

# Retirement Income – Pensions

As recently as 2006 the Pension Act was designed to simplify what had become an extremely complicated morass of pension legislation. Unsurprisingly it hasn't taken long for recent legislation to obfuscate the apparent simplicity. We mention below just a few points that you should keep in mind:-

- The minimum retirement age is being raised from age 50 to age 55 from 6th April 2010. This leaves very little time for those who wish to take benefits early even if you are simply looking to raise some cash and are not worried about income at this stage.
- If you have a so called 'trivial pension' which is to say a fund or funds which in total amount to no more than £17,500 you may elect to take these wholly as cash (partly taxable) instead of a small lifetime pension. You may wish to do this before the 6th April.
- For high earners, i.e. those earning £130,000 per annum from all sources (including rent, interest and dividends) higher rate relief will no longer be available from April 2010 beyond the pension contribution limit of £20,000 although there are certain transitional situations which may apply. If you earn over £150,000, you will lose all higher rate tax relief after 5th April 2011.
- Many higher rate tax payers even forget to claim their higher rate tax relief which, unlike basic rate relief, does not come automatically. You should apply for this separately and quickly as it is worth 20% of your gross contributions. Moreover, please note, that HMRC are reducing the period for unclaimed relief from six years to four years with effect from the 6th April so once again if you feel that you are owed tax relief do not delay.
- All individuals, including babies, under the age of 75 regardless of income are able to pay up to £3,600 per annum into a pension and obtain tax relief. In practice, a payment of £2,880 paid net is worth £3,600 in the pension fund and may be a useful tax planning exercise for non-working spouses, children and even grandchildren.
- When you come to take your retirement benefits you do not have to accept the annuity figures offered by your pension company. You may obtain a better rate by 'shopping around' and, especially, if you smoke or have some medical condition almost certainly we can improve your annuity payments. Remember, an annuity is for life.

**We think that you should maximise your pension contributions while you can.**

## THAT'S WHERE THE MONEY IS!

In the American Midwest at the time of the 1930s Great Depression, jobs were hard to find and there was no welfare state. Bank robbery was rife. One of the most colourful characters was 'Slick' Willy Sutton who gave up safe-cracking and took to holding up banks as being more lucrative. He was known for dressing smartly, behaving like a gentleman and, although he carried a gun, he never used it.

When inevitably he was caught he was asked why he kept robbing banks. He was reputed to have replied "because that's where the money is".

After the collapse of Lehman Brothers in September 2007 and the consequent bail out of the rest of the banking system, some commentators wondered if there were some parallels with the 1930s. Indeed, some might argue that after the massive tax payer funded bail out of the banks and the outcry against bankers' bonuses, there has been a role reversal and the banks are currently bigger robbers than Willy Sutton ever was.

And yet there is an awful lot of private money in the banks even though Bank Base Rate has languished at 0.5% for around a year and is likely to remain so for some time. Returns for savers are only around 2.8% from the Halifax Internet Account or maybe 4% if you fix for more than two years, e.g. Coventry Building Society at 4.25% up to 31st August 2012 (source:moneyfacts.co.uk).

Can we do something about these low returns?



# YES WE CAN

## (Acknowledgements to Barack Obama)

People need to hold cash for short term needs and emergencies but are now losing money if they treat cash as a longer term investment. Inflation recently ticked up to 3.5% mainly owing to the price rises resulting from the re-imposition of VAT and higher fuel costs. Perhaps people are worried about perceived risks in the stock market yet currently by holding on to cash deposits they have a certainty of a risk that the value of their deposit will go down because it is growing less than inflation.

At Regency, we advise our clients to have some exposure to unit trusts, either directly or through ISAs, because the wide number of holdings and spread of a portfolio reduces risk. Risk attaching to a unit trust investment is not an all or nothing scenario and should not be confused with gambling. When you bet that black 22 comes up on the roulette table, if it does you win, if it doesn't you lose your stake money. With investment in a collective fund, e.g. unit trust, the risk is so widely spread that even if an individual holding goes bust it is more than covered by all the other holdings. The real risk is simply that your stake will not be worth what you want on a particular day when you want it and so you should invest broadly and over a long period.

### With Risk Comes Reward

At the time of last year's Newsletter we saw the stock market fall to 3,500, a 12 year low, and we ventured to suggest that it might be time to re-enter the market. By the end of the year the stock market had comfortably passed 5,000 which resulted in one of the best annual results ever.

We have also tried to reduce and somewhat control risk by developing model portfolios and for clients still nervous about the stock market but needing a higher rate of income we would suggest the Cautious Income Portfolio. Last year we achieved 17% growth in addition to income although there were exceptional circumstances. While past performance is no guarantee for the future we believe that there is still money to be made going forward.

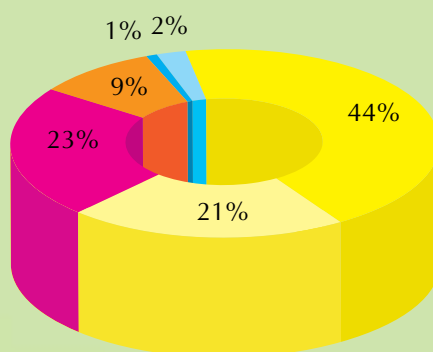


# Cautious Income Portfolio

*Selected Funds & Investment Split Overall Yield: 5.23% (variable)*

Manager – Fund	Amount	Yield	Paid
Category	%		
Fidelity – Strategic Bond	20	5.25%	Monthly
Invesco P – Monthly Income Plus	20	7.39%	Monthly
M&G – Optimal Income	30	4.51%	Half Yearly
Artemis – Income	20	4.30%	Half Yearly
Newton – Global Higher Income	10	4.78%	Quarterly

Asset Allocation	%
Cash	1%
UK Gilts	2%
UK Corporate Bond	44%
Global Bonds	21%
UK Equity	23%
Global Equity	9%



Asset Class	Amount	Category
	%	%
Cash	1.0	Cash 1%
UK Gilts	2.0	Bonds 67%
UK Corporate Bond	44.0	
Global Bond	21.0	
UK Equity	23.0	Equities 32%
Global Equity	9.0	

## Use your ISA allowance to get an even better return

If you feel that your current Cash ISA is not earning you a good return why not transfer to our Cautious Income Portfolio which consists mainly of fixed interest instruments and has just a limited exposure to stock markets? We enclose a re-registration form which can be simply completed and sent to us although we recommend that you talk to your usual adviser to ensure that this fits in with your overall strategy.

Don't forget your current ISA allowance. If you are already aged 50 or will attain age 50 by the 5th April your ISA allowance rises to £10,200 for a non Cash ISA and, if this is used for both husband wife, the combined value is £20,400. Moreover, we are only a few weeks away from the 2010/11 tax year when you can once again obtain a new ISA allowance which would boost the combined limits overall to £20,400 or £40,800 for a couple.

**Remember, this is your personal tax shelter.** You will have no personal liability to income tax or capital gains tax on the ISA proceeds.

We wonder how long a future Government burdened by debt and needing to raise revenues can allow this generous tax break to continue.

