

CONCEPT NEWS



March 2009

Tax Year End Planning

Tax-year end planning opportunities can be overlooked and in this period of volatile markets there is clearly a need to maximise these where possible. Tax-Year end planning can add real value to you and your business.

Key tax and financial planning messages for the 2008/2009 tax year:

Pension Planning

- ❖ Pension contribution of £3,600 (gross) for non-working spouse/civil partner, children or grandchildren who will receive tax relief of 20% in the current tax year.
- ❖ Pay personal pension contributions of up to 100% of earnings to benefit from up to 40% relief.
- ❖ Pay pension contributions to offset against realised life policy gains or capital gains in the 2008/09 tax year.
- ❖ Use salary sacrifice where employee and employer national insurance savings can be applied to pension contributions.

Investment Planning

- ❖ Maximise Individual Savings Account (ISA) allowance – currently £7,200 per person per annum can be invested with no personal liability to income and capital gains tax (CGT)
- ❖ Child Trust Fund (CTF) – a top up of £1,200 can be made per child per tax year.
- ❖ Assign assets to a spouse/civil partner paying a lower rate of income tax, or with unused allowances, before realising life policy and capital gains.
- ❖ Register any capital losses with HMRC to carry forward and offset against gains arising in future tax years.

Inheritance Tax Planning

- ❖ Maximise use of the inheritance tax (IHT) exemptions including the annual exemption of £3,000 per individual, which can increase to £6,000 if last year's allowance has not been used (£12,000 for a married couple)
- ❖ Pension death benefits – consider directing future death benefits into a suitable trust to avoid IHT on subsequent death of the member's surviving spouse/civil partner whilst still enabling the spouse/civil partner to benefit
- ❖ Ensure suitable wills are in place.



Contact us:

Concept Financial Planning Ltd, Capital Business Centre, 22 Carlton Road, South Croydon, Surrey, CR2 0BS
Tel: 020 8916 2288 | Email: advice@conceptfp.com | Web: www.conceptfp.com

8 Investment Tips

No 1: ONLY BUY WHAT IS RIGHT FOR YOU.

Just because an investment has worked well for a friend does not mean it is right for you. The most important aspect of building an effective portfolio is to understand your own circumstances and act accordingly. Perhaps most importantly, the value of investments can go down as well as up and the chances you might get back less than you invested can be quite high. What is acceptable risk for one person can be quite different to that of another - as can the period of time over which our goals are focussed. By all means be open to new ideas - but always make sure you make your own decision.

No 2: NEVER BUY WHAT YOU DON'T UNDERSTAND

Some investments might sound exciting - and even appear to have delivered. Yet history is littered with simple-sounding ideas that, when tested by the pressures of markets, came crashing down. Think Long Term Capital Management, the now defunct hedge fund that traded in bond spreads. Think split capital trusts, which resulted in millions of pounds of investor compensation. And now, think how banks bundling up sub-prime mortgages has affected the whole economy. If you don't understand something fully, steer clear.

No 3: INVEST WITH A LONG-TERM VIEW.

It's hard work - and largely pointless - trying to time your investment so you buy right at the bottom and sell right at the top. Similarly, trying to make short-term profits by turning over investments quickly can also prove fruitless, can get expensive - and carries a high risk. In the short term, markets are highly volatile and what happens today is no indicator for tomorrow. However, longer term, things are more predictable. Therefore, target your portfolio at appropriate, quality companies or funds and give them the time and space they need to grow.

No 4: IF AN INVESTMENT GOES UP SHARPLY, TAKE A CLOSE LOOK

There is an old rule of thumb that says 'if one of your investments doubles, sell half'. Short-term sentiment in stock markets can drive the value of shares up sharply (in exactly the same way as it can drive them down). When this happens, you may want to take some of that profit while you can. In most cases, a sharp bull run in markets will eventually be followed by a sharp correction so if you see this happening, don't get greedy - you should not be ashamed to cash in while you can.

No 5: DIVERSIFY TO SPREAD YOUR RISK.

You can spread the risk in your portfolio by investing across a mixture of different areas. This might be different asset classes, different industry sectors or different areas of the world but if you mix your portfolio up then, when one area is going down, chances are another area could be going up and can therefore help compensate. However, if you put all your money into just a single asset class, sector or company, you are tied to their fortunes alone - and performance could be highly volatile. As the saying goes, never put all your eggs in one basket.

No 6: DON'T GET TOO ATTACHED

When a holding performs particularly badly relative to its peers, it is time to consider cutting your losses and selling it. It could prove more profitable to sell and reinvest the proceeds elsewhere rather than sit back, hoping it will recoup your loss. But very few do sell. Instead, they get attached, feel sorry for it, almost, and wait for it to get back on its feet. Remember, you don't have to feel grateful - you need to review every holding with the same objectivity as you did when you first invested and, when it's time to sell, do so with a clear conscience

No 7: REVIEW YOUR PORTFOLIO REGULARLY

When you first invest, you take time to consider your position and set up a properly diversified portfolio to meet both your risk profile and objectives. The idea is you can then sit back and give it the time it needs to grow. This is indeed the whole point of planning. However, over time, your needs and circumstances can change - and the markets can also change. Therefore, rather than forget your portfolio completely, give it the odd check up so that tweaks can be made. A review every year should be enough to keep it on track.

No 8: DON'T BELIEVE EVERYTHING YOU READ

Headlines in newspaper finance sections and throwaway lines from friends can be just as misleading as any front-page story about celebrities if you do not check them out properly. Further investigation is therefore highly recommended before you act on third party opinion. Investment decisions require a clear head and a focus on your objectives. Seeking help from a qualified professional can help you take a step back from all the hype, get feedback from across the market and make the most appropriate investment decisions for the long term.

Issued by Concept Financial Planning Ltd which is authorised and regulated by the Financial Services Authority. The contents of this newsletter do not constitute advice and should not be taken as a recommendation to purchase or invest in any products mentioned. Before taking decisions, we suggest you seek advice. All figures and data contained within this document were correct at time of writing.

Registered Office: Chancery House, 3 Hatchlands Road, Redhill, Surrey, RH1 6AA