

# Insight

Origen  
Financial Services

Origen Financial Services E-bulletin for Professional Firms

March 2011

Meeting income  
needs

---

Goodbye  
Enterprise Zones

---

Flexible  
retirement

---

Long Term Care

---

About  
Origen Financial  
Services



To contact us call:  
**0844 209 3925** or  
email:clientliaison@  
origenfs.co.uk

**Please click on  
the following links**

## **Meeting income needs**

---

Goodbye  
Enterprise Zones

---

Flexible  
retirement

---

Long Term Care

---

About  
Origen Financial  
Services

## **Meeting income needs**

With savings rates so low and inflation so high, how can savers get the most from their money?

The research publication Moneyfacts\* has stated that there are no savings rates currently available that will enable deposit income to match inflation. Inflation for the year to January 2011 topped 4% Consumer Price Index (CPI) and 5% Retail Price Index (RPI) (National Statistics),

According to Moneyfacts the average savings rate is 0.83%, which means that savers are losing out as prices on the High Street grow. If you also have a mortgage, the impact of lower rates will soften the blow, but for older or retired savers, we cannot put it better than Ros Altmann, Director General at Saga:

“This latest surge in the CPI is a further kick in the teeth for older people who often live on fixed incomes and who rely on their savings for additional income”

To make matters worse, fixed income investors in UK bonds have historically fared very poorly when inflation rises and interest rates start to rise. Long periods of low interest rates on savings, puts the ‘real value’ of capital at risk.

### **So, what can be done for this significant, disadvantaged sector?**

The key point for any potential investors who are seeking an alternative to cash, is to understand their tolerance to risk. Cash returns are undoubtedly poor, but capital is not at risk and there is usually access to funds, so any investor with these dual objectives will do well to sit tight and ride out this particular economic storm. Other savings vehicles – bonds apart – may produce a steady, inflation-beating income stream (such as ground rents) but capital - and potentially access in the case of ground rents - is at greater risk.

As always, there is a range of alternatives, which can provide regular income, or even regular capital withdrawals at a potentially advantaged tax position. However the potential rise in investment risk, no matter how small it might appear to the adviser needs to be in line with the saver’s expectations. Our advisers can help individuals determine their attitude to risk and suggest suitable vehicles for helping them to achieve their financial objectives.

\*Source: <http://www.bbc.co.uk/news/business-12466074>

To contact us call:  
**0844 209 3925** or  
email: [clientliaison@origenfs.co.uk](mailto:clientliaison@origenfs.co.uk)

**Please click on  
the following links**

Meeting income  
needs

---

**Goodbye  
Enterprise  
Zones**

---

Flexible  
retirement

---

Long Term Care

---

About  
Origen Financial  
Services

## Goodbye Enterprise Zones

Enterprise Zones are going, but the Government has offered a replacement.

5 April 2011 heralds the final nail in the coffin for Enterprise Zones and investing in syndicates for the (often sizeable) tax relief available. Whether these have been profitable investments in recent years is open to debate but you may be surprised to learn that the Government has introduced a replacement with a limited shelf life until 12 April 2012.

Rather than focus on investment in new commercial property to regenerate an out-of-town area, the tax relief is now focused on the regeneration of established, city centre buildings. These investment syndicates are not for the typical investor as equity is tied up for over seven years. However, for 50% tax payers (who are able to claim relief on over 90% of the total renovation costs) the net outlay and potential upside might even prove to be a sound alternative to pension planning – especially given the restrictions on the annual allowance from 6 April 2011. Unlike pension savings, this type of arrangement will directly impact on current year income for tax assessment purposes, so may carry an advantageous side-effect.

Please contact us for further information, including the type of investor this is likely to appeal to.

To contact us call:  
**0844 209 3925** or  
email:clientliaison@  
origenfs.co.uk

**Please click on  
the following links**

Meeting income  
needs

---

Goodbye  
Enterprise Zones

---

**Flexible  
retirement**

---

Long Term Care

---

About  
Origen Financial  
Services

## Flexible retirement

Changes from 6 April 2011 will result in greater flexibility for those at age 75.

Changes to retirement income options, announced on 9 December 2010 have generally been well received. These changes will be effective from 6 April 2011, so it is surprising that there has been so little comment since the initial announcements – especially as there are some significant planning points for individuals with larger pension funds.

### **Here we focus on the greater flexibility afforded to ‘pensioners’ with money purchase funds:**

There will no longer be a need to secure an income from age 75, although this date will still trigger the calculation against the Lifetime Allowance (LTA). The ‘capped’ version of income drawdown will continue, although the upper limit of available income will be lower than now. Perhaps the most interesting, and unexpected move is the introduction of the ‘flexible drawdown’.

On selecting this option, the individual must have a minimum secured lifetime income (State + annuity/scheme – main or dependant’s - pension) of at least £20,000 gross per annum. Beyond this, there is no upper limit to the taxable income that can be taken from the flexible drawdown scheme. Coupled with some advanced tax planning, we envisage some likely scenarios where an individual can benefit significantly from this flexibility, although a potential Income Tax rate of 50% and restrictions on future funding/accrual may well curb some of this excitement.

The final point to mention is the stance the Government has taken on death benefits on drawdown funds. Where pension funds have not been forced in to drawdown at age 75, the fund will no longer be subject to Inheritance Tax. For all crystallised funds the tax rate is a flat 55%, which is higher than the 35% rate that currently applies for pensioners below age 75, but lower than the existing punitive charges at and beyond age 75. Remember that average life expectancy today for 60 and 65 year olds is well in to the 80s for men and women.

This is a complex area and the new option has created some interesting planning opportunities. Greater choice means that advice should be taken and we can clarify these changes, making use of case studies to demonstrate the options, with associated advantages and disadvantages.

We have also received further guidance on the subject of carry forward. The good news is that, contrary to initial interpretation, where an individual has a pension plan but has not paid in to it for one of the three carry forward years, this pension input period (PIP) is not excluded and the full £50,000 can be carried forward for this period.

HM Revenue & Customs has confirmed to us that:

1. You don’t need to have made contributions to the scheme to take advantage of carry forward; you just have to be a member of the scheme
2. The contributions can be made to any arrangement

To contact us call:  
**0844 209 3925** or  
email: [clientliaison@origenfs.co.uk](mailto:clientliaison@origenfs.co.uk)

**Please click on  
the following links**

**Meeting income  
needs**

---

**Goodbye  
Enterprise Zones**

---

**Flexible  
retirement**

---

**Long Term Care**

---

**About  
Origen Financial  
Services**

## Long Term Care

Independent Financial Advice is essential for Long Term Care planning.

As expected, the funding of care fees was left well alone in the Welfare Reform Bill as we await the findings of the Dilnot Commission (Commission on Funding For Care and Support), which aims to report back later in July. The only option excluded is a fully supported State system and the five main criteria, (including fairness, choice, sustainability, value for money and ease of use) present quite a challenge to a Commission that reports back to a Government fixated by Big Society and local support/volunteering.

We were delighted though by September's publication, A Guide to Long Term Care, issued by key organisations, such as ADASS (Association of Directors for Adult Social Services), Age UK and others, which signposted the importance of Independent Financial Advice.

Many IFAs, and therefore many professional contacts of these firms, fail to understand that Long Term Care planning advice is a restricted area, requiring specific permissions. IFAs carrying these permissions, such as Origen Financial Services, are particularly well equipped in understanding the needs of clients requiring care and can provide potential solutions for them. Even a working understanding of means testing under CRAG (Charging for Residential Accommodation Guide) is beyond many other financial advisers without the necessary permissions.

Prior planning is far more effective and this is where Legal and Financial Advisers can make a significant difference in legitimately moving assets away from means testing and creating higher income from the remaining assets to meet care fees. When these objectives are achieved, care costs become less of a concern for the family and more capital is protected from this punitive process.

To contact us call:  
**0844 209 3925** or  
email: [clientliaison@origenfs.co.uk](mailto:clientliaison@origenfs.co.uk)

**Please click on  
the following links**

Meeting income  
needs

Goodbye  
Enterprise Zones

Flexible  
retirement

Long Term Care

**About  
Origen Financial  
Services**

## About us

Origen Financial Services is one of the UK's leading Independent Financial Advisers and Employee Benefits Consultants, with over 250 employees located in offices nationwide. Around 390,000 private clients, 7,000 small and medium sized corporate clients and over 70 of the UK's largest organisations retain us as their adviser.

### Advice we offer

#### Private clients

Advice to private clients focuses on holistic or specific financial planning and includes:

- Family protection in the event of death, illness or medical expense
- Inheritance Tax planning solutions
- Pre-retirement planning, including pensions
- At retirement planning, including pension income options
- Investment strategies
- Planning for the elderly
- Financial planning around divorce
- Wealth solutions and tax efficient investments

#### Trustees

We work closely with Trustees to ensure compliance with the Trustee Act 2000. Our advice encompasses:

- Asset allocation and investment advice
- Risk management
- Trustee training
- Tax and 'wrapper' planning

#### Corporate clients

Advice to corporate clients includes:

- Employee benefit design, implementation and management
- Pensions transfer advice to employers and deferred scheme members
- Benchmarking of employee benefits
- Total reward statements and flexible benefits
- Business protection – keyperson, shareholder and partnership assurance
- Corporate investments
- Succession planning
- Exit strategies for owner managers
- Employee communication strategies
- Redundancy and retirement counselling

#### Self-administered pensions

We are an expert in self-administered pensions, offering whole of market advice for Self Invested Personal Pensions (SIPPs) and Small Self Administered Schemes (SSASs). This enables us to provide comprehensive retirement planning for individuals and owner managers, including commercial property purchase.

## Contact us

For further information please contact your usual Origen Financial Services consultant. Alternatively please call our Client Liaison helpline on:

**0844 209 3925**

Our lines are open 8:30am to 5:30pm, Monday to Friday.

**Email us at:** [clientliaison@origenfs.co.uk](mailto:clientliaison@origenfs.co.uk)

**Visit us at:** [www.origenfs.co.uk](http://www.origenfs.co.uk)

**Write to us at:** Origen Financial Services, 1st Floor Pyramid House, Solartron Road, Farnborough, Hampshire GU14 7QL

The 0844 number has a tariff from a landline of 5 pence per minute although calls from a mobile may be higher. All calls to Origen Financial Services Limited are recorded to ascertain compliance with regulatory practice, and for monitoring and training purposes. Origen Financial Services is a trading name used by Origen Financial Services Limited who are Independent Financial Advisers, authorised and regulated by the Financial Services Authority.