The inter-generational pension plan

Pension reforms could mean that your pension plan can pass down between generations.

Legislation going through parliament makes inter-generational pensions possible. If the rules are unchanged, then for death benefits paid from money purchase pension schemes after 5 April 2015 they will be the following:

On your death before age 75

The value of your pension fund can be paid as a lump sum, free of tax provided you have sufficient lifetime allowance available. Alternatively, the fund can be used to provide tax-free flexi-access drawdown or annuity for a dependant or other nominated beneficiary.

On your death on or after your 75th birthday

The same options for dependants and nominees apply, but the tax treatment is different. The lump sum is taxed at 45% in 2015/16 (and at the recipient's marginal income tax rates thereafter) and income is fully taxable.

On the death of a dependant or nominee using flexi-access drawdown

If flexi-access drawdown is chosen by your beneficiary, then on their death the same age-contingent rules apply to their residual fund, but the only income option will be flexi-access drawdown. And the rules will then apply again to their successors and so on.

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. The value of tax reliefs depends on your individual circumstances. Tax and pensions laws can change. The Financial Conduct Authority does not regulate tax advice.

Some Autumn Statement surprises

Mr Osborne's autumn/winter set piece contained two surprises.

The 2014 Autumn Statement was even more like a mini-Budget than its recent predecessors, probably because the next Budget will be so close to the election. The two main features of the Autumn Statement/Budget were:

Stamp Duty Land Tax (SDLT) reform

The Chancellor scrapped the widely criticised 'slab' approach to SDLT, under which one rate of tax applied to the entire property value. This has been replaced by tiered rates, each of which apply to the portion of the purchase price.

In Scotland the picture will change again on 1 April 2015, when the new Land and Buildings Transaction Tax (LBTT) replaces SDLT.

Slice of property value £	SDLT Rate %
Up to 125,000	0
125,001 – 250,000	2
250,001 – 925,000	5
925,001 – 1,500,000	10
over 1,500,000	12

Personal allowance

The Chancellor added £100 to the previously announced figure for 2015/16 personal allowance, taking it up to £10,600. If you are a higher rate taxpayer, for once you will fully benefit from this rise as there was no corresponding downward adjustment in the basic rate band (which will anyway fall by £80 in 2015/16). As a general rule, the income tax changes will mean a tax cut of £120 in 2015/16 if you are a basic rate taxpayer and £224 if you are a higher rate taxpayer with income of up to £120,000.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

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Beware the bands

From April, legislation (but not necessarily your pension provider) will allow you to draw as much as you wish from a money purchase pension arrangement.

But there is a danger in withdrawing large one-off amounts. You could find that the extra income the withdrawal represents drags you into a higher tax band (or bands). What's more, if your total income rises above £100,000 you also could lose all or part of your personal allowance. As ever, take advice before acting.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

Residential care cost changes

There will be major changes from April 2015 in the way that local authorities decide what support they can provide if you need care.

However, the biggest changes will arrive a year later from April 2016 when there will be a cap of £72,000 (currently) on your care funding costs for your 'eligible care needs'. This will be monitored by a 'care account' which the council will set up for you.

Although this is very welcome news, it is not quite as generous as it seems. The cap will not include ineligible care needs such as hiring a cleaner or gardener. Care costs accumulated before April 2016 are excluded from the cap.

More importantly, if you decide to go for a more expensive care or housing option than the council is offering, you will need to top up the extra money yourself and this will not count towards the care cap. Furthermore if you go into a care home, you will be expected to pay around £12,000 a year towards your daily living costs if you can afford it, over and above the £72,000 cap.

We can provide the help you need in planning for your care funding or a loved one's.

Time to think about overseas income

If you have a need for income but you only invest in the UK, now could be a good time to diversify.

While the UK is well known for paying dividends, other countries are increasingly recognising their importance. There is a growing choice of funds which invest overseas for income.

Global dividends are at record highs according to the latest Henderson Global Dividend Index. On an underlying basis, the US, Europe, Emerging Markets and Asia Pacific excluding Japan all achieved impressive double-digit dividend increases during 2014, while the UK, Canada and Japan lagged behind.

The US is the main engine of global dividend growth. As we head into 2015 we have a backdrop of interest rates and inflationary pressures remaining suppressed, which means that equities continue to be a good place to find income.

For the global bond market as we look into 2015, we have a global deflation scare – the new aim for central bankers is to get inflation up to 2%, rather than driving it down as before. This is good news for bond markets.

One thing for investors to be aware of when using overseas bond funds is to what extent, if any, the fund operates a currency hedge. Unhedged funds add an additional source of potential return (and risk).

Let us help you to obtain a level of income that is both attractive and sustainable.

The value of your investments and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. The value of foreign currency denominated assets can rise or fall against sterling's value.

Auto enrolment: 5 million and counting

Deadlines for smaller employers are nearing.

By the time you read this, there will probably be about five million people who have been automatically enrolled into workplace pension schemes since the auto-enrolment process began in October 2012. Most of those new pension scheme members will have been employees of large employers, for which auto-enrolment was a task for the HR department to handle.

More recently smaller employers have started to set up auto-enrolment. So 1 January 2015 was the auto-enrolment staging date for employers with 58 staff on the payroll. By April 2015 all employers with 50 or more staff will have reached their staging date. As the size of employers starting auto-enrolment has dropped, the Pensions Regulator has seen more problems emerge. In its most recent quarterly report the regulator noted the first fixed penalty fines for non-compliance have been levied and the number of compliance notices issued had jumped from 14 to 177.

The message from the regulator to smaller employers is to start preparations a year before your staging date…. assuming you know your staging date! If your business has not yet started to think about auto-enrolment, you may have little time to lose.