

End of tax year planning - use it or lose it!

ISA Allowances

The annual increases to the ISA allowance will become less generous, after the chancellor switched the type of inflation to index it against. From April 2012 the Consumer Prices Index (CPI) will be used in calculating ISA limits, rather than the typically higher Retail Prices Index (RPI) figures. This means the overall ISA allowance will soon increase to £11,280, please see the ISA Allowance table opposite for full details.

Future ISA allowances will be set by referring to the official CPI figures released each September with any increase applying to the ISA allowance for the following tax year. In the event of a negative CPI the ISA allowance for the following year will remain unchanged.

The CPI for September 2011 was 4.4% which means for 2012/2013 the overall ISA limit will increase by £600. The Cash ISA allowance will increase by £300. This means the Cash ISA limit for 2012/2013 will rise to £5,640 and the overall ISA allowance will increase to £11,280.

In order to simplify the ISA Structure, the distinction between Mini & Maxi ISAs has disappeared.

Nowadays there's only a distinction between a Cash ISA and a Stocks & Shares ISA. This means an ISA can now contain up to 2 different types of investment: - Cash (including national savings plans) and Stocks and Shares.

Current ISA Allowance (2011/2012)

Cash ISA Allowance	£5,340
Stocks & Shares ISA Allowance	£10,680
Overall ISA Allowance	£10,680

New ISA Allowance (2012/2013)

Cash ISA Allowance	£5,640
Stocks & Shares ISA Allowance	£11,280
Overall ISA Allowance	£11,280

This means a couple can invest;

Before 6th April 2012	£21,360
After the 6th April 2012	£22,560
Total:	£43,920

BEING VERY TAX EFFICIENT!

Please bear in mind that the value of stocks and shares ISAs can go up and down.

Income Tax

- The basic personal allowance of £7,475 (which increases to £8,105 in 2012/13)
- The threshold for the start of higher-rate tax is £35,000 (which reduces to £34,370 in 2012/13 but this is counter-balanced by the increase in the personal allowance)
- A 50 per cent tax rate applies to taxable income that exceeds £150,000
- People with income of more than £100,000 lose some or all of their basic personal allowance

Maximising the use of a Couples Allowances, Exemptions and Lower Tax Rates

Where one spouse pays a lower rate of tax (or no tax) than the other spouse, it can be tax-beneficial, subject to practical considerations, to transfer investments to the lower-taxpaying spouse to save

tax and so increase overall net of tax returns in relation to income and capital gains.

Married couples should both make maximum use of their own personal allowances.

A couple should try to ensure that they both have pension plans to provide an income stream in retirement, that will use both of their personal allowances.

Older married couples benefit from an increased age-related personal allowance. However, this is cut back when income exceeds the age allowance total income threshold of £24,000 in 2011/12 (£25,400 in 2012/13). It may therefore be advisable to transfer income-producing assets between couples where one would otherwise exceed this age allowance income limit.

The Changing Pension Rules - How They Affect You

The Government is introducing changes to pension legislation for 6 April 2012 that will mean defined contribution pension plans can no longer be used to contract out of the State Second Pension.

What are protected and non-protected rights?

Protected Rights

Protected rights are pension funds that build up from National Insurance “rebates” (also known as contracting-out contributions) paid to your pension plan. These funds are a result of contracting out of the State Second Pension (formerly the State Earnings Related Pension Scheme) under your current plan and / or a previous plan.

Non-Protected Rights

These make up the rest of your personal pension fund under your plan. They are built up from pension contributions made by you, and / or your employer or transferring similar contributions to your plan from another pension plan.

What's Changing?

The legislation changes will affect the protected rights fund in your defined contribution pension plan, and from 6 April 2012 will mean that:

- Defined contribution pension plans can no longer be used to contract out of the State Second Pension from April 6th 2012.
- You will build up an entitlement to the State Second Pension, if you are eligible.
- Contracting out contributions built up in the period before 6th April 2012 will still be made to your plan. No further contraction-out contributions will be built up after this date.
- The restrictions that currently apply to your existing protected rights fund will be removed.

What are the current restrictions on Protected Rights funds?

Protected rights funds are currently subject to a number of government restrictions that will be removed 6th April 2012. Currently the main restrictions are:

- If you are married or in a civil partnership, when buying an annuity it must include an income of 50% for your spouse or civil partner payable on your death.



- If you die before you buy an annuity and you are married or in a civil partnership, protected rights funds must be used to provide your spouse or civil partner with an income. They cannot be paid as a lump sum in these circumstances.
- Protected rights can only be transferred into another contracted-out scheme.
- If you wish to take benefits from your protected rights fund you have to take a proportional amount from any non-protected rights fund held within the same scheme.

Non-protected rights aren't subject to these restrictions.

How will the legislation changes affect my Protected Rights fund?

From 6th April 2012, protected rights funds will no longer exist. From this date any existing protected rights funds will be treated in exactly the same way as your current non-protected rights fund, and will no longer be subject to the protected rights restrictions. This means your whole pension fund can all be managed in the same way.

Protected rights funds can have different charges or be invested in different funds from non-protected rights funds. To allow providers to apply the correct charges and investments to the appropriate part of your pension fund, from 6th April 2012 they will maintain two separate “pots” in your plan. One pot will be your former protected rights fund and the second will be called the non-protected rights fund.

Retail Distribution Review (RDR) So What's Occurring!

Dispelling the myths - Commission vs fee-based advice

As we have always explained, Aaron Tawny clients have always paid for the advice they have received from us, either by a fee or commissions received from a product provider we have recommended.

Pension and Investment advice has never been free, the commission product providers pay us at present, comes from the charges they levy on your investments funds. There is no reason the Adviser Fee structure RDR brings with it, should cost you anymore.

An opportunity to
enhance the client
focused advice service,
we already provide.

The main difference is you will have the choice of which route we get paid for the advice you receive and agree a fee with us, which provides the best value for you.

For example paying fees from a pension fund can be very tax efficient.

The onus has been and will be on Aaron Tawny to be innovative and create the most cost effective Financial Planning process for you, which offers several routes to receive good advice. This, I am pleased to say, we have achieved and I am sure it will be continually adapted as we move forward post RDR, to deliver value for money.

Choice already exists in all other walks of life, for example, if you decided to fly to a specific destination, you have a choice of economy, business and first class travel, whichever fits best within your budget and you also get the option of upgrades. However you choose to fly, you will still end up at your desired destination. In effect RDR coupled with the initial and ongoing service levels Aaron Tawny now offer, both pre and post RDR, will give you a similar choice.

The Retail Distribution Review (RDR) is one of the most important regulatory developments for many years and applies to investment based products, such as Pensions, ISA's, Investment Bonds etc.

The new framework which comes into place at the end of 2012, we feel provides Aaron Tawny a golden opportunity to enhance the client focused advice service, we already provide.



As Aaron Tawny enters its 12th year, the power of technology has already been harnessed for your benefit with the introduction of a new Back Office system and Wrap Platforms, which allow us to have up to date and accurate information available at our fingertips. Therefore we can spend less time administering and more time monitoring and managing your overall strategy, in line with your objectives.

We also have installed Voyant, which is a unique Financial Planning Platform and allows us to work closely with you with cash-flow modelling, allowing you for example, to picture income streams in retirement, based on your anticipated monthly expenditure needs.

We truly believe RDR will provide a thriving advice sector, allowing us to provide existing and new clients with valuable, essential and professional advice.

In essence RDR gives:

- Clients even greater choice
- Best possible advice
- Best value for money

Please contact us on 01536 512724
for any further information.

About Us and our Advice Process

We felt it important to dedicate the rest of this newsletter to the Retail Development Review and give you a flavour of our advice process both initial and ongoing. We will of course discuss your individual ongoing review requirements. We trust you find our advice process of interest and look forward to continuing to work with you in the future.

About Us

Collectively we have over 70 years experience on all areas of financial advice. Being completely independent, we are able to research the whole market to source products and services, ensuring we provide you with the solution that best suits your needs.

We pride ourselves on delivering our financial advice in an uncomplicated, easy to understand, jargon-free manner.

We are quite simply - 'big enough to cope and small enough to care'.

Developing a Personal Service

We realise that every situation is different and every individual is unique. We have therefore developed a range of financial planning services, which can be tailored to meet your specific needs, no matter how complex.

We work in partnership with you and look to develop an excellent working relationship that will evolve over time. Ongoing fees will depend on the type of relationship you choose to have with us and will be discussed and agreed with you. Of course, your circumstances may change over time and we will be flexible in the way we work.

Rest assured that however you choose to develop your personal service, our key principles - honesty, integrity, reliability and value will underpin our relationship at all times.

Who benefits from our Financial Planning service?

People who derive greatest value from our services are typically those who:

- Have insufficient time and/or expertise to confidently manage their financial affairs.
- Are seeking expert financial advice and/or investment management.
- Want help to develop a clear financial plan, to

make the most of their hard earned money.

- Value a financial sounding board.
- Want the discipline of a regular review of their finances.
- Seek a sense of control, peace of mind and financial freedom.
- Regard service and a trusted relationship as key to working with any adviser.

Why Financial Planning with Aaron Tawny is so important?

Financial planning is a process which helps people to harness their financial resources to best effect in order to achieve the lifestyle they desire for themselves and their families. The process begins by helping you identify and prioritise the financial goals you want to achieve.

These goals become the purpose of a Financial Plan we design and discuss with you before making arrangements to put the agreed elements of that plan into action. We monitor changing circumstances so that we can review and update your plan to ensure it remains relevant and on track towards achievement of your aims.

We will continue to develop excellent working relationships with you and your other professional advisers, which ensures you will have a truly integrated financial strategy.

Areas where we provide specialist advice:

- Financial Planning - what financial future do you want to create?
- Cash Flow Modelling - what kind of lifestyle will you be able to afford?
- Business Protection - protection from the effects of death or disablement
- Investments - making your capital work hard on your behalf
- Retirement Planning - making the most of pensions legislation to fund for retirement
- Life Assurance - protecting your family from the effects of death or disablement
- Inheritance / Estate Planning - transferring wealth effectively across generations
- Mortgages - including Residential and Buy to Let from the whole of the market
- Commercial Mortgages - For business use / rental
- Equity Release - utilising equity in your home to help fund your required lifestyle

Aaron Tawny's Financial Planning Process

Five steps ensure clarity on progress being made towards your initial plan and its ongoing maintenance:

Step 1. Introductory Meeting

The initial meeting is entirely at our expense. We will listen to what you want from us, discuss your financial goals and objectives. Also revisit your current arrangements. If we believe we can deliver value for money, we will explain how we can help you and the costs of our services. If we reach agreement, we can quickly move to the next stage.

Step 5. Ongoing Service & Relationship

Aaron Tawny's Financial Planning process is not a "one-off" event. We believe regular review meetings are the best way to keep each other up to date with developments in your circumstances and other factors influencing the progress and performance of your plans.

In between meetings you will have access to our team, whenever you need to make an enquiry about your plans. We will also make contact as and when we feel we have news or ideas of relevance to your plans.

Step 4. Implementing your decisions

If you decide to take action as a result of our recommendations, we can arrange all necessary steps to ensure your decisions are implemented thoroughly, accurately and in a timely fashion. This means we would:

- Deal with all necessary paperwork
- Liaise with your other professional advisers
- Deal with changes to existing arrangements
- Keep you informed of our progress
- Contact you when arrangements are completed, to confirm what has been done and emphasise the documentation you need to retain.
- Explain how our on-going review service, provides you with peace of mind.

Step 2. Gathering Information

We will need to gather as much additional information as possible, as well as your attitude to investment risks. This will involve us contacting the providers of your plans and policies to obtain up to date information on valuations, terms and conditions. Our comprehensive discussion with you provides insight into your goals and your existing situation, including:

- Your financial goals and needs
- Types of asset held in your investment funds
- Your income & expenditure
- Your attitude to investment risk
- Valuation of your assets & liabilities
- Your priorities
- Your insurance policies and investments
- Any other relevant data affecting your plans

Step 3. Developing and Discussing your plan

Analysis of data we gather enables us to evaluate opportunities for making your financial resources work most effectively. We will examine the taxation and other implications when considering whether alterations to your existing arrangements represent an appropriate strategy. Recommendations about how your resources may be better organised will take account of your attitude to the relationship between risk and reward.

We will meet with you to present and discuss our advice and agree any actions you wish to take.

The reasons for our recommendations and the actions you decide to take as a result of our discussions will be confirmed in writing, giving you a permanent record of the advice you received.

If you require any further information, please don't hesitate to contact us.

The Aaron Tawny Investment Process

It is important that the investment strategy we design for you is clearly evaluated, communicated and implemented with regular reviews incorporated. We utilise first class planning and research tools to assist us in our impartial recommendations.

Understanding your Attitude towards Risk

Before creating an investment strategy we need to identify and discuss your current attitude towards investment risk, in relation to your goals, as this may have changed from our last meeting. We will complete with you and discuss the outcome of, a “risk profiling” questionnaire compiled by eValueFE, an associate company of Financial Express, the UK’s leading fund data provider.

Identifying an Investment Strategy and Asset Allocation

Our discussion about investment risk and reward will enable us to identify the right asset allocation for your strategy i.e. not putting all your eggs in one basket. We believe that 90% of the difference in investment portfolio performance can be attributed to asset allocation decisions, not market timings or stock selection. Therefore the solutions we recommend will hold different asset types e.g. equities, fixed interest etc. in proportions appropriate to your attitude towards investment risk.

Portfolio Construction

We will recommend an investment portfolio that corresponds to the asset allocation model, relevant to your risk profile.

We believe keeping pace with the merits of more than 30,000 plus funds is a job for specialists. Therefore we utilise the services of organisations with this specialist knowledge, skills and systems to ensure meaningful data is analysed in a fund rating and selection process.

Any investment portfolio we recommend could include Multi-Manager funds, an actively advised portfolio of funds or management by a third party specialist on a discretionary basis.

We adopt a flexible approach when it comes to determining the strategy most appropriate to clients’ needs and preferences.

For example, we have access to model portfolios designed by Old Broad Street Research (OBSR) a well established reputable funds rating agency. OBSR research produces a suggested portfolio of funds relevant to each asset allocation model. They have no vested interest in recommending funds from any particular fund management house. OBSR update their suggested portfolios on a regular basis to reflect current ratings and to match the latest version of the asset allocation model relevant to risk profile under consideration.

Importantly, we adopt a flexible approach when it comes to determining the strategy most appropriate to clients’ needs and preferences. We recognise that a passive approach to fund management gives our clients access to the markets at a competitive price and that active management, whilst more expensive can add value because of the opportunities it can seize. Adopting a blend of both strategies (passive and active) can give you the best of both worlds; exposure to market opportunities and at lower cost than with a completely active approach.

However, we recommend solutions based on the right strategy for individuals not for the sake of following one dogmatic discipline.

Tax Efficiency

We will apply to your investment portfolio the most suitable “Tax Wrappers” such as ISAs or Pensions, to ensure the most tax effective and efficient structure is employed.

Keeping you on track

As part of our advice and implementation process, we will agree the most appropriate level of review service for your needs and helps to keep your investment strategy on track, making adjustments if and when required.

Please contact the office on 01536 512724 if you would like any further information.

Initial Financial Planning Options

During our meeting we will have discussed your new goals and objectives and identified which areas from the following are of specific interest:

Pension planning

Estate / Inheritance tax planning

Investment planning

Retirement planning including Cash-flow modelling

Protection planning

Equity Release

Mortgage / loan planning

This enables us to identify the best route towards delivering the value you require.

1. Foundation Financial Planning

Caters for one area of specific interest from :

Pension Planning

Protection Planning

Investment Planning

Mortgage Planning

2. Intermediate Financial Planning

Caters for more than one area of interest to include any or all from:

Pension Planning

Protection Planning

Investment Planning

Mortgage Planning

3. Comprehensive Financial Planning

Caters for areas of specific interest as mentioned in the Intermediate service, plus one or all of the following:

Estate/Inheritance Tax Planning

Retirement Planning, including cash-flow modelling

Equity Release

Our Ongoing Review Service

We feel planning reviews should be thorough, encompassing each specific area covered in a clients plan and strategy.

A choice of ongoing service levels is available and clients can change the level they receive at anytime as their plans progress.

The key differences between the ongoing service levels are:

1. Frequency of face to face review meetings
2. Adviser contact between reviews
3. Cash-flow modelling / use of financial planning platform.

The standard benefits available for all Face to Face Review Meetings

All service levels feature the following standard benefits, when reviews take place:

- Annual portfolio valuation statements
- Mortgage Check-Up
- Revisit goals and objectives
- Protection policies reviewed
- Attitude to investment risk reviewed
- File maintenance

- Capacity for loss reviewed
- Claims /Encashment handling
- Review and maintain asset allocation
- Quarterly client newsletter

Interim Non Face to Face Reviews

These will take place between the agreed face to face review meeting times via the post, internet and telephone conversations:

- Annual portfolio valuation statements
- Attitude towards investment risk reviewed
- Capacity for loss reviewed
- Review and maintain asset allocation

Frequency of Face to Face Review Meetings

Our Face to Face Review meetings are as follows:

Maintenance	Every 5 years
Foundation	Every 3 years
Intermediate	Every 2 years
Comprehensive	Every 12 months
Comprehensive Plus	Every 6 months

Accessibility

Our team is freely accessible by telephone or email access to all clients with mortgages, insurance or investment arrangements administered by Aaron Tawny. We will be happy to answer any queries regarding existing arrangements and discuss how we can assist clients as new issues arise.

Our Relationship and how we get paid

We believe that you have every right to expect value for money from us and that's exactly what we constantly strive to deliver.

Our fees will depend on the initial level of service you benefit from most and the type of on-going relationship you require.

Product selection and implementation will of course depend on the nature of your Personal Finance Plan (PFP). A percentage of the amount being invested and/or a set implementation fee.

Generally speaking, we charge for our services on the following basis:

- No charge for the initial meeting and information gathering - we will bear the cost of this
- A set fee agreed for the Initial Financial Planning report
- At the Implementation stage, a set fee or a percentage of the amount invested
- Once your PFP is in place we will agree a percentage of your assets under advice and or a set annual fee.

Subject to certain criteria, in many circumstances, for clients who ask us to implement recommendations, we are able to waive some or all of our initial report fees. This criteria will be clarified and confirmed at our meeting.

Junior ISAs (JISAs)

Who is eligible? - Broadly speaking, a child under 18 who is resident in the UK and is not eligible for a Child Trust Fund. Any child born on or after 3rd January 2011 and any child under the age of 18 who was born before September 2002. The key points about JISAs are:

- There is no Government contribution, but any individual may contribute.
- The maximum overall contribution is £3,600 in this and the next tax year.
- The JISA has two investment components - cash and stocks and shares - but, unlike the ISA, there are no restrictions on how a contribution has to be split between the two.
- Withdrawals before age 18 are only allowed in very restricted circumstances, for example, terminal illness.
- The tax benefits are the same as for ISAs.

Because JISAs work on a tax-year basis, if there is a desire to maximise contributions to a JISA, this means investing before 6 April 2012. Investors should be reminded that, in effect, the JISA will be accessible by the child from age 18.

Children with a Child Trust Fund do not qualify for a JISA but, given its tax-free status, consideration should still be given to paying further contributions to that Child Trust Fund.

Investors should be reminded that, in effect, the Jisa will be accessible by the child from age 18.



Stamp Duty Land Tax (SDLT) Deadline

If you are a first-time buyer the threshold for when you start to pay SDLT is £250,000. This is only if you have never owned a house or flat in the UK or anywhere else in the world. If you are buying with someone else they must never have owned property before either. This higher threshold applies to purchases completed on or after 25 March 2010 and before **25 March 2012**.

The Hotel Bill

We thought this might give you all a smile!

An elderly lady decided to give herself a big treat for her significant birthday by staying overnight in one of London's most expensive hotels.

When she checked out next morning, the desk clerk handed her a bill for £250.

She exploded and demanded to know why the charge was so high. "It's a nice hotel but the rooms certainly aren't worth £250 for just an overnight stop without even breakfast."

The clerk told her that £250 is the 'standard rate' so she insisted on speaking to the Manager.

The Manager appeared and forewarned by the desk clerk announced: "The hotel has an Olympic-sized pool and a huge conference centre which are available for use."

"But I didn't use them," she said.

"Well, they are here, and you could have," explained the Manager.

He went on to explain that she could also have seen one of the in-hotel shows for which the hotel is famous. "We have the best entertainers from Edinburgh, Glasgow, and Aberdeen performing here," the Manager said.

"But I didn't go to any of those shows," she said.

"Well, we have them, and you could have," the Manager replied.

No matter what amenity the Manager mentioned, she replied, "But I didn't use it!"

The Manager was unmoved, so she decided to pay, wrote a cheque and gave it to the Manager.

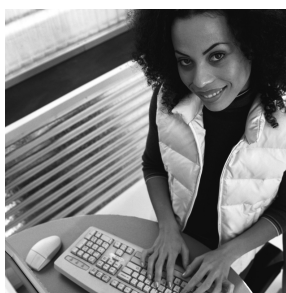
The Manager was surprised when he looked at the cheque. "But madam, this cheque is only made out for £50.00."

"That's correct. I charged you £200.00 for sleeping with me," she replied.

"But I didn't!" exclaims the very surprised Manager.

"Well, too bad, I was here, and you could have."

Don't mess with Senior Citizens!



If you would like to receive the newsletter via email, please email us @ enquiries@atawny.co.uk

We hope you find this a useful and informative read. With our constant strive for excellence in customer service we always appreciate to hear your feedback, whether good or bad.

Aaron Tawny Mortgages Ltd is Authorised and Regulated by the Financial Services Authority.
The Financial Services Authority does not regulate: Some forms of Buy to Lets, Commercial Loans & Tax Advice.



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If you would like more information on any of the following areas, please tick the relevant section, fill in your details and send this back to us at:

Aaron Tawny Mortgages Ltd. 6 Market Place, Kettering, Northants, NN16 0AL

☐ ISAs

☐ Mortgages/Stamp Duty

☐ Voyant/Financial Planning

☐ Pension Legislations

☐ RDR

☐ Initial/Ongoing Service Levels

Name: Address:

Telephone: Email: