



Wise Words

the latest financial news from Aaron Tawny

Welcome

This is the first edition of Wise Words, a new version of our previous publication Factors Financial. 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.

Keep an eye for our Autumn edition due out in September.

Best regards

All at Aaron Tawny

Latest Personal Allowances *(a reminder)*

As there have been two changes this financial year, it may pay to check that you are not paying too much tax.

We hope these are helpful, but if you would like details of other allowances, please do not hesitate to contact us.

Personal Allowance	- £5,435*
Personal Allowance (65-74yrs)*	- £9,030
Personal Allowance (75 & over)*	- £9,180

Note: *This amount is due to increase to £6,035 in September 2008.

Inheritance Tax Planning: it needn't be complicated or expensive

Below we show an example of one simple solution we recommended for consideration by clients aged 45, who are concerned about the inheritance their children would receive:

Total combined Estate Value, including anticipated legacies from both sets of parents	£835,000
Less 2 X Nil Rate Bands(Current level)	£624,000
Residue subject to I.H.T.	£211,000
I.H.T @ 40% (the Taxman's bit)	£ 84,400
Amount Children will inherit	£750,600

Question:

How can the children benefit from that £84,000 - rather than give it to the Taxman?

Answer:

The couple took out a joint-life Whole of Life plan, which is put in Trust, with £84,000 payable on the death of the last survivor. Upon the second death, the Trust pays £84,000 to the children to pay-off the Inheritance Tax and they then receive the full £835,000 from their parent's estate.

Note: In this particular case, the approximate cost of the Whole of Life policy was just £20 per month!



With a little planning you can create a tax-efficient fund enabling your children to benefit from the estate.

Retirement News Flash

Until now there were basically two options when taking an income from pensions at retirement:

1. A Lifetime Annuity - The pension fund is given to an Annuity Provider who invests it into very low risk securities and gives a guaranteed income for life. There is no option to change the set up of your annuity or increase your income.

2. Income Drawdown - This provides an income from your pension fund which is invested on your behalf until age 75, then an annuity has to be purchased. However as some investments can be very volatile this could drastically affect income levels in the future.

Now other options have been introduced

We feel these are remarkable innovations in the provision of income in retirement, which will benefit many people coming-up to retirement, or those currently with Income Drawdown plans, who have seen their investments fall, over the last few months. If you are in either of these categories and would like to know the full details of these plans, please give us a call to discuss all your options.

VA's (Variable Annuities)

A new type of annuity has now been launched that could go some way to obviate the downside of 1 & 2 above. How does it work? - offers clients exposure to riskier, but potentially higher returning assets, such as equities, but with explicitly priced guarantees, either to protect your capital or provide a minimal level of income.

What do they offer?

- The certainty of a guaranteed income for life;
- The potential to "Lock-in" increases to their guaranteed income, if investment returns are good;
- The knowledge that any increases in their guaranteed income won't be capped, if their fund performs well, although it must stay within Government Actuary Department (GAD) limits;
- Reassurance that investment performance won't cause your guaranteed income to fall, unless you change the terms of the contract, or you have such a substantial pension fund at age 75 that it falls foul of the Inland Revenue;
- The ability to carry on receiving your guaranteed income, after the age of 75, through an Income for Life Alternatively Secured Pension (ASP), or Income for Lifetime Annuity.



Another option is a New Open Annuity

In a nutshell, this is a pension fund investment for income, free from many of the restrictions of other types of pension methods. It requires a fund of £100,000, although smaller sums may be considered. Some of the features it offers are:

- Wide range of investment vehicles, either discretionary, or non-discretionary;
- Flexible levels of income, between 50% and 120% of single life annuity rate;
- Regular investment reviews;
- No restriction at age 75 years;
- Open Market Option retained, for purchase of conventional annuity;
- Cannot be cashed in at any time;
- The value depends on the success, or otherwise, of your underlying investments;
- No guarantees are associated with this product;
- Upon death any residual fund, less 35% will be paid to your nominee.

Note: This product will not be suitable for everyone and advice should be sought, before you make any commitment.

Another way in which homeowners could increase retirement income.

Releasing equity from their property is becoming an attractive option. However this, together with other options, needs very careful consideration. All our advisers are fully qualified in this subject. There will be more specific examples of this in our Autumn edition of Wise Words.

New Investment Options

Many investors are looking to move their money away from stocks and shares, because of the volatile market and global credit crunch.

Here are some different new funds, we thought may be of interest.

Farmland

- The price of farmland is rising at its fastest rate for more than 30 years, the average price of farmland rose by more than 10% in the first quarter of 2008. Arable land in particular, has become so profitable that its average price soared from £4,000 an acre, in January last year, to £5,500 an acre today;



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- During the same period, residential and commercial property has shown considerable falls;
- In certain areas of the country, farmland has even seen price increases in the region of 75%, in just 12 months;
- Food prices are going through the roof;
- Farmland in the U.K. is still comparatively cheap, compared with the rest of northern Europe, e.g. Land prices in the Republic of Ireland are 100% higher;
- You can now buy shares in a company which invests in farmland and farming business and share in the potential growth;
- If shares are held for a minimum of 2 years, then this asset is free of Inheritance Tax!

Call us if you need any further information.

Water

We all know that oil is a scarce resource, but what could become even scarcer, the simple answer is Water! - just ask the "Global Warming" pundits. What is the result of scarcity - price increases - look at the increase in oil over the last few years - up from around \$40 a barrel, to around \$150 a barrel. When did you last fill-up your petrol tank? The growing populations and economies of countries such as China, India & Mexico, will drive up the demand for water, just as we've seen with oil and increased demand results in increased costs.

The good news is that you can now invest in a remarkable "Water Fund" with its outstanding potential for growth and which offers:

- 100% capital protection, provided by Barclays Bank plc;
- Exposure to some of the largest publicly quoted companies in the world.

Green Guaranteed Account (GGA)

This provides another investment opportunity for the "Green minded", or indeed any others. So what does it offer:

- The opportunity to share in the success of businesses, exploring alternative energy and other green issues;
- Minimum 5 year investment;
- Opportunity for Cash ISA Investment.

Note: Application period ends - 25th July, 2008.

The above are only basic details, call us if you are interested in getting more information and we can explain the associated investment risks involved.

Ongoing Advice

We have been looking at ways to improve the services and advice we offer to our investment clients in difficult market conditions. After looking at various options we will now be able to offer an actively managed service, which allows clients' funds to be reviewed and switched if applicable within the current providers fund range, therefore reducing the risk. This is achieved by using a specialised third party Economic Forecasting Framework provided by a team of Senior Fund Managers, Stockbrokers and Analysts who hold monthly investment strategy meetings.

The primary purpose of these meetings being, to debate the issues that may affect markets in the short-term, taking into consideration the potential rewards as well as risks and therefore adjusting investments accordingly. This is done on a discretionary basis, which allows investment decisions to be implemented swiftly, therefore minimising potential falls in the equity market. We will be contacting all clients we feel may benefit from this service and explain this service in more detail.

Your financial needs: How we can help

All of our advisers are trained to offer unbiased, jargon-free advice on any of these areas:

- Business Protection
- Commercial Mortgages
- Equity Release
- Inheritance Planning
- Investments
- Life Assurance
- Mortgages
- Pensions

Simply call us on 01536 512724 or email us your enquiry at: enquiries@atawny.co.uk

The Credit Crunch and Unemployment

The credit crunch has already caused a number of businesses to close leading to considerable unemployment.

How would you pay your mortgage if you were suddenly made redundant?

Fortunately, many of our clients already have mortgage protection cover, but should you not fall into this category, now may be the right time to discuss the options and products that are available.

We can usually offer policies that are far more cost effective than those provided by banks and building societies. Don't leave it too late!

Note: Your home maybe repossessed if you do not keep up repayments on your mortgage.

Need to know more?

For any further information regarding any topics covered in Wise Words please contact us, and we will be happy to discuss.

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