NOVEMBER 2016

GUIDE TO

WEALTH MANAGEMENT

CREATING AN INTEGRATED AND COORDINATED APPROACH TO MANAGING YOUR WEALTH

WELCOME

Creating an integrated and coordinated approach to managing your wealth

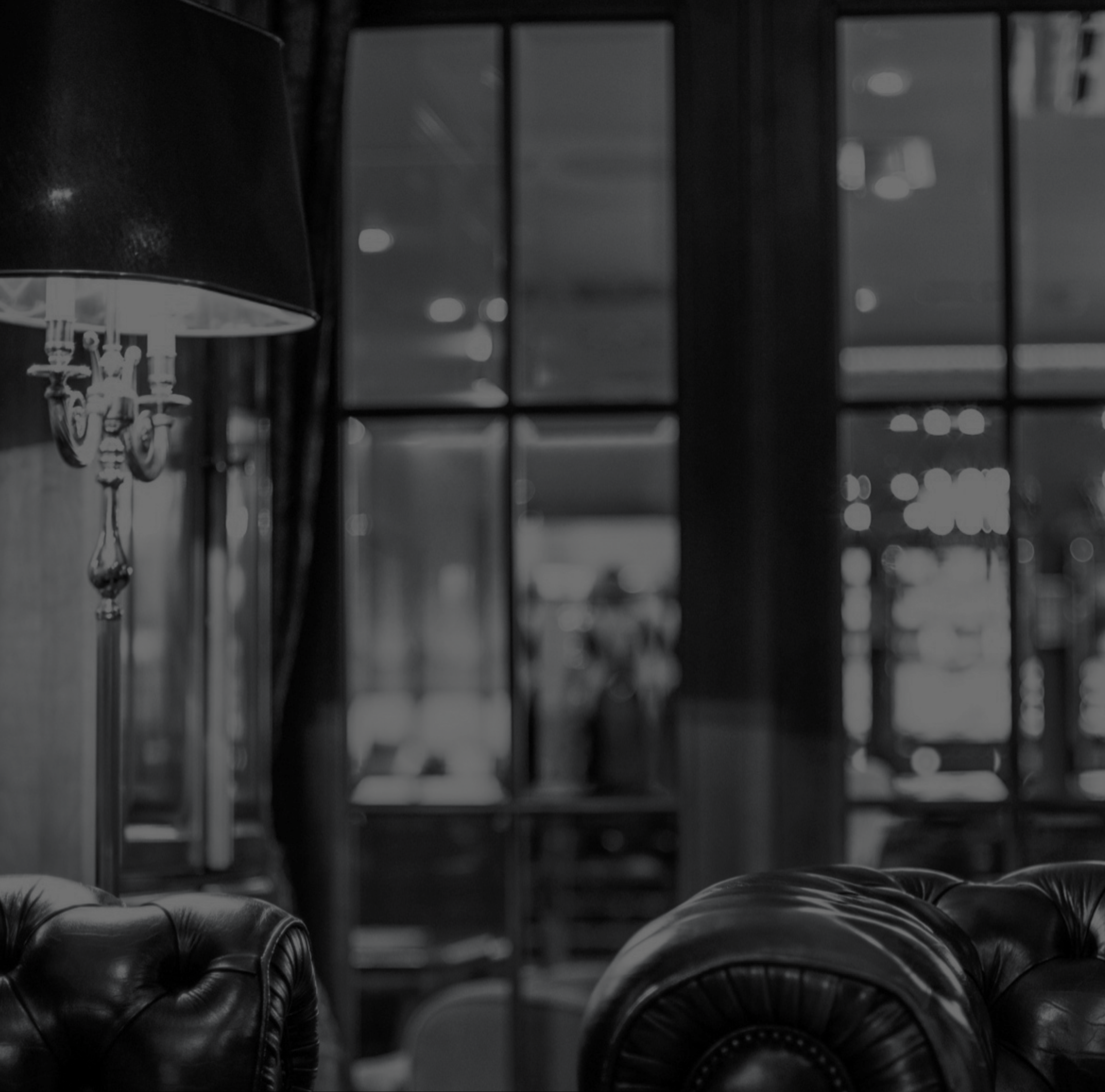
Welcome to our *Guide to Wealth Management*. Our personalised approach is designed to help us understand your wider ambitions and objectives for your wealth, whether you want to generate an income that supports your lifestyle, family and retirement plans; need help to pass your wealth on to future generations; or fund your ambitions, from personal legacies to philanthropy.

Building strong relationships
Of course, life doesn't stand still – your priorities may change and so will the world around you. That's why we build strong relationships with our clients to truly understand and adapt to their evolving needs.

Integrated and coordinated approach
Whatever your goals in life are, careful planning and successful investing of your wealth can help you get there. Our comprehensive wealth planning service enables us to provide an integrated and coordinated approach to managing your wealth whilst maximising the opportunities available.

Advice tailored to your personal situation
Our advice is tailored to your personal situation, covering areas such as retirement planning, investment structuring, financial protection, Inheritance Tax and estate planning – all of these areas our covered in our *Guide to Wealth Management*. To review your protection requirements, please contact us – don't leave it to chance.

CONTENTS



INVESTMENT

Making the most of the options available

Planning for the future often means finding a balance between savings and investments, and facing the challenge of deciding where to put your money and how long to put it there for. You may be saving for your children's future education costs, looking to generate an income from your capital or make provisions for retirement. Whatever your reason for regularly saving or investing, you want to be sure you are making the most of the options available.

TIME TO CONSIDER YOUR INVESTMENT OPTIONS?

Helping you reach your long-term financial goals

In the current economic climate, with interest rates still around record lows, investing in the markets could enable you to achieve an inflation-beating return and help you reach your long-term financial goals.

If you've got sufficient money in your cash savings account – enough to cover you for at least six months' worth of living expenses – and you want to see your money grow over the long term, then you should consider investing some of it.

The right savings or investments for you will depend on how prepared you are taking risks and on your current finances and future goals.

Before even considering investing your money, you need to be comfortable with the risks involved. The action or process of investing money for profit can take many forms, but most people typically choose from four main types of investment, known as 'asset classes':

- **Cash** – the savings you put in a bank or building society account
- **Fixed interest securities (also called 'bonds')** – you loan your money to a company or government
- **Shares** – you buy a stake in a company
- **Property** – you invest in a physical building, whether commercial or residential

There are also other higher-risk types of investments available too, including:

- Commodities like oil, coffee, corn, rubber or gold
- Foreign currency
- Contracts for difference, where you bet on shares gaining or losing value
- Collectables like art and antique

Investment returns

Depending on where you put your money, it could be paid in a number of different ways:

- Interest (from cash deposits and fixed interest securities)
- Dividends (from shares)
- Rent (from properties)
- The difference between the price you pay and the price you sell for – capital gains or losses

Deciding how much risk you are willing to take

Understanding the risks you'll encounter when investing and deciding how much risk you are willing to take is fundamental. You might have a long time frame and plenty of cash to fall back on, but if you don't think you would be comfortable if the markets became volatile a high-risk approach probably isn't for you.

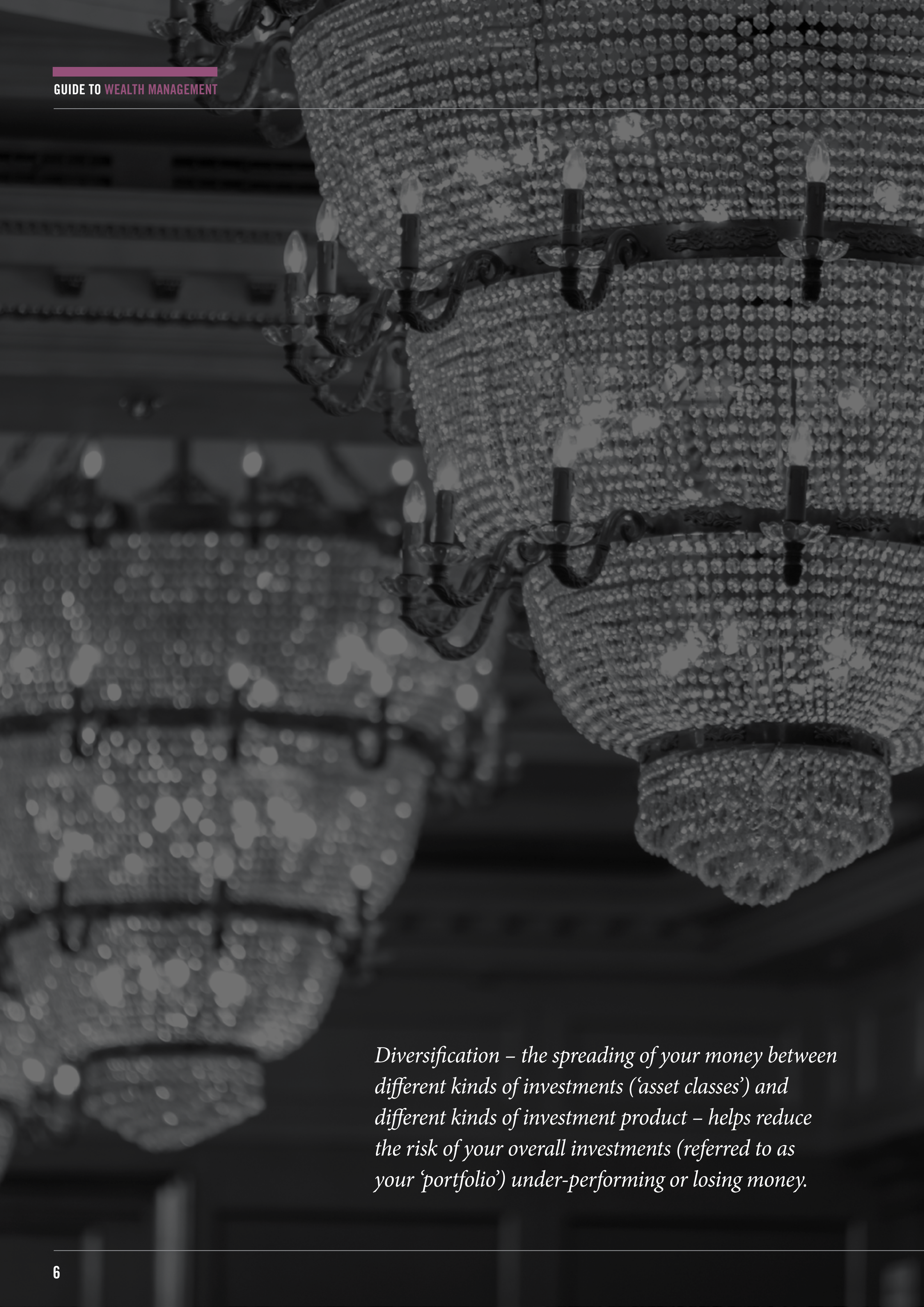
There's no such thing as a 'no-risk' investment. You're always taking on some risk when you invest, but the amount varies between different types of investment.

Even money you place in secure deposits such as savings accounts risks losing value in real terms (buying power) over time. This is because the interest rate paid won't always keep up with rising prices (inflation).

On the other hand, index-linked investments that follow the rate of inflation don't always follow market interest rates. This means that if inflation falls, you could earn less in interest than you expected.

Stock market investments may beat inflation and interest rates over time, but you run the risk that prices may be low at the time you need to sell. This could result in a poor return or, if prices are lower than when you bought, losing money.

Spreading your risk (or 'diversifying') by putting your money into a number of different products and asset classes is one way to reduce risk, so if an investment doesn't work out as you had planned you've still got exposure to others.



Diversification – the spreading of your money between different kinds of investments ('asset classes') and different kinds of investment product – helps reduce the risk of your overall investments (referred to as your 'portfolio') under-performing or losing money.

PORTFOLIO DIVERSIFICATION

Spreading your money between different kinds of investments

Diversification – the spreading of your money between different kinds of investments ('asset classes') and different kinds of investment product – helps reduce the risk of your overall investments (referred to as your 'portfolio') under-performing or losing money.

These are the main asset classes, with the first four being the most common.

ASSET CLASS	EXAMPLE PRODUCTS	RISK PROFILE
Cash	Savings and current account balances, savings bonds, premium bonds and other NS&I products, Cash Individual Savings Accounts (ISAs), and any other cash you hold.	Low, but your money's buying power is eroded over time if inflation is higher than the interest rates paid. Cash you put into authorised UK banks or building societies is protected by the Financial Services Compensation Scheme up to £75,000.
Fixed interest securities – also called 'bonds'. Essentially a loan to a company or government for a fixed period.	Gilts (government bonds), overseas bonds, local authority bonds and corporate bonds (loans to companies).	Relatively low and returns predictable if held to maturity; however, traded prices can be volatile. Your money's buying power can still be eroded over time if inflation is higher than the interest rate paid on the bond.
Shares – also known as 'equities'. A stake in a company.	You can hold shares directly or through an investment fund where you pool your money with other people's, like with a unit trust, OEIC (open-ended investment company) or life fund.	Investing in a single company is high risk. Investing in a fund provides more diversification, but risk levels will depend on the type of shares in the fund.
Property	Includes residential or commercial property and buy-to-lets, and investments in property companies or funds.	Price can vary and be more volatile than with bonds. Potential for gains but also losses. You may not be able to access your capital quickly if you have invested into property directly. Access to capital may also be restricted through property funds if closed to redemptions, meaning you will not have access until the redemption restriction has been lifted.
Alternative investments	Includes gold, art, antiques, collectibles, fine wines and other investments that do not fall into the four main asset classes.	Risk profile unpredictable – very much depends on prevailing (niche) market conditions and quality of asset.

Protection for your money
Cash you put into UK banks or building societies (that are authorised by the Prudential Regulation Authority) is protected by the Financial Services Compensation Scheme (FSCS). The FSCS savings protection limit is £75,000 (or £150,000 for joint accounts) per authorised firm. It is worth noting that some banking brands are part of the same authorised firm. If you have more than the limit within the same bank or authorised firm, it's a good idea to move the excess to make sure your money is protected.

Each kind of asset behaves differently. For example, when stock prices fall, the prices of fixed interest securities may go up. If you have a mix of investments in your portfolio, it will minimise the risk that they'll all lose value at the same time.

Diversifying within an asset class
There are many opportunities for diversification, even within a single kind of investment.

For example, with shares, you can spread your investments between:

- The UK and overseas markets
- Different sectors (industrials, financials, oils, etc.)
- Large and small companies

Do you need to improve your diversification?
If all your cash is in a single savings account, you should think about spreading it between an instant access savings account and other alternatives, like cash bonds or an investment fund. You should also think about moving some of it where your cash within one particular UK bank or building society exceeds the FSCS protection limit of £75,000.

If you have access to more than six months' worth of living expenses, consider putting some of that excess into investments like shares and fixed interest securities, especially if you're looking to invest your money for at least five years and are unlikely to require access to your capital during that time.

Also, if you're heavily invested in a single company's shares – perhaps your employer – start looking for ways to add diversification to your exposure.

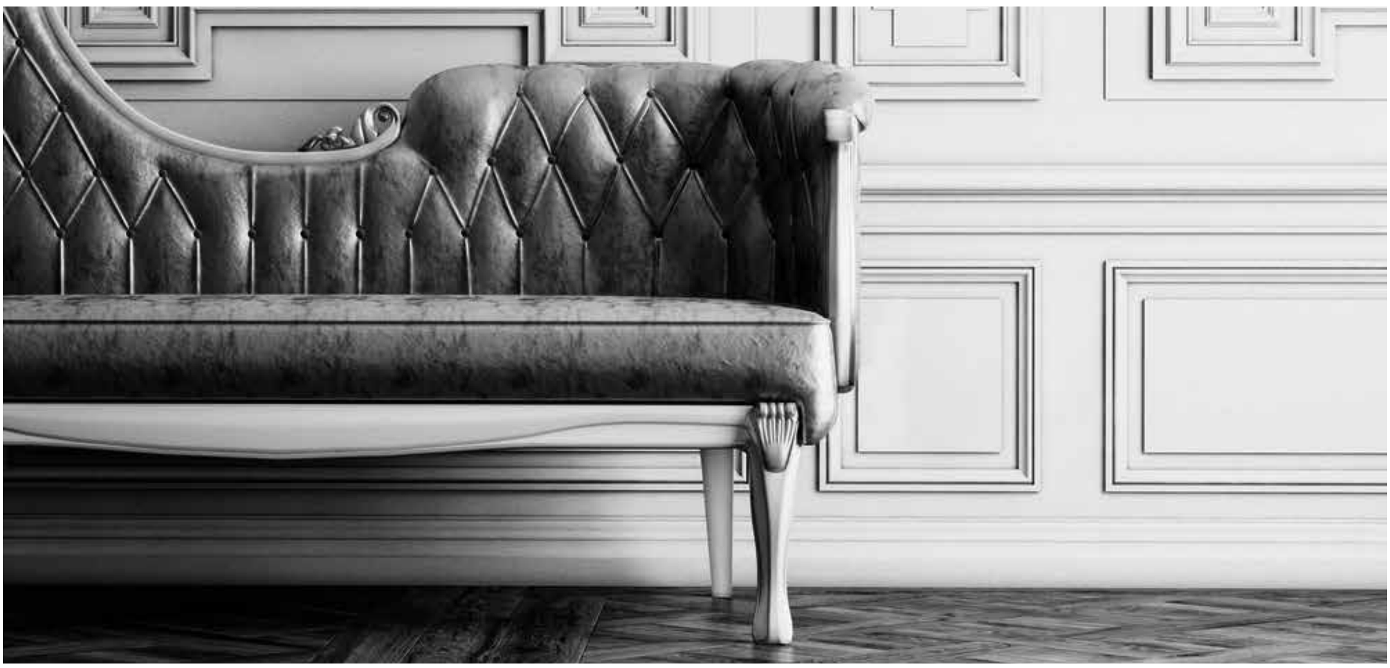
Multi-asset funds
Multi-asset or mixed investment funds invest in a range of assets (typically shares, bonds and cash) with the allocation between the different types of assets left to the discretion of the fund manager. The fund manager will aim to build a portfolio with a mix of assets that is consistent with an investor's identified risk objective.

They are typically designed for investors with different risk appetites, for example, Cautious, Balanced and Adventurous. For those with smaller amounts of money to invest, or who do not have the time or expertise to structure their own portfolio, multi-asset funds may be an attractive option.

Investing in only a single type of asset (such as shares or bonds) can mean the value of your investment goes up and down more than if you spread your risk by investing in several types of assets. Multi-asset funds offer investors a portfolio with a spread of assets within a single fund.

Although multi-asset funds aim to spread risk across different types of assets, your capital is still at risk. The value of your investment may go down as well as up, and you may not get back the money you invested.

Some types of multi-asset funds buy and sell investments more often than other types of fund, which will cost the fund more in dealing fees. Multi-asset funds may typically be offered through an Individual Savings Account (ISA), as a default choice in a pension or directly through a fund manager.



APPETITE FOR RISK

Striking the right balance is important to avoid losses

While diversification is important, you should keep in mind how much risk you are prepared to accept on your money. If it is important to you to avoid losses, you may want a portfolio that has less in shares and more in cash and fixed interest securities held to maturity, for example.

Know your risk appetite
Saving and investing involves a variety of risks, for example, the risk your money will not keep up with rising prices (inflation risk), the risk that comes with share prices going up and down (volatility risk), the risk that an institution will fail (default risk) and the risk that you could have earned better returns elsewhere (interest-rate risk).

The aim is to strike a balance between these different risks. What is a good balance for you will depend on:

- Your personal circumstances – how much you can afford to lose (your capacity for loss)
- Your investment goals, time frame and need for returns
- Your personal attitude to risk

Taken together, these make up what's called your 'risk appetite'. Of these three things, your capacity for loss and your investment goals are most important. Personal attitude to risk is hard to measure and can be changeable; what feels comfortable one day may not the next.

How to assess your risk appetite

The following steps should be considered when deciding your risk appetite:

Know what you can afford to lose
Ask yourself what would happen if you lost some or all of the money you're putting into investments. This will depend on your circumstances and how much of your money you're investing.

Think about people who depend on you financially and any other important financial commitments you need to be sure of meeting.

Work out your goals and timings
Your saving and investing choices will depend on your goals and timescales. The bigger your goal in relation to the assets or income you wish to invest, the greater the rate of return required to beat inflation and hit your goal. Taking no volatility risk at all may make your goals impossible to achieve; taking too much may lose you your investment.

Short-term goals – under five years – such as a car or a house deposit are best saved for in cash. If you have a short-term goal, your appetite for volatility risk would usually be low, and cash products will be the best place to invest. You don't want to be worrying about the state of the financial markets when you need your money to be readily accessible. However, cash savings run the risk of not keeping up with rising prices (inflation risk)

Inflation-beating returns
With longer-term goals, it's more usual to put your money into investments that have a better chance of giving you inflation-beating returns (such as shares) but which carry the risk of prices going down. A longer time frame gives your investment more time to recover if it falls in value. So, if you have a long-term goal, it makes sense to be prepared to take on volatility risk for the opportunity of higher returns.

However, as a long-term goal moves closer, the risk balance should change. For example, you may want to start moving into less volatile assets a few years before the goal date to start 'locking-in' gains and protect your investment against events like market falls. At any one time, you may have a mixture of short-term or critical goals for which you want low volatility (such as saving up to move house) and some non-critical or long-term goals for which you have a higher appetite for volatility (for example, saving towards retirement).

Understand your personal risk attitude
A good way to manage risk is to spread your money across a range of different investment types. Risk attitude is subjective and is likely to be influenced by current events or recent experiences. When stock markets are rising, we tend to feel comfortable with market risk, when they are falling we do not.

Most people are not comfortable with the idea of losing money. On the other hand, we may regret it if we've been very cautious and our long-term investments don't produce the returns we need. You can keep risks in line with your risk appetite by spreading your money across a range of different investments.

CHOOSING INVESTMENTS

What you need to know to become a more confident investor

Before you choose or make any investment decisions, you need to know that investing involves the possibility of loss. These key considerations help you become more confident about your investment decisions.

Review your needs and goals
It's well worth taking the time to think about what you really want from your investments. Knowing yourself, your needs and goals, and your appetite for risk is a good start.

Consider how long you can invest
Think about how soon you need to get your money back. Time frames vary for different goals and will affect the type of risks you can take on.

For example, if you're saving for a house deposit and hoping to buy in a couple of years, investments such as shares or funds will not be suitable because their value goes up or down; you may be better off sticking to cash savings accounts like Cash Individual Savings Accounts (ISAs).

If you're saving for your pension in 25 years' time, you can ignore short-term falls in the value of your investments and focus on the long term. Over the long term, investments other than cash savings accounts tend to give you a better chance of beating inflation and reaching your pension goal.

Make an investment plan
Once you're clear on your needs and goals – and have assessed how much risk you can take – you need to obtain professional advice to identify the types of product that could be suitable for you.

A good rule of thumb is to start with low-risk investments such as Cash ISAs. Then, add medium-risk investments like unit trusts if you're happy to accept higher volatility. Only consider higher-risk investments once you've built up low and medium-risk investments. Even then, only do so if you are willing to accept the risk of losing the money you put into them.

Diversifying to accept more risk
It's an accepted rule of investing that to improve your chance of a better return, you have to accept more risk. But you can manage and improve the balance between risk and return by spreading your money across different investment types and sectors whose prices don't necessarily move in the same direction. This helps you to smooth out the returns while still achieving growth and reduce the overall risk in your portfolio.

Decide how hands-on to be
If you need help understanding a financial product, it's essential that you obtain professional financial advice before you proceed.

Investing can take up as much or as little of your time as you'd like. So if you want to be hands-on and enjoy making investment decisions, you might want to consider buying individual shares – but make sure you understand the risks.

If you don't have the time or inclination to be hands-on – or if you only have a small amount of money to invest – then a popular choice is investment funds, such as unit trusts and Open Ended Investment Companies (OEICs). With these, your money is pooled with that of lots of other investors and used to buy a wide spread of investments.

If you're unsure about the types of investment you need or which investment funds to choose, seek professional financial advice.

Higher-risk products have their place
There's no reason not to invest in higher-risk products if they suit your financial goals, attitude to risk and you already have a safety margin in low-risk investments such as a Cash ISA. But only consider higher-risk products once you've built up sufficient money in low and medium-risk investments. Before investing, it's essential that you fully understand their specific risks and are happy to take them on.

Review investments periodically
Investors who watch their investments day to day could have a tendency to buy and sell too often and subsequently achieve poorer returns than investors who leave their money to grow for the long term.

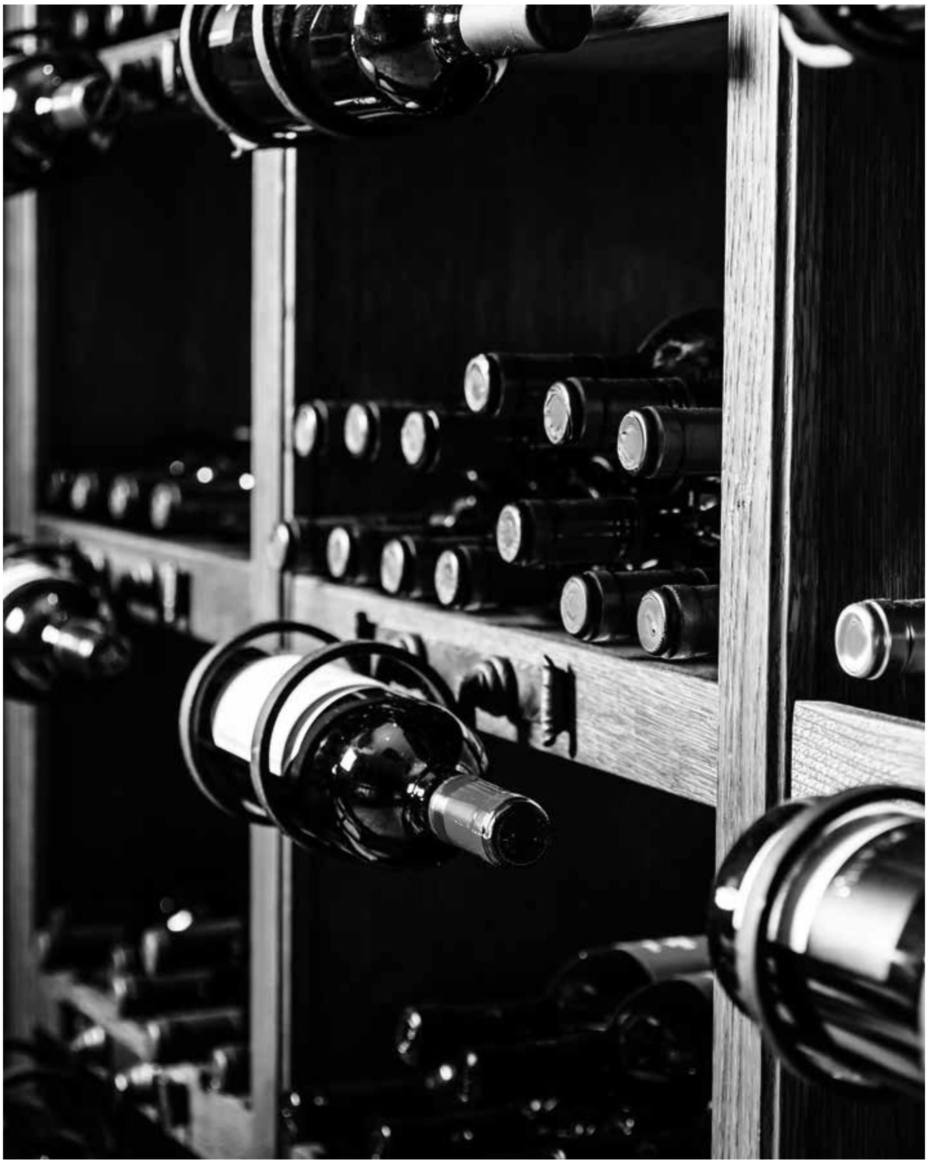
Annual reviews will ensure that you keep track of how your investments are performing and adjust your savings as necessary to reach your goal. You will get regular statements to help you do this.

However, don't be tempted to act every time prices move in an unexpected direction. Markets rise and fall all the time and, if you are a long-term investor, you can just ride out these fluctuations

Different 'styles' of investing
Some assets are said to be 'negatively correlated', for instance, bonds and property often behave in a contrarian way to equities by offering lower but less volatile returns. This provides a 'safety net' by diversifying many of the risks associated with reliance upon one particular asset. It is also important to diversify across different 'styles' of investing, such as growth or value investing, as well as across different sizes of companies, different sectors and different geographic regions.

Growth stocks are held as investors believe their value is likely to grow significantly over the long term, whereas value shares are held because they are regarded as being cheaper than the intrinsic worth of the companies in which they represent a stake. By mixing styles that can out- or under-perform under different economic conditions, the overall risk rating of the investment portfolio is reduced. Picking the right combination of these depends on your risk profile, so it's essential to seek professional advice to ensure that your investment portfolio is commensurate with your attitude to investment risk.

Currency risk
You should also be aware of currency risk. Currencies (for example, sterling, euros, dollars and yen) move in relation to one another. If you are putting your money into investments in another country, then their value will move up and down in line with currency changes as well as the normal share price movements.



WHAT INVESTMENT APPROACH IS RIGHT FOR YOU?

Your decision can have a big impact on your returns

Should you invest all of your money in one go or drip feed it into the stock market over time? The answer will ultimately depend on whether you have a lump sum to invest or not, but it can have a big impact on your returns. Your decisions will invariably be based around your circumstances, attitude to risk and where you are investing your money and why.

If, for example, you're comfortable with the risks and have strong conviction in your choices, you may want to invest a lump sum. However, if you don't have a lump sum or if you're cautious about going all in, you might prefer to adopt a regular savings strategy.

Investing a lump sum

If you have, for example, £100,000 to invest and you invest all of it straight into the stock market, your capital has the greatest potential for growth, as it's immediately fully exposed to the market. The assets in which you invest, be they shares, bonds or units in a fund such as a unit trust, are bought at the same price, and you can benefit from any price increases straight away.

The potential downside of investing a lump sum is that you're exposed to potential downward movements in the market. So, for example, if you invested all of your money in the FTSE 100 (the stock market index that tracks share performance of the top 100 companies in the UK) and it dropped by 20%, your investment would follow suit.

Staying invested in the stock market over a long period gives you the opportunity for your money to recover – but this could take a long time and would require a lot of nerve and patience on your part as an investor.

You also have to think about market timing – are you investing at a peak or at a low?

Regular savings and 'pound cost averaging'

Regular savings offers the opportunity to make market fluctuations work in your favour. This approach is known as 'pound cost averaging'.

Pound cost averaging describes the process of regularly investing the same amount (usually on a monthly basis) to smooth out the impact of the highs and lows of the price of your chosen investment.

The effect of pound cost averaging is that you're buying assets at different prices on a regular basis, rather than buying at just one price. And while riding out the movements of the market, you could also end up better off than if you invested with a lump sum.

The effect of pound cost averaging is that you're buying assets at different prices on a regular basis, rather than buying at just one price. And while riding out the movements of the market, you could also end up better off than if you invested with a lump sum.

POOLED INVESTMENT SCHEMES

Investing in one or more asset classes

Investing in funds provides a simple and effective method of diversification. Because your money is pooled together with that of other investors, each fund is large enough to diversify across hundreds and even thousands of individual companies and assets. A pooled (or collective) investment is a fund into which many people put their money, which is then invested in one or more asset classes by a fund manager.

There are different types of pooled investment but the main ones are:

- Open-ended investment funds
- Unit trusts
- Investment trusts
- Investment bonds

Good return for investors

Most pooled investment funds are actively managed. The fund manager researches the market and buys and sells assets to try and provide a good return for investors.

Trackers, on the other hand, are passively managed; they simply aim to track the market in which they are invested. For example, a FTSE100 tracker would aim to replicate the movement of the FTSE100 (the index of the largest 100 UK companies).

Trackers might do this by buying the equivalent proportion of all the shares in the index. For technical reasons, the return is rarely identical to the index, in particular because charges need to be deducted.

Actively managed fund

Trackers tend to have lower charges than actively managed funds. This is because a fund manager running an actively managed fund is paid to invest so as to do better than the index (to beat the market) or to generate a steadier return for investors than tracking the index would achieve. Of course, the fund manager could make the wrong decisions and under-perform the market. And there is no guarantee that an actively managed fund that performs well in one year will continue to do so. Past performance is no guarantee of future returns.

Trackers do not beat or under-perform the market (except as already noted), but they are not necessarily less risky than actively managed funds invested in the same asset class. Open-ended investment funds and investment trusts can both be trackers.

OPEN-ENDED INVESTMENT FUNDS

Acting in the investors' best interests at all times

Open-ended investment funds are often called 'collective investment schemes' and are run by fund management companies.

There are many different types of fund – these include:

- Unit trusts
- OEICs (Open-Ended Investment Companies, which are the same as ICVCs – Investment Companies with Variable Capital)
- SICAV (Société d'Investissement à Capital Variable)
- FCPs (Fonds Communs de Placement)

This list includes certain European funds, which are permitted under European legislation to be sold in the UK.

Open-ended funds

There are many funds to choose from, and some are valued at many millions of pounds. They are called 'open-ended funds' as the number of units (shares) in issue increases as more people invest and decreases as people take their money out.

As an investor, you buy units/shares in the hope that the value rises over time as the prices of the underlying investments increase. The price of the units depends on how the underlying investments perform.

You might also get income from your units through dividends paid by the shares (or income from the bonds, property or cash) that the fund has invested in. You can either invest a lump sum or save regularly each month.

Different asset classes

Open-ended investment funds generally invest in one or more of the four asset classes – shares, bonds, property and cash. Most invest primarily in shares, but a wide range also invest in bonds. Few invest principally in property or cash deposits. Some funds will spread the investment and have, for example, some holdings in shares and some in bonds. This can be useful if you are only taking out one investment and, remembering that asset allocation is the key to successful investment, you want to spread your investment across different asset classes.

The level of risk will depend on the underlying investments and how well diversified the open-ended investment fund is. Some funds might also invest in derivatives, which may make a fund more risky. However, fund managers often buy derivatives to help offset the risk involved in owning assets or in holding assets valued in other currencies.

Trustee or depository protection

Any money in an open-ended investment fund is protected by a trustee or depository, who ensures the management company is acting in the investors' best interests at all times.

For income, there is a difference in the tax position between funds investing in shares and those investing in bonds, property and cash. Whichever type of open-ended investment fund you have, you can reinvest the income to provide additional capital growth, but the taxation implications are as if you had received the dividend income.

No Capital Gains Tax (CGT) is paid on the gains made on investments held within the fund. But, when you sell, you may have to pay CGT.

OPEN-ENDED INVESTMENT COMPANIES

Expanding and contracting in response to demand

Open-Ended Investment Companies (OEICs) are stock market–quoted collective investment schemes. Like investment trusts and unit trusts, they invest in a variety of assets to generate a return for investors. They share certain similarities with both investment trusts and unit trusts, but there are also key differences.

Pooled collective investment vehicle
OEICs are a pooled collective investment vehicle in company form and were introduced as a more flexible alternative to established unit trusts. They may also have an umbrella fund structure, allowing for many sub-funds with different investment objectives. This means you can invest for income and growth in the same umbrella fund, moving your money from one sub fund to another as your investment priorities or circumstances change.

By being ‘open ended’, OEICs can expand and contract in response to demand, just like unit trusts. The share price of an OEIC is the value of all the underlying investments divided by the number of shares in issue. As an open-ended fund, the fund gets bigger and more shares are created as more people invest. The fund shrinks and shares are cancelled as people withdraw their money.

Share allocation
You may invest into an OEIC through a Stocks & Shares Individual Savings Account (ISA). Each time you invest in an OEIC fund, you will be allocated a number of shares. You can choose either income or accumulation shares, depending on whether you are looking for your investment to grow or to provide you with income, providing they are available for the fund you want to invest in.

Like unit trusts, OEICs provide a mechanism for investing in a broad selection of shares, thus aiming to reduce the risks of investing in individual shares. Therefore, you have an opportunity to share in the growth potential of stock market investment. However, do remember that your capital is not secured and your income is not guaranteed.

Investment objectives
Each OEIC has its own investment objectives, and the fund manager has to invest to achieve these objectives. The fund manager will invest the money on behalf of the shareholders.

The value of your investment will vary according to the total value of the fund, which is determined by the investments the fund manager makes with the fund’s money. The price of the shares is based on the value of the investments in which the company has invested.

The value of your investment will vary according to the total value of the fund, which is determined by the investments the fund manager makes with the fund’s money.

UNIT TRUSTS

Participating in a wider range of investments

Unit trusts are collective investments that allow you to participate in a wider range of investments than can normally be achieved on your own with smaller sums of money. Pooling your money with others also reduces the risk.

A unit trust fund is divided into units, each of which represents a tiny share of the overall portfolio. Each day, the portfolio is valued, which determines the value of the units. When the portfolio value rises, the price of the units increases. When the portfolio value goes down, the price of the units falls.

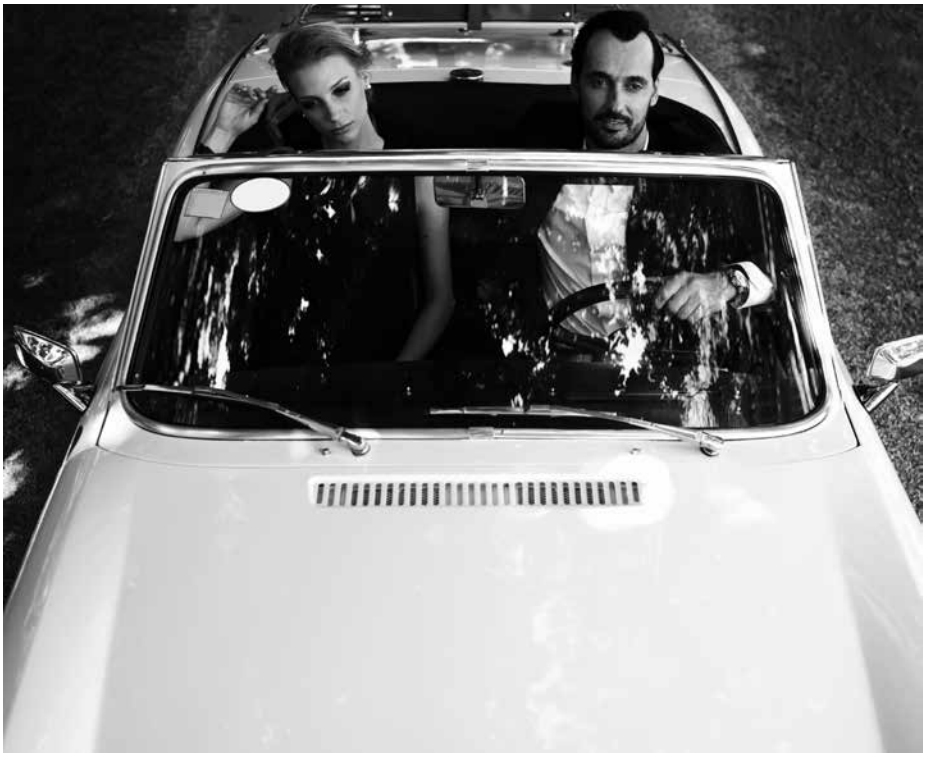
Investment decisions

The unit trust is run by a fund manager, or a team of managers, who will make the investment decisions. They invest in stock markets all round the world, and for the more adventurous investor there are funds investing in individual emerging markets, such as China, or in the so-called BRIC economies (Brazil, Russia, India and China).

Alternatively, some funds invest in metals and natural resources, and many put their money into bonds. Some offer a blend of equities, bonds, property and cash and are known as 'balanced funds'. If you wish to marry your profits with your principles, you can also invest in an ethical fund.

Multi-manager funds

Some funds invest not in shares directly but in a number of other funds. These are known as 'multi-manager funds'. Most fund managers use their own judgement to assemble a portfolio of shares for their funds, which are known as 'actively managed funds'. However, a sizeable minority of funds simply aim to replicate a particular index, such as the FTSE All-Share Index. These are known as 'passive funds' or 'trackers'.



A split-capital investment trust (split) is a type of investment trust that sells different sorts of shares to investors depending on whether they are looking for capital growth or income.

INVESTMENT TRUSTS

Reflecting popularity in the market

An investment trust is a company with a set number of shares. Unlike an open-ended investment fund, an investment trust is closed ended. This means there are a set number of shares available, which will remain the same no matter how many investors there are. This can have an impact on the price of the shares and the level of risk of the investment trust. Open-ended investment funds create and cancel units depending on the number of investors.

The price of the investment trust shares depends on two main factors:

- The value of the underlying investments (which works in the same way as open-ended investment funds)
- The popularity of the investment trust shares in the market

Closed-ended funds
This second point applies to investment trusts but not to open-ended investment funds or life assurance investments. The reason is because they are closed-ended funds. The laws of economics say that if there is a high demand for something but limited supply, then the price goes up. So, if you own some investment trust shares and there are lots of people queuing up to buy them, then you can sell them for more money. On the other hand, if nobody seems to want them, then you will have to drop the price until someone is prepared to buy.

The result is that investment trust shares do not simply reflect the value of the underlying investments: they also reflect their popularity in the market. The value of the investment trust's underlying investments is called the 'net asset value' (NAV). If the share price is exactly in line with the underlying investments, then it is called 'trading at par'. If the price is higher because the shares are popular, then it is called 'trading at a premium', and if lower, 'trading at a discount'. This feature may make them more volatile than other pooled investments (assuming the same underlying investments).

Improving performance
There is another difference that applies to investment trusts: they can borrow money to invest. This is called 'gearing'. Gearing improves an investment trust's performance when its investments are doing well. On the other hand, if its investments do not do as well as expected, gearing lowers performance.

Not all investment trusts are geared, and deciding whether to borrow and when to borrow is a judgement the investment manager makes. An investment trust that is geared is a higher-risk investment than one that is not geared (assuming the same underlying investments).

Split-capital investment trusts
A split-capital investment trust (split) is a type of investment trust that sells different sorts of shares to investors depending on whether they are looking for capital growth or income. Splits run for a fixed term. The shares will have varying levels of risk, as some investors will be ahead of others in the queue for money when the trust comes to the end of its term.

The tax position is largely the same as for open-ended investment funds. You should be aware that tax legislation changes constantly, and you should find out the most current position.

INDIVIDUAL SAVINGS ACCOUNTS

Tax-efficient investment wrapper holding a range of investments

Individual Savings Accounts (ISAs) have been around since 1999 and are tax-efficient investment wrappers in which you can hold a range of investments, including bonds, equities, property shares, multi-asset funds and even cash, giving you control over where your money is invested.

ISAs are a highly tax-efficient way to save or invest your money because you don't pay Income Tax on your interest or Capital Gains Tax on any profits.

Tax year 2016/17 ISA allowance
Between 6 April 2016 and 5 April 2017, you have an ISA allowance of £15,240. The rules now mean you can split the ISA allowance as you wish between a Stocks & Shares ISA and a Cash ISA.

You don't have to declare any investments held in ISAs on your tax return. This may not seem like much, but if you have to file an annual tax return you'll know that any way of simplifying your financial administration can be very helpful.

ISAs are becoming an important part of financial planning, and they offer a unique range of benefits. These include the following:

- No income is tax payable on interest payments which are made by bond funds
- No higher-rate tax is payable on dividends which are paid by equity funds (you can't claim back the 10% dividend tax paid by the fund in an ISA)

	CASH ISA	STOCKS & SHARES ISA
How much can I save or invest each year?	£15,240 less any amount held in a Stocks & Shares ISA.	£15,240 less any amount held in a Cash ISA.
Who can apply for one?	UK residents aged 16 and over.	UK residents aged 18 and over.
Is there risk involved?	The value of your initial investment cannot decrease. However, the current low rates of interest could mean that the return on your money does not outpace inflation.	While the long-term potential returns are greater, the value of your investment can go down as well as up, and you could get back less than you have paid in.
Can I switch between ISAs?	You can transfer funds between Cash ISAs or from a Cash ISA into a Stocks & Shares ISA.	You can transfer funds between Investment ISAs or from an Investment ISA into a Cash ISA.

- You can access your money whenever you need to, but it cannot be returned (if you withdraw your ISA, you will automatically lose all of its associated tax benefits – unless you need to liquidate your cash, you should transfer it between providers to retain its tax-efficient status)
- Income from an ISA doesn't affect your personal allowance or age-related allowance
- No Capital Gains Tax is payable on any growth you may achieve, so you could use withdrawals to increase your income when necessary (any losses made in the ISA cannot be used to offset gains made elsewhere)

It is important to remember that an ISA is just a way of sheltering your money from tax – it's not an investment in its own right.

Transferring your investment between providers

If you want to change your existing ISA provider or are looking to consolidate your investments under one roof, with an ISA you can transfer your investment between providers to suit your individual needs. However, your current provider may apply a charge when you transfer your investment. While your investment is being transferred, it will be out of the market for a short period of time and will not lose or gain in value.

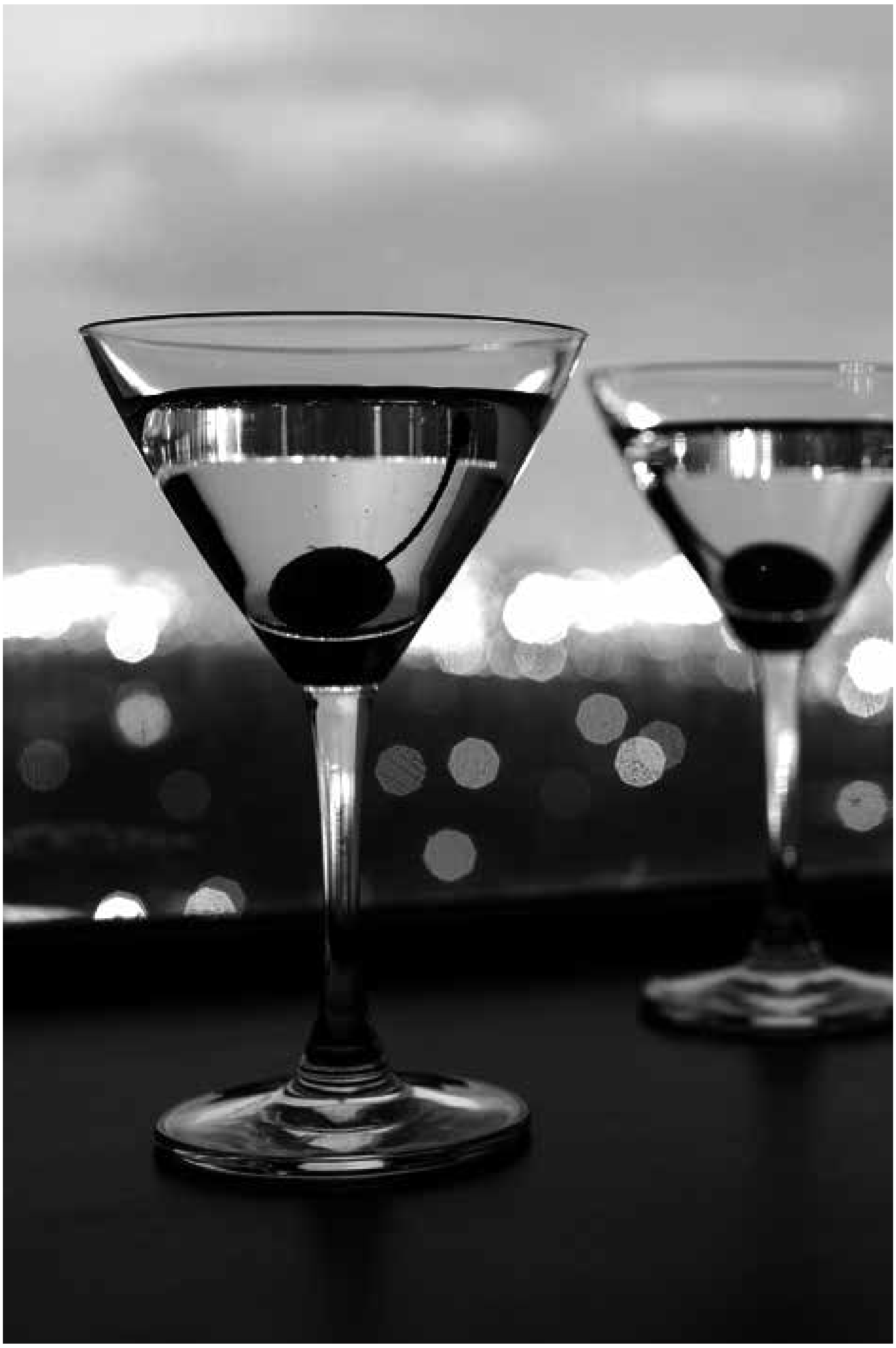
Control over your retirement income

ISAs can give you control over your retirement income, as you can take as much money out as you require whenever you want. Savings in an ISA and withdrawals from an ISA are tax-efficient, but if you withdraw money and put it back later it will count towards your ISA annual subscription limit in the year that you re-invested your money.

Junior ISAs – a straightforward way to save for a child's future

Junior ISAs offer investors a straightforward way to save for a child's future and offer similar tax advantages to 'adult' ISAs, but with a lock-in, making the child's investment inaccessible until they turn 18. Like an ISA, Junior ISAs can invest in bonds, equities, cash, property and even multi-asset funds, giving you even more flexibility over the future of your child's long-term savings.

Since April 2015, it is possible for existing Child Trust Funds (CTFs) to be transferred into Junior ISA accounts. You can invest up to £4,080 in the current tax year and switch from a Cash Junior ISA to a Stocks & Shares Junior ISA and back again.



INVESTING FOR INCOME

Safeguarding your money at a time of low interest rates

How do you generate a reliable income when interest rates are stuck at all-time lows and the Bank of England's quantitative easing policy of 'printing' money is squeezing yields on government bonds (gilts) and other investments? Investors today can still rely on a well-balanced portfolio to meet their needs for income. However, they must be open-minded about the sources of that income and recognise that low-risk income generation is a thing of the past.

If you are an income seeker, much will come down to your attitude to risk for return. If you want no risk or very low risk, you may wish to consider a traditional cash bank account and accept that income levels are likely to remain low for the foreseeable future. However, if you're further up the risk scale, you may wish to opt for some of these other alternatives.

Gilts

If you're willing to take on a slightly higher degree of risk and you need the extra income, you may wish to consider gilts (or gilt-edged stocks), which are bonds issued by the Government that pay a fixed rate of interest twice a year. Gilts involve more risk than cash because there's a chance the Government won't be able to pay you back. It's highly unusual for a government to default on a debt or default on the interest payments, so they have been considered safe. But in this current economic climate, this risk increases.

You are not guaranteed to get all your capital back under all circumstances. Not all gilts are bought from the Government and held to maturity; some are bought and sold along the way, so there's a chance for their value (and the value of gilt funds) to rise and fall. There are other types (such as index-linked gilts) which form the largest part of the gilt portfolio after conventional gilts. In this case, the coupon is related to movements in the Retail Prices Index (RPI) and is linked to inflation.

Corporate bonds

If you are looking for a higher yield, next along the risk scale are corporate bonds. These are issued by companies and have features that are exactly the same as gilts, except that instead of lending money to the Government, you're lending to a company. The risk lies in the fact that companies may go bust and the debt may not be repaid. They have a nominal value (usually £100), which is the amount that will be returned to the investor on a stated future date (the redemption date). They also pay a stated interest rate each year, usually fixed. The value of the bonds themselves can rise and fall; however, the fact that bonds are riskier at the moment means companies are paying more in order to induce people to buy their debt. There are an increasing number of global bond funds entering the market that may enable you to get value from a lot of different markets.

Equity income

If your primary objective is the preservation of income, you may not consider the stock market as the obvious place for your money. However, for investors who are prepared to see their investments fluctuate in value while hopefully providing a stable income that grows over time, you may wish to consider equity income funds. These invest in shares, focusing on the big blue-chip firms that have a track record of good dividend payments. The dividends will be your income.

Global equity income funds

Further up the risk scale are global equity income funds. These are similar to UK funds, except that there are only a handful of the big blue-chip firms that pay reliable dividends in the UK, whereas global diversification offers a significant range of companies to choose from. Investing in other currencies brings an added level of risk, unless the fund hedges the currency.

Equity income investment trusts

Equity income investment trusts are higher risk but similar to other equity income investments. They are structured differently from unit trusts and open-ended investment companies. Investment trusts are closed ended. They are structured as companies with a limited number of shares. The share price of the fund moves up and down depending on the level of demand, so the price of the trust depends not only on the value of the underlying investments but also on the popularity of the trust itself. In difficult times, when investors are selling up, trusts are likely to see their share price fall more than the value of their underlying investments. This means they also have more potential for greater returns once better times resume. Investment trust share prices are therefore often at a 'discount' or 'premium' to the value of the assets in the fund.

SOCIALLY RESPONSIBLE INVESTING

Not sacrificing your life principles in exchange for chasing the best financial returns

For investors concerned about global warming and other environmental issues, there are a plethora of ethical investments that cover a multitude of different strategies. The terms ‘ethical investment’ and ‘socially responsible investment’ (SRI) are often used interchangeably to mean an approach to selecting investments whereby the usual investment criteria are overlaid with an additional set of ethical or socially responsible criteria.

Ethical criteria

The Ethical Investment Research Service (EIRIS) defines an ethical fund as ‘any fund which decides that shares are acceptable, or not, according to positive or negative ethical criteria (including environmental criteria)’.

Funds that use negative screening (known as ‘dark green funds’) exclude companies that are involved in activities that the fund manager regards as unethical. Each fund group has a slightly different definition of what is unethical, but this typically includes gambling, tobacco, alcohol and arms manufacturing. It could also cover pollution of the environment, bank lending to corrupt regimes and testing of products on animals.

Positive screening funds

Positive screening funds use positive criteria to select suitable companies. Funds that take this approach look for companies that are doing positive good, such as those engaged in recycling, alternative energy sources or water purification. So an ethical fund of this type might buy shares in a maker of wind turbines or solar panels.

Engagement funds

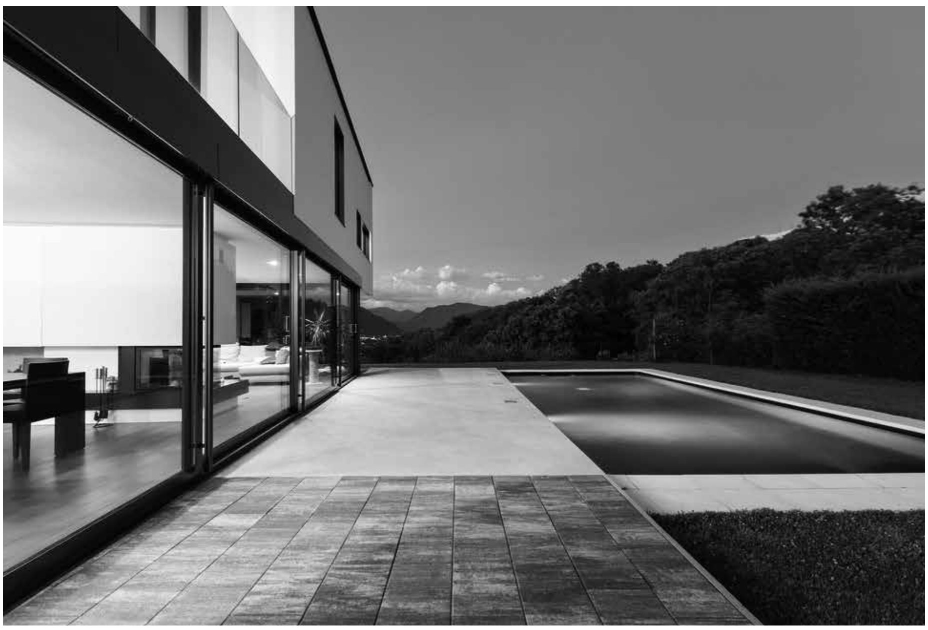
Engagement funds take a stake in companies and then use that stake as a lever to press for changes in the way that the company operates. This could mean persuading oil and mining companies to take greater care over the environmental impact of their operations or pressing companies to offer better treatment of their workers.

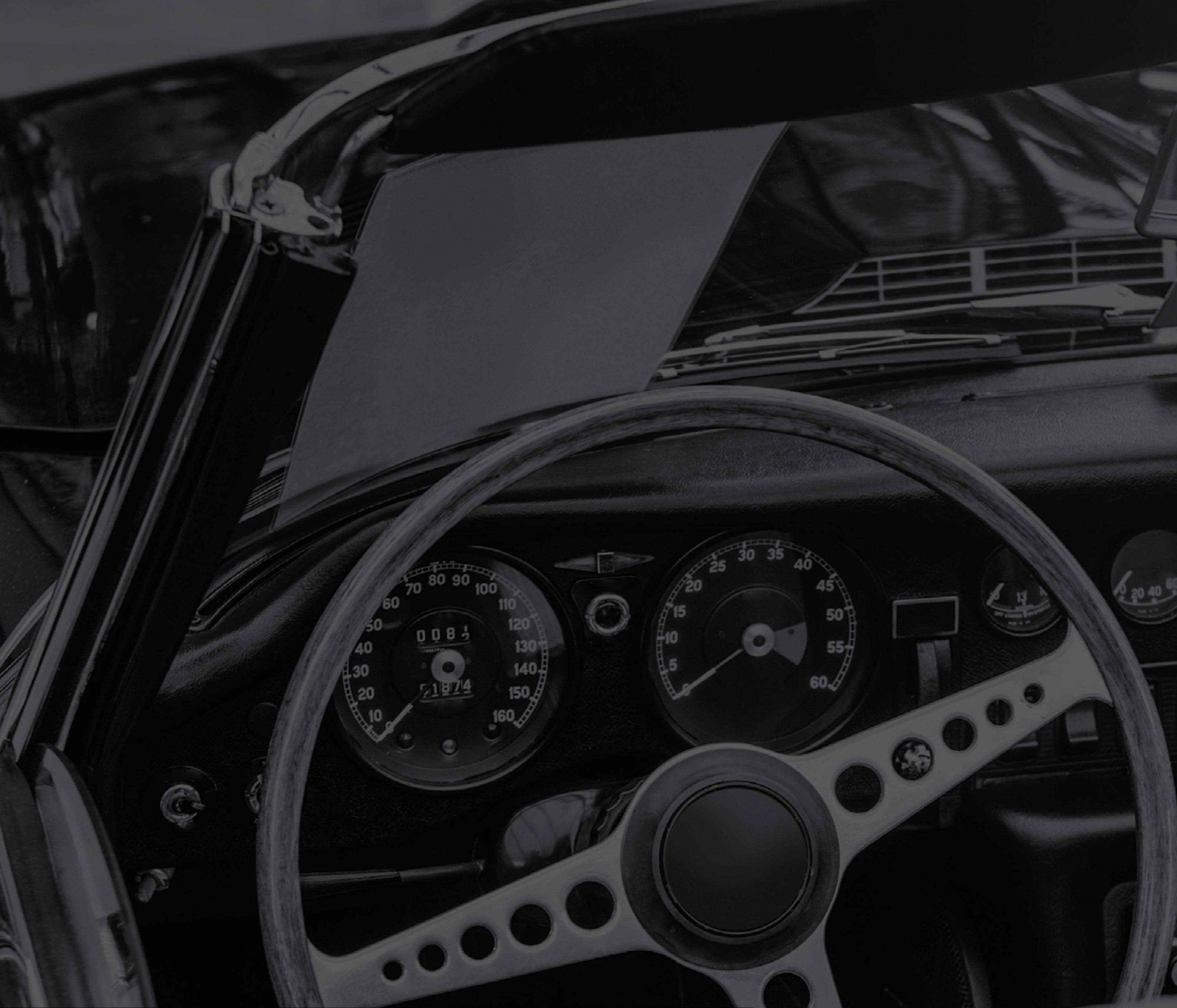
In addition, this process may involve making judgements regarding the extent to which such investments are perceived to be acceptable, and also the potential for improving through engagement the ethical performance of the party offering the investment.

Best financial returns

Ethical investors will believe that they should not (or need not) sacrifice their life principles in exchange for chasing the best financial returns, with some arguing that, in the long term, ethical and SRI funds have good prospects for out-performing the general investment sectors.

Since ethical investment, by definition, reduces the number of shares, securities or funds in which you can invest, it tends to increase the volatility of the portfolio and therefore the risk profile. This can be mitigated by diversifying between funds, and between different styles of funds and fund managers. Like their non-ethical equivalents, some ethical funds are much higher risk than others.





RETIREMENT

Enjoy the best that life has to offer

When you approach or reach retirement, there are a whole host of issues to consider. You may have already thought about when you want to retire and how much income you'll need from your pension to enjoy the best that life has to offer. From the age of 55, you'll be able to take responsibility for the money you've saved and access your pension pot however you like. You might want to take it all in cash, have a guaranteed income for life by buying an annuity, have a flexible income or defer your decision until later.

We'll guide you through key decisions, advise you on tax-efficiency and make sure you're saving enough into your pension so you can enjoy the retirement you deserve.

PENSION FREEDOMS

The most radical changes to pensions in almost a hundred years

In April 2015, the Government introduced the most radical changes to pensions in almost a hundred years. From April last year, individuals from the age of 55 with a defined contribution pension can now access their entire pension flexibly if they wish.

The pension freedoms announced by ex-Chancellor George Osborne in Budget 2014 and introduced on 6 April 2015 mean that instead of being required to buy an annuity with your money purchase pension pot, you now have more flexibility to take your money how you wish if you are aged 55 and over. Generally, 25% of the pot is tax-free, and the remainder is subject to Income Tax at your current rate.

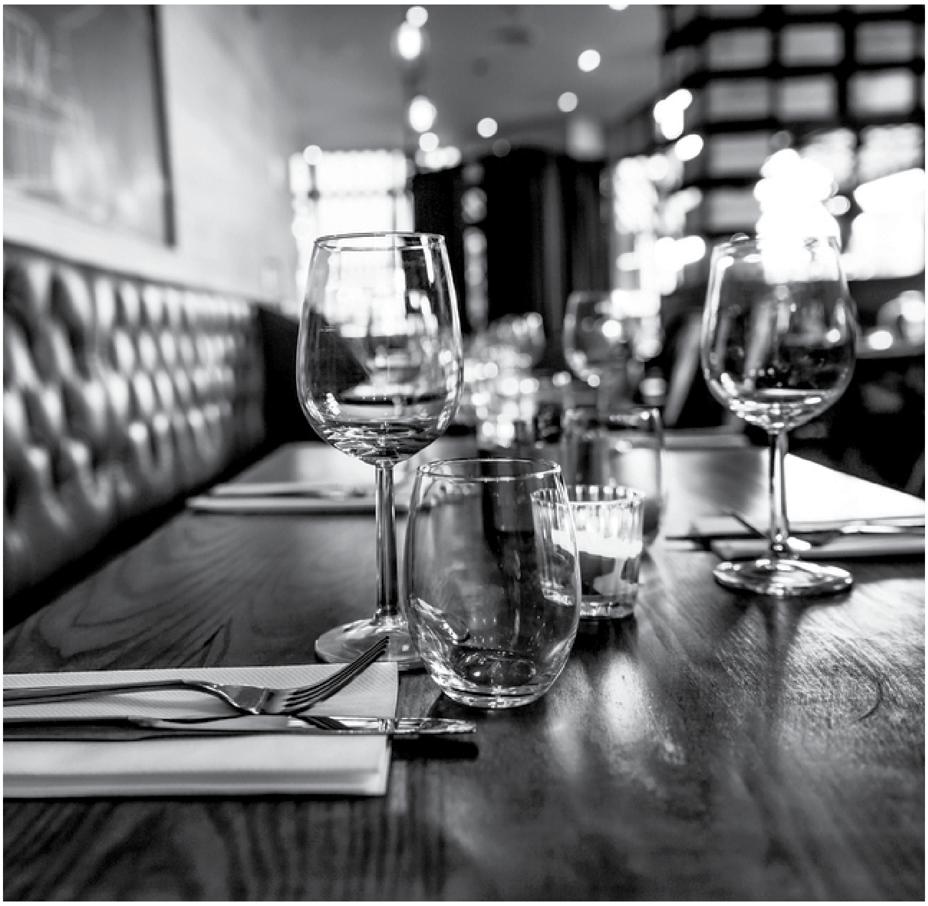
Defined contribution (or money purchase) scheme

A defined contribution (or money purchase) scheme is the most common type of pension. This involves you making regular payments to build up a pot of money. Your payments into the pension pot are enhanced by tax relief at your highest rate of Income Tax. If the scheme is a workplace pension, you may also receive contributions into the pot from your employer. You can also set up a private pension such as a stakeholder pension.

The majority of people at retirement prior to the introduction of pension freedoms had only one realistic option, which was to buy an annuity. Today, you have a much greater choice about how you spend your pension – but there are also greater risks involved if you get it wrong.

Make sure your pension savings last

Pension freedom means the responsibility is up to you to make sure your pension savings last as long as you need them to. Typically, this could be between 20 and 30 years, or even longer, which is why it is essential to obtain professional financial advice. Retirement has always been one of the biggest financial decisions you will make in your lifetime, and it is now much more complicated.



TAX RELIEF AND PENSIONS

Annual and lifetime limits

Tax relief means some of your money that would have gone to the Government as tax goes into your pension instead. You can put as much as you want into your pension, but there are annual and lifetime limits on how much tax relief you get on your pension contributions.

Tax relief on your annual pension contributions
If you're a UK taxpayer, in the tax year 2016/17 the standard rule is that you'll get tax relief on pension contributions of up to 100% of your earnings or a £40,000 annual allowance, whichever is lower.

For example, if you earn £20,000 but put £25,000 into your pension pot (perhaps by topping up earnings with some savings), you'll only get tax relief on £20,000. Similarly, if you earn £60,000 and want to put that amount in your pension scheme in a single year, you'll normally only get tax relief on £40,000.

Any contributions you make over this limit will be subject to Income Tax at the highest rate you pay.

However, you can carry forward unused allowances from the previous three years, as long as you were a member of a pension scheme during those years.

But there is an exception to this standard rule. If you have a defined contribution pension, the annual allowance reduces to £10,000 in some situations.

Since 6 April 2016, the £40,000 annual allowance is reduced if you have an income of over £150,000, including pension contributions.

The Money Purchase Annual Allowance (MPAA)
In the tax year 2016/17, if you start to take money from your defined contribution pension, this can trigger a lower annual allowance of £10,000 (the MPAA). That means you'll only receive tax relief on pension contributions of up to 100% of your earnings or £10,000, whichever is lower.

Whether the lower £10,000 annual allowance applies depends on how you access your pension pot, and there are some complicated rules around this.

The main situations when you'll trigger the MPAA are typically:

- If you start to take ad-hoc lump sums from your pension pot
- If you put your pension pot money into an income drawdown fund and start to take income

You will not trigger it if you take:

- A tax-free cash lump sum and buy an annuity (an insurance product that gives you a guaranteed income for life)
- A tax-free cash lump sum and put your pension pot into an income drawdown product but don't take any income from it

You can't carry over any unused MPAA to another tax year.

The lower annual allowance of £10,000 only applies to contributions to defined contribution pensions. So, if you also have a defined benefit pension (this pays a retirement income based on your final salary and how long you have worked for your employer, and includes final salary and career average pension schemes), you can still receive tax relief on up to £40,000 of contributions a year.

For example, if you earn £20,000 a year and you contribute £8,000 to your defined contribution pension for the tax year 2016/17, you'll receive tax relief on these contributions, plus you can still receive tax relief on up to £12,000 of contributions to your defined benefit pension.

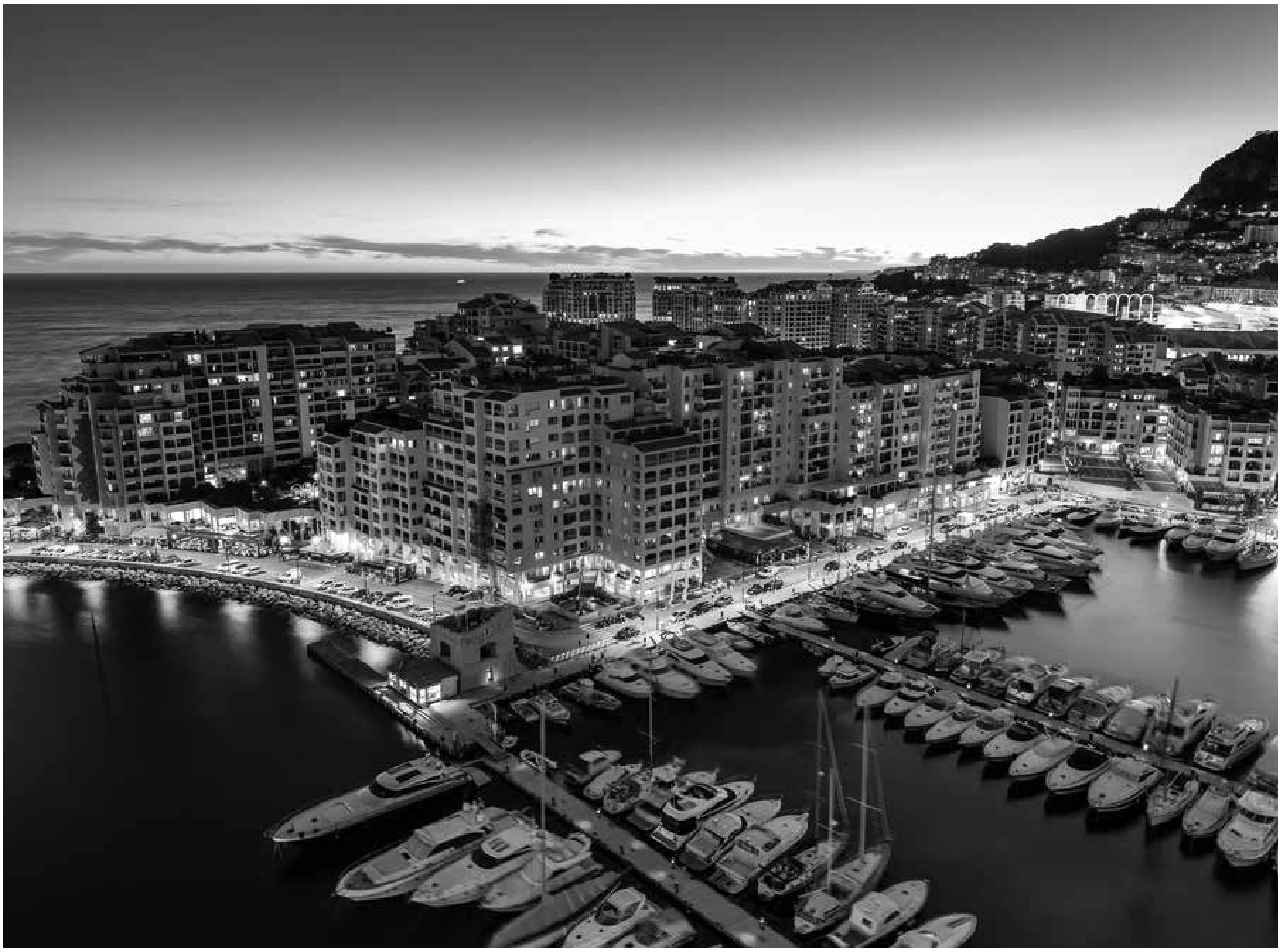
If you earn £50,000 a year and you contribute £12,000 to your defined contribution pension for the tax year 2016/17, you'll receive tax relief on just £10,000 (and the other £2,000 will be subject to Income Tax). In addition, you can contribute up to £30,000 to your defined benefit pension and claim tax relief on this.

Tax relief if you're a non-taxpayer
If you are not earning enough to pay Income Tax, you can still receive tax relief on pension contributions up to a maximum of £3,600 a year or 100% of earnings, whichever is greater, subject to your annual allowance. For example, if you have relevant income below £3,600, the maximum you can pay in is £2,880, and the Government will top up your contribution to make it £3,600.

How much can you build up in your pension?
A lifetime allowance puts a limit on the value of pension benefits that you can receive without having to pay a tax charge. The lifetime allowance is £1m for the tax year 2016/17. Any amount above this is subject to a tax charge of 25% if paid as pension, or 55% if paid as a lump sum.

Workplace pensions, automatic enrolment and tax relief
Since October 2012, a system has been gradually phased in requiring employers to automatically enrol all eligible workers into a workplace pension. It requires a minimum total contribution, made up of the employer's contribution, the worker's contribution and the tax relief.

A lifetime allowance puts a limit on the value of pension benefits that you can receive without having to pay a tax charge. The lifetime allowance is £1m for the tax year 2016/17.



STATE PENSION

New rule changes

The State Pension changed on 6 April 2016. If you reached State Pension age on or after that date, you'll now receive the new State Pension under the new rules. The aim of the new State Pension is to make it simpler to understand, but there are some complicated changeover arrangements which you need to know about if you've already made contributions under the previous system.

Key changes

For many people, the State Pension forms the core of their income, together with any workplace or personal pension provision that you have. The new State Pension is a regular payment from the Government that you can claim if you reach State Pension age on or after 6 April 2016. You will receive the new State Pension if you're eligible and a man born on or after 6 April 1951, or a woman born on or after 6 April 1953.

If you reached State Pension age before 6 April 2016, you'll receive the State Pension under the old rules. You can still get a State Pension if you have other income such as a personal pension or a workplace pension.

The basic and additional State Pensions have been replaced by a flat-rate, single-tier new State Pension with a full level of £155.65 per week, and depending on your personal circumstances this may be subject to tax. Your National Insurance record is used to calculate your new State Pension, and you'll usually need ten qualifying years to get any new State Pension.

For ten years, at least one or more of the following must have applied to you:

- You were working and paid National Insurance contributions
- You were receiving National Insurance credits, for example, due to unemployment, sickness or as a parent or carer
- You were paying voluntary National Insurance contributions

If you've lived or worked abroad, you may still be able to get some new State Pension. You may also qualify if you've paid married women's or widow's reduced rate contributions, but you'll need 35 qualifying years to get the full new State Pension.

Higher or lower

The amount you receive can be higher or lower depending on your National Insurance record, and it will only be higher if you have over a certain amount of Additional State Pension. You don't have to stop working when you reach State Pension age, but you'll no longer have to pay National Insurance, and you can also request flexible working arrangements.

Deferring the new State Pension means that you may receive extra State Pension when you do claim it. The extra amount is paid with your State Pension (for example, every four weeks) and may be taxable. Deferring your State Pension could affect your other benefits and tax credits.

You'll need to defer for at least nine weeks – your State Pension will increase by 1% for every nine weeks you put off claiming. This works out at just under 5.8% for every full year you put off claiming. After you claim, the extra amount you get because you deferred will usually increase each year. The rules for deferring are the same if you live in the EU and EEA, Gibraltar or Switzerland, and a country that the UK has a social security agreement with.

Different rules

There are different rules if you live in another country. The extra amount you get for deferring is calculated by taking your State Pension rate at the time you reach State Pension age or when you move abroad. The extra amount also won't increase after you claim.

You can claim your new State Pension even if you carry on working. However, you have the option to defer, which can increase the amount you get. If you're eligible for a State Pension from the Isle of Man, you'll need to claim it separately from your new UK State Pension.

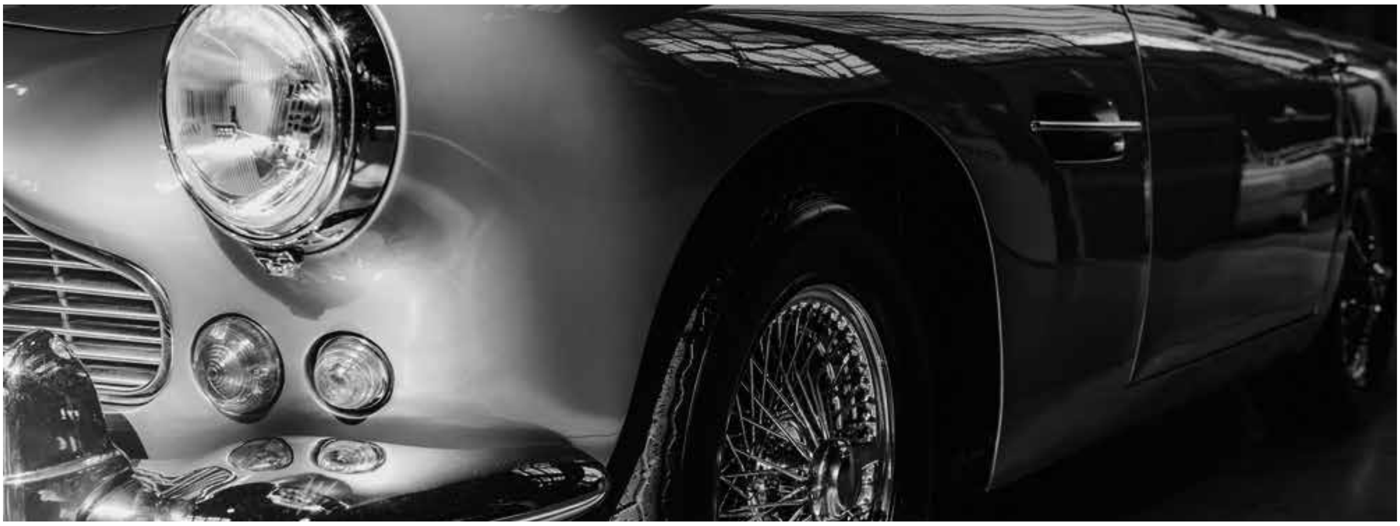
On 6 April 2016, these rules changed so that if you were contracted out, you'll no longer be contracted out, and you'll pay more National Insurance (the standard amount).

Contracted out

The new system sees the end of the Additional State Pension (or State Second Pension [S2P]) and the State Earnings-Related Pension scheme (SERPS). You should check your previous payslips to see if you have been contracted out. You will have been contracted out if the National Insurance contributions line has the letter D or N next to it, and remain contracted in if it has a letter A. If there's a different letter, you should check this with your employer or pension provider. You will have paid National Insurance at a lower rate if you were contracted out.

You're more likely to have been contracted out if you worked in the public sector, for example, the NHS, local councils, fire services, the civil service, teaching, police forces or the armed forces.

You may also be able to inherit an extra payment on top of your new State Pension if you're widowed, but you will not be able to inherit anything if you remarry or form a new registered civil partnership before you reach State Pension age.



DEFINED CONTRIBUTION PENSION SCHEMES

Providing an income in retirement

With a defined contribution pension, you build up a pot of money that you can then use to provide an income in retirement. Unlike defined benefit schemes, which promise a specific income, the income you might get from a defined contribution scheme depends on factors including the amount you pay in, the fund's investment performance and the choices you make at retirement.

Defined contribution pensions build up a pension pot using your contributions and your employer's contributions (if applicable), plus investment returns and tax relief. If you're a member of the scheme through your workplace, then your employer usually deducts your contributions from your salary before it is taxed. If you've set the scheme up for yourself, you arrange the contributions yourself.

The fund is usually invested in stocks and shares, along with other investments, with the aim of growing it over the years before you retire. You can usually choose from a range of funds to invest in. Remember though that the value of investments can go up or down.

The size of your pension pot and amount of income you receive when you retire will depend on:

- How much you pay into your pot
- How long you save for
- How much your employer pays in (if a workplace pension)
- How well your investments have performed
- What charges have been taken out of your pot by your pension provider
- How much you take as a cash lump sum
- The choices you make when you retire
- Annuity rates at the time you retire (if you choose the annuity route)

When you retire, your pension provider will usually offer you a retirement income (an annuity) based on your pot size, but you don't have to take this and it isn't your only option.

DEFINED BENEFIT PENSION SCHEMES

Secure income for life

A defined benefit pension scheme is one where the amount paid to you is set using a formula based on how many years you've worked for your employer and the salary you've earned rather than the value of your investments. If you work or have worked for a large employer or in the public sector, you may have a defined benefit pension.

Defined benefit pensions pay out a secure income for life which increases each year. They also usually pay a pension to your spouse or registered civil partner and/or your dependants when you die.

The pension income they pay is based on:

- The number of years you've been a member of the scheme – known as 'pensionable service'
- Your pensionable earnings – this could be your salary at retirement (known as 'final salary'), salary averaged over a career ('career average') or some other formula
- The proportion of those earnings you receive as a pension for each year of membership – this is called the 'accrual rate' and some commonly used rates are 1/60th or 1/80th of your pensionable earnings for each year of pensionable service

These schemes are run by trustees who look after the interests of the scheme's members. Your employer contributes to the scheme and is responsible for ensuring there is enough money at the time you retire to pay your pension income.

Check your latest pension statement to get an idea of how much your pension income may be. If you haven't got one, ask your pension administrator to send you one. Statements vary from one scheme to another, but they usually show your pension based on your current salary, how long you've been in the scheme and what your pension might be if you stay in the scheme until the scheme's normal retirement age.

If you've left the scheme, you'll still receive a statement every year showing how much your pension is worth. In most cases, this pension will increase by a set amount each year up until retirement age. Contact your pension administrator if you're not receiving your annual statement.

When you take your pension, you can usually choose to take up to a 25% of the value of your pension as a tax-free lump sum. With most schemes, your pension income is reduced if you take this tax-free cash. The more you take, the lower your income. But some schemes, particularly public sector pension schemes, pay a tax-free lump sum automatically and in addition to the pension income.

Make sure you understand whether the pension shown on your statement is the amount you'll get before or after taking a tax-free lump sum. Also, don't forget that your actual pension income will be taxable.

Most defined benefit schemes have a normal retirement age of 65. This is usually the age at which your employer stops paying contributions to your pension and when your pension starts to be paid.
If your scheme allows, you may be able to take your pension earlier (from the age of 55), but this can reduce the amount you get quite considerably. It's possible to take your pension without retiring.

Again, depending on your scheme, you may be able to defer taking your pension, and this might mean you get a higher income when you do take it. Check with your scheme for details.

Once your pension starts to be paid, it will increase each year by a set amount – your scheme rules will tell you by how much. It will continue to be paid for life. When you die, a pension may continue to be paid to your spouse, registered civil partner and/or dependants. This is usually a fixed percentage (for example 50%) of your pension income at the date of your death.

You may be able to take your whole pension as a cash lump sum. If you do this, up to 25% of the sum will be tax-free, and the rest will be subject to Income Tax.

You can usually do this from age 55 (or earlier if you're seriously ill) and in the following circumstances:

- You can take the whole of your pension as cash if the total value of all your pension savings is less than £30,000
- You can take your pension as cash if it's worth less than £10,000, regardless of how much your other pension savings are. You can do this for up to three different pensions

PERSONAL PENSIONS

Saving tax-efficiently for retirement

A personal pension is a type of defined contribution pension. You choose the provider and make arrangements for your contributions to be paid. If you haven't got a workplace pension, getting a personal pension could be a good way of saving for retirement.

Your pension provider will claim tax relief at the basic rate and add it to your pension pot. If you're a higher-rate taxpayer, you'll need to claim the additional rebate through your tax return. You also choose where you want your contributions to be invested from a range of funds offered by your provider.

Your pension pot builds up in line with the contributions you make, investment returns and tax relief. The fund is usually invested in stocks and shares, along with other investments, with the aim of growing the fund over the years before you retire. You can usually choose from a range of funds to invest in.

When you retire, the size of your pension pot when you retire will depend on:

- How much you pay into your pension pot
- How long you save for
- How much, if anything, your employer pays in
- How well your investments have performed
- What charges have been taken out of your pot by your pension provider

Following changes introduced in April 2015, you now have more choice and flexibility than ever before over how and when you can take money from your pension pot.

With standard personal pension schemes, your investments are managed for you within the pooled fund you have chosen. SIPPs are a form of personal pension that give you the freedom to choose and manage your own investments.

SELF-INVESTED PERSONAL PENSIONS

Providing greater flexibility with the investments you can choose

A self-invested personal pension (SIPP) is a pension 'wrapper' that holds investments until you retire and start to draw a retirement income. It is a type of personal pension and works in a similar way to a standard personal pension. The main difference is that with a SIPP, you have greater flexibility with the investments you can choose.

With standard personal pension schemes, your investments are managed for you within the pooled fund you have chosen. SIPPs are a form of personal pension that give you the freedom to choose and manage your own investments. Another option is to pay an authorised investment manager to make the decisions for you.

SIPPs are designed for people who want to manage their own fund by dealing with, and switching, their investments when they want to. SIPPs can also have higher charges than other personal pensions or stakeholder pensions. For these reasons, SIPPs tend to be more suitable for large funds and for people who are experienced in investing.

Most SIPPs allow you to select from a range of assets in which to invest, including:

- Individual stocks and shares quoted on a recognised UK or overseas stock exchange
- Government securities
- Unit trusts
- Investment trusts
- Insurance company funds
- Traded endowment policies
- Deposit accounts with banks and building societies
- Some National Savings and Investment products
- Commercial property (such as offices, shops or factory premises)

These aren't all of the investment options that are available – different SIPP providers offer different investment options.

Residential property can't be held directly in a SIPP with the tax advantages that usually accompany pension investments. But, subject to some restrictions, including on personal use, residential property can be held in a SIPP through certain types of collective investments, such as real estate investment trusts, without losing the tax advantages. Not all SIPP providers accept this type of investment though.

New rules introduced in April 2015 mean you can access and use your pension pot in any way you wish from age 55. However, SIPPs aren't appropriate for everyone, and you should seek professional advice if you are considering this option.

USING YOUR PENSION POT

More choice and flexibility than ever before

Following changes introduced in April 2015, you now have more choice and flexibility than ever before over how and when you can take money from your pension pot, but it's essential to obtain professional advice to decide what the best course of action you should take, as this will be your retirement income for the rest of your life.

Changes introduced from April 2015 give you freedom over how you can use your pension pot(s) if you're 55 or over and have a pension based on how much has been paid into your pot (a defined contribution scheme).

There's a lot to consider when working out which option or combination will provide you and any dependants with a reliable and tax-efficient income throughout your retirement. Under the new flexible rules, you can mix any of the options below, using different parts of one pension pot or using separate or combined pots.

Leave your pension pot untouched
You may be able to delay taking your pension until a later date. Your pot then continues to grow tax-free, potentially providing more income once you access it. If you already have enough income to live on – either because you are carrying on working or you have other income from savings or investments to live on – you may be able to delay accessing your pension pot beyond your selected retirement date or your scheme's normal retirement date.

Your pot continues to grow tax-free until you need it – potentially providing more income once you start taking money out. If you want to build up your pension pot further, you can continue to get tax relief on pension savings of up to £40,000 each year (tax year 2016/17) until age 75.

Be sure to check with your pension scheme or provider whether there are any restrictions or charges for changing your retirement date, and the process and deadline for telling them.

Also, check that you won't lose any income guarantees – for example, a guaranteed annuity rate (GAR) – by delaying your retirement date.

The value of pension pots can rise or fall. Remember to review where your pot is invested as you get closer to the time you want to retire and arrange to move it to less risky funds if necessary.

The longer you delay, the higher your potential retirement income. However, this could affect your future tax – and your entitlement to benefits as you grow older, for example, long-term care costs.

You could instead delay taking some of your pension. For example, you may be able to arrange to retire gradually, or change to working part-time or flexibly and then draw part of your pension. If you want your pot to remain invested after the age of 75, you will need to check with your pension scheme or provider that they will allow this. If not, you may need to transfer to another scheme or provider who will.

Buying a guaranteed income for life – an annuity
You can choose to take up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into a taxable income for life called an 'annuity'. There are different lifetime annuity options and features to choose from that affect how much income you would get. You can also choose to provide an income for life for a dependant or other beneficiary after you die.

A lifetime annuity is a type of retirement income product that you buy with some or all of your pension pot. It guarantees a regular retirement income for life. Lifetime annuity options and features vary – what is suitable for you will depend on your personal circumstances, your life expectancy and your attitude to risk.

You choose to take up to 25% of your pension pot – or of the amount you are allocating to buy an annuity – as a tax-free lump sum. You then use the rest to buy an annuity, which will provide you with a regular income for life.

This retirement income is taxed as normal income. As a rule of thumb, the older you are when you take out an annuity, the higher the income (annuity rate) you'll get.

There are two types of lifetime annuity to choose from:

- **Basic lifetime annuities** – where you set your income in advance
- **Investment-linked annuities** – where your income rises and falls in line with investment performance but will never fall below a guaranteed minimum

Flexible retirement income – flexi-access drawdown
With this option, you take up to 25%

of your pension pot or of the amount you allocate for drawdown as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income. You set the income you want, though this may be adjusted periodically depending on the performance of your investments. Unlike with a lifetime annuity, your income isn't guaranteed for life – so you need to manage your investments carefully.

With flexi-access drawdown, when you come to take your pension, you reinvest your pot into funds designed to provide you with a regular retirement income. This income may vary depending on the fund's performance and it isn't guaranteed for life.

You choose funds to invest in that match your income objectives and attitude to risk and set the income you want. The income you receive may be adjusted periodically depending on the performance of your investments. Once you've taken your tax-free lump sum, you can start taking the income right away or wait until a later date.

You can also move your pension pot gradually into income drawdown. You can take up to a quarter of each amount you move from your pot tax-free and place the rest into income drawdown.

To help provide more certainty, you can at any time use all or part of the funds in your income drawdown to buy an annuity or other type of retirement income product that may offer guarantees about growth and/or income. What's available in the market will vary at any given time, so you should obtain professional advice to discuss your options.

You need to carefully plan how much income you can afford to take under flexi-access drawdown, otherwise there's a risk you'll run out of money. This could happen if:

- You take out too much in the early years
- Your investments don't perform as well as you expect, and you don't adjust the amount you take accordingly
- You live longer than you've planned for

If you choose flexi-access drawdown, it's important to regularly review your investments. Unless you're an experienced investor, you may well need a professional advice with this.

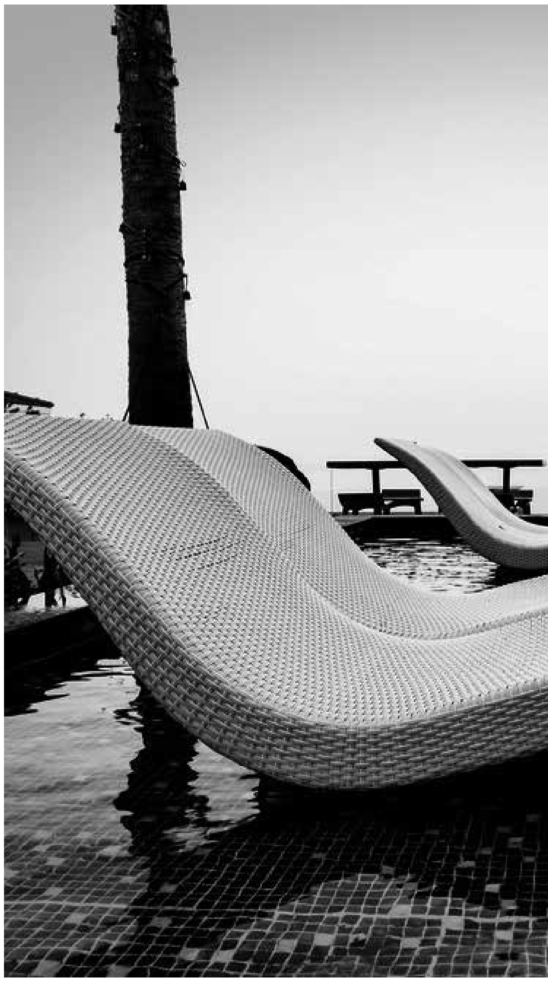
Any money you take from your pension pot using income drawdown will be added to your income for the year and taxed in the normal way. Large withdrawals could push you into a higher tax band, so bear this in mind when deciding how much to take and when. If the value of all of your pension savings is above £1m when you access your pot (2016/17 tax year), further tax charges may apply.

If the value of your pension pot is £10,000 or more, once you start to take income the amount of defined contribution pension savings which you can get tax relief on each year falls from £40,000 (the 'annual allowance') to £10,000 (called the 'Money Purchase Annual Allowance' or MPAA). If you want to carry on building up your pension pot, this may influence when you start taking income.

You can nominate who you'd like to get any money left in your drawdown fund when you die:

- If you die before the age of 75, any money left in your drawdown fund passes tax-free to your nominated beneficiary whether they take it as a lump sum or as income. These payments must begin within two years, or the beneficiary will have to pay Income Tax on them
- If you die after the age of 75 and your nominated beneficiary takes the money as income or lump sum, they will pay tax at their marginal rate. This means that any income or lump sum taken on or after this date will be added to their income and taxed in the normal way

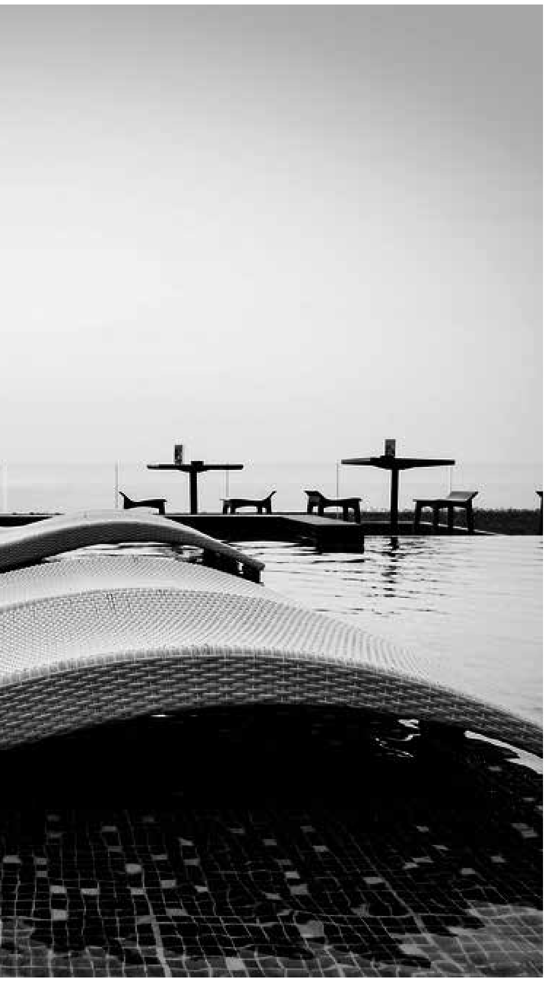
Flexi-access drawdown is just one of several options you have for using your pension pot to provide a retirement income.



Withdrawing small cash sums
You can use your existing pension pot to withdraw cash as and when you need it and leave the rest untouched where it can continue to grow tax-free. For each cash withdrawal, the first 25% is tax-free, and the rest counts as taxable income. There may be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year.

With this option, your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income, and it won't provide for a dependant after you die. There are also more tax implications to consider than with the previous two options.

However, you need to consider that your pension pot reduces with each cash withdrawal. The earlier you start taking money out of your pot, the greater the risk your money could run out. What's remaining in your pension pot might not grow enough to give you the income



you need to last you into old age – most people underestimate how long their retirement will be.

The administration charges for each withdrawal could eat into your remaining pot, and the funds where your existing pot is invested could fall in value and you could run out of money. Because your pot hasn't been reinvested to produce an income, its investments could fall in value – so you'll need to have it reviewed regularly. Charges will apply, and you may need to move or reinvest your pot at a later date.

Once you take money out of your pension pot, any growth in its value is taxable, whereas it will grow tax-free inside the pot – once you take it out, you can't put it back. Taking cash lump sums could also reduce your entitlement to benefits now or as you grow older.

Withdrawing your entire pot as cash
You could close your pension pot and withdraw the entire amount as cash in one go if you wish. The first 25% will be tax-free, and the rest will be taxed at your highest tax rate – by adding it to the rest of your income.

There are many risks associated with cashing in your whole pot. For example, it's highly likely that you could become subject to a significant tax bill – it won't pay you or any dependant a regular income, and without very careful planning you could run out of money and have nothing to live on in retirement.

Prior to taking any action, it is important to obtain professional financial advice as this option won't provide a regular income for you – or for your spouse or any other dependant after you die. Three quarters (75%) of the amount you withdraw is taxable income, so there's a strong chance your tax rate would go up when the money is added to your other income.

Your pension scheme or provider will pay the cash through a payslip and take off tax in advance – called 'PAYE' (Pay As You Earn). This means you may pay too much Income Tax and have to claim the money back – or you may owe more tax if you have other sources of income.

Extra tax charges or restrictions may apply if your pension savings exceed the lifetime allowance (currently £1m), or if you have reached age 75 and have less lifetime allowance available than the value of the pension pot you want to cash in.

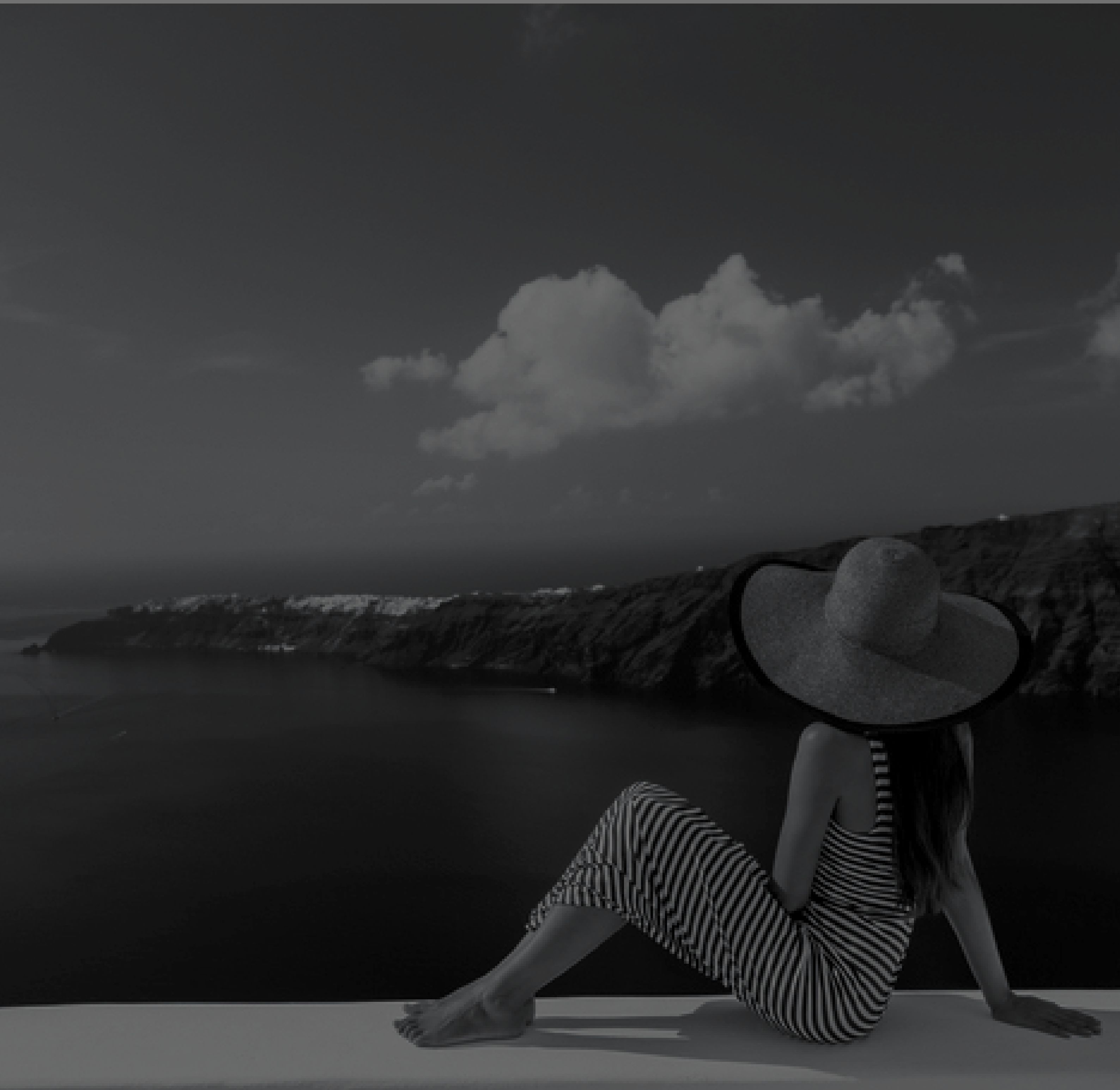
If you exercise this option, you can't change your mind. For many or most people, it will be more tax-efficient to consider one or more of the other options for taking your pension, and taking a large cash sum could reduce any entitlement you have to benefits now or as you grow older, for example, to help with long-term care needs. Not all pension schemes and providers offer cash withdrawal.

Combining your options
You don't have to choose one option when deciding how to access your pension – you can utilise a combination of options as you like, and take cash and income at different times to suit your needs. You can also keep saving into a pension if you wish and obtain tax relief up to age 75.

The appropriate option or combination of options that are right for you will depend on:

- When you stop or reduce your work
- Your income objectives and attitude to risk
- Your age and health
- The size of your pension pot and other savings
- Any pension or other savings your spouse or partner has, if relevant
- Whether you have financial dependants
- Whether your circumstances are likely to change in the future

The choices you face when considering taking some or all of your pension pot are very complex, and you should obtain professional advice to assess your best option or combination of options.



PROTECTION

Building a successful financial foundation

There are many things to consider when looking to protect you, your family and your home and wealth. Inheritance Tax and Capital Gains Tax, premature death, illness, and loss of income are just a few areas that need consideration as part of an effective protection planning strategy. Thoughtful and informed planning as well as professionally executed strategies are at the centre of the services we provide. We know that safeguarding your interests to preserve your wealth or prevent it from being used for unwanted purposes are key to enabling you to build a successful financial foundation.

LIFE INSURANCE

Providing a financial safety net for your loved ones

Getting the right life insurance policy means working out how much money you need to protect your dependants. This sum must take into account their living costs, as well as any outstanding debts, such as a mortgage. It may be the case that not everyone needs life insurance (also known as 'life cover' and 'death cover'). But if your spouse and children, partner, or other relatives depend on your income to cover the mortgage or other living expenses, then the answer is 'yes'.

Life insurance makes sure they're taken care of financially if you die. So whether you're looking to provide a financial safety net for your loved ones, moving house or a first-time buyer looking to arrange your mortgage life insurance – or simply wanting to add some cover to what you've already got – you'll want to make sure you choose the right type of cover. That's why obtaining the right advice and knowing which products to choose – including the most suitable sum assured, premium, terms and payment provisions – is essential.

Key events happen throughout your life
The appropriate level of life insurance will enable your dependants to cope financially in the event of your premature death. When you take out life insurance, you set the amount you want the policy to pay out should you die – this is called the 'sum assured'. Even if you consider that currently you have sufficient life assurance, you'll probably need more later on if your circumstances change. If you don't update your policy as key events happen throughout your life, you may risk being seriously under-insured.

Needs of your family and dependants
As you reach different stages in your life, the need for protection will inevitably change. How much life insurance you need really depends on your circumstances (for example, whether you've got a mortgage, you're single or have children). Before you compare life insurance, it's worth bearing in mind that the amount of cover you need will very much depend on your own personal circumstances, such as the needs of your family and dependants.

There is no one-size-fits-all solution, and the amount of cover – as well as how long it lasts for – will vary from person to person.

These are some events when you should consider reviewing your life insurance requirements:

- Buying your first home with a partner
- Covering loans
- Getting married or entering into a registered civil partnership
- Starting a family
- Becoming a stay-at-home parent
- Having more children
- Moving to a bigger property
- Salary increases
- Changing your job
- Reaching retirement
- Relying on someone else to support you
- Personal guarantee for business loans

Individual lifestyle factors determine the cost
The price you pay for a life insurance policy depends on a number of things. These include the amount of money you want to cover and the length of the policy, as well as your age, your health, your lifestyle and whether you smoke.

Replacing at least some of your income
If you have a spouse, partner or children, you should have sufficient protection

to pay off your mortgage and any other liabilities. After that, you may need life insurance to replace at least some of your income. How much money a family needs will vary from household to household, so ultimately it's up to you to decide how much money you would like to leave your family that would enable them to maintain their current standard of living.

Two basic life insurance types
There are two basic types of life insurance, 'term life' and 'whole-of-life', but within those categories there are different variations.

The cheapest, simplest form of life insurance is term life insurance. It is straightforward protection, there is no investment element and it pays out a lump sum if you die within a specified period. There are several types of term insurance.

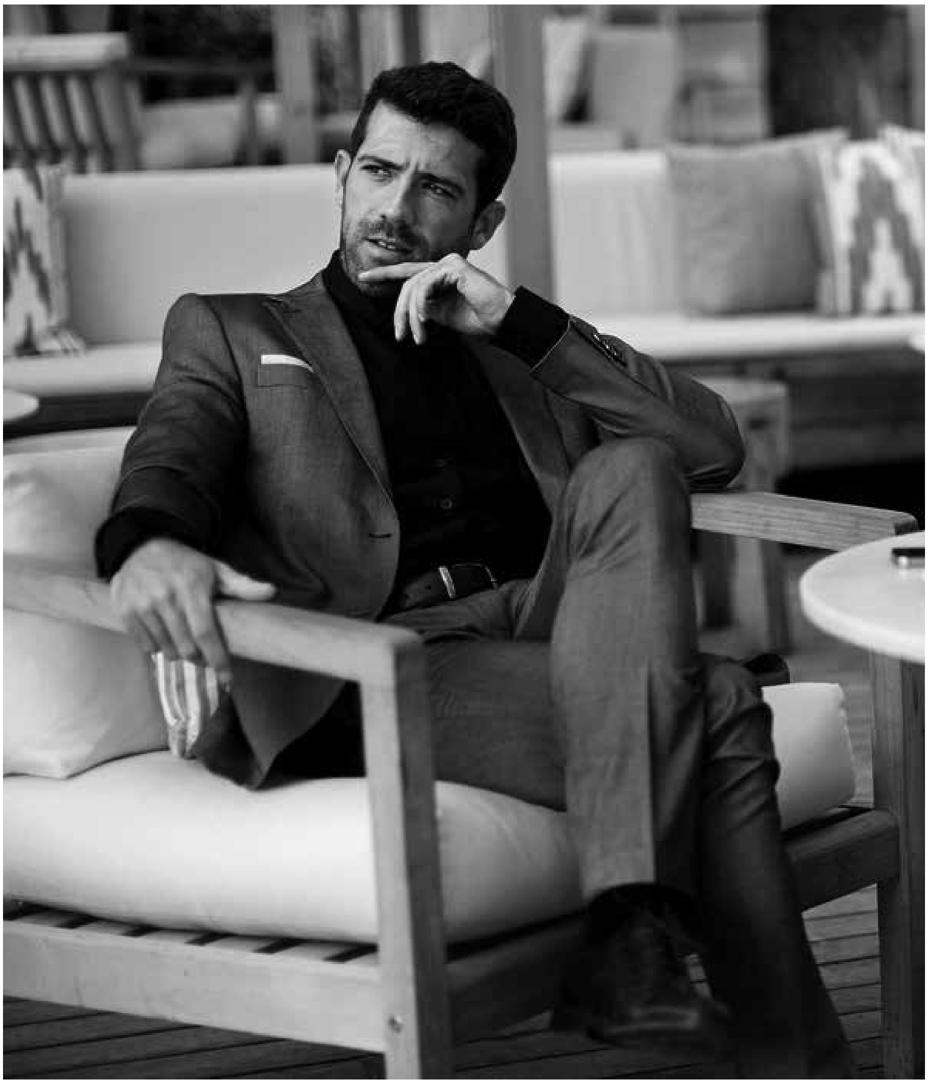
The other type of protection available is a whole-of-life insurance policy, designed to provide you with cover throughout your entire lifetime. The policy only pays out once the policyholder dies, providing the policyholder's dependants with a lump sum, usually tax-free. Depending on the individual policy, policyholders may have to continue contributing right up until they die, or they may be able to stop paying in once they reach a stated age, even though the cover continues until they die.

Remove the burden of any debts
Generally speaking, the amount of life insurance you may need should provide a lump sum that is sufficient to remove the burden of any debts and, ideally, leave enough over to invest in order to provide an income to support your dependants for the required period of time.

The first consideration is to clarify what you want the life insurance to protect. If you simply want to cover your mortgage, then an amount equal to the outstanding mortgage debt can achieve that.

To prevent your family from being financially disadvantaged by your premature death, and to provide enough financial support to maintain their current lifestyle, there are a few more variables you should consider:

- What are your family expenses and how would they change if you died?
- How much would the family expenditure increase on requirements such as childcare if you were to die?
- How much would your family income drop if you were to die?
- How much cover do you receive from your employer or company pension scheme and for how long?
- What existing policies do you have already and how far do they go to meeting your needs?
- How long would your existing savings last?
- What state benefits are there that could provide extra support to meet your family's needs?
- How would the return of inflation to the economy affect the amount of your cover over time?



DIFFERENT TYPES OF LIFE INSURANCE

Choosing the right type of cover

'Single life' policies cover just one person. A 'joint life' policy covers two people, and when one person on the policy dies the money is paid out and the policy ends. You will need to decide whether the joint policy pays out on first or second death as this will determine when the policy ends.

When choosing between these options, think about:

- **Affordability** – a joint life policy is usually more affordable than two separate single policies
- **Cover needs** – do you both have the same life insurance needs, or would separate policies with different levels of cover be more appropriate?
- **Work benefits** – if one of you has work 'death in service' benefit, you might only need one plan
- **Health** – if your joint policy is with someone in poor health, this may increase your monthly payments

What is not covered?
Life insurance only covers death – if you can't provide for your family because of illness or disability, you won't be covered. Most policies have some exclusions that are not covered. For example, they may not pay out if you die due to drug or alcohol abuse, and you normally have to pay extra to be covered when you take part in risky sports.

If you have a serious health problem when you take out the policy, your insurance may exclude any cause of death related to that illness.

Other insurance products are available to protect against these issues, which cover total and permanent disability, long-term illness, or critical illness cover.

TERM LIFE INSURANCE

Protection for a specified fixed period of time

With term life insurance policy, you choose the amount you want to be insured for and the period for which you want cover. This is the most basic type of life insurance. If you die within the term, the policy pays out to your beneficiaries. If you don't die during the term, the policy doesn't pay out and the premiums you've paid are not returned to you.

There are two main types of term life insurance to consider – level-term and decreasing-term life insurance.

Level-term life insurance policies
A level-term policy pays out a lump sum if you die within the specified term. The amount you're covered for remains level throughout the term – hence the name. The monthly or annual premiums you pay usually stay the same too.

Level-term policies can be a good option for family protection where you want to leave a lump sum that your family can invest to live on after you've gone. It can also be a good option if you need a specified amount of cover for a certain length of time, for example, to cover an interest-only mortgage that's not covered by an endowment policy.

Decreasing-term life insurance policies
With a decreasing-term policy, the amount you're covered for decreases over the term of the policy. These policies are often used to cover a debt that reduces over time, such as a repayment mortgages.

Premiums are usually cheaper than for level-term cover as the amount insured reduces as time goes on. Decreasing-term assurance policies can also be used for Inheritance Tax planning purposes.

Family income benefit policies
Family income benefit life assurance is a type of decreasing term policy. Instead of a lump sum though, it pays out a regular income to your beneficiaries until the policy's expiry date if you die.

You can arrange for the same amount of your take-home income to be paid out to your family if you die.

WHOLE-OF-LIFE INSURANCE

Guaranteed financial protection that lasts for the rest of your life

A whole-of-life insurance policy is designed to give you a specified amount of cover for the whole of your life and pays out when you die, whenever that is. Because it's guaranteed that you'll die at some point (and therefore that the policy will have to pay out), these policies are more expensive than term insurance policies, which only pay out if you die within a certain time frame.

Paying Inheritance Tax

Whole-of-life insurance policies can be a useful way to cover a future Inheritance Tax bill. If you think your estate will have to pay Inheritance Tax when you die, you could set up a whole-of-life insurance policy to cover the tax due, meaning that more is passed to your beneficiaries. To ensure the proceeds of the life insurance policy are not included in your estate though, it is vital that the policy be written in an appropriate trust. This is a very complicated area of estate planning, and you should obtain professional advice.

A whole-of-life insurance policy has a double benefit: not only are the proceeds of the policy outside your estate for Inheritance Tax purposes, the premium paid for the policy will reduce the value of your estate while you're alive, further reducing your estate's future Inheritance Tax bill.

Different types of policy

There are different types of whole-of-life insurance policy – some offer a set payout from the outset, others are linked to investments, and the payout will depend on performance. Investment-linked policies are either unit-linked policies, linked to funds or with-profits policies which offer bonuses.

Some whole-of-life policies require that premiums are paid all the way up to your death. Others become paid-up at a certain age and waive premiums from that point onwards.

Whole-of-life policies (but not all) have an investment element and therefore a surrender value. If, however, you cancel the policy and cash it in, you will lose your cover. Where there is an investment element, your premiums are usually reviewed after ten years and then every five years.

Whole-of-life policies are also available without an investment element and with guaranteed or investment-linked premiums from some providers.

Reviews

The level of protection selected will normally be guaranteed for the first ten years, at which point it will be reviewed to see how much protection can be provided in the future. If the review shows that the same level of protection can be carried on, it will be guaranteed to the next review date.

If the review reveals that the same level of protection can't continue, you'll have two choices:

- Increase your payments
- Keep your payments the same and reduce your level of protection

Maximum cover

Maximum cover offers a high initial level of cover for a lower premium until the first plan review, which is normally after ten years. The low premium is achieved because very little of your premium is kept back for investment, as most of it is used to pay for the life insurance.

After a review, you may have to increase your premiums significantly to keep the same level of cover, as this depends on how well the cash in the investment reserve (underlying fund) has performed.

Standard cover

This cover balances the level of life insurance with adequate investment to support the policy in later years. This maintains the original premium throughout the life of the policy. However, it relies on the value of units invested in the underlying fund growing at a certain level each year. Increased charges or poor performance of the fund could mean you'll have to increase your monthly premium to keep the same level of cover.

CRITICAL ILLNESS COVER

If the worst does happen, it's important to make sure you're financially protected

We never think a critical illness is going to happen to us, especially when we feel fit and healthy, but it can and does. If the worst does happen, it's important to make sure you're financially protected against the impact a critical illness could have on you and your family.

Critical Illness cover could help to minimise the financial impact on you and your loved ones. For example, if you needed to give up work to recover or if you passed away during the length of the policy, the money could be used to help fund the mortgage or rent, everyday bills or even simple things like the weekly food shop – giving you and/or your family some peace of mind when you need it most.

Surviving financial hardship

After surviving a critical illness, sufferers may not be able to return to work straight away (or ever), or may need home modifications or private therapeutic care. It is sad to contemplate a situation where someone survives a serious illness but fails to survive the ensuing financial hardship. Preparing for the worst is not something we want to think about when feeling fit and healthy, but you never know what life is going to throw at you next.

Tax-free lump sum

Critical illness cover (either on its own or as part of a life assurance policy) is designed to pay you a tax-free lump sum on the diagnosis of certain specified life-threatening or debilitating (but not necessarily fatal) conditions, such as a heart attack, stroke, certain types/stages of cancer and multiple sclerosis. A more comprehensive policy will cover many more serious conditions, including loss of sight, permanent loss of hearing and a total and permanent disability that stops you from working. Some policies also provide cover against the loss of limbs. But not all conditions are necessarily covered, which is why you should always obtain professional advice.

Much-needed financial support

If you are single with no dependants, critical illness cover can be used to pay off your mortgage, which means that you would have fewer bills or a lump sum to use if you became very unwell. And if you are part of a couple, it can provide much-needed financial support at a time of emotional stress.

Exclusions and limitations

The illnesses covered are specified in the policy along with any exclusions and limitations, which may differ between insurers. Critical illness policies usually only pay out once, so they are not a replacement for income. Some policies offer combined life and critical illness cover. These pay out if you are diagnosed with a critical illness, or you die, whichever happens first.

Pre-existing conditions
If you already have an existing critical illness policy, you might find that by replacing a policy, you would lose some of the benefits if you have developed any illnesses since you took out the first policy. It is important to seek professional advice before considering replacing or switching your policy, as pre-existing conditions may not be covered under a new policy.

Lifestyle changes
Some policies allow you to increase your cover, particularly after lifestyle changes such as marriage, moving home or having children. If you cannot increase the cover under your existing policy, you could consider taking out a new policy just to 'top up' your existing cover.

Policy definition
A policy will provide cover only for conditions defined in the policy document. For a condition to be covered, your condition must meet the policy definition exactly. This can mean that some conditions, such as some forms of cancer, won't be covered if deemed insufficiently severe. Similarly, some conditions may not be covered if you suffer from them after reaching a certain age, for example, many policies will not cover Alzheimer's disease if diagnosed after the age of 60.

Survival period
Very few policies will pay out as soon as you receive diagnosis of any of the conditions listed in the policy, and most pay out only after a 'survival period', which means that if you die within this period the cover would not pay out, even if you meet the definition of the critical illness given in the policy.

Range of factors
How much you pay for critical illness cover will depend on a range of factors including what sort of policy you have chosen, your age, the amount you want the policy to pay out and whether or not you smoke.

'Permanent total disability' is usually included in the policy. Some insurers define permanent total disability as being unable to work as you normally would as a result of sickness, while others see it as being unable to independently perform three or more 'Activities of Daily Living' as a result of sickness or accident.

Activities of daily living include:

- Bathing
- Dressing and undressing
- Eating
- Transferring from bed to chair and back again

Make sure you're fully covered
The good news is that medical advances mean more people than ever are surviving conditions that might have killed earlier generations. Critical illness cover can provide cash to allow you to pursue a less stressful lifestyle while you recover from illness, or you can use it for any other purpose. Don't leave it to chance – make sure you're fully covered.

How much you pay for critical illness cover will depend on a range of factors including what sort of policy you have chosen, your age, the amount you want the policy to pay out and whether or not you smoke.

INCOME PROTECTION INSURANCE

No one is immune to the risk of illness and accidents

No one likes to think that something bad will happen to them, but if you couldn't work due to a serious illness, how would you manage financially? Could you survive on savings or sick pay from work? If not, you may need some other way to keep paying the bills – and you might want to consider income protection insurance.

You might think this may not happen to you, and of course we hope it doesn't, but it's important to recognise that no one is immune to the risk of illness and accidents.

No one can guarantee that they will not be the victim of an unfortunate accident or be diagnosed with a serious illness. The bills won't stop arriving or the mortgage payments from being deducted from your bank account, so going without income protection insurance could be tempting fate.

Providing monthly payments
Income protection insurance is a long-term insurance policy that provides a monthly payment if you can't work because you're ill or injured, and typically pays out until you can start working again, or until you retire, die or the end of the policy term – whichever is sooner.

Income protection insurance if you are unable to work:

- Replaces part of your income if you become ill or disabled
- It pays out until you can start working again, or until you retire, die or the end of the policy term – whichever is sooner
- There's a waiting period before the payments start, so you generally set payments to start after your sick pay ends or after any other insurance stops covering you. The longer you wait, the lower the monthly payments
- It covers most illnesses that leave you unable to work, either in the short or long term (depending on the type of policy and its definition of incapacity)
- You can claim as many times as you need to while the policy is in force

Generous sickness benefits
Some people receive generous sickness benefits through their workplace, and these can extend right up until the date upon which they had intended to retire. However, some employees with long-term health problems could, on the other hand, find themselves having to rely on the state, which is likely to prove hard.

Tax-free monthly income
Without a regular income, you may find it a struggle financially, even if you were ill for only a short period, and you could end up using your savings to pay the bills. In the event that you suffered from a serious illness, medical condition or accident, you could even find that you are never able to return to work. Few of us could cope financially if we were off work for more than six to nine months. Income protection insurance provides a tax-free monthly income for as long as required, up to retirement age, should you be unable to work due to long-term sickness or injury.

Profiting from misfortune
Income protection insurance aims to put you back to the position you were in before you were unable to work. It does not allow you to make a profit out of your misfortune. So the maximum amount of income you can replace through insurance is broadly the after-tax earnings you have lost, less an adjustment for state

benefits you can claim. This is typically translated into a percentage of your salary before tax, but the actual amount will depend on the company that provides your cover.

Self-employment
If you are self-employed, then no work is also likely to mean no income. However, depending on what you do, you may have income coming in from earlier work, even if you are ill for several months. The self-employed can take out individual policies rather than business ones, but you need to ascertain on what basis the insurer will pay out. A typical basis for payment is your pre-tax share of the gross profit (after deduction of trading expenses) in the 12 months immediately prior to the date of your incapacity. Some policies operate an average over the last three years, as they understand that self-employed people often have a fluctuating income.

Cost of cover
The cost of your cover will depend on your gender, occupation, age, state of health and whether or not you smoke. The 'occupation class' is used by insurers to decide whether a policyholder is able to return to work. If a policy will pay out only if a policyholder is unable to work in 'any occupation', it might not pay benefits for long – or indeed at all. The most comprehensive definitions are 'Own Occupation' or 'Suited Occupation'. 'Own Occupation' means you can make a claim if you are unable to perform your own job. However, being covered under 'Any Occupation' means that you have to be unable to perform any job, with equivalent earnings to the job you were doing before not taken into account.

You can also usually choose for your cover to remain the same (level cover) or increase in line with inflation (inflation-linked cover):

- **Level cover** – with this cover, if you made a claim the monthly income would be fixed at the start of your plan and does not change in the future. You should remember that this means if inflation eventually starts to rise, the buying power of your monthly income payments may be reduced over time
- **Inflation-linked cover** – with this cover, if you made a claim the monthly income would go up in line with the Retail Prices Index (RPI)

When you take out cover, you usually have the choice of:

- **Guaranteed premiums** – the premiums remain the same all the way throughout the term of your plan. If you have chosen inflation-linked cover, your premiums and cover will automatically go up each year in line with RPI
- **Reviewable premiums** – this means the premiums you pay can increase or decrease in the future. The premiums will not typically increase or decrease for the first five years of your plan, but they may do so at any time after that. If your premiums do go up or down, they will not change again for the next 12 months

Making a claim
How long you have to wait after making a claim will depend on the waiting period. You can typically choose from between 1, 2, 3, 6, 12 or 24 months. The longer the waiting period you choose, the lower the premium for your cover will be, but you'll have to wait longer after you become unable to work before the payments from the policy are paid to you. Premiums must be paid for the entire term of the plan, including the waiting period.

Innovative new products
Depending on your circumstances, it is possible that the payments from the plan may affect any state benefits due to you. This will depend on your individual situation and what state benefits you are claiming or intending to claim. This market is subject to constant change in terms of the innovative new products that are being launched. If you are unsure whether any state benefits you are receiving will be affected, you should seek professional advice.

MAKING A WILL

An essential part of your financial planning

Your Will lets you decide what happens to your money, property and possessions after your death. If you make a Will you can also make sure you don't pay more Inheritance Tax than you need to. It's an essential part of your financial planning. Not only does it set out your wishes, but, die without a Will, and your estate will generally be divided according to the rules of intestacy, which may not reflect your wishes. Without one, the state directs who inherits, so your loved ones, relatives, friends, and favourite charities may get nothing.

Same-sex partners

It is particularly important to make a Will if you are not married or are not in a registered civil partnership (a legal arrangement that gives same-sex partners the same status as a married couple). This is because the law does not automatically recognise cohabitants (partners who live together) as having the same rights as husbands, wives and civil partners. As a result, even if you've lived together for many years, your cohabitant may be left with nothing if you have not made a Will.

A Will is also vital if you have children or dependants who may not be able to care for themselves. Without a Will, there could be uncertainty about who will look after or provide for them if you die.

Peace of mind

No one likes to think about it, but death is the one certainty that we all face. Planning ahead can give you the peace of mind that your loved ones can cope financially without you and, at a difficult time, helps remove the stress that monetary worries can bring. Planning your finances in advance should help you to ensure that when you die, everything you own goes where you want it to. Making a Will is the first step in ensuring that your estate is shared out exactly as you want it to be.

If you leave everything to your spouse or registered civil partner, there'll be no Inheritance Tax to pay because they are classed as an exempt beneficiary. Or you may decide to use your tax-free allowance to give some of your estate to someone else, or to a family trust. Please note that Scottish law on inheritance differs from English law.

Good reasons to make a Will

A Will sets out who is to benefit from your property and possessions (your estate) after your death.

There are many reasons why you need to make a Will:

- You can decide how your assets are shared – if you don't have a Will, the law says who gets what
- If you're an unmarried couple (whether or not it's a same-sex relationship), you can make sure your partner is provided for
- If you're divorced, you can decide whether to leave anything to your former partner
- You can make sure you don't pay more Inheritance Tax than necessary
- Several people could make a claim on your estate when you die because they depend on you financially
- You want to include a trust in your Will (perhaps to provide for young children or a disabled person, save tax, or simply protect your assets in some way after you die)
- Your permanent home is not in the UK or you are not a British citizen
- You live here but you have overseas property
- You own all or part of a business

Before you write a Will, it's a good idea to think about what you want included in it.

You should consider:

- How much money and what property and possessions you have
- Who you want to benefit from your Will
- Who should look after any children under 18 years of age
- Who is going to sort out your estate and carry out your wishes after your death (your executor)

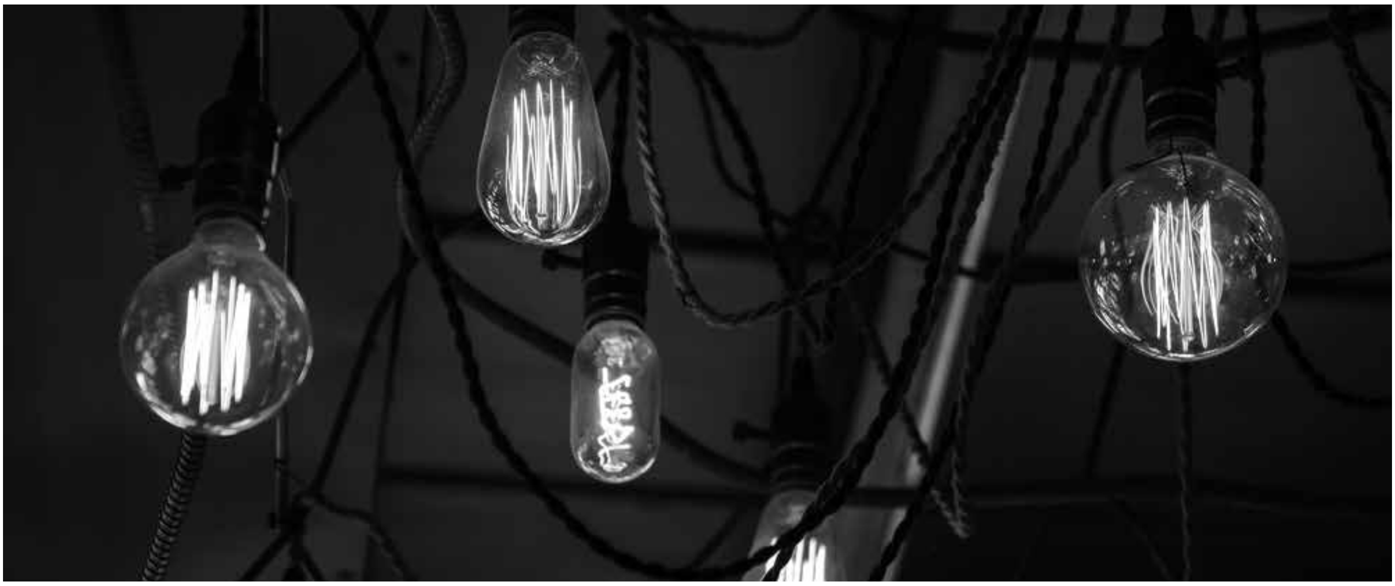
Passing on your estate

An executor is the person responsible for passing on your estate. You can appoint an executor by naming them in your Will. The courts can also appoint other people to be responsible for doing this job.

Once you've made your Will, it is important to keep it in a safe place and tell your executor, close friend or relative where it is.

Review your Will

It is advisable to review your Will every five years and after any major change in your life, such as getting separated, married or divorced, having a child, or moving house. Any change must be by 'codicil' (an addition, amendment or supplement to a Will) or by making a new Will.



POWER OF ATTORNEY

Permitting someone to act on your behalf when you are no longer mentally capable of making decisions

A Power of Attorney is a legal document that allows you to give someone else the legal authority to act on your behalf. There are several different types of Power of Attorney. A Lasting Power of Attorney (LPA) – previously called an 'Enduring Power of Attorney' – allows your attorneys to make decisions for you when you no longer wish to or when you lack the mental capacity to do so.

When making an LPA, you are permitting someone to act on your behalf when you are no longer mentally capable of making decisions on your behalf.

There are two different types of LPA:

- Health and welfare
- Property and financial affairs

Making decisions

A property and financial affairs LPA allows your attorneys to make decisions regarding your finances. This could include decisions about paying bills, operating your bank accounts or even selling your home.

A health and welfare LPA allows your attorneys to make decisions for things such as medical treatment, accepting or refusing types of health care and whether or not you continue to live in your own home. You can also give your attorneys the power to make decisions about life-sustaining treatment for you. Your attorneys can be the same as those appointed under the property and financial affairs LPA.

Financial affairs

If you decide not to make an LPA and subsequently lack the mental capacity to understand the nature and effect of the document, you may no longer be able to create an LPA. In those circumstances, if you are no longer mentally capable of dealing with your financial affairs, someone will have to make an application to the Court of Protection to be appointed as what is called your 'Deputy'. This process applies even if the person incapacitated is your spouse or registered civil partner.

To avoid the Court making decisions on your behalf, it is therefore beneficial to create an LPA because it allows you to decide in advance:

- The decisions you want to be made on your behalf if you lose the capacity to make them yourself
- The people you want to make these decisions
- How you want the people to make these decisions

INHERITANCE TAX

Securing more of your wealth for your loved ones

Protecting your estate is ultimately about securing more of your wealth for your loved ones and planning for what will happen after your death to make the lives of your loved ones much easier.

Peace of mind

Making sure that you've made plans for after you're gone will give you peace of mind. It's not nice to think about, but it means that your loved ones can carry out your wishes and be protected from Inheritance Tax.

You don't have to be wealthy for your estate to be liable for Inheritance Tax, and it isn't something that is paid only on death: it may also have to be paid on gifts made during someone's lifetime. Your estate will be liable if it is valued over the current IHT threshold on your death. The Inheritance Tax threshold, or Nil Rate Band (NRB), is fixed until 2020/21 at £325,000.

Your estate includes any gifts you may have made within seven years of your death. Anything under the Inheritance Tax threshold is not taxed (the 'Nil Rate Band'), and everything above it is taxed (currently at 40%). Where a person dies and leaves at least 10% of their net estate to a qualifying charity, a reduced rate of 36% Inheritance Tax can be payable.

Any unused proportion of the NRB belonging to the first spouse or registered civil partner to die can be passed to the surviving spouse or registered civil partner.

Additional Nil Rate Band

From 6 April 2017, the Government will be introducing an Additional Nil Rate Band (ANRB). This will start at £100,000 and increase by £25,000 each tax year until it reaches £175,000 in 2020/21, when it will increase each tax year by the Consumer Price Index (CPI).

The ANRB will be available where you pass your house to your children, grandchildren or great-grandchildren. It will also be available if you downsize or cease to own a home, as long as the replacement is passed to your children, grandchildren or great-grandchildren. It will start to reduce if your net estate is more than £2m and will reduce by £1 for ever £2 it is over. As with the NRB, the ANRB is transferable between spouses and registered civil partnerships if unused on first death.

Exemptions

Moving ownership of assets to your spouse or registered civil partner may help reduce the Inheritance Tax liability on your estate. However, don't forget that this can cause an increased Inheritance Tax liability when they die. There are also exemptions if you make a donation to a charity.

Making gifts

If you can afford to make gifts during your lifetime, this will also reduce the value of your estate, and so your ultimate Inheritance Tax liability. You can make a gift of up to £3,000 a year without any Inheritance Tax liability, and if you don't use this whole allowance it can be carried forward to the next tax year. You can also give gifts of up to £250 a year to any number of people with no IHT liability.

There are two types of gift which currently have tax implications. The first is Chargeable Lifetime Transfers (CLTs). The most common chargeable transfers are lifetime gifts into Discretionary Trusts. A transfer will be charged if (together with any chargeable transfers made in the previous seven years) it exceeds the Inheritance Tax NRB (currently £325,000). Tax is paid at 20% on excess over the NRB.

The other type of gift to be aware of is Potentially Exempt Transfers (PETs). Gifts between individuals or into a bare trust arrangement are examples of PETs. These gifts are free from Inheritance Tax, provided you survive more than seven years beyond the date of the gift. The other area to be aware of is that if you are making a gift but try to reserve any of the benefit for yourself, for example, retaining dividend income from shares you have gifted or living rent-free in a property you have.

Life insurance policy

Taking out a life insurance policy written under an appropriate trust could be used towards paying any Inheritance Tax liability. Under normal circumstances, the payout from a life insurance policy will form part of your legal estate and may therefore be subject to Inheritance Tax. By writing a life-insurance policy in an appropriate trust, the proceeds from the policy can be paid directly to the beneficiaries rather than to your legal estate, and will therefore not be taken into account when Inheritance Tax is calculated. It also means payment to your beneficiaries will probably be quicker, as the money will not go through probate.

SETTING UP A TRUST

Choosing the right structures can protect assets and give your family lasting benefits

The structures into which you can transfer your assets can have lasting consequences for you and your family, and it is crucial that you choose the right ones. The right structures can protect assets and give your family lasting benefits. A trust can be used to reduce how much Inheritance Tax your estate will have to pay on your death.

Legal arrangement

Broadly speaking, there are two types of trust to choose from: a discretionary trust and bare trust. A trust, in principle, is a very simple concept. It is a legal arrangement where the ownership of someone's assets (such as property, shares or cash) is transferred to someone else (usually a small group of people or a trust company) to manage and benefit a third person (or group of people). An appropriate trust can be used to reduce how much Inheritance Tax your estate will have to pay on your death.

Discretionary trusts

A discretionary trust offers flexibility when it comes to deciding who you would like to be the beneficiaries. The appointer can appoint benefits to the beneficiaries of the discretionary trust. With a discretionary trust, there are possible tax liabilities to be aware of. On creation of the trust, Inheritance Tax might be payable. Inheritance Tax may also become payable if you die within seven years of the creation of the trust. Depending on the value of assets in the trust, there could be further charges to consider during the lifetime of the trust.

Bare trusts

A bare trust ensures that once named, the beneficiaries cannot be changed or added to in the future. Once a beneficiary has reached the age of 18, they can ask for the trust to pay their share to them directly. The major advantage of bare trusts over discretionary trusts is that they are classed as potentially exempt transfers (PETs) with no immediate or ongoing Inheritance Tax charges, provided the creator of the trust survives more than seven years from the date of the transfer.

A WEALTH MANAGEMENT STRATEGY THAT REFLECTS YOUR DESIRED LIFESTYLE

We understand that it takes time and a bit of imagination to step into your future, look back and understand what needs to happen for you to enjoy your desired lifestyle. We will work with you to develop a wealth management strategy that reflects your investment goals, your personal circumstances, your investment time frame and your attitude to risk.

To review your situation, please contact us – we look forward to hearing from you.

The content of this guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested.

Goldmine Media, Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL

goldmine media