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Some age-related changes

With the Conservatives proposing an increase in the State Pension age to 66 in just a few years, it seems appropriate to consider some age-related changes which have come about or are planned. These changes affect people who are 50 before the end of the current tax year. If you fall into this age band, then you should consider what action is appropriate for you.

Change to the retirement age for private pensions

Under current rules, most people are able to draw benefits from their pension funds from age 50. As of 6 April 2010, the age limit is increasing to 55. This change in legislation may affect you if have been planning on drawing a tax-free cash sum and/or an income from your pension fund in the near future.

If you are thinking of acting, you need to consider the pros and cons of such action.

Even if you are not planning on taking benefits imminently, now could be a good time to review your existing arrangements. With a number of years before your planned retirement date, you will still have time to act to ensure that your retirement plans are on track.

Changes to ISA limits

If you were born on or before 5 April 1960, the amount that you can invest in an ISA in the current tax year has increased to £10,200. If you have already invested in an ISA, you may top up your existing investment to this new limit. There are two types of ISA: Stocks & Shares and Cash. For those eligible, the annual limit for Cash ISAs is now £5,100 – up by £1,500.



If you do not reach the age of 50 during this tax year, the increased limit will come into effect from 6 April 2010.

If you do not use your allowance in any one tax year, that benefit is lost.

If you are looking for ideas for your ISA investments this year, please read the articles inside this newsletter.

In conclusion

An increasing number of clients are now looking at their pension and ISA arrangements together. Rather than saying should I invest in a pension or an ISA, they are using both tax shelters as both have attractive features.

The key advantage of a pension is the tax relief available on contributions up to a maximum of 40% relief, which significantly boosts the amount invested, but income

from the pension is taxed. ISAs on the other hand do not attract tax relief. Their advantages are that there is no capital gains tax to pay on ISAs and no income tax to pay if you take income from your ISAs. There is also no need to declare ISAs on your tax returns, thereby making any paperwork far more straightforward. **CB**

If you wish to top up your ISA or open a new ISA investment for the year simply contact your usual Chadney Bulgin adviser who will be able to help and you may wish to fix time for a more in-depth review where a wider range of issues can be considered.

ISA offer


For those of us who are eligible, the ISA allowance has been raised for the current tax year to £10,200. This is a significant increase and applies to everyone from next April. So it can make sense to fully utilise this attractive allowance.

For anyone wishing to top up their stocks and shares ISA allowance we are recommending M&G's Cautious Multi Asset Fund. The M&G Cautious Multi Asset Fund invests in a wide range of holdings including some of M&G's own funds – many of which are top performers in their sectors – as well as in other specialist investments.

As the name suggests, this is a cautious fund with shares, fixed interest, cash, commodities and property all represented. The fund manager, David Jane, is highly rated and is supported by other members of M&G's multi-asset team. The M&G Cautious Multi Asset Fund was launched in February 2007 and has attracted more than £155 million. Performance statistics are only published after three years, but what we can say is that since launch returns have been well in excess of the sector average.* Annual running costs are below average for a fund of this type.

*Source: Morningstar

Over the past year or so there has been considerable volatility in virtually all financial markets and this has created an understandable degree of uncertainty with investors. We are seeing an increased level of stability, even so it's important to remember that we live in an uncertain world and with this in mind the value of the investments held within the M&G Cautious Multi Asset Fund can fall as well as rise and any investment in the fund should be viewed as long term – in other words, five years at the very least.

At Chadney Bulgin, we are firmly of the belief that it is important to understand objectives and levels of risk tolerance before making investment recommendations. We have also introduced a sophisticated cash-flow planning process, which can be of immense value when it comes to making financial and lifestyle decisions. So by managing risk in the context of financial objectives we believe that we are well placed to provide comprehensive and relevant financial planning advice. 



Whatever lies ahead for the market, we're ready.

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It's what we add that makes the difference

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Coping with care

It is often said that there are few remaining taboos these days. This may be true, but there are certainly many things that we still feel less than comfortable discussing.

One of these is the prospect of our loved ones requiring care in their later years. And it's unfortunate that we don't feel comfortable discussing the issue because it has the potential to be one of the most costly times of our lives.

If you require care and have assets in excess of £23,000 then you are likely to have to pay for it yourself and this can land you with a substantial bill.

Care in your own home costs £17.30 an hour on average – so just two hours a day could amount to more than £12,600 per year. Care homes, meanwhile, tend to average between £25,000 and £35,000 per annum, depending on whether a residential or nursing home is required.¹

One of the major problems with having to pay for care is not knowing how long that care will be needed for, which leaves you with an open-ended commitment.


If you or a loved one should find yourself in the position of having to pay for care you should be aware of a specific type of plan which is available to help you cap the cost of care and help protect the value of your estate.

With an *Immediate Care Plan* you effectively 'buy' a guaranteed income which is payable for the rest of your life. For example, it may be possible to buy an income of, say, £10,000 per annum for a cash outlay of £50,000, although it should be noted that the cost of this plan varies with age and health.

This guaranteed income can then be used to pay for the difference between the cost of care and your income. Indeed, if the income from the plan can be paid directly to the care provider it is entirely free of tax.*

If you or a family member should find yourselves in the position of having to pay for long-term residential, nursing or



domiciliary care, please do get in touch. Good advice, and being aware of the funding options available to you, can make a huge difference to the overall cost of care. 

¹Laing and Buisson, Care of Elderly People UK Market Survey 2009

*The rules governing taxation are subject to review and change in the future and depend on individual circumstances

Cash deposits in a low-interest environment

Just over a year ago, the Bank of England base rate was still 5% and the rates that savers could expect to receive on their deposits were slightly higher than this. Since then, we have seen a dramatic reduction in base rates to 0.5% and a corresponding reduction in savings rates.

At the same time there has been a collapse in saver confidence. In an attempt to restore some normality to the savings market, the Government increased to £50,000 the amount that an individual saver could receive from the Financial Services Compensation Scheme (FSCS) in the event that a bank could not meet its obligations.

Against this backdrop of falling interest rates and investor anxiety over the security of banks, Chadney Bulgin has concentrated its research on meeting these two concerns as an increasing number of clients have approached us for ideas on alternatives to conventional savings accounts. The plan that has most consistently featured in our recommendations is a deposit from Investec. This low-risk plan offers the potential for high investment returns while at the same time guaranteeing your initial capital.

How the plan works


The plan is a five-year plan with the potential for early maturity at the end of years 2, 3 or 4. The rate of interest on this deposit is based upon the movement of the FTSE 100 Index as opposed to the rates available in the money markets. If the index level has not fallen below its initial level, you will receive a pre-determined interest payment after two years and the plan matures. If it is lower, then the plan continues and is reviewed again on subsequent anniversaries. If at the end of the five-year term, the market is still lower than at outset, you will simply receive your initial investment. Please remember that inflation may reduce what you can buy in the future.

Each version of the plan has a set rate of return. As we write this article, the current version has an annual rate of 6.5%, which means that if after two years the plan matures, you will receive your initial capital back plus an interest payment of 13%.

How safe is my money?

Investec's parent company is quoted on the Johannesburg and London stock exchanges and with the plan being a deposit, savings may be covered by the FSCS up to a maximum of £50,000 (£100,000 for joint holdings).

One area where savers have been particularly hard hit has been in the Cash ISA market. While some of the headline rates for new investments are attractive, many companies will not accept transfers of existing accounts and have significantly less attractive rates for their existing savers. If you use your Cash ISA accounts for medium-term savings, you may wish to consider tying your money up for a period in return for the potential to receive a higher rate of interest.

If you feel that you could benefit from a review of your savings, simply complete the relevant section of the coupon below and return this to us. Alternatively, simply email us on info@chadneybulgin.co.uk and we will contact you. 

The chance to kick your interest higher

The FTSE 100 Kick-Out Deposit Plan 8

- A return of initial deposit at maturity
- If at the end of years 2, 3, 4 or 5, the five-day average closing level of the FTSE 100 (Kick-Out Level) is higher than the Initial Index Level, the Plan will mature with a fixed payment equivalent to **6.5%** gross per annum (not compounded)
- Payments are based on the performance of the FTSE 100 and are not guaranteed, you may therefore receive no return

Available for direct investments, Cash ISAs, SIPP/SSAS, corporates, trustees and offshore bonds.

Plan available from 16 November 2009 to 18 December 2009

For further details please speak to your Financial Adviser



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Please send an email to info@chadneybulgin.co.uk for further information on any of the articles in this newsletter or alternatively complete the coupon below and send it to: **Chadney Bulgin LLP, 89 Fleet Road, Fleet, Hants, GU51 3PJ**

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Mortgage market update


Things would appear to be picking up in the mortgage market recently. There's been talk of a recovery (how often have you heard the 'green shoots phrase?'), house prices have risen in many areas and mortgage lenders are starting to relax their grip ever so slightly on lending criteria that went from 'how much would you like?' to 'not a chance!' almost overnight. But are things really changing for the better?

Let's talk about house prices first. Many areas in the south have recovered sharply in the last nine months, in some cases back up to 2008 levels (prices peaked for most of us in summer 2007), but this would appear to be as much about supply and demand as general confidence in the market. As buyers realised that prices may have bottomed out, interest at estate agents soared but many people attempted to purchase a new property without selling their current one (this is often confusingly referred to as a let-to-buy), quickly leading to a good old-fashioned supply-and-demand problem, itself fuelling further price rises. Prices in London and surrounding counties have increased significantly as a result, but this looks to have peaked and the outlook now remains calmer for the next 6 months or so.

But what about the lending criteria for the mortgages that most of us require in order to purchase our new home? Don't expect 125, 100 or even 95% mortgages to make a comeback just yet, but 90% loans (surely, a more sensible proposition for most of us) are readily available, even if the criteria attaching to them are rather draconian and the rates almost double what you would expect to pay if you were lucky enough to have a 25% deposit available. However, several 85% deals are available at around the 4-5% rate and with a 40% deposit, rates as low as 1.98% are

out there for the taking. Foreign lenders entering the UK mortgage market was a sure sign of long-term confidence in the market in the late eighties and the same rule must apply now (Bank of China mortgage anyone?).

As lenders seek to exert a tighter grip on their distribution channels and levels, sourcing the best rate for your needs is becoming even more complex. Confusingly, many lenders will now offer different rates of interest for essentially the same product via intermediaries (such as ourselves), high street branches, internet or even telephone/postal routes of submission. This means that in order to source a truly 'whole of market' best product, all these channels need to be considered. Most intermediaries will only source your new mortgage from those lenders that pay them a direct procuration fee (a polite word for commission) but at Chadney Bulgin we have recently trialled and invested in the very latest sourcing technology that compares ALL possible channels and rates to ensure that our customers are matched to the best possible products for their needs.

Your adviser will be able to show you the benefits of the new system and help you find the most suitable mortgage, whether you are moving house or refinancing. 



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Please remember:

This newsletter is for general guidance only and represents our understanding of law and Inland Revenue practice as at November 2009. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying but are subject to change and their value depends on the individual circumstances of the investor. The value of land and buildings is generally a matter of a valuer's opinion rather than fact. The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not necessarily a guide to future performance and past performance may not necessarily be repeated. If you withdraw from an investment in the early years, you may not get the full amount you invested. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP THE REPAYMENTS ON YOUR MORTGAGE. Loans are subject to status and written details are available on request. The Financial Services Authority does not regulate loans, taxation advice, inheritance tax planning, employee share schemes, trust advice, NS&I, and will writing.

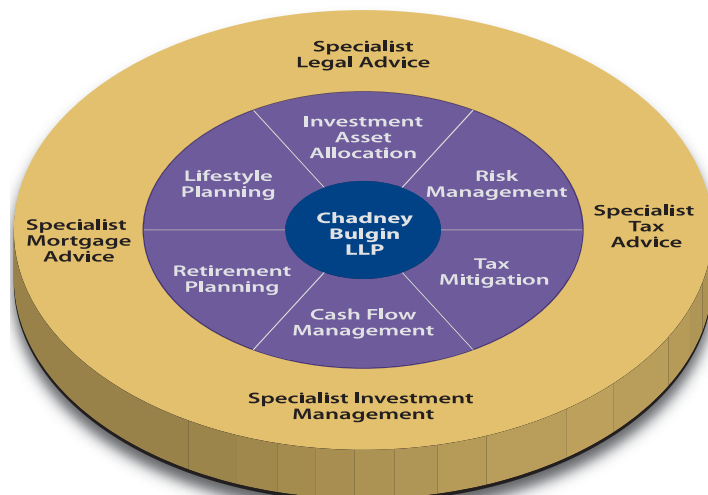
*Most buy-to-let mortgages are not regulated by the Financial Services Authority.



Authorised and regulated by the
Financial Services Authority

Our service

Our lifestyle financial planning solution now offers clients an ongoing and comprehensive financial planning service. We can look after all your financial affairs and where relevant will call in specialists for the more complicated areas.



At the hub of your financial affairs