



MFP News

July 2011

There have been quite a lot of financial happenings since my previous newsletter in March which I will come back to later.

From my own point of view I recently got some good news from the Financial Services Authority. The combination of the various exams I have already sat and my actuarial qualifications means that I am already at the higher level required from January 2013. The changes which are happening in 2013 are collectively known as the Retail Distribution Review and include the replacement of commission (investments and pensions) with fee based remuneration which is agreed upfront with the client. Overall I strongly believe that the changes are a good thing and will in the long term be a positive step.

Turning now to some of the activity which affects the world of financial planning. There are 3 areas which I've covered below; Junior ISAs, Pensions, and Long Term Care.

Junior ISAs

These were announced in the April Budget and will be available from 1 November this year. Briefly they will operate along similar lines to Individual Savings Accounts but are for children under 18 who do not have a Child Trust Fund. The annual limit will be £3,600 and they can be invested in cash or stocks and shares. Unlike the adult ISAs, there are no restrictions on how much of this can be invested in cash or stocks and shares.

The money belongs to the child and can't be drawn out until they reach age 18 at which point they will roll over into an adult ISA.

These will offer a good savings option for either parents or grandparents who want to put money aside for their family.

Pensions

There have been some important pension changes since April:

- Annual contribution limit is now £50,000
- A new form of drawdown called flexible drawdown is available if there is a minimum income of £20,000
- Lump sum payments on death from the drawdown fund or after age 75 will be taxed at 55%

Although these changes are unlikely to affect a large number of people, flexible drawdown will be of interest to anyone who has accumulated a decent final salary pension (£20,000 per annum in today's terms) and alongside this have some defined contribution pensions.

For more details on these have a read of my note on Pension Changes:
http://www.mowattfp.co.uk/user/files/pension_changes_from_april_2011.pdf

Long Term Care

A recent paper with proposals on the future of long term care funding in England and Wales was produced by the Commission on Funding of Care and Support led by Andrew Dilnot. The idea behind the proposals is to help remove some of the complexity and unfairness in the current system.

Key proposals are:

- A cap on the costs of care of £35,000. Beyond this the State will pay for the costs of care.
- An increase in the upper assets threshold for means test to £100,000 from £23,250. This means that the State will continue to make a contribution up to assets of £100,000 rather than the current limit of £23,250.
- A cap on general living costs such as food and accommodation in residential care of between £7,000 and £10,000.

Hopefully this not another false start as successive governments have failed to grasp this issue. The next step is a white paper later this year.

In the meantime, without proper consideration, the erosion of assets as a result of the cost of care can be a real issue. There are a number of ways of funding care and this is an area where I can give advice if you know someone who needs help.

Funding Long Term Care:

http://www.mowattfp.co.uk/user/files/paying_for_long_term_care_v2.pdf

Mortgage Advice

Finally although I don't give mortgage advice, I do work closely with a colleague, Jarrod Robinson who runs a mortgage advice business from Harrogate. If anyone receiving this newsletter would like mortgage advice I've agreed with Jarrod that he will give you a cashback of £100. Just to be clear there is no financial motive on my part and I am waiving any referral fee so that Jarrod is able to offer this cashback.

You can get Jarrod's details from his website:

www.affinityims.co.uk

I hope that some of these are of interest.

Enjoy the rest of the summer.

Regards,

Will