

# *Yours* financially

Spring 2001



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### Welcome to the Spring issue of 'Yours Financially'

This is an important time of the year for tax and investments. The Chancellor's Budget 2001 appears to have brought us few tax changes (see our insert) although we are still looking through the fine print. There is also an end of tax year arising on 5th April 2001 and many deadlines for action (see our Tax & Investments Key Events Calendar).

The new tax year brings Stakeholder Pensions, a fourth UK Pension Regime. We have a most complex legislative system of saving for retirement for which clients need simple clear advice. In many respects this advice cost is prohibitive and reliance will need to be placed on regulatory decision trees.

Inside you will find an article on mortgages. We restrict our advice on mortgages to home equity release for the elderly and commercial/rented property for reasons of hassle and fee cost. We can recommend a third party broker in case of need.

We recommend all clients to read David Norton's article on 21st Century Estate Planning. Are you a Builder, Boomer OR Buster?

We are here to help with your tax and financial advice and are only a phone call away.

With best wishes.

*Brian Keates*

**As your goals and financial situation are likely to change over time, so do your needs to review your investments.**

## ISAs

### When Is It A Good Time To Invest?

It's always a good time to start investing. And particularly now - before the end of the current tax year on 5 April 2001 - if you want to take full advantage of the tax allowances offered by Individual Savings Accounts (ISAs).

ISAs were introduced in April 1999, and because of their tax efficiency the total investment limit was set at £7,000 for the first tax year, and scheduled to reduce to £5,000 from 6 April 2000. However, the Chancellor subsequently decided to extend the £7,000 limit for a further 5 years and also lowered the age at which cash ISAs may be bought from 18 to 16.

The £7,000 investment limit is made up by; £3,000 into stocks and shares, up to £3,000 into cash deposits, and up to £1,000 into life insurance products. Alternatively, you could put the whole amount into stocks and shares.

A 10% tax credit is paid on dividends from UK equities which the ISA plan manager can reclaim each year until 2004.

You can save in either one maxi ISA or up to three mini ISAs, but you cannot have both a maxi ISA and mini ISA at the same time. A maxi ISA is run by a

single manager and allows a saver to invest up to £7,000 tax efficiently. You can either invest the whole sum in stocks and shares, or split it three ways to include the cash (maximum £3,000) and life insurance (maximum £1,000) products.

The alternative is to pick a series of mini ISAs which may be run by different managers but only to the maximum investment limits of £3,000 into stocks and shares, £3,000 into cash and £1,000 into life insurance products.

The good news is that you can invest up to £7,000 in an ISA by acting before the tax year-end of 5 April, and

then invest up to a further £7,000 in the new tax year from 6 April 2001 - thereby maximising your full investment allowances during this calendar year.

Please remember, however, that ISAs are not for the short term; they should be considered for investments of five years or more, and the value of any investment can fluctuate.

Keep more of your valuable savings for yourself and out of the reach of the Taxman! Contact us today, without obligation, for some help and advice in maximising your savings.

Keep more of your valuable savings for yourself

# Stakeholder Pensions



## A Stake In Your Future

The much-heralded Stakeholder Pension officially comes into being from April 2001. However, after all the media activity over the past couple of years, including the Government's current advertising campaign, it is worrying to note that most people are not aware of the Stakeholder message.

In a study conducted by the DSS (January 2001) a staggering 71% of the 1,700 adults surveyed had never heard of Stakeholder Pensions! Therefore, many people could miss out on a good opportunity to save tax *efficiently* for their own retirement - which may make a considerable difference to them in the years to come.

In 1961 there were four working people to support each pensioner. By 2040, there will be only two!\* So the money the Government spends on pensions is likely to be spread more thinly. And the State pension is not exactly generous at today's levels.

In fact the State pension, as a percentage of average earnings, has reduced significantly over the past 20 years or so to its present level of 17%. By 2020, it will have dropped to just 10% of average earnings!

*(Source: Governments Actuary's Dept - based on National Average Earnings rising higher than prices at 1.5% a year. June 1998).*

The Government designed Stakeholder Pensions to encourage more people to save for their retirement, and as such have forced product providers to make them simple, good value and easy to set up. Good news at last for the consumer.

Stakeholder Pensions will cost less than the previous personal pension plans, with no set-up charges and a maximum charge of just 1% a year for managing the plan. They will offer attractive tax incentives as contributions (to a maximum of £3,600 pa if you are not earning or between 17.5% and 40% of earnings depending on age) will be

eligible for tax relief, as will the investment returns on the fund.

Stakeholder Pensions will be flexible, so payments can be stopped and started if required without penalty, and contributions will be allowed during periods of unemployment and the years spent raising a family - (see also our article on Protection page 3).

For further details regarding Stakeholder Pensions, and how they may be of benefit to you, please contact us on the number above without any obligation.

*\*Source: DSS consultation document 1997*



*Enjoy your retirement*

# Tax-Exempt Savings



## Use The Taxman's Money To Build A Nest-egg For Your Children

Here's a simple way to invest in your children's future - courtesy of the Government!

By diverting just some of your monthly children's allowance into a children's tax-exempt savings plan, you can build up a sizeable lump sum - all at no cost to yourself.



*Give your children a head start*

The child benefit payable, from April 2000, for the first child is £15 per week which amounts to £780 per year, and for all subsequent offspring the benefit payable is £10 per week ie another £520 per year.

Tax-exempt savings plans from friendly societies are so tax efficient the Government actually limits the amount you can put in to £25 per month or £270 per year. Therefore, you would only need to divert part of the monthly benefit payment, for each child, to take advantage of the maximum investment levels currently allowed.

Many friendly society plans also start from lower investment levels such as £10, £15 or £20 per month. But even with those amounts saved regularly, you can amass a real boost for their later life - perhaps to help with their further education, their first car, their wedding or even a deposit on their first home.

And the earlier you start to save for your children, the longer the investment has to grow and the bigger the potential payout will be.

One other important point is that these savings plans also include the added benefit of valuable, automatic life assurance protection albeit at a relatively low level.

Friendly society plans can be attractive long-term investments because your money grows in a tax-exempt fund and the returns on maturity are paid out tax-free too. However, you should remember that the value of any investment can fluctuate.

Friendly societies are also run for the benefit of their policyholders and there are no shareholders to take a share of the profits. Theoretically, this leaves more of the money in the organisation to be invested for the policyholders.

Remember, it's so easy to put aside some of your monthly children's allowance - and give your children the head start in life they deserve. Contact us today and we will be happy to advise on all the options available to you. There's no obligation, but there is the chance to benefit your children.



# Mortgages

## Securing a good deal

Spring is traditionally the time of year when many people start to house-hunt again. This, and the fact that lenders are starting to drop their rates in response to the recent cut in the Bank of England base rate, means that the housing market may potentially become buoyant again.

With many of the leading lenders vying for customers now may be a good time to secure an attractive mortgage deal, before house prices start to climb again from the anticipated increased demand.

But where do you begin?

The Office for National Statistics (May 2000) highlighted a trend for an increase in flexible mortgages. Flexible mortgages can include daily interest calculations, overpayments, underpayments and even payment holidays, within certain parameters, making them attractive to

many different types of customer, as they are able to adapt to suit their particular lifestyle. And, because of the daily interest calculation and overpayment features, flexible mortgages also appeal to those who want to pay-off their mortgages early.

However, there are still many borrowers taking out; fixed-rate, capped, discount, cashback and tracker mortgages, or even a combination of these such as a fixed-rate with cashback. The options appear endless and with a whole array of individual schemes to choose from, the actual task of selecting the best for your particular needs can seem overwhelming.

With a mortgage being arguably your biggest ever purchase - choosing the wrong one could cost you thousands of pounds in extra interest, expensive insurance or penalty fees. Unless you are a mortgage expert you could get caught out.

We can help you select the best deal. Whether you are looking for a mortgage to move house, or a remortgage for your existing property, our specialist knowledge could help save you a lot of money, and help avoid the normal headaches associated with taking out a mortgage.

Contact us on the number overleaf and see if we can source the most suitable deal for you. And we'll also explain why our recommendation is a good scheme for you. Written quotations are available on request. Loans are secured on your property. A life policy or other insurance may be required. Subject to status.

**YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.**



# Protection

## Protection for the family

Most people need financial protection, and some need it more than others.

Many British families would face a sharp reduction in their standard of living if they were hit by serious illness or death. In fact, nearly half of the adult population ie 47% aged 18+ do not hold any life assurance cover at all that will help secure their financial position in the worst eventuality.

*(Source: NOP Financial, November 2000).*

Often, this lack of cover is due to misconceptions about the risks and options available.

Some people believe that their employers will come to their aid if they are unable to work for more than six months. In reality, most employers would support them for only six months.

Others believe the state will provide for them and their family if they are unable to

work for six months or more. Again, the reality is that state benefit is currently only £50.90 a week if a person is ill for up to 28 weeks, increasing to £67.50 if out of work for a year.

Furthermore, 2.4 million households, or 10% of the household population, are single parent families<sup>†</sup> - and it is vital parents provide their children with financial protection. If anything happened to the parent who would provide the finance to bring up the child?

For a single parent tight budgets can make it more difficult to pay for life or critical illness\* cover. The good news is that life assurance premium rates have been falling over the past five years, making it more affordable for a single parent to make some provision to insure against their death, or to cope financially if illness or injury stopped them working.

As a basic guideline, the minimum recommended cover is the person's salary multiplied by ten, so someone on £15,000 pa should look to obtain life assurance cover of £150,000.

Term assurance cover of £150,000 which could cover the cost of raising a child, for a non-smoking 30 year old woman over 20 years, would only cost around £10 a month. This must surely be a priority for a single parent, or for any breadwinner of the family.

*Source: Rate Tracker - The Research Dept. Jan 2001*

However, every person's circumstances are different and that's why it is important to have a full financial review. Contact us today and we can help to determine your specific requirements - peace of mind for you and for your loved ones.

<sup>†</sup>Source: 'General Household Survey' National Statistics, June 2000

# Baseboard

■ The Halifax have set a deadline of 7th April for members and former members, who have not yet claimed £216m of free shares. An advertising campaign will run to persuade the 145,000 people entitled to shares to contact the bank. On average, each could claim approx £1,500 of shares!

## Win a £25 Marks & Spencer voucher!

We are happy to offer Marks & Spencer vouchers to the first all correct wordsearch entry, pulled out of the hat on 1 June 2001. Please complete the name and address panel below and send it to this Office with the completed wordsearch by the closing date of 31 May 2001. A photocopy will be accepted if you do not wish to cut up the newsletter. There is no purchase necessary and the name of the winner will be made available to anybody enquiring after 1 June 2001. Prize draw entry terms and conditions are available on request. **Good Luck!**

### Please contact me!

I would like to discuss with you the topics I've ticked. I understand this request is without obligation.

ISAs

Stakeholder Pensions

Tax-exempt Savings

Mortgages

Protection

Other (please specify) \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

Telephone \_\_\_\_\_

Best time to ring \_\_\_\_\_

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Fax: 01283 511899

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Y	S	E	L	T	L	U	F	S	S	E	C	C	U	S	S

**How to play:** Simply circle or put a line through each of the 20 words listed below as you find them in the word grid. The words can be found spelt: vertically, horizontally, diagonally, forwards or backwards.

**Next** - where words cross each other, in the grid, they produce a common letter. Using all the common letters, form a new word that has a connection with financial planning.

- |             |            |
|-------------|------------|
| ACCOUNT     | ADVANTAGE  |
| ALLOWANCES  | BONUS      |
| CHILDREN    | COVER      |
| DISCOUNT    | EFFICIENT  |
| FAMILY      | FLEXIBLE   |
| GOVERNMENT  | LENDERS    |
| MANAGED     | MAXIMISE   |
| MORTGAGE    | PRIME      |
| PROTECT     | SPECIAL    |
| STAKEHOLDER | SUCCESSFUL |

You must include this new word with your completed grid

Name \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

## Helpline

Please note we are here to help you as much as we can. If you have any financially related questions or problems, simply call us on the number below and we will try our best to help you. Remember there will be no obligation placed on you, and we are genuinely here to help.

**01283 740600**

**Keep this newsletter safe - you never know when you may need it!**

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