



## Client Newsletter

June 2005 marked the 14th year since I joined the Financial Services industry and many clients reading this newsletter will remember first meeting me at around that time. Looking back it is amazing to see how much has changed. The FTSE 100 index stood at 2487<sup>1</sup> at that time, interest rates had fallen to 11.5%<sup>2</sup> and the average house price was £55,418<sup>3</sup>. The only thing that has been constant since then has been change itself.

Particularly significant have been changes in regulation. Mortgages began to be regulated, first by the mortgage code, and then more recently by the Financial Services Authority as well as by European directives. Major changes in the way the regulators operate have occurred in the last 6 months, which have in turn led to advisors making a number of changes. Mortgages and Investment Business were regulated by two completely separate organisations, and I, in common with many advisors, operated two businesses. Nicholas Ball Associates Ltd. dealt with Investments, regulated by the Financial Services Authority, whilst Mortgages, regulated by the Mortgage Code, were placed by Acuma Ltd. Towards the end of 2004, the Financial Services Authority took responsibility for mortgages and Acuma Ltd became directly authorised, initially for mortgage related work only. In 2005 the need to run two separate companies ceased, and the FSA gave permission for Acuma Ltd to incorporate investment business, previously conducted by Nicholas Ball Associates Ltd. As a client there is **no action that you need to take**, and you may notice that when you receive valuations and quotations from insurance companies, the name of the servicing agent will have changed to Acuma Ltd.

The changes in regulation also require all financial services companies to offer a Menu clearly showing the options available to clients. I will continue to offer the full, independent service, with products from the "whole of market" for all investment and mortgage business, and the option of a purely fee based approach. I am now able to offer a range of all other types or loans and insurances, including commercial loans, for which I intend to use a slightly more restricted panel of the top providers.

## And finally, Inheritance Tax

No-one likes to think about the death of themselves or a loved one, and consequently many people find it difficult to raise the issue of Inheritance Tax. However this **compulsory tax** can hugely impact the savings and property that you wish your family to inherit. This is especially the case now, with house prices having risen so dramatically in recent years -your home that was previously **under** the taxable threshold, **may now be subject to inheritance tax** in the event of a death. You have worked hard for your assets, and therefore it is important to ensure that you understand their tax implications.

The government has raised the Inheritance Tax threshold, and claim it will raise in line with inflation over the next few years, however the implications of a 40% tax should not be ignored.

For example, if you own a property or have assets totaling over £275,000 (as of April 2005), you will be taxed. As a rough guide, if you have an estate of £300,000 you will be looking at a £10,000 tax bill, or an estate of £500,000 will have a tax-bill of £90,000 attached to it.

Total Assets - nil rate band = Amount liable for tax  
e.g £500,000 - 275,000 = £225,000

Multiply this amount by 40% to calculate your tax-bill  
e.g. = £90,000

### So what can be done?

There are ways to minimise the amount of tax that you are liable for. Examples include taking out a policy to help cover the costs of the tax bill, setting up a Trust, and lastly (but perhaps least favourable) giving assets away.

## In Conclusion

A questionnaire and FREEPOST envelope is enclosed. Please use this to keep my records updated, plus if you require any further information on the topics discussed. Alternatively please contact me by email at nick@acuma.tv or by post to The Priory, Manor Road, Abbots Leigh, Bristol, BS8 3RP.

<sup>1</sup> Source: finance.yahoo.com (July 2005)

<sup>2</sup> Source: Money (July 2005)

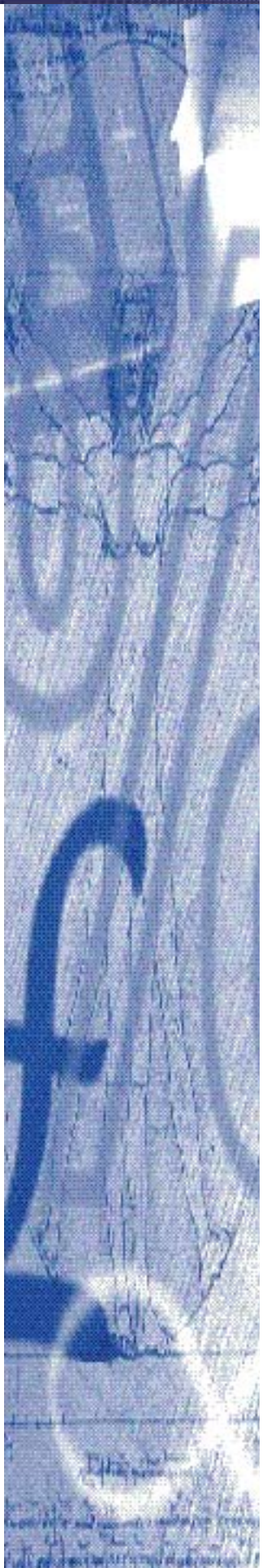
<sup>3</sup> Source: Nationwide Building Society (July 2005)



Acuma Ltd.  
The Priory  
Manor Road  
Abbots Leigh  
Bristol  
BS8 3RP  
FREEPHONE: 0800 068 3401  
Email: nick@acuma.tv

Registered in England No: 422 0857.  
Registered Office The Priory, Manor Road, Abbots Leigh, Bristol, BS8 3RP.  
Consumer Credit Licence No. 505801.

This newsletter is intended as a guide only, please contact me for personalised advice. Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage. Loans subject to status. Deposit and Insurance may be required.



## Financial Planning

I have seen a great number of changes in the past 14 years, but some things have not changed, like the importance of having a sound, written financial plan.

In my opinion it is absolutely vital to write down where you are financially, where you want to be, and how you want to get there. It is as true today as it was 14 years ago, that no-one plans to fail but people frequently fail to plan, and many people still spend more time planning their summer holiday than they do their long term financial future. Once you have a plan, it is important to carry out regular reviews and make adjustments to get you back on track.

There are a number of key areas that a plan needs to address; You need to make sure that you have the necessary cash reserves to avoid having to take up expensive credit-card debt. It also needs to make sure that you have the right amount and type of insurance cover in place, not only to protect the washing machine in case it breaks down, but also to protect a family's lifestyle in the event of an illness, or even a premature death. Many insurance plans now offer flexibility in the type of cover they offer, and many now offer an option called 'Critical Illness protection' where they will pay out in the event of a critical illness such as heart attack or cancer, or becoming disabled. These plans either pay a lump sum, which can be used to pay off a mortgage, or they can be set up to pay out a regular income. In developing a financial plan, once the establishment of a cash reserve and Life and Critical illness cover have been dealt with you can move on to building resources.

The biggest investment that most of us make is in our own property and it is in the area of mortgages that the biggest savings (or mistakes) can be made.

## Mortgages

Residential mortgages are now regulated by the Financial Services Authority, this means that the public now has to be offered a clear charging structure with options to pay by fee, commission from companies or a combination of the two. The general consensus is that "Keyfact" Menus offer the client peace of mind - you are able to clearly see which services are being provided and at what cost.... I can offer you a "whole of market" on mortgages as well as investments, rather than a limited choice. This makes it more likely that we are more able to offer you something to fit your requirements and you can clearly see how much the repayments are, whether or not there are any costs involved, and whether you are required to take out insurance or protection as part of the contract. Whilst we normally work on a commission basis, I now offer a fee **option** of normally between 0.3%-0.5% of the loan amount, depending on your circumstances. This payment is however normally covered by the commission paid by the lender.

Offset mortgages are becoming popular with clients. Enclosed is a leaflet to demonstrate how these mortgages may benefit you but, the general concept is the idea of a flexible repayment option, allowing you to overpay lump sums, or regular amounts, which then reduces the amount of interest or term of the mortgage. This option works particularly well for clients that wish to use the funds in a current account to offset the costs of the mortgage, reducing the total amount repaid.

There may also be a benefit to you to remortgaging, if you have outstanding credit-card debts or loans, as many companies will allow you to incorporate these debts into your mortgage - usually at a lower interest rate than those of credit-card companies.



Once our home is secured, people can then move on to looking at further investments, which can either be Stocks & Shares, Unit Trusts, Investment Bonds, or in many cases now, further properties, either as a Buy to Let investment or as a holiday home. These investments which provide for our long-term future, but in a way where they are readily accessible should the need arise. Buy-to-Let is another area of mortgages that has grown massively in recent years, taking advantage of a large interest in the housing market. I offer the same 'whole of market' service, unbiased advice, and payment options allowing you, the client, to pay either by fee or by commission from the lender. I can also help with insurance for your Buy-to-Let property to ensure your investment is covered.

These further long-term investments tend to need to be balanced with Pensions, which also provide for our long-term needs but tend to be less flexible up until the time they retire, or they have done until now.

## Pensions

I advise many of my clients about this area, whether it is the initial step of setting up a scheme, transferring pensions following divorce or changes to employment, and also the establishment of drawing money from these schemes. For those who have not yet investigated setting up a pension, the importance of it cannot be stressed enough. With the improvements in healthcare and living conditions, people are living longer, with retirement lasting 20 or 30 years, perhaps longer. It is essential to plan for this time to ensure that you are comfortable enough during these years, to enjoy life to the full.

Many of you may have heard about Pension "A-Day," but may be confused about it, and what it means for you.



**What it is?** "A-Day" is the new single tax regime for pensions that was announced in the March 2004 Budget. It is set to happen on 6th April 2006.

### What does it mean?

New opportunities for many people to enhance/protect their tax-free cash and benefits.

Potential problems for some people, if they do nothing.

Changes to pension transfers, in particular the removal of protection taken out on benefits.

Changes to self-invested pensions.

Changes for corporate clients regarding re-shaping their benefits packages.

Changes for companies with occupational schemes and the need for independent advice.

### What are these changes?

- Your limit on annual contributions to **all** registered pension schemes is your annual salary of up to £215,000 in any tax-year. Old limits for stakeholder & personal pensions are abolished from 06/04/06.
- If you are not earning but can contribute to a pension, the maximum you can contribute in each year is £2,808 (£3,600 with basic tax relief).
- The earnings restriction of £30,000 for Stakeholder pensions is abolished.
- You can now contribute to both a stakeholder **or** a personal pension in addition to your occupational pension.
- There is a lifetime allowance limiting how much you can accumulate (free of income tax) in all the pension funds you have built up. The 2006/7 allowance is £1.5million, and this allowance will increase each year with inflation. You will have to pay tax on any excess.
- You can take a maximum of 25% of **all** the pension funds you have built up (up to the lifetime allowance of £1.5mn) as a tax-free sum.