



Cornwall Finance & Investment Services Ltd.
Independent Financial Advisers

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A View From The Cliff

We have the pleasure to present the latest edition of our newsletter.

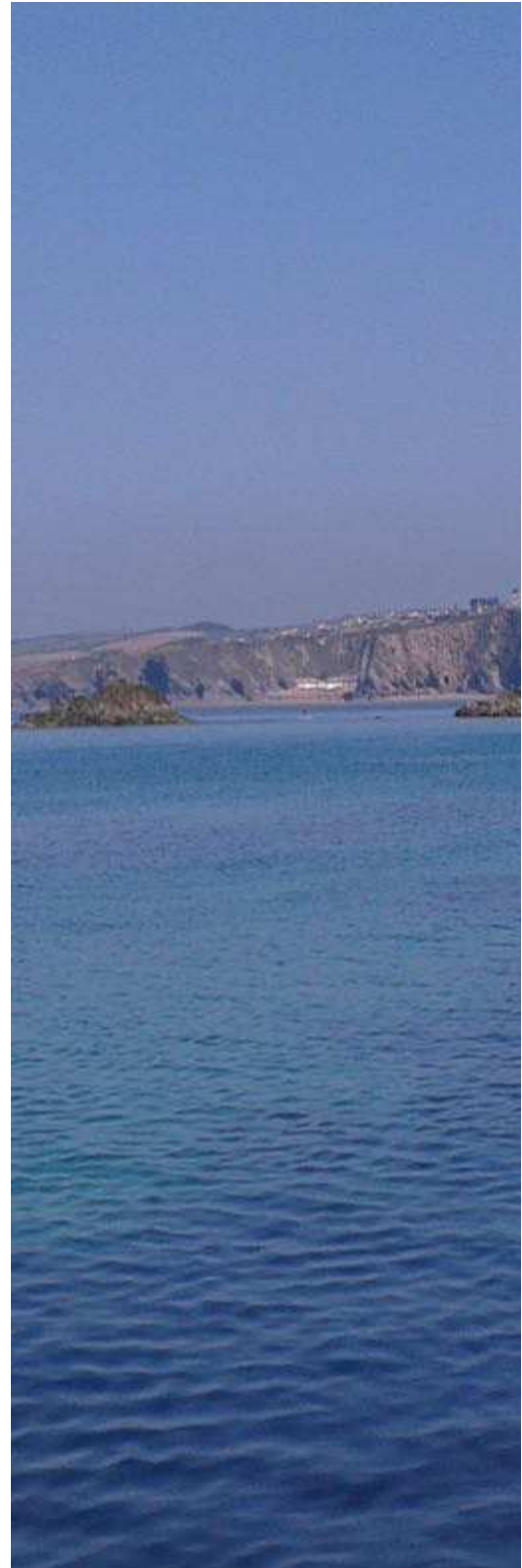
Given the monumental changes to Retirement Planning in the recent budget, this newsletter will:

- Explain the at retirement rules: the changes, the impacts, and the opportunities for financial planning.
- Provide analysis on the effects the changes will have on the products currently available to buy your retirement income.

Our 25 Years of Service

In April 1989, Mark Ridgment commenced his career in financial service, which makes this his 25th year of financial planning.

Hannah Ridgment joined as a Trainee in 2012. She is now qualified to advise on Residential Mortgages and continues to study.



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At Retirement Rule Changes

Suffice to say that the announcement in the budget came as quite a shock to us, along with the UK pension and retirement industry as a whole.

The biggest upheaval in the UK retirement market for 80 years was barely hinted at prior to the budget speech.

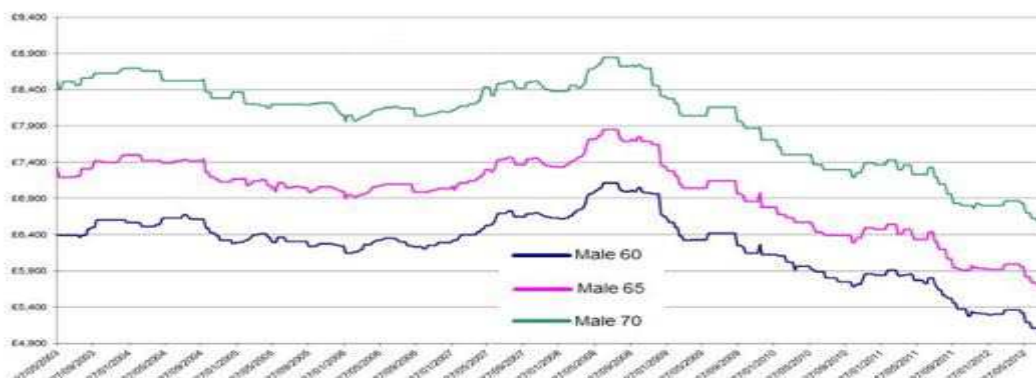


The budget announcement on pensions signals a fundamental change in the UK's retirement sector. This change is broadly from a collective approach with grouped risk, to a system where everyone is individually responsible for income gained from their private savings.

The annuity industry grew on the principle of common longevity risk. In very simple terms longevity risk refers to the risk that an individual outlives the value of their assets. To give an example: if a person has an asset worth £100,000.00 and in exchange for that capital receives £10,000.00 per annum as income then if they survive 11 years they will receive more money than their original asset was worth. If five people retired in the same circumstances, with one person surviving 8 years, one person for 12 years and three people surviving for 10 years the longevity risk is nullified. For this reason, pooling funds via an annuity should mean that pensioners and life companies are both protected; pensioners from running out of capital and life companies from owing significantly more in income than the value of initial capital.

However, the problem with annuities is evidenced clearly in the graph below; the amount of income available has fallen dramatically in recent years. In light of the available income annuities have become increasingly unpopular with many needing to live far beyond the average life expectancy to recover an amount in income similar to their initial capital sum.

For several years Cornwall Finance and Investment Services have been encouraging our clients not to buy conventional lifetime annuities and to use alternative retirement income vehicles unless their circumstances specifically dictate otherwise. This has proved a wise strategy and means many of our clients will stand to benefit from the new rules in the future.





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Experience tells us that people are often ill-informed and make poor decisions about financial planning for old age.

Joanne Segars, The National Association of Pension Funds

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There is a recognised problem with the lack of financial literacy in the UK and there is a distinct lack of detail in today's announcement on how the Government will ensure people have access to good impartial advice so they make the right decisions about their income for retirement.

We believe that making an irrevocable purchase, which will affect the rest of your life, arbitrarily at 65 is a bad idea. Broadly, our assessment of the impact of the rule changes on the primary instruments for providing retirement income are:

Conventional Annuities

We feel that this attractiveness of this product is likely to fade. However given the certainty it brings, when and if gilt yields recover it may regain some popularity, particularly with the over 75s. Over the short term it is unlikely we will be recommending them, other than to those who wish for absolute certainty.

Enhanced or Impaired Life Conventional Annuities

We see that the popularity of these contracts will remain, as the rate is largely based on an individual's life expectancy.

Investment Linked Annuities

We can see the market for this product increasing and taking over from conventional annuities. Again, when and if gilt yields recover they may regain increased popularity, we will continue to recommend these where appropriate for the over 70s.

Flexible Annuities

For the last five years, these products have proved most popular with our retiring clients. You have a guaranteed period of income, a guaranteed return of capital and all your options open, what is not to like. We feel that this type of product will become the default choice for most people entering retirement with a pension fund under £50,000.00. For those of you who have already bought your plan, it will continue as established until at the end of the term we will then help you plan the next phase of your retirement with the necessary income.

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We fear these reforms, without careful scrutiny, will leave a large swathe of people vulnerable to poverty in old age

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Joanne Segars, The National Association of Pension Funds





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Pension Drawdown or Pension Income Withdrawal

A pension drawdown allows the funds to be invested into a portfolio of investment at your discretion and the income then generated drawn as an income. This has proved a successful strategy for our clients to maximize their pension incomes whilst keeping their annuity purchase options open and securing the greatest flexibility of death benefits. The increase abolition of the Government Actuarial Department limits on income will allow greater scope in planning retirement income. The option to take some or all and blow it will now exist.

Combination Solutions

For those with larger pots we see that there will increasingly be demand for solutions which combine drawdown with Fixed term annuities and/or Lifetime annuities. Such solutions could potentially be used to incorporate the various advantages of the different income methods; in order to function effectively a large amount of pension capital would be necessary.

Cornwall Finance & Investment Services Ltd was set up to act as a guide through the maze of product complexity and regulation to enable our clients to find the best value from their savings, whether within a pension or not. We offer a free initial consultation and hope to be affiliated with the new government guidance scheme if this is appropriate.

It is an indictment of the out of touch political elites that the Chancellor thought it reasonable that people may have £98,315.00 in spare pension savings to waste on a Maserati GranCabrio. Unlike the chancellor we spend a lot of time speaking to real people, and although we can think of a few clients who enjoy a luxury sports car, we also know that they are not prone to wasting life-changing sums of money. It is our view that most people would feel themselves fortunate to have total personal pension savings of this amount and, having worked long and hard to acquire them, would consider squandering these savings on a piece of depreciating tin (no matter how pretty) at the expense of their retirement income laughable at best. The vast majority of people reaching retirement will maintain their income within sustainable bounds. We look forward to helping people enjoy their retirement savings without the constraints of the old rules and see this as a largely positive move for everyone—not just car salesmen!



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The New Pension Savings Culture ~ Auto-enrolment ~ The basics:

To encourage more people to save in pension schemes, the Government has introduced a new legal responsibility for employers to provide access to pension provision for employees.

Before the 1st October 2012 there was no statutory or legal requirement for an employer to provide a pension scheme. Equally before this date there was no requirement for either the employer or employee to contribute to a private pension scheme.

Whether there is only one employee or 10,000 employees; all employers will need to automatically enrol 'workers' into a work based pension scheme and pay pension contributions.

It is important that the pension scheme chosen meets certain standards appropriate for all employees. This could mean that an existing employer's scheme will not be appropriate as it may have been designed for the needs of higher paid and more senior employees.

To be a qualifying auto enrolment scheme, a scheme must meet various strict criteria; the guidance for employers is around 680 pages long. There is a not inconsiderable risk of firms inadvertently not complying with the rules due simply to misunderstanding or lack of expertise in group pensions.

For defined contribution pension schemes the minimum compliant employer contribution is 3% of the employee's eligible earnings.

Employers are prohibited from encouraging employees to "opt out" and there are serious financial penalties for non-compliance.

When will Auto-enrolment affect UK businesses?

The precise staging date will depend not only on the actual number of employees at 1 April 2012 but also on the employer's PAYE reference number.

The earliest date for an employer with up to 30 employees on 1 April 2012 is 1 June 2015 and the latest date is 1 April 2017.

Importantly, the number of employees an employer has on the actual staging date does not matter. There may be considerably more (or less) than on the 1 April 2012.

Any employer can find out the detailed staging date rules from:

www.thepensionsregulator.gov.uk.

Non Compliance – The Penalties:

An article printed in the Telegraph suggested that "almost a third (32pc) of small and medium sized businesses (SMEs) have admitted that they plan to ignore the forthcoming auto enrolment legislation. As a result, they could face fines of up to £30.4m per day."

If you are an employer or know people running small-medium sized businesses please pass this information and our details to them. Cornwall Finance and Investment Services Ltd. are able to arrange a complete solution for auto-enrolment including the ongoing pay-roll obligations and will be happy to discuss this with any UK business.





Ten Reasons why you save into a Pension

1. Self reliance and a recognition that old age comes to us all.
2. Insufficient State pension with ever longer to wait to claim it.
3. Highest marginal rate of tax relief on contributions up to 40%.
4. 25% totally tax free cash sum on commencing retirement.
5. Recognition that “my business is my pension” is not necessarily a completely safe strategy
6. Protection against financial uncertainty in old age and the vagaries of care provision.
7. Generous yearly & lifetime contribution limits 100% of your earned income.
8. Holidaying in Bognor or Bali, to improve the quality of your life in retirement
9. The new flexibility of income withdrawal, your savings, your money, paid how you want it, when you want it after 55.
10. It feels good seeing your savings grow tax free and that you have options.





Cornwall Finance & Investment Services: Our Service Standards:-

Prime Service

Designed for our clients, with large assets or complex financial planning needs
The minimum annual fee for this service is £1,000.00

Executive Service

Designed for our clients, whose assets or financial planning needs require a comprehensive but less intensive service but still built around them. The minimum annual fee for this service is £587.00.

Advanced Choice

Designed for our clients, whose assets or financial planning needs require a standardized level of service. The minimum annual fee for this service is £378.00.

Entry Level

Aimed at those clients whose financial planning objectives initially only require a "one-off" service. Single reports are available maximum fee £587.00 for investment and £387.00 for mortgage reports. These are usually rebated on implementation of your financial plan. Our implementation fees are based on the complexity of your case and or the capital you have to invest. Contact us for full details and an individual quotation.



We hope you found this newsletter of interest and look forward to speaking with you all soon. Your views matter to us, so if there is anything you would like to see in our Autumn edition please let us know.

If you would prefer to receive this newsletter by email or should you have any questions please contact me on:

01637 839098, Mobile 07710 868377 or by email at mark@cfislive.co.uk

Have a great summer we look forward to seeing you in 2014
Mark Ridgment & The Cornwall Finance & Investment Services Team





The 2014 Budget Impact Timeline:

Pensions and ISAs (NISAs)

2014

27th March – Guaranteed Income threshold for Flexible Drawdown reduced from £20,000 to £12,000

27th March—Capped drawdown limited revised from 120% to 150% of GAD

27th March ~ Increase the size of a single pension pot that can be taken as a lump sum from £2000 to £10,000

27th March ~ Increase the number of pension pots below £10,000 that can be taken as a lump sum from two to three

27th March ~ Increase the overall size of pension savings that can be taken as a lump sum from £18,000 to £30,000

6th April – ISA limit increases to £11,880

1st July – ISAs convert to NISAs (New-ISAs) which can be topped up to the new £15,000 limit.

2015

April – Full access to Defined contribution pension savings – first 25% tax-free and remainder taxed at highest marginal income tax rate.

6th April – New £15,000 NISA allowance this may be in any proportion of Stocks and Shares or Cash

As things change we will be here to keep you informed

