Summer 2014

wealth matters.

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the pensions revolution...

Politicians are often criticised for being overprotective and for interfering unduly with personal choice. But in a reversal of this 'Nanny State' attitude, George Osborne has announced the most radical set of pension reforms seen in a generation.

The majority of individuals do not have access to copper-bottomed defined benefit (final salary) pensions and instead save for their retirement through defined contribution (money purchase) pension arrangements. The pension rules effectively forced these individuals to buy an annuity in order to provide their income in retirement.

With annuity rates at historically low levels coupled with the irreversible nature of the product itself, annuities have been seen as poor value and have discouraged many individuals from pension savings altogether. Pensions have always been one of the most tax efficient vehicles available for savers with contributions being eligible for valuable tax relief and the fund being sheltered from most taxes. However, if the options at the point of retirement aren't attractive then these financial carrots to save become irrelevant. There was a real need for reform. If you have been prudent enough to save for your retirement, then you should be trusted not to be reckless.

The Budget has proposed just that, introducing a revolutionary set of reforms which for the first time allow pension savers freedom, choice and flexibility. The reforms are spread over this and next tax year such as:

- The trivial commutation limit has been increased from £18,000 to £30,000 allowing full access to small funds
- The triviality limit on pension funds has increased from £2,000 to £10,000 plus

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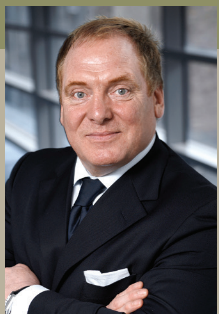
Time for change...



David Cassidy
Chief Executive Officer,
my wealth

"This year's Budget proposed the biggest reforms to the way UK retirees will take their pension.

Failure by pension providers and the insurance industry to give consumers a fair deal on retirement was highlighted in a recent FCA report which has surely been a factor in the changes, described by the Chancellor as 'the most fundamental reform to the way people access their pensions in almost a century'.

At the heart of his announcement is the ability for Defined Contribution (DC) pension scheme members at age 55 to take their pension savings however they want them; they will not have to buy an annuity and can even take their entire pension savings fund in one go.

Whilst this big boost to the flexibility and choice pension savers have is very welcome, it makes it more important than ever that you understand all the options available to you. **If you would like to find out how we can help, please contact us.**"

the pensions revolution...

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by Paul Morton, Investment Planning Director, **my wealth**

individuals will be able to cash three separate funds rather than the previous two and

- **Until April 2015**, the income drawdown rules have been significantly relaxed with the flexible drawdown 'minimum income requirement' reduced from £20,000 to just £12,000 while the income withdrawal limits is 150% of GAD (Government Actuarial Department) rates, up from the previous 120% of GAD
- **From April 2015** there will be no restriction on an individual's ability to draw down from their pension fund and they will not be shoehorned into having to purchase an annuity should that not be their wish

The Chancellor also announced everyone should have access to free, impartial and high quality guidance so they can make confident and informed decisions about their pension savings. We have helped the employees of some of the country's largest employers make informed decisions about their pension choices and have provided access to holistic retirement income options advice. If you have money purchase (also known as Defined Contribution or personal pension) pension arrangements and wish to consider the impact of these radical pension reforms in relation to your own circumstances and needs, then please call us immediately.

Simplicity, flexibility and generosity

Further announcements in the Budget were also welcomed with the income tax personal allowance being increased to £10,500 from next April on top of the increase to £10,000 from 6 April 2014; the starting rate for 'savings income' is also to be increased from £2,880 to £5,000 and the higher rate threshold by a further 1% to £42,285.

Despite rumours of a potential cap on ISA savings, the Chancellor has surprisingly announced an inflation busting increase in the ISA

allowance, raising the 2014/15 allowance from £11,880 to £15,000 from 1 July 2014. The 'New ISA' or 'NISA' will combine the current cash and stocks & shares allowances and individuals will be able to invest the whole amount in cash unlike at present, where only half of the allowance can be invested in cash. Additionally, the new ISA will have greater flexibility allowing investors to transfer all of their present ISAs from stocks & shares into cash and vice versa. Previously, cash ISAs could be transferred into stocks & shares but the transfer was one way and you couldn't go back into cash.

Freedom, flexibility and choice is great news for investors. Should you require any further clarification or advice on your own particular circumstances, please do not hesitate to contact us. MW

make the most of your ISA.

Your ISA allowance is one of the few tax breaks you can get as an investor. It means you don't have to pay income tax or capital gains on your returns. You don't have to declare ISA returns on your self-assessment form.

The annual investment allowance for stocks and shares ISA is currently £11,880 and increasing to £15,000 from 1 July 2014.

Don't delay, act now.

Call **0800 028 3200** to speak to one of our Advisers. WM

exploring the options.

When it comes to retirement income, an individual may only get one chance to make what may be the most crucial financial decision of their life.

You may have been contributing to a pension plan for a large part of your working life, and it is now time to take advantage of the benefits that it can offer. There are many options available to you and it is important that you understand the choices you have and how to make best use of them. Exploring all of the options can help you to make the right decision with regards to your retirement income. Your options at retirement can include annuity, income drawdown, and phased retirement, but you should consider what is appropriate to you and your individual circumstances.

If you would like to explore your options in retirement, please contact us today to see how you can make the most of your pension savings. WM

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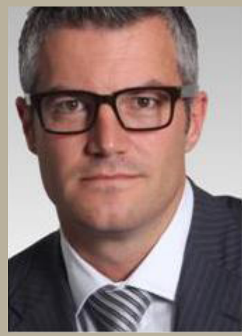
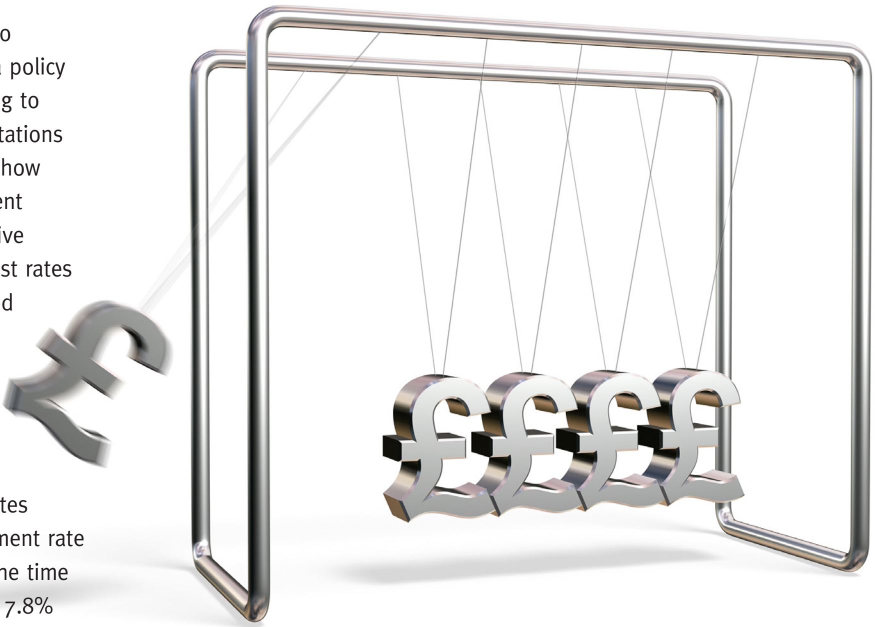
Market UPDATE



by Ian Copelin,
Investment
Director,
my wealth

shifting the goalposts.

The first impressions of Mark Carney back in August when he became the new Governor of the Bank of England (BoE) were extremely positive. He was an outsider with a fresh perspective, a plain speaker and decisive (he introduced the UK to 'forward guidance' during his first Monetary Policy Committee (MPC) meeting).



When Mark Carney introduced the UK to forward guidance (a policy which involves trying to move market expectations by telling investors how long the BoE's current highly accommodative stance of low interest rates would be maintained as economic conditions improve) it was on the premise that the BoE would not raise interest rates until the unemployment rate fell below 7%. At the time unemployment was 7.8% and the MPC projected that it could take at least 2 years for this 7% threshold to be hit.

However, this decision proved very unfortunate as almost immediately from the moment that Mark Carney linked the UK's interest rate policy to this one very visible measure, benefit claimants fell sharply!

Consequently, ever since that August announcement he has been trying to calm market nerves that an increase in interest rates was not in the offing by stressing on numerous occasions that the 7% threshold was not necessarily the catalyst for increasing interest rates, but simply a level at which the BoE would become less tolerant of inflation.

However, the damage was done and this disbelief was clearly reflected in a recent Saga poll carried out by Populus (involving 9,685 customers), where 53% of those asked thought the BoE would increase interest rates by the end of 2014.

With the unemployment rate now down to just 6.9% and below the 7% threshold (the unemployment rate can be - and has been - affected by a number of factors such as participation in the labour market, average hours worked and the extent of involuntary part-time working), Mark Carney has been forced to abandon his original unemployment rate based guidance for a broader range of indicators (a highly convoluted reference to 18 factors to be precise!), with a focus on the output gap.

As explained in my last market update, titled 'Goldilocks and the 3 knockouts' (which can be found on our website), the output gap – or spare capacity - is the difference between potential GDP if the credit crunch had never happened and what it actually is now. The BoE believes that the output gap is currently around 1.5% of GDP.

With this margin of slack in the economy, the BoE has plenty of scope to keep interest rates at their current level until 2015, especially as inflation isn't likely to be a problem - in fact, I believe that inflation could well surprise on the downside! The Consumer Price Index (CPI) has fallen to 1.6% which is below the BoE's target of 2% and given the potential for a supermarket price-war, coupled with the utility price freezes announced in March, softer commodity prices and the recent strengthening of the pound, in my opinion it is highly likely that CPI could continue to fall this year. If inflation is persistently running below the BoE's 2% target and longer-term inflation expectations remain well anchored it will be difficult for the BoE to justify increasing interest rates.

Although the BoE's guidance is effectively unchanged (i.e. there is absolutely no rush to increase interest rates and when interest rates do rise, I predict increases will be slow and are unlikely to rise as high as they were before the financial crisis), Mark Carney's credibility has been severely damaged by his willingness to shift the goalposts so quickly.

WM

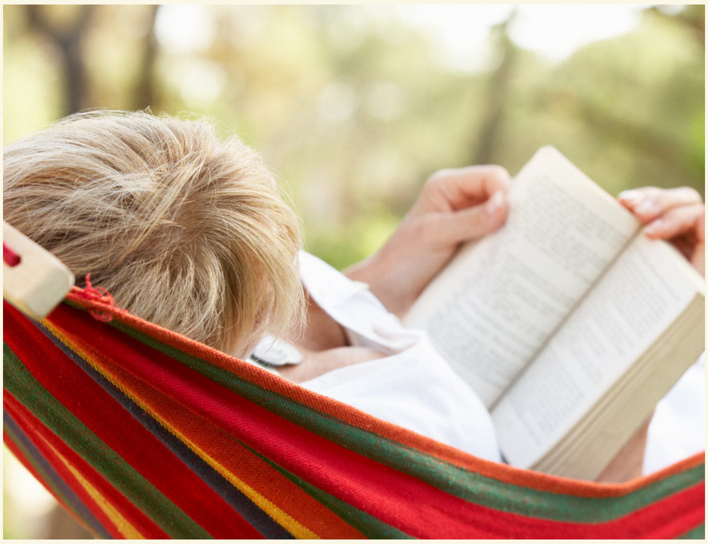
life in retirement.

Everyone is entitled to a happy retirement. After years of working, saving, and growing your pension pot, the least you deserve is a comfortable and financially secure retirement.

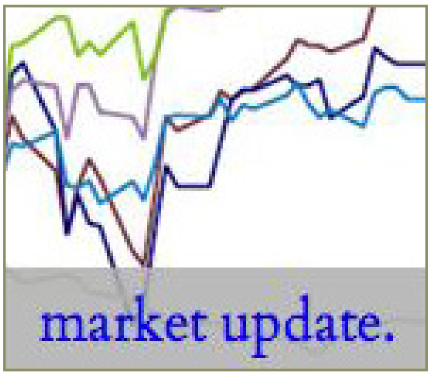
You may have all the equipment to achieve your ideal retirement but you also need to know how to get the most out of your hard earned savings.

The majority of individuals now have some form of workplace pension scheme, perhaps as well as access to employer sponsored share schemes. These are ideal in ensuring people are saving for the future, but depending on whether you are currently saving for the long or short term, there are various options available that will see your savings transform into a retirement income. The pension reforms announced in the Budget provide far greater flexibility at the point of retirement and it remains vitally important to take an holistic approach to your retirement planning. With money purchase pension funds becoming more accessible, you need to consider how taxable savings interact with the more tax efficient wrappers of ISAs and pensions.

my wealth will provide you with practical advice and guidance on how best to utilise your savings through retirement. Established in 2005, our aim is to help individuals across the UK to take control of their financial future. Over the past few years, the financial world has changed – markets are increasingly more volatile and prone to sudden, sharp movements. Furthermore, the Bank of England recently announced that interest rates are to remain low until 2016. All of this impacts investments, including those in or approaching retirement.



It is now time to rethink retirement and this is where **my wealth** can help. With pensions now offering far greater flexibility and control we can give you help and the knowledge you need to make the right financial decisions for your future. We provide practical guidance on investing tax efficiently and general money management, to help you reach your financial goals. The investment advice we offer is without charge or obligation to you. If you decide to follow our recommendations and become a **my wealth** client, our clear and simple pricing will ensure that you know at all times exactly what you're paying. Whether you are approaching, or are already in retirement and would like to meet with a **my wealth** Adviser, please contact us. WM



The **my wealth** website includes the latest news and information from **my wealth**, as well as market updates. Keep up-to-date with the latest news and see how we can help you invest for your future.

Visit us at
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Keep up-to-date with the latest news from **my wealth**. For the latest market updates, news and information follow us **@_mywealth** and join the conversation!

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