Sherwin Financial Services Newsletter Edition No. 5

Sherwin Financial
Independent Financial Advisers

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Welcome to the latest issue of our bi-annual newsletter.

Sherwin Financial Services Ltd is developing its advice proposition. Daniel Peberdy, who has worked as a financial administrator for over 5 years, is currently applying for his licence in protection that will allow him to advise clients on the various types of life cover including term assurance, critical illness and income protection.

The Autumn Statement 2013 was issued on the 5th December and contained some positive information. From April 2015, married couples/civil partners will be able to transfer £1000 of their personal income tax allowance to one another, Capital Gains tax allowance is to increase by £100 next tax year and the annual ISA allowance is to be £11,880 from April 2014. If you would like any further information about what was released in the Statement, please do not hesitate to contact us.

Using Your ISA Allowance

"For the 2013/14 tax year, investors are able to save up to £11,520 in an ISA, which represents a rise of 2.1% over the previous year. The maximum ISA contribution of £11,520 may be invested entirely in a stocks and shares ISA or up to half the amount – £5760– can be saved in a cash only ISA. Investors who choose to put less than that amount in their cash ISA may invest the remaining balance of their allowance in a stocks and shares ISA.

According to the Investment Management Association, net ISA inflows in the 12 months to April 2012 were almost £1.35bn and research by the trade body has consistently suggested investors would invest more if the allowance was increased.

Meanwhile, according to HM Revenue & Customs, more than 13.7 million individuals subscribed.

ISAs are tax-efficient vehicles that allow individuals to save and invest without having to pay income tax or capital gains tax. ISAs can be a good way for people to start saving, or to add to their existing savings and investments. If you cannot take advantage of the full annual allowance, you can of course invest via a regular monthly savings plan from a minimum amount of £50 a month. Do not forget one of the golden rules of ISA investing– if you do not use it, you lose it– so try and make the most of your allowance each year.

Pension Lifetime Allowance Cuts

Next April's pension lifetime allowance (LTA) cut to £1.25M could hit as many as 360,000 pension savers by the time they reach retirement. From 2014/15, the LTA will be lower than when it was introduced in 2006. Financial advisers must cater for the realistic possibility that the allowance will be frozen for the foreseeable future – and might even be cut again. This could radically change the retirement strategies used by wealthier clients.

A £1.25M limit may not set alarms bells ringing for many clients just yet, but with a frozen allowance a distinct possibility for those within sight of retirement, they don't have to be close to £1.25M now for it to become a problem. Investment growth can quickly accelerate the size of the pension pot. The LTA cut presents clients with some difficult choices before next April. To protect or not? Which type of protection? Getting it wrong could cost £137,500 in extra tax. The value of advice is obvious.

Would you benefit from a financial health check?

- Do you have sufficient family protection insurance in place?
- Is your mortgage adequately protected in the event of death / incapacity?
- Do you have enough emergency savings?
- Are you getting the best return on your savings?
- Do you have enough money for a comfortable retirement?
- Are you prepared for the impact of inheritance tax on your estate?

If you answered NO to any of these questions it may benefit you to have a financial health check with one of our advisers. They will be able to review your retirement and savings plans as well as provide advice for any protection plans that may help your family or business in the future in the event of death or critical illness.

Changes to Child Benefit

More than a million UK families found themselves a little bit worse off in 2013, following changes to the payment of Child Benefit. Until recently, Child Benefit was paid to more than 7.8 million families with some 13.7 million children. However, from 7 January 2013, families in which one parent earns above £50,000 a year lost their entitlement to some or all of their Child Benefit payment.

Where one parent earns above £50,000, the parent who claims Child Benefit can opt to stop claiming it or to continue to receive the payments, which will then be recovered from the higher-earning parent through their self-assessment tax return. However these rules do not apply if each partner's earnings are below £50,000 a year but their combined earnings are above £50,000.

Some families will feel the loss of their Child Benefit payments more keenly than others. Either way, the changes represent a good time to re-examine your family's savings and investments and to ensure that they are structured as efficiently as possible. Are you, for example, making the most of tax allowances and tax efficient savings structures such as individual savings accounts (ISAs) and Junior ISAs?

Perhaps you could consider transferring income-generating assets to your spouse, if they pay a lower rate of tax. Moreover, it is worth remembering certain adjustments to your income – such as contributions to a pension scheme – could reduce your total income below the level at which you start to lose your entitlement to claim Child Benefit.