ActiveMoney

JANUARY/FEBRUARY 2012

Property-focused investment companies

Regaining favour with investors as demand for income continues

Autumn Statement

The state of the economy and the government's future plans

GET YOUR FINANCES FIT FOR 2012

Year-end tax planning tips

Happy ISA Year

Don't miss out on using your tax-efficient allowance

Would you need to get back to work quickly if you were off sick?

Over half of UK workers are unable to survive financially for more than three months

Editorial

With further tax increases likely on the horizon, there really is no time like the present to take a step back and look at how you could reduce your taxes and improve your financial planning strategy before the end of the current 2011/12 tax year on 5 April. On page 04 of this latest issue of our personal finance magazine we have provided an overview of the key areas you may wish to consider to get your finances fit for 2012 and achieve a more secure future for you and your family.

An Individual Savings Account (ISA) is a tax-efficient wrapper. Within an ISA you pay no capital gains tax and no further tax on the income, making it one of the most tax-efficient savings vehicles available. If you are planning to open or transfer an existing ISA, you have until 5 April, but don't leave it until this date. If you miss the deadline, you'll lose your £10,680 allowance for the 2011/12 tax year forever. Read the full article on page 12.

Inheritance Tax (IHT) in the UK may be one of life's unpleasant facts but IHT planning and professional advice could help you pay less tax on your estate. With the current thresholds set to remain at £325,000 for individuals and £650,000 for married couples and registered civil partnerships until 2014, on page 07 we consider the importance of reviewing your potential liability and finding out what you could do to reduce or even eliminate this burden. ■

The hunt for **income continues apace**

33 per cent of investment companies yielding more than FTSE 100 average yield

While the hunt for income continues apace, recent figures released by the Association of Investment Companies (AIC) demonstrate that 33 per cent of conventional investment companies are yielding more than the FTSE 100 average annual yield of 3.2 per cent. Of these, 66 per cent are trading at a discount to net asset value.

Annabel Brodie-Smith, Communications Director of AIC, said: 'The investment company sector has long recognised the importance of dividends and it's encouraging to see such a significant proportion of the sector yielding more than the FTSE 100 annual average.

'Investment trusts have the ability to sustain their dividends by building up their revenue reserve in good years, which allows them to pay dividends in difficult years. They do this by retaining up to 15 per cent of the income they receive each year and transferring this to their revenue reserve. Known as 'smoothing' dividends, this is one of the defining characteristics of the sector.

'Income-seeking investors should not get carried away by yield alone. Investors need to consider their risk profile when making an investment decision and if investors are in any doubt they should consult their financial adviser.'

HIGHEST YIELDING SECTORS

The Property Direct UK sector has the highest average dividend yield of 7 per cent and is on an average discount of -4.2 per cent, followed by UK High Income (6.6 per cent average yield, -0.6 per cent average discount), Global High Income (5.4 per cent average yield, -2 per cent average discount), Sector Specialist: Infrastructure (5.3 per cent average yield, 1 per cent average premium), UK Growth & Income (4.5 per cent average yield, 0.3 per cent average premium), Global Growth & Income (4.5 per cent average yield, 0.8 per cent average premium) and hedge funds (4.2 per cent average yield, -7.4 average discount). ■

Dividend and discount data to 31 October 2011. Source: AIC using Morningstar. AIC Members only. Excludes VCTs and split capital investment companies, leaving 246 companies. FTSE 100 average annual yield over last 12 months to 31 October 2011. Source: Datastream. The value of these investments and the income from them can go down as well as up and you may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

In this issue

TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US

WANT TO MAKE MORE OF YOUR MONEY IN 2012?

FOR MORE INFORMATION PLEASE TICK THE APPROPRIATE BOX OR BOXES BELOW, INCLUDE YOUR PERSONAL DETAILS AND RETURN THIS INFORMATION DIRECTLY TO US.

- ☐ Arranging a financial wealth check
- ☐ Building an investment portfolio
- ☐ Generating a bigger retirement income
- ☐ Off-shore investments
- ☐ Tax-efficient investments
- ☐ Family protection in the event of premature death
- ☐ Protection against the loss of regular income
- ☐ Providing a capital sum if I'm diagnosed with serious illness
- ☐ Provision for long-term health care
- ☐ School fees/further education funding
- ☐ Protecting my estate from inheritance tax
- ☐ Capital gains tax planning
- ☐ Corporation tax/income tax planning
- ☐ Director and employee benefit schemes
- ☐ Other (please specify)

Name ______________________

Address ______________________

____

____

______________________ Postcode ______________________

Tel. (home) ______________________

Tel. (work) ______________________

Mobile ______________________

Email ______________________

You voluntarily choose to provide your personal details. Personal information will be treated as confidential by us and held in accordance with the Data Protection Act. You agree that such personal information may be used to provide you with details and products or services in writing or by telephone or email.

Get your finances fit for 2012

Year-end tax planning tips

£10,680
The maximum amount you can invest in an Individual Savings Account this tax year

£10,600
An individual's current annual capital gains tax-free allowance (2011/12)

With further tax increases likely on the horizon, there really is no time like the present to take a step back and look at how you could reduce your taxes and improve your financial planning strategy.

The end of the current 2011/12 tax year is 5 April. We have provided an overview of the key areas you may wish to consider that could help you achieve a more secure future for you and your family.

MAKE USE OF PERSONAL ALLOWANCES

Every person in the UK is allowed to earn a certain amount of money each year without paying income tax, known as a personal allowance. This tax year, the personal allowance is £7,475, with higher allowances available to those aged 65-74 (£9,940) and age 75 and over (£10,090). If you become 65 or 75 during the year to 5 April 2012, you are entitled to the full allowance for that age group. If you earn income above £100,000 you start to lose the personal allowance (at a rate of £1 for each £2 you earn above this limit).

If you are married and one partner is not working, if appropriate, it could be beneficial to transfer savings accounts to them, so that you pay less income tax as a couple. If you don't make use of your personal allowance in any tax year, you cannot carry it forward to the next year.

USE YOUR INDIVIDUAL SAVINGS ACCOUNT (ISA) ALLOWANCE

ISAs allow you to save tax-efficient money. Within an ISA you pay no capital gains tax and no further tax on the income. You don't even need to declare ISAs on your tax return. This tax year, you can invest up to £10,680 in a Stocks and Shares ISA or, alternatively, you can invest up to £5,340 in a Cash ISA and the balance in a Stocks and Shares ISA. Any allowance not used by the 5 April deadline will be lost forever. The value of tax savings depends on your circumstances and tax rules can change over time.

TOP UP YOUR PENSION CONTRIBUTIONS

The annual allowance for the tax year 2011/12 is £50,000, inclusive of your own contribution and any other amounts paid into an approved pension scheme. Contributions paid by you to a personal pension plan or a stakeholder pension scheme are made net of 20 per cent basic rate tax. This means that for every £100 you want to save, you pay only £80. Tax relief of £20, topping your contribution up to £100, is then added by HM Revenue & Customs (HMRC).

If you are a 40 per cent higher rate tax payer, you may be able to claim additional tax relief. If you are a 50 per cent additional rate tax payer, you may also be able to claim additional tax relief at your highest rate. Depending on how much you earn over the higher rate tax band, and your level of contribution, any additional rate tax relief would range between a further 1 per cent up to a maximum of 30 per cent.

PLAN FOR INHERITANCE TAX (IHT)

Effective IHT planning could save your family hundreds of thousands of pounds. If you haven't done anything about a potential IHT bill, now is the time to take action. Currently, IHT is charged at 40 per cent on anything you leave over £325,000 when you die (£650,000 for married couples or registered civil partnerships). With rising property prices in recent years, this has resulted in more people being subject to IHT.

Start by writing a will, making it clear to whom you want to leave your money and possessions when you die. You may then want to try and minimise any potential IHT bill by giving regular small gifts away. Currently, you can give away a lump sum of up to £3,000 in each tax year without paying IHT – known as your 'annual exemption' – or £6,000 this year if you haven't used last year's allowance.

You also have a 'small gifts exemption', which means that you can make small gifts of £250 each year free of IHT. There is no restriction on the number of small gifts but they must each be to separate individuals. You cannot use your annual exemption and your small gifts exemption together to give someone £3,250.

REDUCE YOUR CAPITAL GAINS TAX (CGT) LIABILITY

If you have made a taxable gain from the sale of property, shares, investments, businesses or any form of capital gain, make sure you don't make unnecessary CGT payments. CGT is a tax charge that arises from the disposal of assets, such as shares or buy-to-let properties, charged at

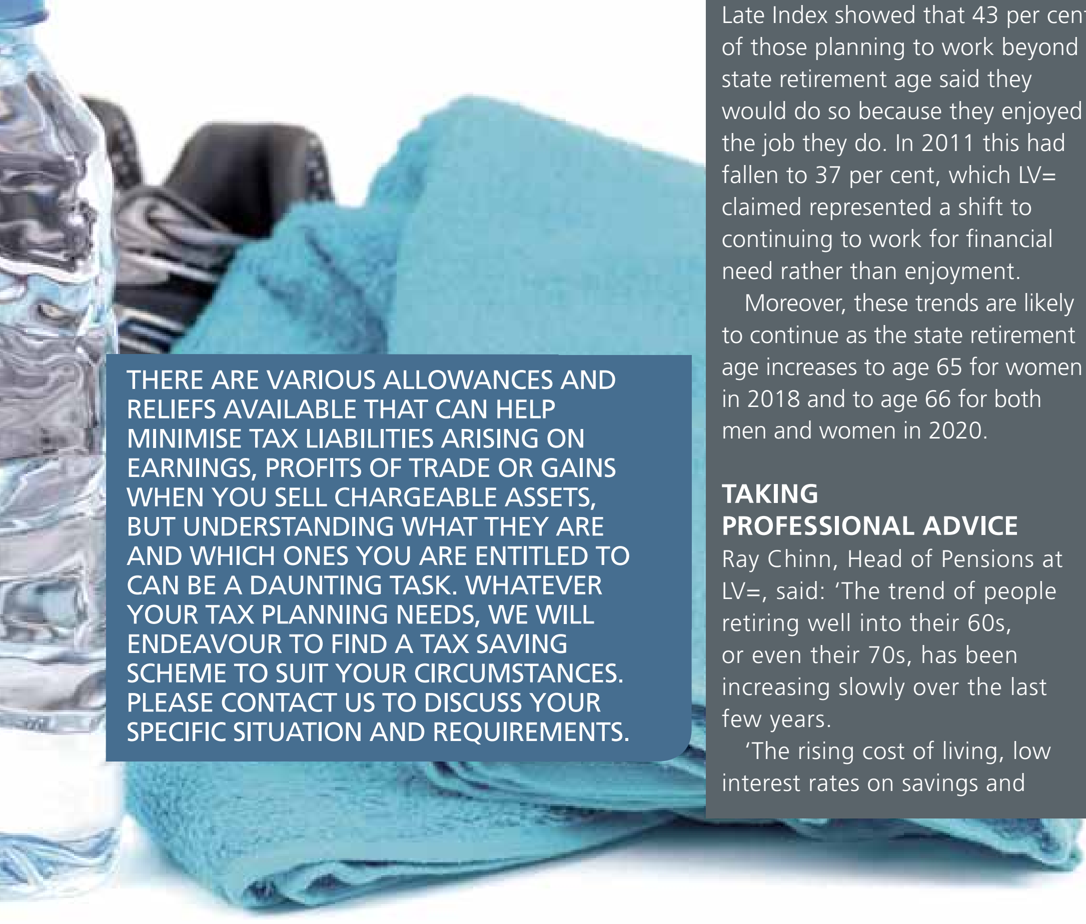
18 per cent for lower and 28 per cent for higher rate tax payers. Every individual has an annual CGT-free allowance, which currently stands at £10,600 for the 2011/12 tax year.

The limit applies to each individual, so if you are married or in a registered civil partnership you each have an annual exemption and should ensure that each of you maximises your CGT-free gains.

There are different ways to reduce CGT bills, for example, equalisation or joint ownership of investments will transfer income to the lower-taxed one. This can be done CGT-free for married couples and registered civil partnerships. By transferring an asset into joint names, you could both make use of your tax-free allowance so that up to £21,200 of any gain can be tax-free in the current tax year. But the transfer to your spouse or partner must be a genuine outright gift, so this might not be a suitable strategy for everyone.

It may also be appropriate for some unmarried couples to equalise non-CGT assets such as bank accounts, which could mean that it becomes possible to equalise or transfer assets on whichever gains are less than their annual CGT exemption. Even if an asset is only put into joint ownership the day before it produces income – for example, through interest or a dividend – that income will still be split equally between both owners.

If you immediately sell employee shares that you get through a Save-As-You-Earn share option scheme, company share option scheme or enterprise management incentive scheme, you may have a CGT bill. Consider selling in several tranches, so that each year's gain is within your annual tax-free allowance. ■



THERE ARE VARIOUS ALLOWANCES AND RELIEFS AVAILABLE THAT CAN HELP MINIMISE TAX LIABILITIES ARISING ON EARNINGS, PROFITS OF TRADE OR GAINS WHEN YOU SELL CHARGEABLE ASSETS, BUT UNDERSTANDING WHAT THEY ARE AND WHICH ONES YOU ARE ENTITLED TO CAN BE A DAUNTING TASK. WHATEVER YOUR TAX PLANNING NEEDS, WE WILL ENDEAVOUR TO FIND A TAX SAVING SCHEME TO SUIT YOUR CIRCUMSTANCES. PLEASE CONTACT US TO DISCUSS YOUR SPECIFIC SITUATION AND REQUIREMENTS.

Working for financial **need rather than enjoyment**

More people will have to work later in life to maintain an adequate standard of living.

Some 6.1m of today's over-50s expect to work past the current state retirement age, according to data from LV='s Working Late Index. The report reveals that, on average, those planning to work past state retirement age will work for an extra six years, which could see them retiring at age 71 for men and 66 for women based on today's retirement age.

AFFORDABILITY, THE KEY REASON

One in five over-50s said they expect to work for at least a decade past the current state retirement age. Affordability is the key reason stated by 51 per cent of over-50s who plan to work beyond the state retirement age, while a further 11 per cent want to delay taking out their pension in the hope its value would increase over time.

CONTINUING TO WORK FOR FINANCIAL NEED

The data from last year's Working Late Index showed that 43 per cent of those planning to work beyond state retirement age said they would do so because they enjoyed the job they do. In 2011 this had fallen to 37 per cent, which LV= claimed represented a shift to continuing to work for financial need rather than enjoyment.

Moreover, these trends are likely to continue as the state retirement age increases to age 65 for women in 2018 and to age 66 for both men and women in 2020.

TAKING PROFESSIONAL ADVICE

Ray Chinn, Head of Pensions at LV=, said: 'The trend of people retiring well into their 60s, or even their 70s, has been increasing slowly over the last few years.

'The rising cost of living, low interest rates on savings and the fact that as a nation we are living longer has had a significant impact on our retirement aspirations and the amount of money we need to live a comfortable retirement.

'Our findings have shown a shift to continuing to work for financial need rather than enjoyment and we're likely to see this increase further.'

WORKING LATER IN LIFE

Ray Chinn continued: 'In recent years we have seen many people cutting back on the amount they are saving towards retirement. As a result many will have no choice but to work later in life to maintain an adequate standard of living in old age.

'We urge those nearing retirement not to give up on saving at such a crucial time and to consider all the options available to them.'

WHATEVER YOUR STAGE OF LIFE, IT IS IMPORTANT THAT YOUR RETIREMENT PLANNING IS ON TRACK TO ENSURE YOU MEET YOUR NEEDS, NOW AND IN THE FUTURE. TO FIND OUT MORE ABOUT HOW WE CAN HELP YOU PLAN TO ENJOY YOUR RETIREMENT YEARS, PLEASE CONTACT US FOR MORE INFORMATION.

All statistics are from LV='s data taken from a survey of 1,522 British adults, all aged over 50. 25 November 2011.

£107.45
The amount the state pension will rise to - an increase of £5.30

£400m
The amount allocated to a new scheme to jump-start stalled construction projects in England

Autumn Statement

The state of the economy and the government's future plans

On 29 November 2011, the Chancellor of the Exchequer, George Osborne, announced the Autumn Statement, which provided an update on the government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility. These are the key announcements from his speech.

PAY, TAXES AND ALLOWANCES

Public sector pay awards will be frozen at 1 per cent at the end of the two-year pay freeze.

Most working age and disability benefits will be uprated by the September inflation figure of 5.2 per cent and the child element in the child tax credit will be increased in line with inflation, rising by £135 a year in 2012/13. But the £110 above-inflation increase that was planned for 2012/13 will not go ahead.

The state pension age is set to rise from 66 to 67 from 2026. Mr Osborne said that it will save £59bn and will not affect anyone within 14 years of receiving their state pension today.

The state pension will rise by £5.30 to £107.45, in a move which Mr Osborne said was the largest ever cash rise. Pensioners receiving pension credit will also benefit from an increase worth £5.35.

January's planned 3p rise in fuel duty was cancelled and August's increase will be limited to 2p.

HOUSING

The Right to Buy scheme for council house tenants is back, offering a 50 per cent discount and the money going to build new homes to stimulate the construction industry.

A £400m scheme will jump-start stalled construction projects in England.

The government will underwrite mortgages for 100,000 young families trying to get on the property ladder.

TRANSPORT AND INFRASTRUCTURE

The government is publishing a National Infrastructure Plan, identifying over 500 projects for the next decade.

Budget savings will enable the government to put £5bn into these projects along with a further £5bn it is committing over the next spending period. It has also struck an agreement with two groups of British pension funds to unlock an additional £20bn of private investment.

Infrastructure measures to be funded by a new £30bn include electrifying the TransPennine Leeds-to-Manchester rail route, building a new railway link between Oxford, Milton Keynes and Bedford, and extending the Northern Line of the London underground to Battersea, which will create 25,000 jobs.

Mr Osborne confirmed that rail fare increases would be limited to the Retail Price Index (RPI) plus 1 per cent, rather than RPI plus 3 per cent.

FAMILIES, EDUCATION AND EMPLOYMENT AND SKILLS

Families in the south-west of England will have their water bills cut by £50.

A further £380m will be invested by 2014/15 to extend the government's offer of 15 hours of free education and care a week for disadvantaged two-year-olds, covering an extra 130,000 children.

The government will provide an additional £1.2bn for capital investment in schools in England, including an extra £600m to fund 100 additional Free Schools by the end of this Parliament.

A £1bn youth contract will fund measures including wage incentives for 160,000 young people to make it easier for private sector employers to take them on and at least 40,000 incentive payments for small businesses to take on young apprentices.

Identifying the most appropriate **solution for you**

What should you do to reduce, or even eliminate, an Inheritance Tax burden?

Inheritance Tax (IHT) in the UK may be one of life's unpleasant facts but IHT planning and professional advice could help you pay less tax on your estate. With the current thresholds set to remain at £325,000 for individuals and £650,000 for married couples and registered civil partnerships until 2014, now is the time to consider reviewing your potential liability and finding out what you could do to reduce, or even eliminate, this burden.

EVERYTHING YOU HAVE OF VALUE

IHT is usually payable on everything you have of value when you die, including: your home, jewellery, savings and investments, works of art, cars and any other properties or land, even if they are overseas.

When you die, your assets become known as your estate. Any part of your estate that is left to your spouse or registered civil partner will be exempt from IHT. The exception is if your spouse or registered civil partner is domiciled outside the UK. Then the maximum you can give them before IHT may need to be paid is £55,000. Unmarried partners, no matter how long-standing, have no automatic rights under the IHT rules.

IHT is usually payable on death but there are certain circumstances, if you put assets into certain types of trusts, for example, when IHT becomes payable earlier.

TAPER RELIEF

Taper relief applies where tax, or additional tax, becomes payable on your death in respect of gifts made during your lifetime. The relief works on a sliding scale up to seven years and is calculated on the number of years before your death in which a transfer is made. The relief is given against the amount of tax you'd have to pay rather than the value of the gift itself. The value of the gift is set when it's given, not at the time of death.

WRITING A WILL

One of the most important things you can do to help reduce the amount of IHT you may have to pay is write a will. If you die without a will, your estate is 'divided-up' according to a pre-set formula and you have no say over who gets what or how much tax is payable.

GIFTING IT AWAY

The taxman allows you to make a number of small gifts each year without creating an IHT liability. Remember, each person has their own allowance, so the amount can be doubled if each spouse or partner uses their allowance.

You can also make larger gifts but these are known as Potentially Exempt Transfers (PETs) and you could have to pay IHT on their value if you die within seven years of making them. Any other gifts made during your lifetime that do not qualify as a PET will immediately be chargeable to IHT. These are called Chargeable Lifetime Transfers (CLT) and an example is a gift into a Discretionary trust.

The taxman lets you give the following as exempt transfers:

- Up to £3,000 each year as either one or a number of gifts. If you don't use it all up one year you can carry the remainder over to the next tax year. A tax year runs from the 6 April one year to 5 April in the next year.
- Gifts of up to £250 to any number of other people – but not those who received all or part of the £3,000.
- Any amount from income that is given on a regular basis provided it doesn't reduce your standard of living. These are known as gifts made as 'normal expenditure out of income'.
- If your child is getting married you can gift them £5,000, if a grandchild or more distant relative is getting married £2,500, and a friend or anyone else you know £1,000.

BY TAKING STEPS NOW AND GETTING SOUND PROFESSIONAL FINANCIAL ADVICE, YOU COULD REDUCE OR EVEN ELIMINATE THIS POTENTIAL FUTURE BURDEN FOR YOUR LOVED ONES AT WHAT WOULD ALREADY BE A DIFFICULT TIME – WHILE IN SOME CASES RETAINING FULL CONTROL OF YOUR ESTATE. TO FIND OUT MORE, PLEASE CONTACT US TO SEE HOW WE COULD HELP YOU IDENTIFY THE MOST APPROPRIATE SOLUTION FOR YOU.

The tax treatment of any investments depends on your individual circumstances and may be subject to change in the future. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

Property-focused investment companies

Regaining favour with investors as demand for income continues

The property market has experienced some significant highs and lows since 2008 but is now steadily regaining favour among investors as property-focused investment companies are proving a source of much sought-after income. The Association of Investment Companies (AIC) has surveyed property managers for their views on the outlook for the sector.

7.3%
Average annual income yield from property-focused investment companies

WE ARE ABLE TO OFFER YOU ACCESS TO A BROAD RANGE OF INCOME-PRODUCING PRODUCTS. TO DISCUSS YOUR REQUIREMENTS, PLEASE CONTACT US FOR MORE INFORMATION.

POSITIVE RETURNS

The increasing attraction of property for investors can be seen in the discount movement from 32 per cent at the end of September 2008 to 6.5 per cent at the end of September 2011 for the Property - Direct UK sector. Income is a strong pull for this sector, according to the Investment Property Databank (IPD), with yields averaging 7.3 per cent, but returns have been positive too, up 23 per cent over the last three years to the end of September 2011 compared to the average investment company increase of 18 per cent.

Jason Baggaley, Manager, Standard Life Investments Property Income, commented: 'Despite heightened volatility and unprecedented uncertainty resulting from the ongoing Eurozone problems, UK Commercial Real Estate continues to be one of the few asset classes to provide reasonable positive returns over the year to date.'

ATTRIBUTABLE TO INCOME

Richard Kirby, Manager, F&C Commercial Property Trust, noted: 'The property market has proved remarkably resilient in the face of slow domestic economic growth, fiscal austerity, a stalling of economic recovery overseas and the Eurozone crisis. There have been two years of sustained growth following a severe downturn. The initial sharp bounce-back has been replaced by a year when performance has been largely driven by income. In September 2011, the annual total return was 8.7 per cent, of which 6.9 per cent was attributable to income, according to the IPD Monthly Index.'

A MORE AFFLUENT POPULATION

In the UK property market, London continues to outperform other regions although this difference could become less marked. Richard Kirby maintained: 'London has out-performed the regions, helped by a stronger local economy, a more affluent population, tight new supply, its role as an international as well as a national centre and its relative resilience to public sector cutbacks.

'Overseas investors have been attracted to this market, with London seen as a large, mature, transparent and liquid market. This out-performance is expected to persist for the next year or so but the gap between London and the regions may narrow, particularly for City offices, given the turmoil in the financial and debt markets. Nor should prime property in regional markets be written off.'

OUTLOOK FOR PROPERTY

Although the long-term outlook for property is positive, investors must be prepared to weather any storms that may result from recent volatility. Jason Baggaley cautioned: 'Some weakness in pricing is anticipated over the next few months as more stock is brought to market and it is likely that the softer prices are accentuated for secondary assets in poorer locations with greater investor demand continuing for relatively low-risk assets. Despite some softening in the prices for poorer- quality stock, reasonable positive total returns are expected over the next few years for investors as yields compensate for any modest capital declines.'

A RELIABLE SOURCE OF INCOME

Higher personal taxation and reduced pension contributions, as well as an all-time low interest rate, have contributed to the growing importance of income to private investors. Managers recognise the need to protect income streams and emphasise the importance of careful asset allocation in a poor macro-economic environment.

Jason Baggaley said: 'In the current environment, with a relatively weak economic backdrop, ensuring the quality and sustainability of income is a key investment decision-making criterion. Investors remain risk averse because of the economic volatility and are shunning poorer-quality secondary and tertiary stock at present.

STOCK-PICKING OPPORTUNITIES

'However, these conditions may provide ideal stock-picking opportunities for savvy investors where good value assets can be identified in relatively resilient areas and can be repositioned further up the quality spectrum. We expect asset management initiatives and locational choices to be the defining characteristics contributing to income returns into this year.

'Currently, for multi-asset investors, real estate assets that are located in relatively robust locations with reasonably financially secure firms as tenants are likely to continue to produce a compelling positive sustainable income yield that compares favourably with the depressed yield on a range of other "defensive" type assets.'

ECONOMIC BACKDROP

Richard Kirby commented: 'This year is expected to be more difficult given the economic backdrop and the downside risk implicit in the Eurozone crisis. There are positive elements. Low interest and borrowing rates coupled with a second round of quantitative easing may offer support. The UK may be seen as a safe haven from the troubles of the Eurozone.

'Looking to the longer term, years of low development have led to areas of tight supply where a turnaround could be quick once demand recovers. For now, though, the focus needs to be on the protection of the income stream and securing its longevity. There are differences within the market and this will involve selecting and managing property at the asset specific level.'

A WELL-DIVERSIFIED PORTFOLIO

Property is regaining its place as a mainstay of a well-diversified portfolio. The closed-ended structure of investment companies is particularly suitable for this type of illiquid asset and the majority of the sector has bounced back following the property bubble of 2008/9. Property is once more in demand for its ability to provide investors with attractive levels of income. ■

All performance figures are mid-market share price with net income reinvested and a 3.5 per cent deduction for charges, stamp duty and market spread to end September 2011. Source: AIC using Morningstar. The value of these investments and the income from them can go down as well as up and you may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

Would you need to get back **to work quickly if you were off sick?**

Over half of UK workers are unable to survive financially for more than three months

New research from Aviva reveals that over half of UK workers (52 per cent) would be unable to survive financially for more than three months if they were off work with an illness. Around a third (30 per cent) say they would survive for less than a month. Less than one in ten (9 per cent) say they would remain solvent for a year or more.

Unsurprisingly, nearly seven in ten workers (65 per cent) cite financial concerns as the main reason to get back to work quickly if they are off sick. Regaining a sense of purpose (28 per cent), getting well (21 per cent) and providing for their families (16 per cent) are also high priorities.

AFRAID OF RETURNING TO THE WORKPLACE

While the motivation to return to work is apparent, the research reveals that many workers are afraid of returning to the workplace after a long-term illness. A significant number of people (44 per cent) fear that going back to work could cause a relapse of their condition and a quarter (24 per cent) worry that they won't be able to work to full capacity.

Commenting on the research, Aviva, UK Health says: 'It's understandable that over 80 per cent of people think long-term sickness is something that happens to other people. However, in reality you never know what's around the corner and few people have the savings available to support themselves and their families for very long. Employment and Support Allowance can come to as little as £67.50 a week – even less than Statutory Sick Pay – which in many cases would hardly cover a family's food shopping, let alone their mortgage and other necessary expenses.'

PROTECTING YOUR FAMILY'S LIFESTYLE

Making sure you have the right protection can protect your family's lifestyle if your income suddenly changes due to death or illness. But with so many different insurance policies available, it can be difficult to know which ones will best protect your family from financial hardship.

That's why obtaining the right professional advice and knowing which products to recommend – including the most suitable sum assured, premium, terms and payment provisions – is essential. ■

IF YOU BECAME SERIOUSLY ILL OR WERE INJURED AND HAD TO GIVE UP WORK, YOU WOULD WANT TO BE SURE THAT YOUR FAMILY COULD CONTINUE TO BE SUPPORTED FINANCIALLY. WE TAKE THE TIME TO UNDERSTAND YOUR UNIQUE NEEDS AND CIRCUMSTANCES SO THAT WE CAN PROVIDE YOU WITH THE MOST SUITABLE PROTECTION SOLUTIONS, IN THE MOST COST-EFFECTIVE WAY. TO FIND OUT MORE, PLEASE CONTACT US.

All statistics are from a nationwide survey of 1,000 British adult employees and 500 employers, carried out for Aviva by market researchers OnePoll. The opinion poll was hosted online between 18 and 21 October 2011.

How will you achieve your investment goals?

Gaining prudent exposure to stock exchange investment without putting all your eggs in one basket

Investment trusts are a way of gaining prudent exposure to stock exchange investment but without putting all your eggs in one basket. They are often categorised into country and regional funds and sub-divided further into funds that invest only in certain industry sectors.

INVESTMENT OBJECTIVES

With their long-term approach, usually low charges and wide choice of investment objectives, investment trusts and investment companies could be used to: grow your wealth; repay a mortgage; build a retirement fund and provide income in retirement; invest for children and grandchildren to pay for school fees, university or a better start in adult life.

LONG TRACK RECORD

Investment trusts and investment companies have a long track record of helping people to achieve their investment goals, whether it is for income, capital growth or both. They allow investors to pool their money together and spread the risk.

The easiest way to understand investment trusts is to think of them as a company, because that is exactly what they are. Just like any other company, they issue shares to raise money from shareholders and then invest that money.

SHARES OF OTHER COMPANIES

The difference between investment trusts and normal 'trading' companies is that investment trusts invest their money in the shares of other companies, rather than in physical assets such as factories or mobile phone networks. Since they are like a company, they are also able to borrow money to invest. However, only a few take advantage of this to any significant extent.

Investment trusts are often referred to as 'closed-ended funds'. Like ordinary companies, they have a set number of shares in existence (although they do occasionally issue more or buy some back).

NET ASSET VALUE

The value of all types of investment fund is made by reference to their net asset value (NAV) per share or unit. This net asset value per share is basically the total value of the trust's portfolio of investments divided by the total number of its own shares or units.

Investment trust shares are traded on the stock market just like those of any other company and so their prices can change on a minute-by-minute basis, according to how many shares investors are buying and selling.

TRADING AT A DISCOUNT

Investment trusts calculate their 'net asset value per share' at regular intervals. Their share prices tend to trade at a discount to their net asset value. There are a variety of reasons for this. One reason is that you could buy the same portfolio of shares yourself directly in the market, without suffering the ongoing management charge.

These discounts make investment trusts slightly more risky, since the value of your investment is affected by the amount that the 'discount to NAV' changes during the period of your investment, as well as the performance of the assets they hold. ■

INVESTMENT TRUSTS AND INVESTMENT COMPANIES CAN BE A PARTICULARLY EFFECTIVE WAY TO INVEST FOR APPROPRIATE INVESTORS. IF YOU WOULD LIKE TO FIND OUT MORE, PLEASE CONTACT US.

Happy ISA Year 2012

Don’t miss out on using your tax-efficient allowance

An Individual Savings Account (ISA) is a tax-efficient wrapper. Within an ISA you pay no capital gains tax and no further tax on the income, making it one of the most tax-efficient savings vehicles available.

If you are planning to open or transfer an existing ISA, you have until 5 April, but don’t leave it until this date. If you miss the deadline, you’ll lose your £10,680 allowance for the 2011/12 tax year forever. HM Revenue & Customs says your ISA application must have been received by your ISA provider and it must also have been processed to qualify.

WHAT TYPES OF ISAS ARE THERE?

There are two main types of ISAs: Cash ISAs and Stocks and Shares ISAs.

Cash ISAs work in the same way as normal savings accounts. You choose if you want a fixed rate account, an easy access (or instant access) account or a regular savings account. The only difference is that you don’t pay income tax on the interest you earn.

With a Stocks and Shares ISA you can invest in individual stocks and shares or investment funds. Any profit you make is not subject to capital gains tax. However, you pay 10 per cent tax on dividend earnings.

WHO CAN SAVE IN AN ISA?

Anyone who is 16 or over and a UK resident can save money in a tax-efficient Cash ISA but to save in a Stocks and Shares ISA you need to be at least 18.

HOW MUCH CAN I INVEST?

As of April 2011, the ISA limit increased for everyone by £480 to £10,680 per tax year. Of this, the maximum amount you can put into a Cash ISA is £5,340, and then the remainder can be invested into a Stocks and Shares ISA.

Alternatively, you may choose to allocate the entire £10,680 into a Stocks and Shares ISA.

WHEN SHOULD I INVEST?

As long as you have not exceeded the current £10,680 ISA limit you can invest in an ISA at any point during the tax year and, depending on the ISA provider, you can allocate lump sums or monthly contributions that fit around your lifestyle.

WILL ISAS ALWAYS BE TAX-EFFICIENT?

The government has promised to keep ISAs indefinitely. However, the tax treatment of ISAs may change in the future.

CAN I TRANSFER MY EXISTING ISA MONEY?

You can transfer the money saved in a Cash ISA to a Stocks and Shares ISA, even if it was saved in previous tax years, without affecting your annual ISA allowance.

TO ENSURE THAT THERE ARE NO DELAYS IN PROCESSING YOUR ISA APPLICATION, PLEASE CONTACT US SOONER RATHER THAN LATER. AGAIN, DO NOT LEAVE THIS UNTIL THE LAST MINUTE. IF YOU DO AND YOUR ISA APPLICATION IS NOT PROCESSED ON TIME, IT WILL BE CLASSED AS PART OF NEXT YEAR’S ISA ALLOWANCE AND YOU WILL HAVE LOST THE REMAINDER OF YOUR TAX-EFFICIENT ALLOWANCE FOREVER.

The value of these investments and the income from them can go down as well as up and you may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

Published by Goldmine Media Limited,
Prudence Place, Luton, Bedfordshire, LU2 9PE