Autumn Newsletter

Sense Financial Solutions

Welcome to the latest edition of our new regular financial newsletter. We hope you find it of interest. If you know someone else who would also appreciate a copy, please just send us their email and we'll add them to the mailing list.

In this issue

Business section

Where to stash the cash: top ten tips for investing in a recession.

We may have recently seen the first 'green shoots' of recovery, but there's no doubting that the economy is still battling its way out of recession.

To guide you in this difficult time, a selection of Independent Financial Advisors were asked for their investment tips on how to make the most out of your money during the recession:

1. Remember that investment charges are an expenditure item just like any other.
2. The repayment of debt is the best investment you can ever make.
3. Try not to be swayed by media hype and remember the basics of investment.
4. Retail Structured Products have come back into the market and taken millions of pounds due to their moderate risk and high returns.
5. Always take advantage of tax breaks.
6. A diversified approach has made sense in the past, makes sense today and will continue to make sense in the future.
7. Equities in the UK and overseas are now probably, on the whole, fair value if not cheap.
8. Remember that investment is as much about scepticism as it is about identifying opportunities.
9. Remember we are in a balance sheet recession - banks won't lend to you on the terms you want and nor are consumers looking to borrow in droves.
10. Rather than speculating on which funds are best to invest in during, and as we come out of, a recession consumers should spread their risk by investing in different asset classes (i.e. equities, property, commodities, bonds and cash).

Source: Unbiased.co.uk

Recession causes people to delay retirement

Another aspect of the recession is that it has been reported that many people are delaying retirement.

For some people, this has been forced on them by the government changing the minimum retirement age.

This is currently age 50 but on the 6th April next year, it is increased to age 55. So if you were born between 6th April 1955 and 5th April 1960, and have planned to retire early, you had better take action before the start of the next tax year.

For those of you born on 6th April 1950 or later, the earliest age you can retire has been pushed back another five years.

Many of us cannot afford to retire at our normal retirement date, let alone earlier than that, and the increasing tendency to close final salary schemes to new members is also hitting people's retirement plans.

Another development is that employers are cutting back on their final salary schemes and even closing them to existing members.   This, of course, will affect your future financial security.

All of this means that you should urgently review and revisit your retirement plans. Planning does not just mean investing more in a pension plan. There are other tax advantaged savings plans available nowadays that could be more flexible.

HMRC approaching retirement guide

You may actually have got to the point where you are actually going to be retiring in a short while and it is essential that you check out the tax situation of when that day comes around.

You may be interested to learn that HM Revenue and Customs has a booklet called "Approaching retirement" which is a valuable guide to tax and National Insurance contributions for retirees of any age.

This is available on the internet at http://www.hmrc.gov.uk/leaflets/ir121.pdf. You can also ring the HMRC orderline and ask for one; their telephone number is 0845 9000 404. You should ask for leaflet IR121.

Wills

"Will disputes are expensive."

Are you sure your will is valid?

Many people like to do things themselves, rather than call in the experts.   But for legal matters, this can cause problems and according to recent figures, the number of High Court cases involving disputes over Wills and inheritance has risen by 175%. And more will be settled out of court.

Will disputes are expensive as they involve legal costs. It is not just your own will that you should worry about, but that of anyone connected to you, as you wouldn't want to incur costs, would you?

You should make sure that everyone who has a Will has one that is properly drafted and executed. (i.e. signed and witnessed)

If a will is invalid, the laws of intestacy will apply and the right people may not get their share of the estate. In addition, you may incur inheritance tax which could be easily avoided.

For more information on the effects of intestacy or inheritance tax, please ask us for details.

BUSINESS SECTION

Investing corporate cash

Successful private companies sometimes have funds on deposit that are not required as working capital and have not been set aside for a specific purpose.

Is that the case for your company?

Many owners of private businesses are risk averse with their business funds and hold significant funds on deposit.

But there could be a more tax effective way of holding the funds rather than just in a bank deposit account.

You are currently paying corporation tax on the gross interest year-on-year but if you moved the deposit into the tax framework of an offshore bond, the interest would be taxed under the loan relationship rules.

Whilst this is of no advantage for large companies, if your business is taxed under the “historic cost accounting” rules a benefit can occur.

This is because a charge to corporation tax on the interest would not arise until full encashment or part encashment of the investment took place.

So tax can be deferred and you can achieve a gross roll up of interest, boosting your returns.

In the credit crunch, your business needs greater protection

The credit crunch climate has made it more difficult for businesses to raise cash and one important knock-on effect is that it is now more difficult for you to borrow money from banks.

And banks are keen to secure repayment of their loans in the event of problems arising.

This issue is particularly relevant when cash is needed by a private business to make a payment to the family of a deceased owner or shareholder or to continue functioning after the loss of key personnel.

If the business does not have such cash readily available, borrowing the requisite funds from a bank may prove difficult with a consequent financial squeeze on the business. This may result in that business creating its own "mini-recession".

"Protect your business."

Life assurance could substantially alleviate this problem and can provide a lump sum payment at a time when it is needed most. This could be

- to provide a financial cushion if a key member of staff dies.
- to demonstrate to potential investors the long term viability of the company's key assets.
- to give the business the cash to buy the deceased's share of the business.

Thinking ahead prevents a problem arising and provides greater protection for your family and that of your co-owners, as well as for the business.

A business life assurance policy can help businesses cope with major upheaval if a partner, director or major shareholder dies suddenly.

Perhaps we could help you see if your business is unprotected? Just contact us. An e-mail will be fine, and we'll send you a short questionnaire which will help us advise you on the situation.

"You know it makes sense"