

# WealthWise

OCT/NOV 2011

**ATTENTION**  
could you be  
paying too  
much tax?

Private Medical  
Insurance  
*dissected*

Strategic moves with  
your money

*win against inflation*

Junior ISA allowance

The £600 “*growth spurt*”

**ALSO**

Funding university | Self-Assessment deadline | Auto-enrolment

# INSIDE WealthWise

OCT/NOV 2011

Welcome to our latest issue of WealthWise; specifically designed to help you make the most of your money by keeping you up-to-date and informed with all the latest financial news and information. Within this issue, we discuss the following:

## Featuring:

### 03 Locating shelter

*personal pension provisions*

### 04&05 Funding university parent and student survival plan

### 06 Business Premises Renovations Allowance

*the five-year extension*

### 07 The Junior ISA allowance has a "growth spurt"

### 08 Private Medical Insurance dissected

### 09 Self-Assessment reminder don't miss your deadline

### 10 Strategic moves with your money how to beat inflation

### 11 Attention all pensioners are you paying too much tax?

### 12 SIPPS

*and their freedom of choice*

If you require any further information on any of the featured topics, or you would like independent financial advice based on your own individual circumstances, please fill in your personal details on our "contact me" slip on page twelve, or alternatively please call or e-mail us to arrange an appointment.

*We look forward to speaking with you.*



07

Junior ISA allowance  
has a  
"growth spurt"



08

Self-Assessment tax return  
DEADLINE  
31st OCTOBER



09



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# LOCATING SHELTER

## the importance of a personal pension plan

**A** report produced by the Association of Consulting Actuaries (ACA) has recently revealed that many employers plan to make cuts to their existing pension schemes in order to mitigate some of the extra cost the "auto-enrolment" rule will create.

The report showed that around 38 per cent of UK private sector employers currently provide a workplace pension scheme, however the Government believe employers and employees need to keep up with the pension costs of longer life spans and hence make adequate provisions.

The Government has announced, that between late 2012 and early 2016, all employers will be required to automatically enrol their employees into a "qualifying workplace pension scheme". By October 2017, contributions to a pension scheme must be a minimum total of 8 per cent of the earnings of an employee. This will be made up of a 3 per cent minimum contribution from the employer, a 4 per cent contribution from the employee and a 1 per cent contribution from the Government - unless an employee decides to opt out - which would also eliminate the employer's required contribution. Those who do opt out initially will be automatically enrolled every three years.

The ACA surveyed 468 employers and found that when the rules change, approximately 25 per

cent of employers are planning to cut their employee pension contributions accordingly in order to help reduce the overall cost of their company pension schemes. This may mean many existing pension contributors may see their employer contributions dramatically reduce, leaving them much worse off in retirement. These findings have illustrated how important it could be to make personal pension provisions.

### PERSONAL PENSIONS:

**1** Personal pension schemes allows personal contributions to vary - you can choose how much to contribute and when.

**2** Whereas many company schemes often leave people behind when they change employer, personal pensions are transferable. This can allow you to continually build up a larger pension in the same pot, should you wish to do so, without the need to transfer between company schemes.

**3** Personal pension contributions are subject to a basic rate tax relief. Your pension provider claims the basic rate relief and then tops up your plan.

**4** If you are a higher rate taxpayer, you can claim further relief through the self-assessment process. For example, if you make a contribution of £80 into your pension fund, a 20 per cent tax "refund" is added, meaning the total contribution increases to £100.

**5** For higher rate taxpayers in particular, personal pensions are a very tax-efficient way of saving. They provide the opportunity to purchase a larger annuity upon retirement, which in turn maximises pension income throughout retirement.

**6** Once you reach the age of 55, a personal pension will allow you to have 25 per cent of your pension as a tax-free, lump sum. However, pension income is taxable thereafter.

This auto-enrolment has highlighted the importance of personal pension provisions; many employers and employees will have some big decisions to make in the next year otherwise many of us may have to face the prospect of a very bleak retirement indeed.

**If you would like any more information, please make an appointment with us today, we can help you to discuss the best options available.**

# Funding University

## parent and student survival plan

**N**ot only are we trying to survive with stunted incomes and rising living costs, but we now have to face the reality that if we do not want to see our children graduating from university with mortgage-sized debts, we will have to help significantly more towards our child's university funding. We must also ensure our child manages their money appropriately. Here we guide you through our top strategies for both parents and students alike:

### Parents:

#### 1 [Start young](#)

If you start saving as soon as your child is born, you will have the best chance of building a sizeable savings pot. If you were to save approximately £240 a month from birth, you could save £100,000 by the time your child reaches the age of 18, which should help significantly with further-education costs. However, due to inflation, do remember that in 18 years' time the fund may not retain the same buying power.

#### 2 [Start saving](#)

If you cannot afford to save as much as the £240 mentioned above per month, it is still worth putting what you can into as high-interest bank account or investment plan as possible. This will still reduce the debt a student graduates with. Also make the most of tax-efficient savings plans to help boost returns. This could include utilising your personal ISA allowances, opening a Junior ISA and even the tax-exempt savings plans run by some providers.

#### 3 [Consider taking higher risks](#)

If you have 10 years or more to save, you could consider equity-based plans, which can deliver a good return over time. If you have a 15-to-18 year time frame, you could consider riskier emerging market funds as you will have time to ride out possible market volatility – however, they are riskier strategies, so do discuss this with us before making a decision. Remember to diversify your investments as much as possible, then gradually move funds into safer cash-based investments – perhaps as your child approaches their GCSEs.

#### 4 [Grandparents](#)

Grandparents can effectively reduce their inheritance tax liability by making regular gifts out of income, which can go towards living expenses or future education costs. So long as these payments



are made regularly and do not result in any decline in their own standard of living, then these payments are excluded for IHT purposes.

#### 5 [Help with repayments](#)

You might not be able to save enough in advance to cover the total cost of tuition, but there is nothing to stop parents helping their child to repay their student loan. It would not be advisable to re-mortgage your house or take on a high-interest loan, however as soon as they start to earn enough money, there is nothing to stop you helping them with the repayments. However, do be aware that there may be redemption penalties for those who try to pay off the entire balance early.



## Students:

You may have received a full grant, graduated without any debt and only ever bought things you had saved for in advance, but this is not the case for many students. However, there are steps to help minimise debt.

### 1 Make a budget

If you're going to manage to live on the money you've got

– your student loan plus any grant, part-time job earnings and money from your parents – you need to budget. Consider:

- When socialising, only withdraw the amount of cash you are happy to spend
- Apply for a student identity card to get all the discounts you are entitled to
- Ask yourself three questions, before you spend any money: Do I really need it? Can I afford it? Can I get it cheaper elsewhere?

### 2 Don't pay tax

If you work during your time at university, you'll pay income tax if you earn over £7,475 for the tax year 2011-12. You'll also pay NICs if you earn over £139 a week. Both are deducted from your wages. But if you are a full-time student and only work part-time and your total income for the year is below the £7,475 personal allowance, you won't need to pay tax through PAYE providing you fill out the P38(S) form, which should be available from your employer. If you think you've paid too much tax, use the student tax checker on the student tax advice website. Any grant, plus most bursaries, scholarships and research awards are non-taxable so you can receive any, or all of them and still keep your full personal allowance.

### 3 Cut phone bills

Consider using [skype.com](http://skype.com) to make free calls to family and friends back home from your computer. Also ensure you have the best value mobile phone deal – visit [mobilephones4students.co.uk](http://mobilephones4students.co.uk) for more information.

### 4 TV licensing

You need a TV licence to watch or record programmes. A year's colour TV licence currently costs £145.50. If you live in halls of residence you may need your own licence for your private room. If you live in a private shared house with a joint tenancy agreement, you should only need one licence. But if you have a tenancy agreement separately for your room, you'll need your own. You don't need a licence at all if you don't watch or record programmes, or you only watch them online through services such as 4oD or BBC iPlayer.

### 5 Try to avoid credit cards

Try to steer very clear of credit cards and unauthorised overdrafts. These often come with high interest charges, which can be hard to repay. The last thing to do is accumulate unnecessary debt.

If you would like any further help or information regarding your individual circumstances and the best options available to fund university please make an appointment with us today.



# Business Premises Renovations Allowance

## The five-year extension

**T**he Business Premises Renovations Allowance (BPRAs) was due to expire on the 11th April 2012, however in the budget announcements earlier this year, the Chancellor of the Exchequer, Mr. George Osborne, declared the scheme would be extended by a further five years from this original date of expiry.

The BPRAs were originally established with the sole aim to encourage the conversion and renovation of empty business premises in designated, so-called “disadvantaged” areas, by the introduction of a 100 per cent tax relief incentive.

This relief allows a property owner of a qualifying building to claim 100 per cent tax relief for any qualifying capital expenditure when converting or renovating a disused commercial property.

The scheme seems particularly popular with the higher-rate taxpayer who can offset their higher-rate tax charges against the relief available on such an investment.

There are uncertainties as to which buildings qualify for the BPRAs relief, so any person seeking to invest must conduct thorough research to ensure the basic conditions are met.

Any capital expenditure from converting or refurbishing a qualifying building into a qualifying business premises, can be claimed back through the BPRAs scheme. However, any capital expenditure from acquiring land, extensions or land development, will not qualify for the BPRAs relief – nor will the cost of plant and machinery which will not become permanent fixtures.

Any investor, or company that meets the qualifying business premises criteria and meets qualifying capital costs, can claim 100 per cent tax relief - which can then be deductible from trading profits.

There are some downsides – including the rule whereby the property must have remained empty for at least twelve months prior to its purchase. The empty-rates relief was abolished so this could mean that during the empty period, rates may have been incurred. In addition, if the property is sold, demolished or no longer resides as a qualifying commercial property within seven years of its purchase, any BPRAs previously claimed may have to be returned. It is important to determine all the necessary information in your individual circumstance prior to any purchase.

### To qualify:

**1** The building requiring the work must be in one of the determined disadvantaged areas – care must be taken as the areas which have been assigned are not necessarily deemed “disadvantaged” – some areas are just certain districts within their Local Authority, whilst others are the whole of the Local Authority area.

**2** The building must have originally been used for specific commercial purposes and shall be used as such once building work has taken place – i.e an office, profession or trade.

**3** The original building must **not** have been used for:

- Synthetic fibres
- The coal industry or steel making
- Certain agriculture – including the production or marketing of certain dairy products
- Fisheries
- Shipbuilding

**4** The building must have remained empty for twelve months.

**5** The building must not have been used as a dwelling.

# The Junior ISA allowance

## *“growth spurt”*

“As a parent, or grandparent, providing the best start for your child or grandchild, is often invaluable”

**W**e all know, only too well, the influence the financial crisis has had on our own finances, therefore it would come as no surprise that our future generations may need as much financial help and support as possible.

The launch of the Junior ISA was announced following the closure of the Child Trust Fund (CTF) scheme; the scheme previously saw all children born between 1st September 2002 and 3rd January 2011 receive a Government contribution, or CTF voucher of either £250.00 or £500.00 – depending on household income levels. The first voucher was issued at the birth of a child, followed by an additional voucher at age seven.

As of November however, children under the age of eighteen who missed out on the “free money” from the Government when the CTF scheme was abolished, will be provided with an annual tax-free savings limit of £3,600 – 20 per cent up from the previous £3,000 it was speculated to be initially.

With the introduction of the Junior ISA, having to wait until the age of sixteen to open

a cash ISA - or eighteen for a stocks and shares ISA - will become a thing of the past. Like an adult ISA, money can be invested in to cash deposit accounts or in to stock market investments and these funds will not be accessible until the child reaches the age of eighteen.

Any child with a CTF already will not be eligible to open a Junior ISA. Because of this, the Government also confirmed they will raise the annual CTF investment limit from £1,200 to £3,600 from November this year, bringing them in to line with the Junior ISA annual investment allowance.

So, with the CTF scrapped and university fees, house prices and pension provisions all set to increase the strain on our future generation, the Junior ISA could provide a welcome nest egg, **FREE FROM TAX**, to help them in their future.

**For more information, or for help in choosing a Junior ISA provider, please do contact us for further guidance. We are here to help you.**



*The value of your investment can fall as well as rise and you may get back less than the amount you have invested. Levels, bases and reliefs of taxation are subject to change and their value depends on the individual circumstances of the investor.*



# Private Medical Insurance

*Private Medical Insurance (PMI) is advantageous for any patient seeking faster consultations or treatment, which may not be available on the NHS.*

PMI is not as expensive as some may believe; there are usually three types of cover ranging from budget, standard and comprehensive – however, it must be remembered that the level of cover will vary accordingly and the premium will depend on your age, current health condition and whether or not you smoke. There are some common questions and misconceptions surrounding PMI – in the following, we hope to answer and clarify the most common:

**Q** Is PMI only beneficial to cover the most expensive medical costs?

**A:** Not necessarily. Having PMI is clearly beneficial should the treatment you require otherwise cost thousands of pounds – however, on the whole, if you choose the correct policy, the costs of smaller procedures and outpatient treatments are often covered in addition.

**Q** Does where I live make a difference to my premium?

**A:** In order to decrease your premium you could consider only including particular hospitals closest to where you live. Many policies cover all private hospitals, which is often unnecessary.

**Q** What is “Shared Responsibility”?

**A:** Rather than paying an excess charge, shared responsibility is when the cost of treatment is shared between you and your insurer. Typically, an agreed contribution limit is set per year and once you reach your set limit, your insurer is then liable to cover any further eligible costs remaining.

**Q** Are there age restrictions?

**A:** In short, the answer is no. Parents or grandparents can now purchase sole PMI for children or grandchildren through many providers. A vast number of insurers also have no upper age restriction for purchasing PMI.

**Q** Is cancer covered?

**A:** Yes. You can include surgery for treating cancer or acquiring cancer drugs – or a combination of both – depending on the insurer. You can also tailor a policy to ensure full cancer cover is included should you wish.

**Q** Are pre-existing conditions covered?

**A:** The condition itself may not be covered within your policy, however so long as your pre-existing condition is under control, many providers will still cover the cost of private treatment for other medical conditions.

**Should you require any further advice regarding Private Medical Insurance, or would like help to obtain the correct policy for your requirements, please do make an appointment with us today.**

# Self-Assessment deadline

## REMINDER

The 31st October isn't just Halloween....

If you are self-employed, a Company Director, a trustee, receive a foreign income, or indeed have income from several sources, you are required to file a Self -Assessment tax return.

If you submit your return via a paper return, do not miss the Self Assessment filing deadline this year as you will immediately be liable for a £100 late filing penalty. The penalty will apply even if there is no liability or if any tax owed is paid in full by 31st January 2012.

These new penalties apply to all Self Assessment tax returns from 2010-11 onwards.

The fixed £100 penalty for failing to file a tax return on or before the filing date will therefore apply to:

- \* Paper returns received later than 31st October 2011
- \* Online returns received later than 31st January 2012

Daily penalties of £10 per day will also take effect if the tax return is still outstanding three months after the filing date. So if you file a paper return after 31 October 2011, you will be liable to a daily penalty on 1st February 2012 - three months earlier than those that file online.

Therefore, collect all the relevant information as soon as possible to ensure your return is submitted on time and accurately – inaccuracies can also lead to a late return penalty. It is also extremely important that you retain all records relating to your return for the

required time period (which is dependent on your individual circumstances) – not doing so can also lead to a penalty.

For further help on submitting a Self Assessment tax return, please do not hesitate to contact us.

*The Financial Services Authority does not regulate taxation advice*



# Strategic moves with your money

## How to beat inflation

**I**f the cost of living continued to rise significantly and your household earnings remain fixed, it could soon become very apparent the worth of your money diminishes almost on a day-to-day basis – especially if you hold money in a low-interest savings account.

The rate of inflation – as measured by the consumer prices index (CPI) – was 4.4 per cent in July, an increase of 0.2 per cent from June, adding further pressure to personal finances as the cost of feeding a family, transport and household bills rise, whilst income levels remain at a constant. Therefore, it may be time to consider the actions you can take to “inflation proof” your money as much as possible.

Here are some of our recommendations:

**1 ISAs**  
Savers, especially higher-rate taxpayers, should ensure they make full use of their annual ISA allowances. This is a highly tax efficient way to save as unlike the standard savings account, there is no tax liability. The best rates are usually available to those willing to tie their money up for five years – therefore shop around before making a final decision.

**2 Index-linked Products**  
Some banks and building societies, to ensure cash deposits do not decrease in value, have launched inflation-linked products. Inflation-linked certificates from National Savings and Investments should be considered as they promise to add 0.5 per cent on top of the retail prices index (RPI) – another measure of inflation – to your savings when you

sign up for five years. The interest earned is also free from tax and you can invest up to £15,000. \* *National Saving and Investment products are not regulated by the Financial Services Authority.*

**3 Investments**  
If you can, emotionally and financially, withstand the fluctuations within the stock market then dividend-paying shares may be worth an examination to overcome inflation increases. You may prefer investing in funds, these tend to be equity-income funds, rather than investing in a spread of companies.

**4 Savings accounts**  
Having maximised all of your tax-free saving options, ensure that any money you have left over to save is invested into high-interest savings accounts.

**5 Pensions**  
If you are a higher-rate taxpayer in particular, investing into a pension is one of the most tax efficient saving options available. You can make annual contributions to a personal pension up to the new maximum of £50,000 - or 100 per cent of gross UK earnings. This pension contribution limit can be used to top-up any allowance not used previously in the last three tax years. You can also spread your maximum annual investment limit across many pension providers as there is no limit to the number of pension plans you can have. Pension plans are not subject to income tax or capital gains tax either, making them a worthwhile investment.

*The value of your investment can fall as well as rise and you may get back less than the amount you have invested. Levels, bases and reliefs of taxation are subject to change and their value depends on the individual circumstances of the investor.*

# ATTENTION

## all pensioners

## are you paying too much tax?

*Many pensioners recently became victims of the over-complicated and confusing tax system when HM Revenue and Customs began to forcefully chase tax payments they had failed to collect.*

**A**ccountancy and investment management group, Smith and Williamson have announced that pensioners are more likely to pay the incorrect amount of tax on their income than most other UK taxpayers. This is believed to be because many retired individuals are receiving income from several sources – each with their own individual pay-as-you-earn tax code which is when complications can arise.

It is also believed some pensioners pay too much tax because they do not claim the allowances and reliefs they are entitled to, whilst others do not understand their tax forms at all.

Many pensioners spent their entire working lives with their tax affairs taken care of by their employers through the PAYE system and trusted their tax deductions were correct. Upon retirement however, many pensioners will suddenly find themselves receiving an income from a variety of sources, such as a state pension, private pension and savings and they are suddenly expected to understand, the often complicated, tax forms.

From the age of 65, pensioners also receive a higher personal allowance of £9,940 (it is currently £7,475 for those under the age of 65) and at the age of 75 it rises again to £10,090 – however, pensioners must claim for this, which many are failing to do.

### Here are some further important points regarding your pension income:

**1** The personal allowance reduces at a rate of £1.00 for every £2.00 of income exceeding £24,000 per annum. Pensioners between the ages of 65 and 74 with an income of £28,930 or over, receive the basic personal allowance of £7,475. This also applies to all pensioners over the age of 75 with an income over £29,230.

**2** The state pension is paid untaxed, but is a taxable income; therefore someone on a single person's basic state pension receiving £102.15 per week will have his or her personal allowance reduced to account for this. This should reduce the personal tax allowance of those between the ages of 65 and 74 to £4,628.

**3** A war widow's or widower's pension is free from tax.

**4** Many pensioners will receive a married couples allowance. A couple receiving the full allowance (paid only if one partner does not receive their own state pension) would see their personal allowance reduce – this can often prove quite complex, so if you would like more information, please do contact us.

**5** Those certified blind are entitled to an extra £1,980 on top of their personal allowance and non-taxpayers can transfer this allowance to their spouse or civil partner.

It is very important to keep a close eye on your tax affairs, particularly in retirement it seems. Here are our top tips to simplify your tax implications:

- Be aware of your PAYE tax code. Do not assume the authorities are correct – especially if you receive more than one source of income.
- Contact HMRC about any changes to your personal situation, which may affect your tax position.
- If you need clarification, or have a query, do not hesitate to contact HMRC.
- Keep all of the necessary paperwork relating to your tax affairs.
- Make use of all of your allowances – claim your entitlement!
- Think about utilising your personal £10,600 Capital Gains Tax annual allowance.
- Consider reducing your potential Inheritance Tax liability. You can give away an unlimited number of “small gifts” of up to £250 per gift per year. You can also give away up to £3,000 to many individuals or the whole £3,000 to one individual (so long as they have not already received the small gift allowance, as both allowances can not be used to give to the same individual). There are further exemptions on wedding gifts:
  - £5,000 to a child
  - £3,000 to a grandchild
  - £1,000 to anyone else

*Levels, bases and reliefs of taxation are subject to change and their value depends on the individual circumstances of the investor  
The Financial Services Authority does not regulate taxation advice*



# SIPPS

## and their freedom-of-choice

### A Self Invested Personal Pension (SIPP) provides you with more control over your pension.

A SIPP is a personal pension wrapper, which allow you to choose your own pension investments - they are unlike personal pensions whereby choice can be limited - SIPPS can offer an alternative should a current pension be underperforming. However, because the choice can be so diverse and they can often be quite complicated, advice should always be sought before deciding if they are right for you.

A SIPP offers a wide range of investment opportunities, some of which include a simple unit trust to a far more complex hedge fund. If you own a commercial property, a SIPP will allow you to invest within this - there are tax advantages of doing so - including the exemption of Capital

Gains Tax. The business can pay rent to your pension fund, on which it pays no tax and any future gain on the property will then be tax-free when it is sold.

Many SIPP providers will permit you to set up a lump sum transfer from another pension of as little as £5,000, however before deciding whether to transfer your existing pension into a SIPP, there are a number of considerations you need to make. You need to find out whether you would incur any penalties or charges by transferring from your existing provider and whether or not you may lose any bonuses. Ensure you believe what you would gain through a SIPP is worth far more than what you may lose - we can help you to determine this.

You must also bear in mind that SIPPS do require your management and personal time in order to perform

to the best of their ability. Currently you can only withdraw funds from your SIPP once you reach 55 years old, whereby usually a percentage lump sum of the total fund is withdrawn. You cannot withdraw beforehand.

The tax benefits and governing rules of SIPPS do make them seem attractive but they are not for everyone. The benefits at time of purchase can never be guaranteed as they depend on interest rates when you start taking the benefits. The value of your SIPP may also be less than anticipated if you reduce your contributions, or if you take your pension earlier. These factors must be remembered.

If you think A SIPP could be a pension plan for you, then please do talk to us before making a decision, they can be complicated products and whilst prove very beneficial for some, they do not suit everyone.

*The value of your investment can fall as well as rise and you may get back less than the amount you have invested.*

## For more information:

on any of the articles or related topics within this publication, or for individual financial advice based on a range of financial products which may be available, please fill in your details on the right and return this to us.

*Personal information will be treated as confidential and held in accordance with the Data Protection Act. You agree that your personal information may be used by us to provide you with details of products and services we may offer.*

Name:

Address:

Post code:

Telephone:

E-mail:

I would like to know more about:

HettleAndrews   
employee benefits

**PLEASE RETURN TO:**

Hettle Andrews Employee Benefits Ltd.  
123 Hagley Road  
Edgbaston  
Birmingham  
B16 8LD

E-mail: [info@hettleandrews.co.uk](mailto:info@hettleandrews.co.uk)