

Life & Financial Action Plan

At ELCC, our objective is to provide unbiased advice to assist our clients with all aspects of their financial situation, present and future.

As our lives progress, different aspects of financial planning come to the forefront of our minds, and as things change significantly, it is well worth getting in touch with us to arrange an update meeting. What many clients have found useful in the past are the “Lifestyle Guides” on our website, www.elcc-llp.com. These give a useful overview of the types of financial planning areas that you should consider at the various stages of your life.

Understandably, in recent months, clients have particularly been asking whether there are any specific considerations in the current economic climate, and there are some adaptations to general principles that we are encouraging people to consider.

Over the next couple of pages, we have endeavoured to set out some thought provoking points for discussion both at home and during our next update meeting. It may well be that a number of these areas have already been addressed, but hopefully there will be something which may be useful and relevant to you. These points should not be taken as advice and may or may not apply to you in your specific circumstances.

General Financial Planning Principles

- **Retain a deposit reserve for emergencies** - the amount that you hold on deposit for this purpose will vary depending on your outgoings and wider financial position. With the current uncertainties in the economy we would encourage you to hold anything up to double the level of cash that you would normally be comfortable with;
- **Repay debt** (in most cases) or where your mortgage interest rate is lower than the rate you can obtain in savings accounts (allowing for tax) earmark funds for repayment of debt at a later date;
- **Budget** monthly/annual expenditure & build inflation proofing into your financial plan (please refer to the piece within this pack relating to our concerns surrounding returning inflation);
- **Plan** for future major expenditure
- **Review** your life and health protection arrangements
- **Mortgage**
 - Regularly review your mortgage deal
 - Make sure you have a plan to have this repaid by the time you retire
- **Wills**
 - Prepare your Wills or have them updated.
 - If you have adult children, have they prepared a Will? If they have young children or you have young minors, guardians need to be appointed.
 - Elderly relatives are further down life's cycle, have they got Wills?

- **Prioritise & Review** - fundamentally we would suggest that money is a means to an end. It is important your portfolio is meeting your own domestic objectives.
- **Spread your risk** - avoid having too many eggs in one basket. Also invest in different asset classes to make your portfolio more robust.
- **Stick to your Plan** - once you have formulated your long term financial plan, review it with us regularly, but try not to get put off your long term plan and make rash decisions based on what you see in the media.
- **SKI Days** 'Spend Kids Inheritance' - Why not enjoy 100% of your capital rather than the kids receiving 60%!

Tax Planning

This is a major area of our work with clients. Although not tax advisers, we are able to give general advice on how to arrange your assets tax efficiently. If your situation is very complex, we are always happy to arrange meetings with yourself and your accountant.

General

- Use your allowances – All over 18s have a Stocks and Shares ISA allowance and all over 16s are able to invest in a cash ISA. The overall allowance is £7,200 of which up to £3,600 can be invested in cash. This will increase to £10,200 from October 6th for those who are 50 or over this tax year, and for all others from 6th April 2010.
- Tax Returns - If you receive self assessment tax returns complete and return these prior to the deadlines. If you calculate the tax due and pay, the deadline is 31st January following each tax year. If you are happy for HMR&C to do the calculations, the deadline for them receiving your return is 30th September (31st October from 2008 onwards)
- If you inherit wealth that you do not need, consider making a 'Deed of Variation'. Within two years of date of death, the terms of a Will can be varied. In many cases we have seen clients decide to 'skip a generation' and pass inheritances directly to their offspring.

Income Tax

Please see the enclosed Tax Tables for the current rates and allowances. The April 2009 Budget announced changes for high earners applicable from April 2010, and a brief overview of these changes is included within the Tax Tables.

- **Check ownership of investments** (ensure that income generating assets are held by lower taxpayer)
- Non tax payers **complete 'R85'** for interest on deposit accounts to be paid gross
- **Gifts to Charity** - there are no minimum or maximum limits on donations to charity under Gift Aid
- **Pension Contributions** – limits on these are now relaxed for most people and these can offer significant tax breaks, subject to the changes announced in the April 2009 Budget. This will not be right for everyone, and is not the most flexible way of investing, but it is something we can assist with and give specific advice on.

- **VCT and EIS** offer compelling tax advantages but come with a high level of risk. They can be attractive to investors who are comfortable with the risks.

Capital Gains Tax

The Capital Gains Tax regime underwent a complete overhaul in 2008. In brief, taper relief and indexation allowance have been removed, and all gains in excess of the annual allowance are now to be taxed at a flat rate of 18%.

- Capital Gains Tax (CGT) – 2009/10 allowance is £10,100 each. If you have investments ‘pregnant’ with gains, consider using your CGT allowance
- If you still wish to retain investments within your portfolio, consider the “bed and spouse” or “bed and ISA” route. Please ask us for more details.