



INDEPENDENT FINANCIAL ADVISERS LTD



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Newsletter Summer 09

A New Era of Taxation to begin?

After what feels like an almighty hangover, it does at last appear that Investment markets are now beginning to stabilise. We have written almost exclusively over the last 18 months about recession, banking collapse, market 'corrections' and general bad news. After a huge concerted effort by Governments East and West, it seems that the worst has been averted – namely the collapse of the financial system.

The FTSE index fell back to 3500 in March, falling to the same level it reached last October, and investors' funds fell accordingly. Since that point however, there has been something of a rally, with the FTSE reaching 4500 in early June, and fluctuating around the 4250 mark as we move through July. This is a gain of over 22% in the space of 3 months. Although we can't be certain, most commentators feel that the worst may now be behind us.

What is apparent however, is that the vast sums of public money that have been spent on averting depression and ultimately aiding recovery will have to be paid back. The Budget clearly demonstrated the political solution to this - increased taxation.

Key Changes

- Those earning over £100,000 will have their personal allowance reduced by £1 for every £2 of income over that figure. The Personal allowance therefore disappears at £112,950

- High Rate tax will be increased to 50% for those earning above £150,000
- National insurance Increased by 0.5%
- ISA allowance to be increased to £10,200

Whilst the increase to ISA allowances is a welcome move, and we would urge those applicable (over 50 in this tax year, anyone over 18 next) to take advantage of the additional tax-free savings, other tax increases are of concern and will require careful planning.

Although initially the 50% rate affects very few, it does perhaps indicate that now the 40% barrier has been broken, it will be easier to move the limit down in future years to generate more tax revenue. National Insurance increases are also worrying as is the reduction of the annual allowance.

Pensions

We are strong believers that high rate tax relief on pensions will not be around forever. Tax relief for those earning above £150,000 is being scaled back and we feel it is only a matter of time before again, the earnings limit comes down in order to gather more tax revenue. The Government has gone to great expense to modify the system and it is unlikely to disappear, in our opinion, even with a change of Government.

In short, we feel that for people currently paying high rate tax, it is essential that you make a pension contribution. Currently, to get £1 in a pension scheme the net cost to high rate taxpayers is just 60p. Ignoring any potential future growth, a 40% uplift on your investment is a significant benefit. We feel that now that high rate relief has been removed for very high earners, it is only a matter of time before this is also applied further down the earnings scale.

For those employed and paying high rate tax, it may also make sense to discuss salary exchange with regards to pensions contributions. Whilst this may be an advantage to your employer in terms of corporation tax, it is also a sensible way of boosting retirement income and perhaps bringing your retirement date forward!

If you wish to discuss your current or future pension, please contact us without delay. National surveys have confirmed that the vast majority of people do not appreciate the tax efficiency of pensions and at Leedhams we are determined that our clients understand and make use of the tax relief available, before it is too late.

Investments

The change in ISA allowance is a welcome one. From April next year each individual will be able to invest £10,200 into tax-free savings. In this era of increasing tax, we believe that all taxpayers should take advantage of this allowance. For the over 50s, this increase has been brought forward to October 2009, allowing them to top up their current annual subscription by £3000.

Those with existing ISAs or those who wish to discuss the suitability of an ISA should please contact us without delay.

We are also keen to discuss the use of investment bonds as a tax efficient income tool. Again, for high rate tax-payers, or those approaching the band, this can provide a very

efficient way of increasing income without adding to your tax bill.

If you wish to discuss this, or wish to restructure your investment portfolio, again, please give us a call.

Impaired Life Annuities

If you are approaching retirement and are a smoker or have a medical condition, before you take your pension with your existing provider it may pay to give us a call. You might be surprised to know that we may be able to obtain a more favourable pension income for you on the open market.

If this applies to you, please get in touch.

And on a personal note...

As our clients will be aware, we are always keen to encourage our staff to increase their knowledge and technical ability. Our congratulations this month go to our Paraplanner James Lloyd, who has just passed the third of the five papers required to obtain his Financial Planning Certificate

Although having been in the industry for only a few years, James is demonstrating a strong grasp of Financial Services and looks set for a long and successful career. He is now embarking on the fourth paper, so we wish him luck!

For further information please ring our office on 01204 366522, email us at admin@leedham-ifa.co.uk or alternatively return the FREEPOST slip below to

Leedham IFA Ltd, FREEPOST BL5244, BOLTON , Bolton BL1 3YZ:

Name:	<i>Please contact me about:</i>	
	Pensions	<input type="checkbox"/>
	Using my ISA allowance	<input type="checkbox"/>
	Investments	<input type="checkbox"/>
Address:	Impaired Life Annuities	<input type="checkbox"/>
	A Financial Health Check	<input type="checkbox"/>
Tel no or email address:		