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INVESTMENT BULLETIN

In association with 'Dobson & Hodge Ltd'

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SAFETY FIRST - A LOOK AT NATIONAL SAVINGS

The tax rules are to be changed to allow individuals aged 55 and above to access their defined contribution pension as they wish from April 2015. As part of the Taxation of Pensions Bill 2014, which was published in mid-October, the government is proposing to change the rules on taking pensions as a lump sum with effect that people will be able to take a series of lump sums instead of only one. Under the current rules, people who want to take their pension as a lump sum would take 25% of their pension pot free of tax and then place the other 75% in a drawdown account. Any money they take out of their drawdown account will then be taxed at their marginal rate. Under the new tax rules individuals will have the ability to take a series of lump sums from their pension fund, with 25% of each payment then free of tax and 75% taxed at their marginal rate, without actually having to enter into drawdown policy. 'People who have worked hard and saved all their lives should be free to choose what they do with their money,' said Chancellor of the Exchequer George Osborne as these latest changes to the pensions saving landscape were announced. 'For some people an annuity will be the right choice whereas others might want to take their whole tax-free lump sum and convert the rest to drawdown.' The March 2014 Budget included a fundamental change to how people can access their pension, introducing measurers to allow retirees to spend their pension pot as they choose, rather than having to buy an annuity. According to government figures, from April 2015, around 320,000 individuals retiring each year with defined contribution pension savings will be able to access them as they wish, subject to their marginal rate of tax. Six months later, the Chancellor announced that, again from April 2015, people are to have the freedom to pass on their unused defined contribution pension to any nominated beneficiary when they die, rather than having to pay the onerous 55% tax charge that currently applies to pensions passed on at death. With pensions saving clearly now a major focus for politicians and thus in a state of some flux, it is well worth considering seeking expert advice on your individual circumstances.

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CHANGES AFOOT....

Dobson and Hodge Limited has been around for over 90 years and whilst the world moves on, we continue to offer advice for our clients concerning both their insurance and financial planning needs. You are all aware that the firm offers regulated independent financial advice and, until very recently, this has been delivered by Paul and Andrew. On 1st October, however we welcomed an additional adviser to the firm, Darren Wood. Darren is a Chartered Financial Planner and brings with him significant technical and practical experience; his focus will be to provide guidance and advice to firms who are seeking assistance with their automatic Enrolment pension obligations. These obligations are in the process of being rolled out and in the near future all businesses with employees, irrespective of size, will have to satisfy (and continue to satisfy) these regulations. As a business, we take pride in being good at what we do and whilst Paul and Andrew have many years experience in dealing with company pension schemes, it was felt that our corporate clients would benefit most if we have someone who specialises in this area of advice and the technical issues it throws up. Darren therefore brings with him over 10 years of general financial advising experience whilst also having significant knowledge of not only the Automatic Enrolment legislation requirements but also Small Self Administered Schemes (SSAS) and Self Invested Personal Pension (SIPP) strategies– an area we often operate in given that many of our clients are directors of businesses. We are therefore ready and waiting to provide impartial guidance and advice to companies who are seeking assistance with the maze that is Automatic Enrolment.

What is a corporate bond?

Corporate bonds are loans issued by companies and funded by investors. In exchange for your capital, companies agree to pay fixed interest payments at regular intervals and to repay the capital at a specified future date. This fixed nature of payments makes corporate bonds particularly attractive for investors looking to supplement existing income. The corporate bond market is divided into two principal categories - 'investment grade' bonds, which are generally considered more financially secure; and 'high yield' bonds, which offer higher interest payments that investment grade bonds so as to compensate investors for the greater risk they may default on payments.

LONG TERM CARE PLANS

The rising cost of long-term care has been am overlooked hazard for an aging population. However, for those looking to plan ahead, there are various ways to help. 'Immediate needs' annuities can help bridge the gap between income and care costs. Pre-funded care plans are no longer available to purchase, although you might have a pre-existing policy that allowed you to insure future care requirements before they arose. You could also consider using your pension pot to buy an enhanced annuity if you have a medical condition or lifestyle that could affect your long-term health. If in doubt do speak to our adviser.