

Last orders for tax year 2009/10

As ever at this time of year, our thoughts turn to the forthcoming end of the tax year. This year the final working day of the tax year is Thursday 1st April, due to the early Easter. We therefore urge clients to contact us soon should they wish to make any final arrangements for the 2009/10 tax year.

We thought it may be useful to provide a summary of some of the more important time sensitive matters that you may be considering:

- **ISAs** – ISA allowances run on a current tax-year basis, meaning your allowance for 2009/10 will be lost if you do not use it by 1st April. Over-50s can invest up to £10,200 in ISAs (of which up to £5,100 can be in a cash ISA) this year, with everyone else limited to £7,200 (max £3,600 in cash). ISAs can play a very important part of a person's savings, investments and retirement planning, due to their tax efficient status and flexibility.

- **Pensions** – Many people assess their pension options and make one-off contributions at the end of the tax year. In order to benefit from income tax relief against your 2009/10 tax liability, contributions must be received by the pension provider by 1st April this year. As ever, we suggest that you allow plenty of time to calculate, plan and make any pension contributions and therefore encourage clients to speak to us about this sooner rather than later.

"High-income" individuals (i.e. those persons with total income around £130,000 need to abide by new, more complicated, pension legislation this year and therefore if you fall into this bracket we would urge you to speak to an adviser as soon as possible.

Also, bear in mind that stakeholder pension contributions run on a tax-year basis. Persons with low or no income (e.g. children) can still have pension contributions of £3,600 (gross) and benefit from basic rate tax relief of 20%, bringing the net cost down to £2,880. Contributions can be made by parents and/or grandparents into stakeholder pensions for minors.

- **IHT Exemptions** – don't forget your annual gifting exemptions for Inheritance Tax purposes. The main annual exemption is £3,000 per tax year per person, and whilst you can carry the exemption forward for one year, if you did not utilise your 2008/9 exemption, this will be lost at the end of this tax year.

See overleaf for details of our free guide to IHT.

- **VCT & EIS investments** – The end of the tax year is always a busy time for Venture Capital Trust (VCT) and Enterprise Initiative Scheme (EIS) scheme investments. Both these types of investments benefit from Income Tax Relief (30% and 20% respectively) as well providing tax-free growth and, in the case of VCTs, paying tax-free dividends.

VCTs and EISs are investments into smaller companies, and can carry more risk than other investments and therefore are not necessarily appropriate for everyone. However for more sophisticated investors, particularly those with larger Income Tax (or Capital Gains Tax) liabilities, they can form a very useful part of a broad investment portfolio. Should you wish to consider making VCT or EIS investments for the 2009/10 tax year, please call us on 01473 255948 for more information.

- **CGT exemptions** = don't forget your annual capital gains tax exemptions, as these can prove particularly useful to help reduce the tax you pay. The exemption for this year is £10,100 after which gains are taxed at 18%. Also, bear in mind that married couples both have an annual exemption and transfers between spouses do not incur CGT.

Therefore if Mrs Smith wished to dispose of shares which had gained £40,000 in value, she could transfer half to her husband and then both could sell shares either side of the tax year, thus meaning that no Capital Gains Tax would become payable on the gain.

Age 50-55? – your pension is about to be locked

As we mentioned in the last newsletter, April 2010 is also an important deadline in the pensions world for persons aged between 50-55.

Currently pension rules allow anyone aged 50 or over to draw their tax-free Pension Commencement Lump Sum and/or their pension income. However this age is being pushed back to age 55 in April for everyone – including persons currently over 50. This means that if you are over 50, you will have to wait until you are 55 to be able to draw your pension, unless you take action now.

Whilst this may not worry many people who plan to retire later than age 55, we are often contacted by clients who wish to semi-retire or simply withdraw some funds from their pension for other purposes and under these rule changes this will no longer be possible until you have reached 55. If you want to discuss your options before April, please contact us as soon as you can.

What's going on?

Market Commentary – End Quarter 4, 2009

Regular readers of this commentary will note that our thoughts this quarter are much the same as they were 3 months previously. Global markets had another strong period, despite some early profit taking in October, and ended the year on a high.

	3 Months	1 Year
FTSE 100 TR	6.16	27.33
FTSE 250 Mid TR	2.31	50.64
FTSE A British Govt All Stocks TR	-2.04	-1.16
FTSE All Share TR	5.47	30.12
FTSE All Small (X It) TR	-6.79	63.42
FTSE Europe ex UK TR GBP	0.56	20.09
FTSE World TR GBP	3.48	19.64
IPD UK All Property Monthly TR	9.44	2.18
LIBOR GBP 1 Month	0.10	0.73

Source: Lipper Hindsight, bid-bid, net income reinvested, to 31/12/09

However, doubts remain as to the sustainability of recovery once financial stimulus packages are removed. Whilst there is still decent value to be found using historical valuation methods, some doubt remains as to whether we are through the full effects of the recent financial troubles. Policy makers are hoping that when Quantitative Easing and other such measures come to their necessary end what will be left is a return to self-fulfilling and sustainable economic growth. Of course the risk is that these measures are not addressing the key structural issues in Western economies and therefore when stimulus ends growth may not occur.

The world however is a large place, and undoubtedly there will be many investment opportunities at company, sector and regional levels over coming years. It is certainly going to remain important to have mechanisms in place so that pension and investment portfolios can adapt and benefit from these changing tides of opportunity. We believe that our combination of regular client reviews and outsourced active fund management will help our clients to position accordingly.

In the UK, other political concerns loom large in 2010 and the results of the election are eagerly awaited by both consumers and markets. Regardless of the result, it looks inevitable that further tax rises will follow the election and therefore an increasingly important part of financial planning will be focussing on ways to mitigate the fiscal burden. We encourage clients to utilise tax-efficient vehicles such as ISAs, pensions and other planning vehicles, but with many changes to legislation occurring it is very important to seek advice before making any decision in order to comply with the current rules.

Free guide to IHT

Inheritance tax is often a very costly and unwelcome burden on dependents that can easily be reduced or even avoided altogether with some prior planning. However many people tend to ignore or put off planning in this area due to perceived complexities or a lack of understanding of the options available. Sadly, this can often mean that by the time a person focuses on trying to mitigate IHT, it is too late to take effective action.

We have put together a comprehensive guide to IHT which is available for free upon request. The guide provides a background to IHT, gives information about the IHT exemption rules and considers different strategies for IHT avoidance, including the use of trusts. The guide is written in straightforward language and therefore we hope is easy to follow. It has been designed to help you start to consider IHT issues, which we then recommend you discuss in detail with an advisor.

Simply contact any member of the team on 01473 255948 to request your free "Guide to IHT", or email enquiries@stangaskin.co.uk.

New advisor joins the team

We are pleased to announce the appointment of Susan Steel to our team of advisors. Susan is a highly qualified advisor with over 15 years of financial services experience. Susan will primarily be focussing on providing advice on a broad spread of matters to individual clients and small businesses, but also has recent experience working with medium and larger sized companies.

Diploma Success

We are pleased to bring you news of more exam success at the October Chartered Insurance Institute exams. Henry Gaskin passed both his Trusts (diploma) level and Pension Planning (advanced diploma) exams, completing his Diploma in financial planning in the process.

Henry commented: "I am pleased to have completed the Diploma already as this will become the new qualification benchmark for financial advisers by the end of 2012. My aim is to complete the advanced diploma over the next 18 months and achieve Chartered Financial Planner status. These qualifications help to illustrate our commitment to improving standards and the knowledge gained helps to deliver high quality advice and service to our clients".

New recruit Susan Steel is also only one exam away from achieving her diploma and hopes to complete this soon.

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