COUNTY FINANCIAL

MAKING SENSE OF MONEY

Planning Workshop

12th November 2014

Agenda

- Tax evasion/avoidance/allowances
- What allowances are available to us?
- Planning into the new landscape of pension freedom
- Longevity/mortality – the question we cannot answer!
- Making sure invested assets are in the right places
- How best to draw from investment ‘pots’
- Pensions v NISAs – any change to preference?
- Summary – no exam!

Tax terminology

Q: How would we distinguish between these?

▪ Evasion	- Illegal
▪ Avoidance	- Acceptable practices?
▪ Allowances	- Bedrock of tax planning

Personal tax allowances

Q: What do we think of taxation levels in the UK?

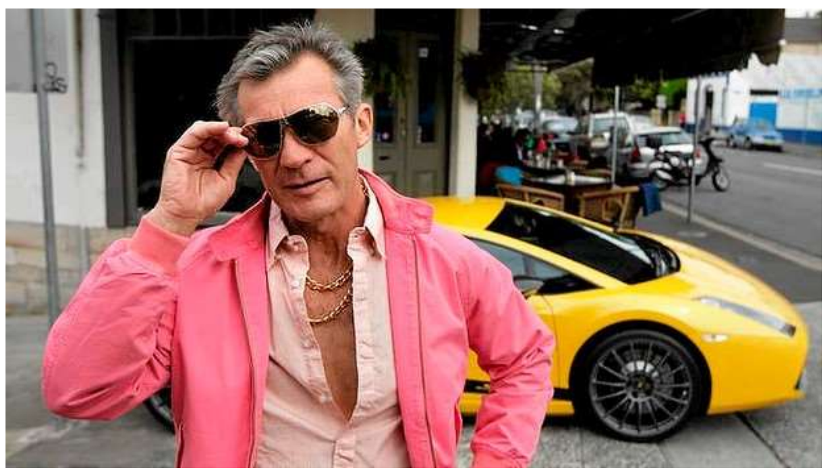
- £10k - Personal income tax allowance
- £5k - Savings income nil rate allowance
- £11k - Capital gains tax allowance
- £3k - Inheritance tax gift allowance
- £15k - ISA investment allowance

Q: Maximum tax free amount for couple?

Pensions 'liberalisation'

Q: What do we understand about the new rules?

- Total freedom to draw from 6 April 2015
- 25% tax free: 75% taxable at marginal personal rate of tax
- Lamborghini or longevity?!



Retirement planning tools

Q: £300k; 65 years old; 20 years – how much can he/she draw?
What extra information do we need?

- Planning tool
- County – Iress X-Plan

- Have a well-earned cup of tea!

Longevity – how much life at the end of your money?

Q: What is the average life expectancy of a 65 year old male/female?

- Lifetime cashflow planning
- Investment horizons
- Changing investment considerations in drawdown
- Personal, active, accountable investment management – discretionary investment managers
- Brewin Dolphin, Brooks Macdonald, Cazenove, Rathbones, Standard Life Wealth

Pension death benefits

Q: What changes have recently been announced?

Pensions	Death before 75	Death 75 or after
Current	Uncrystallised – tax free Crystallised – 55% tax or Taken as income – marginal rate of spouse or dependant	Crystallised & uncrystallised – 55% • Lump sum • Income – marginal rate of spouse or dependant
From 06.04.15 (death from now on)	**Crystallised & uncrystallised – tax free** **Generally IHT free**	**Crystallised & uncrystallised –** • **Lump sum 45%** • **Income – marginal rate of any** beneficiary **Generally IHT free**

Planning for our invested assets

Q: How much income is enough for retirement?

- Having our invested 'pots' in place

Cash savings	NISA savings/ investment	Taxable investments	Pensions	State/ occupational pensions
Savings allowance £5k	tax free	CGT allowance £11k	25% tax free	Personal income tax allowance

A perpetual pension fund?

Dead member's pension fund

'tax free' growth

Tax free withdrawals (death before 75)

Withdrawals taxed at marginal rate (death 75 or over)

Q: But who can draw down?

Sequence for drawing

1. Cash savings – shorter term money
   (Savings allowance £5000 if no other income ≤ personal allowance £10k)
2. Cash NISAs – shorter term money
   (Completely tax free)
3. Taxable investment portfolio – short/medium term
   (Maximise CGT allowances £11k pa – we need growth!)
4. Investments (stocks & shares) NISAs – medium term
   (Tax free income and growth)
5. Pensions – long term
   (IHT free fund – during lifetime 25% tax free - priority, 75% taxable as and when required)

Sequence will be heavily dependent on personal circumstances and aspirations.

Pension v NISA?

Q: Which pot should I contribute to if I have money to invest?

Tax efficiencies - money in/out

Pensions	NISAs
Money in Tax relief on contributions: 20%, 40% or 45% - BRT: £10,000 = £8,000 - HRT: £10,000 = £6,000	**Money in** No tax relief on investment
Growth No tax on underlying investment	**Growth** No tax on underlying investment
Money out Only from age 55 25% tax free lump sum 75% remaining fund taxed at marginal	**Money out** No tax on withdrawal
Inheritance Tax No IHT	**Inheritance Tax** Potentially 40%

Number Crunching

% Tax Rate in / out	Pension return	NISA return	Pension Gain / NISA gain
20/20	£20,401	£19,201	£1,200
20/40	£16,801	£19,201	£2,400
20/45	£15,901	£19,201	£3,300
40/20	£27,202	£19,201	£8,001
40/40	£22,401	£19,201	£3,200
40/45	£21,201	£19,201	£2,000
45/20	£29,675	£19,201	£10,474
45/40	£24,438	£19,201	£5,237
45/45	£23,129	£19,201	£3,928

Summary

- Rainy day money
- Retirement Income
- Legacy

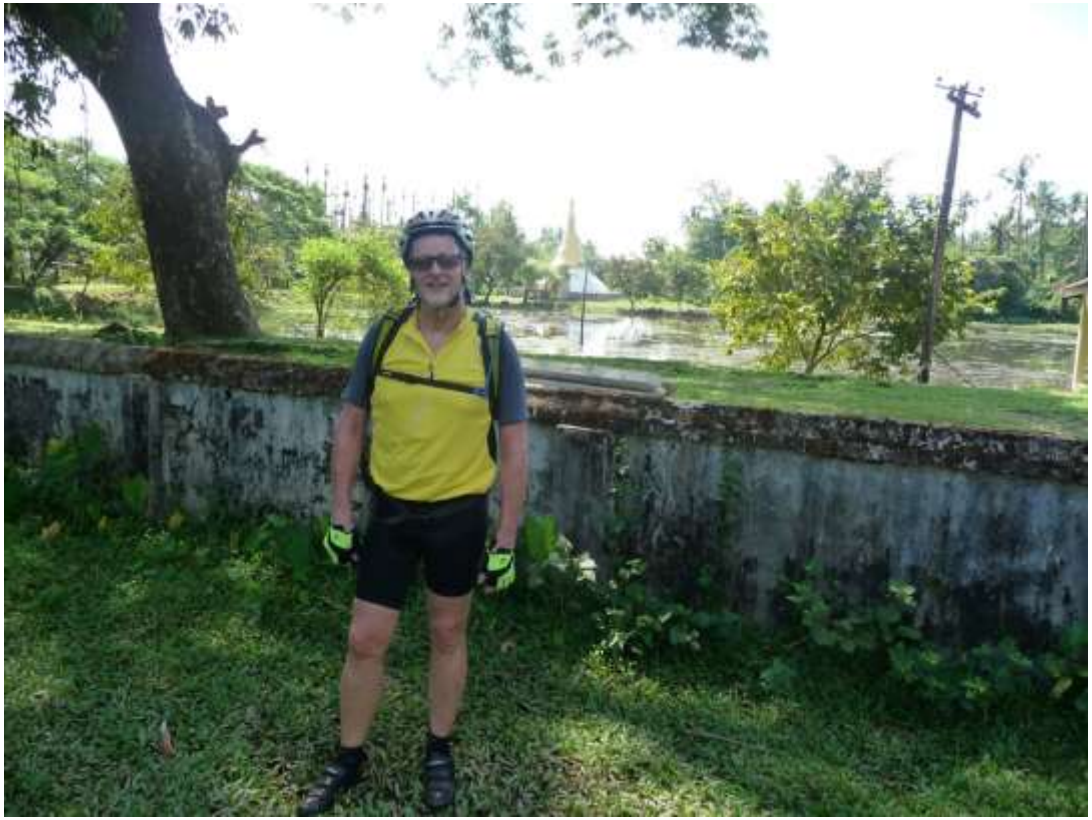
Summary and reflections

- Retirement and tax planning
- Importance of allowances
- Pension freedom – planning tools
- Longevity – the unanswerable question!
- Lifetime cashflow planning
- Invested asset ‘pots’ and how best to draw
- IHT and pension death benefits – NISA or pension in accumulation

ANY QUESTIONS?

Past events – Myanmar (Burma) cycle challenge

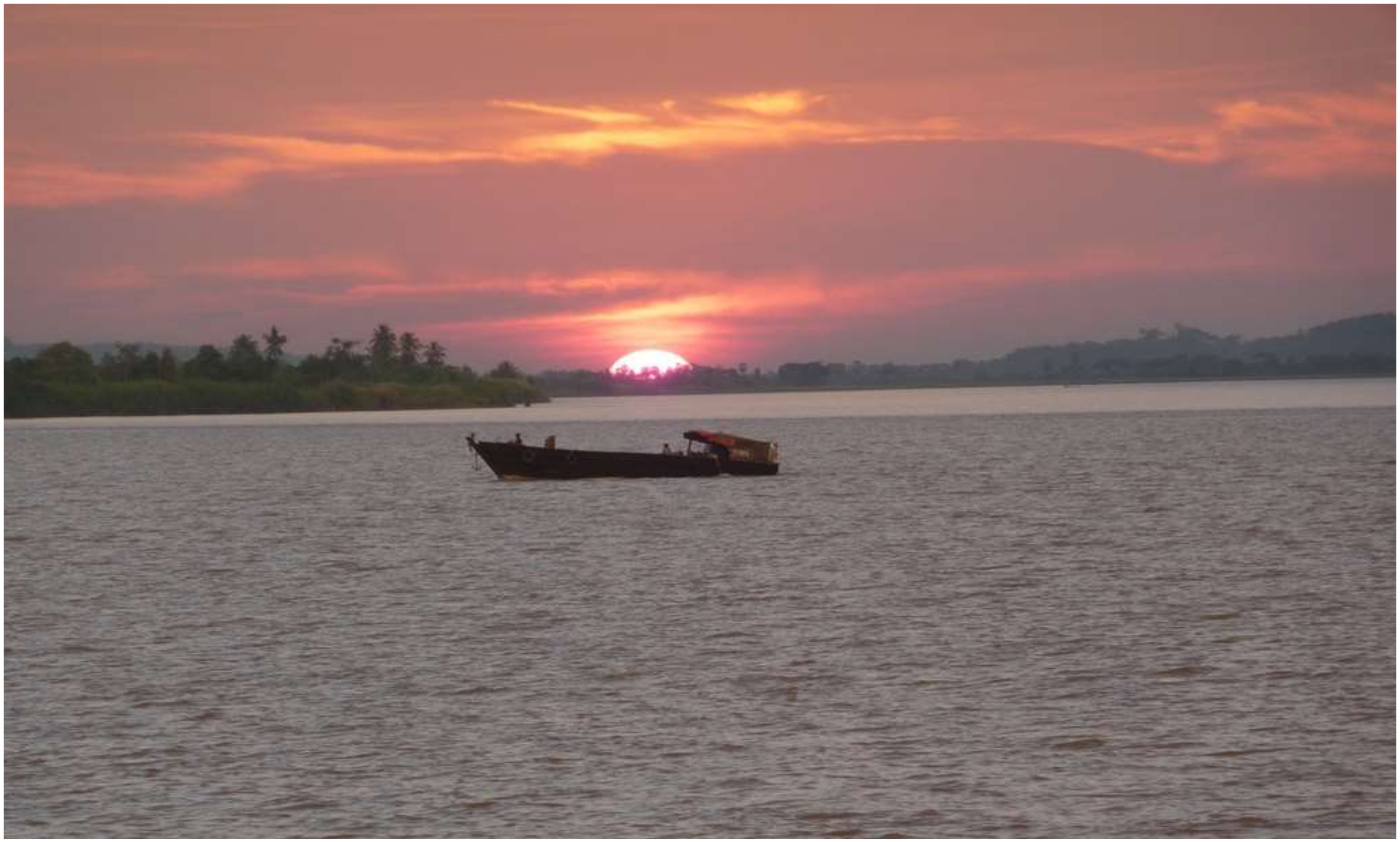
Thank you!



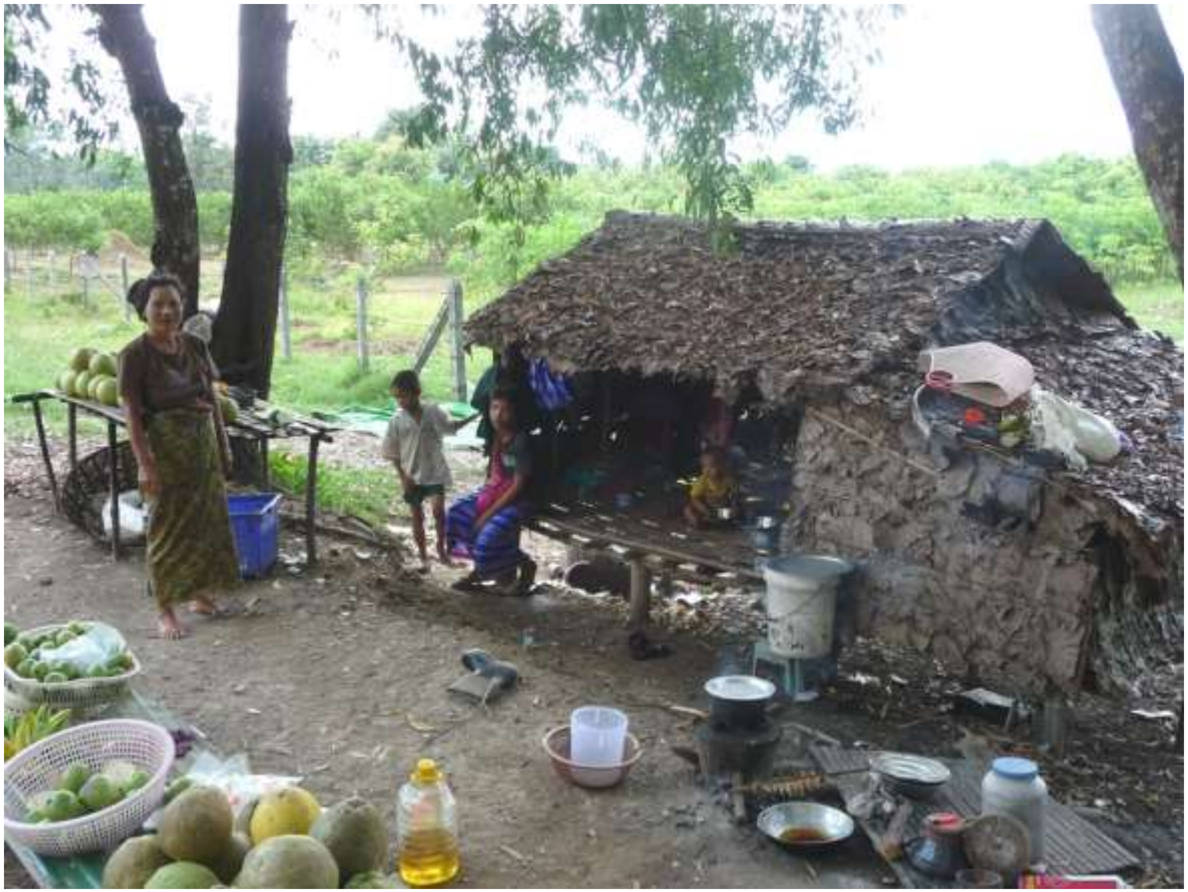
HopeAsia

www.hopeasia.org

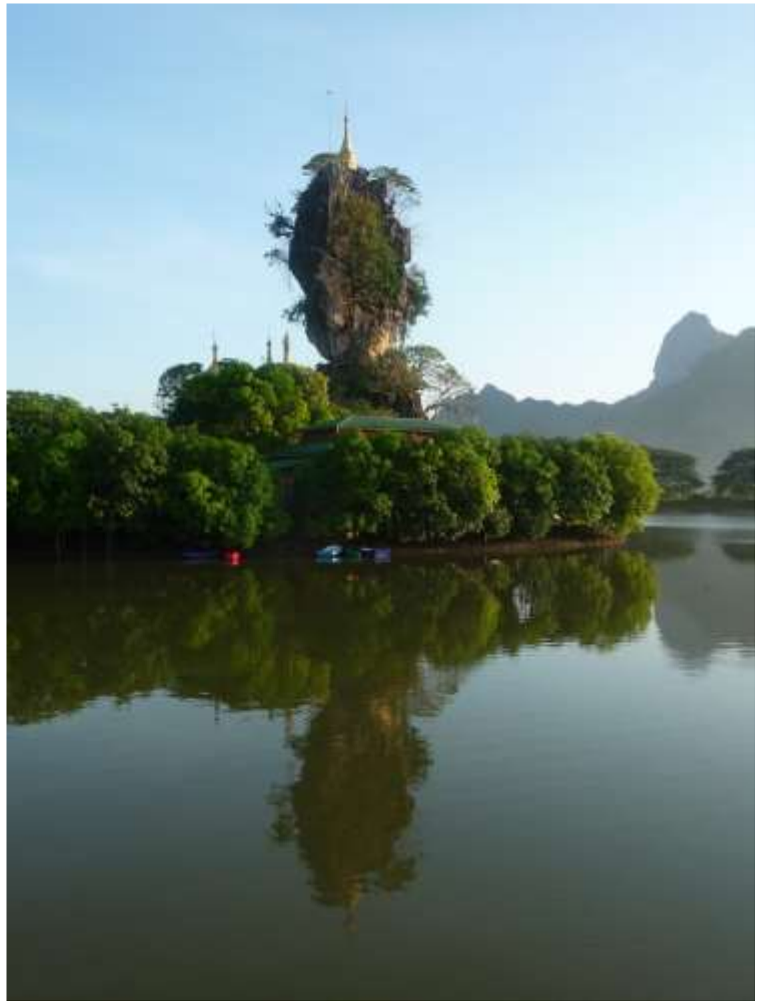
Barmy Bike Ride 2014



Barmy Bike Ride 2014

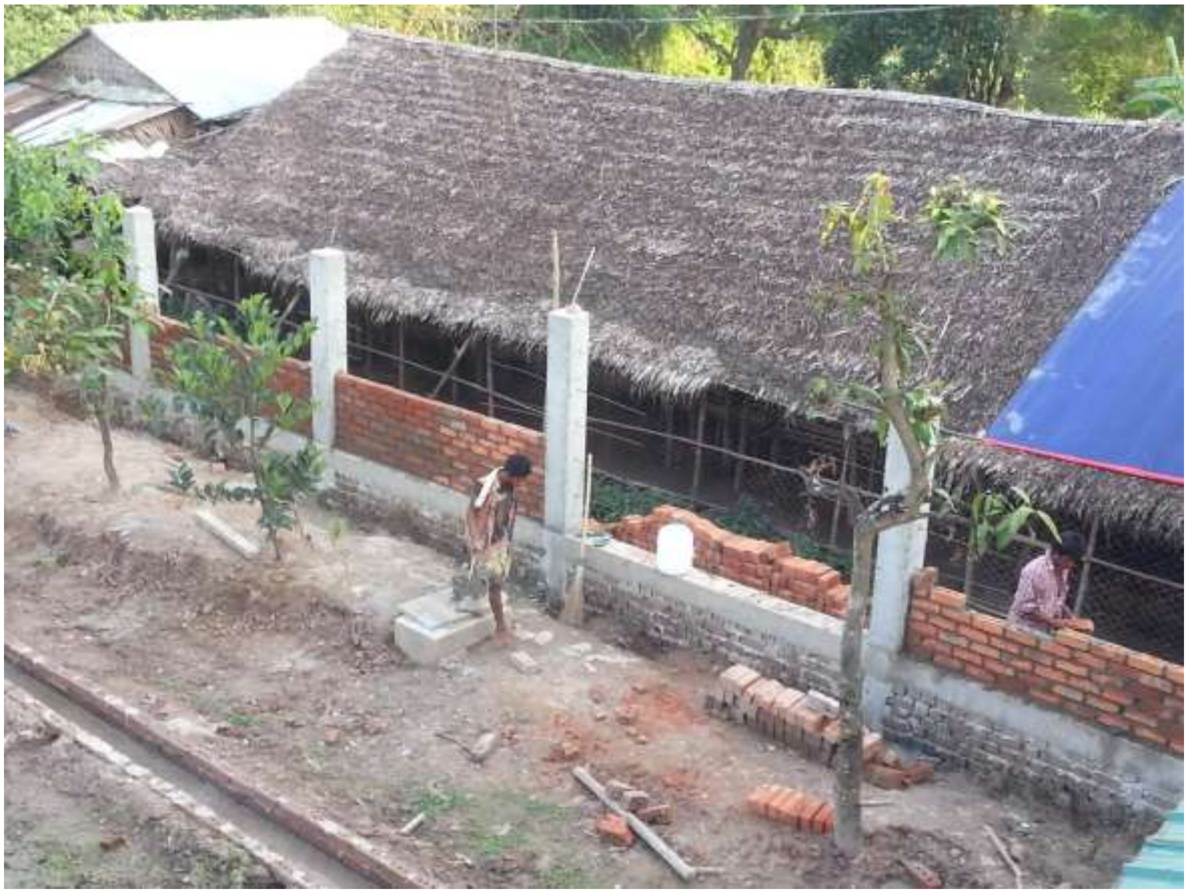


Barmy Bike Ride 2014



Barmy Bike Ride 2014

Barmy Bike Ride 2014



Future events

- Client seminar and workshop 2015
- Feedback form
- County 30th celebration 27 June 2015