

Newsletter

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Charles Wilkinson
Financial Planning Ltd

Will accident or illness break you financially?

Imagine not being able to work because of illness or accidental injury. A couple of days off work, even a couple of weeks might not make much difference to your finances but just think if your condition was more serious and you were absent for a prolonged period, money worries could soon add to your troubles. Repaying debts, paying household expenses and healthcare costs and accumulating savings for pension becomes difficult if not impossible. The financial consequences are serious but we still see too many people who give greater priority to insuring their mobile phone or family pet than themselves. Not good news for those dependant upon them.

For most people employer and state benefits are simply insufficient to keep you financially afloat when accident or illness strikes; existing savings and investments soon become exhausted if you are spending your capital.

It is even more disappointing that so few people buy income protection insurance when there is such a wide range of affordable and flexible policies available. An encouraging development is the re-emergence of the Friendly Societies. They were established to encourage self-help and personal responsibility and to enable people with limited financial resources to improve their economic status. They do not have shareholders, which means the full benefits of the products are passed onto their customers. They typically offer better returns, lower charges and better service than insurers with shareholders.

Friendly Societies flourish in times of change and insecurity when people need to come together to look after themselves and take collective responsibility for each other. Although you can find organisations with these aims from Roman times onwards, it was the massive upheavals of the Industrial Revolution which brought about the growth of Friendly Societies. With no Welfare State, when the stark alternative was save or the poorhouse, people used societies as a way of contributing a regular sum of money, however small, to provide an income in old age or insurance against sickness or inability.

The modern Friendly Society is dynamic, providing income protection insurance tailored to modern working habits. Features such as career break options, rehabilitation benefits, no increases in premium for occupation, smokers, gender or hazardous pursuits, increasing benefits and optional investment. To obtain your personalised illustration of the benefits contact Stephen or Veronica today.

Closed for the holiday

Our office will be closed from the 5th June until the 22nd June, 2009

During the break we will be checking messages. You can e-mail to cwfltd@msn.com, text on 0791 803 2836 or telephone 01904 631839

For urgent matters or for any enquiries relating to general insurance please contact Illingworth's, 32 Walmgate, York, YO1 9TJ Tel 01904 631622.

Did you know...?

The average salary in the UK is **£25,000**, that is **£330** per week after tax and NI. With just **£79.15*** a week in benefit you would fall short by **£250.85** a week.

*Statutory Sick Pay April 2009, additional Employment and Support allowance may apply

ISA tax changes

In the Budget the Chancellor announced an increase in the annual individual savings account allowance to £10,200 of which £5,100 can be in cash. This is effective from 6th April 2010, however, for those aged 50 and over the increased allowance will apply from 6th October 2009.

Until the new limits come in you can still put up to £7,200 in a stocks and shares ISA or up to £3,600 in cash and £3,600 in stocks and shares. We recommend that clients make transfers from existing investments and savings to use these tax-exempt allowances to the full. If you need guidance on the transfer process, help selecting suitable accounts or investments or forms to carry out the transfer please contact us.

A recent study by Fidelity FundsNetwork into the benefits of a stocks and shares ISA researched the benefit of the tax exemptions on interest, dividends, rent and capital growth, comparing assets held within an ISA with those held in an insurance company bond (offshore or onshore) or a collective investment such as a unit trust of open-ended investment company. Their conclusion was that in all cases, whether you are a basic or higher rate taxpayer the ISA investment gives the best return. The simple message is when it comes to ISA - **Use it do not lose it!**

Cash accounts—savers urged to review rates

Dozens of savings accounts are now paying interest of 0.1% on balances of thousands of pounds even though the accounts are branded as “premier”, “reward” or “bonus”. More than 1 in 4 instant access accounts are now paying near-zero rates on balances of up to £10,000. Even notice accounts are not fairing much better.

The highest paying accounts tend to be the recently launched and include a bonus for a limited time. It is important to regularly review your accounts and move from poor paying accounts. Fixed rate accounts for 1 to 5 year terms (often sold as fixed rate bonds) are more likely to give a better rate but bear in mind that withdrawals during the term may be limited or at a penalty.

Ways to improve your return are:

- Use tax-exempt individual savings cash accounts
- If you have a mortgage use offset accounts
- For couples where one is a non-taxpayer hold the accounts in their name to get gross interest
- Ask us about the special rates and terms available to us with certain providers

A word of warning be very careful with accounts offering a higher rate of interest providing you buy an investment product with the bank at the same time, they are rarely good value for you, although they are very profitable for the bank.

Investments—no effort investing

Recent events have highlighted that investing has become far too complicated, too fast paced, too infatuated with complex trading ideas, too short term, too much chasing the market and with too much cost being deducted so that even reasonable performance is being lost to charges.

It does not have to be like this, we strongly believe that in investing simplicity is the key. First we work with you to decide on your objectives and then we help you decide your attitude to investment risk and recommend asset allocations to meet the attitude, objectives and time scale. Asset allocation is the diversity that prevents the creation of portfolios with a limited number of assets when the ideal is a globally diversified mix. Wherever possible we use indexed funds to get wider diversification at lower cost. Then and only then do we decide on the most suitable product, taking account of tax rules and how best to hold the assets.

Investing should be dull. It shouldn't be exciting. Investing should be like watching paint dry or the grass grow. If you want excitement take £1,000 and go to Las Vegas. If you want to know how to accumulate and maintain wealth contact Stephen.

Legacy law changes – why a will is vital

When a person dies without a will fixed intestacy rules apply to inheritances passing to spouses and civil partners. The rules changed on the 1st February 2009. Under the new rules, when a person, who is married or in a civil partnership dies their spouse or partner automatically inherits up to £450,000.

For married couples or civil partners with children, the surviving individual will inherit up to £250,000 and a life interest in half of the remainder of the estate, the rest of the estate is held for the children or their issue.

The law has never recognised unmarried partners. If you are not married on your death your estate passes to your parents, failing that your brothers and sisters then grandparents then uncles and aunts and if none of these are found the crown will inherit.

The new rules have increased the limits but do not be lulled into a false sense of security or be complacent about the need for a will. Making a will is the only sure way of leaving your estate in accordance with your wishes. Contact us for details of our will writing service, a simple single will costs from just £95, a small price for peace of mind.

Cohabitation

There is a long standing misconception that English law recognises a “common law spouse” i.e. where the parties have lived together for a certain number of years. This is simply not the case; there is no such legal standing and no financial rights that are assumed to go with it. We discussed this in our summer 2008 newsletter and are pleased to tell you we now have the facility to obtain cohabitation agreements at a cost of £150. Please contact Stephen or Veronica for more information.

Care Fees Planning—the liable relative

The National Assistance Act 1948 made spouses liable to maintain one another. The rules applied to spouses only and not cohabiters. Because the Civil Partnership Act of 2004 took civil partners outside the ambit of the National Assistance Act, the liable relative rule has now been repealed by the Health & Social Care Act 2008.

As members of Symponia, an affinity group for specialist care fees planners, it has come to our attention that some local authorities are on a “fishing exercise” and continue to ask spouses and partners about their financial information and record that information to use against the spouse or partner should they require care services in future. If you are involved in this process you do not have to give your information and it is correct to cross through all questions asking for this information.

If you require a copy of our “Guide to Care Fees Planning” please contact Stephen or Veronica.

Business Partnerships—the need for agreements

What do you suppose happens if a business partner dies or a partner goes into bankruptcy? The answer is in the partnership agreement. Of course those who have not been prudent and arranged an agreement assume that the remaining partners and family get together and work out how to proceed—wrong!

In the absence of an agreement the provisions of the Partnership Act 1890 apply. Yes we know that the partnerships of the 1890’s are not quite like the modern partnership but like it or not the 1890 Act still applies. Under the Act a partnership without an agreement is immediately dissolved and any capital the person introduced is returned to their estate. It then divides the growth in the business beyond the introduced capital equally amongst the partners. This arbitrary division is unlikely to meet what the partners would have chosen and all kinds of financial consequences follow from the dissolving of the business.

The solution to these problems is to have a written partnership agreement and if necessary arrange life assurance cover to create payments to the estate of a deceased partner. We can arrange for preparation of a partnership agreement, advise on life assurance and the use of trusts and help you avoid the pitfalls. Contact Stephen or Veronica for more information.

Out and about..

- Stephen has given four presentations on the topic of “Care Fees Planning” to solicitors specialising in elderly clients. These events were held in care homes owned by Barchester Healthcare one of the major providers of quality care in the UK, the venues were:

Mount Vale Care Home—Northallerton

Thistle Hill Care Home—Knaresborough

Stamford Bridge Beaumont—Stamford Bridge

Mulberry Court—York

On behalf of all those who attended we thank Barchester and their managers and staff for letting us use these stunning facilities and for the welcome and hospitality they gave us. Thanks also to Jeremy Davies, Managing Director of Symponia, the affinity group for elderly client advisers, for his help

- Stephen was quoted in the Mail on Sunday commenting on the failings in the continuing care system and the difficulties it presents for the family who need it
- An article appeared in New Model Adviser featuring Stephen and Veronica, entitled “From the altar to the office” about married couples who mutually run businesses. In a separate article Stephen was quoted commenting on the failings of banks and other financial institutions by providing unsuitable products to the elderly, in particular commenting on exit penalties and tie-ins at an age when these are inappropriate.
- Through our membership of Symponia and our work with elderly clients we now offer financial planning to customers of Helping Hands, The Live-In Care Specialists. If you need to know more about the work of Helping Hands or of a person needing care at home please contact Stephen or Veronica

HOT OFF THE PRESS!

Would you like the

Guide to Care Fees Planning

For anyone involved in, advising on, arranging, finding or providing care this simple but comprehensive guide is a must. Request your complimentary copy by e mailing to cwfpltd@msn.com

**Charles Wilkinson
Financial Planning Ltd**

118 Fishergate
York
YO10 4BB

Phone: 01904 631839/656104
Fax: 01904 671080
E-mail: cwfpltd@msn.com
www.cwfp.co.uk



Coffee break thought:

“Just as soon as people make enough money to live comfortably, they want to live extravagantly”