the rest of your lifetime. It will not be affected by interest rate changes or volatile stock markets. There is no need for reviews or for you to monitor investments. It is simple and efficient, providing you with a known amount of income every year. When you arrange an annuity you can add various options, such as a Spouse's Pension, or an income that tracks the Retail Price Index or increases by a fixed percentage each year. Once set up, an annuity can not be changed or cancelled.

You do not have to purchase an annuity from the pension company which you (or your employer) have saved with. In fact, most companies are legally obliged to inform you of your right to purchase an annuity from an annuity provider of your choice. The difference between the top and bottom level annuity available, can vary by as much as 30%. When you consider that this income is going to be paid to you for the rest of your life, this can mean a lot of income is lost by making the wrong choice. Hence, if you have a Private or Stakeholder Pension, SIPP, Company Pension Scheme or Free Standing AVC, it is absolutely essential to contact your IFA to research the market for the highest annuity income you can obtain. Failing to do so could cost you thousands of pounds.

Smokers or people with even minor health conditions can also qualify for a further enhancement on their annuity income. Currently, there are over 1500 medical ailments that could qualify for an enhanced annuity, many of them being common place, such as High Blood Pressure or Cholesterol. Even historic conditions such as Strokes or Cancer, which have been given the all clear, can still make a

considerable difference to the income available. In fact, the average increase from a standard annuity rate to a medically enhanced one is 22%.

NOT READY TO TAKE AN ANNUITY, BUT DON'T WANT TO BE CAUGHT BY THE CHANGE IN RERTIREMENT AGE?

Income Drawdown offers greater flexibility than an annuity. If you move into drawdown before the 6th April 2010, you can take your Tax Free Cash, and choose how much income you take and when. This can range from no income at all, up to a fixed maximum. You can change the amount of income you receive at any time along the way, and can also buy an annuity whenever you are ready (there is no need to wait until age 55 once you are in drawdown).

Within an Income Drawdown arrangement your pension remains under your control and you invest it wherever you choose. This means that you can still benefit from any market increases, but can also suffer any market falls.

It is therefore essential that you understand the risks, and are willing and able to accept them. If you are, then Income Drawdown can offer exceptional flexibility and control of your retirement income. It also offers a greater choice of death benefits than an annuity, with spouse continuation or the possibility of passing funds to beneficiaries, subject to a 35% tax charge.

So if you, a relative or friend are contemplating retiring and feel you may be effected by the changes in 2010, please do not hesitate to contact us to discuss your options.

Once midnight on the 5th April 2010 has passed, the opportunity to take pension benefits at 50 will disappear.