

**UK Budget –
More Impact to you than the
Fund Performance?**



UK Budget

More Impact to you than the Fund Performance?

Yes, I know, it is budget time again. Yippee!

The older I get, the more I notice that my friends and I seem to take more notice of the full range of topics covered in the Chancellor's announcements (and not just the price of alcohol and petrol!).

There are many guides and summaries aiming to make sense of the statement, and how it impacts the people of the UK.

From my perspective, the biggest impact in the world of investments and financial planning relates to the tax allowances and shelters which are legally and ethically available from the Government. This is because, while most of us focus on whether our investments are doing well, we look at investment performance above all else.

What is the reason for the fixation on performance?

A well-researched and documented human bias is known as loss aversion.

Daniel Kahneman and Amos Tversky won a Nobel prize in economics by establishing that we humans feel the loss of something twice as much as we feel about receiving the item in the first place.

Loss aversion, also known as 'loss motivation', drives us to fear losses over gains.

As a result, we look at the performance of our investments arguably, to ensure we are not losing our hard-earned money by investing in a poor performing investment.



The travesty is that if the investment is not 'held' correctly it can mean losing money unnecessarily to the taxman and reducing returns.

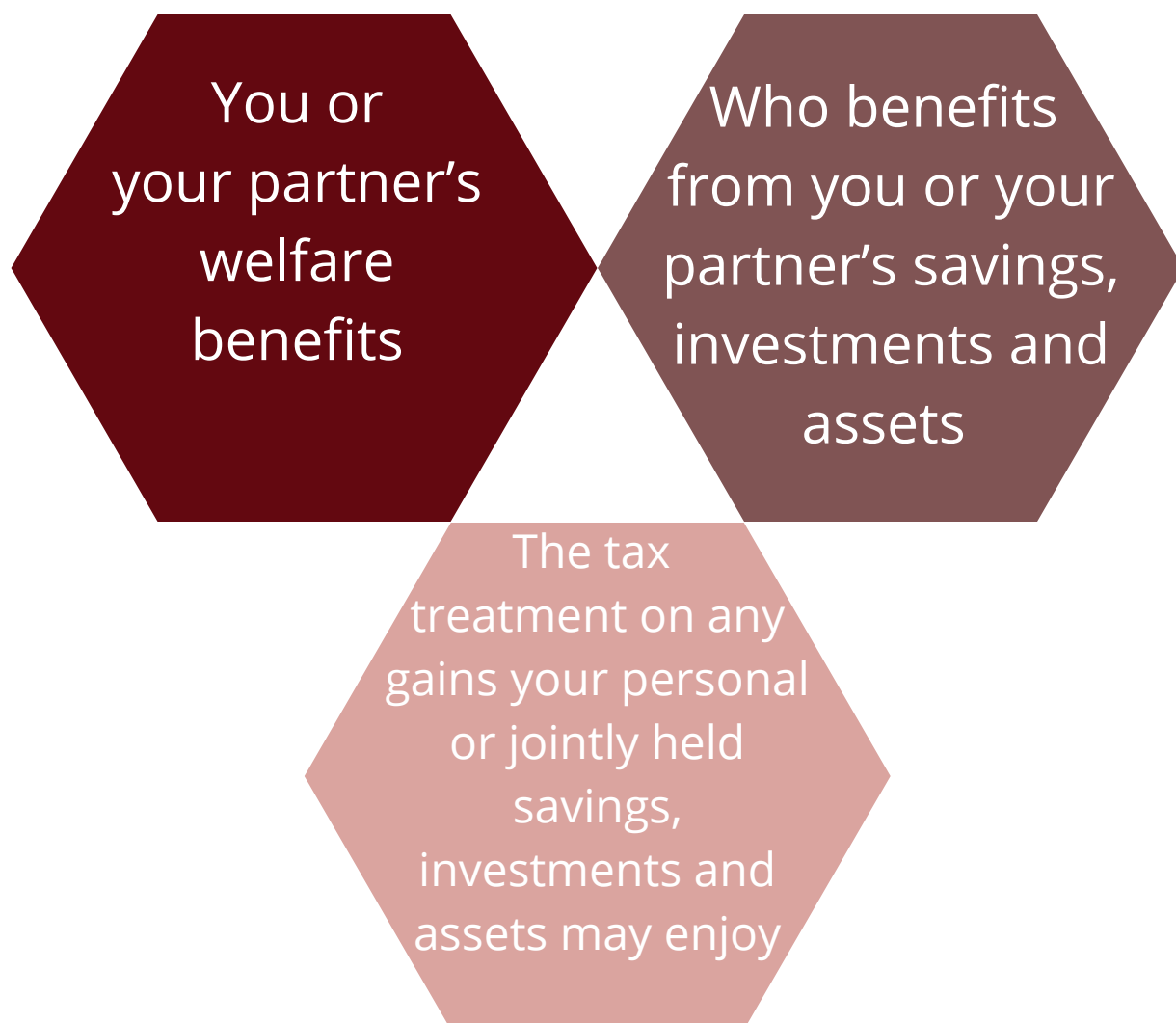
Single digit investment returns per annum are expected now by many.

But get the tax status wrong by accident and the tax charges are DOUBLE digit (10%, 20%, 40%, or even 52%!) – and this impacts not just for the super wealthy but the 'average' person in the street too.

The 'plan' you have put in place, using tax shelters whose tax status, and therefore benefit(s) and suitability for purpose may now be changed because of changes announced in the Budget statement.

Arguably, the starting point is to ask the question, because of any budget changes, are your hard-earned savings, investments and assets 'held' in the right name, ownership and / or tax shelter?

What effect do any changes have on:



Right Name

In this context, 'right name' means, is the asset held in the right name at the time the asset is to be needed and distributed?

This could be as simple as ensuring:

You and your partner's tax codes are correct and are being applied accurately

Your cash / money on deposit in bank accounts is split between you and your partner to ensure you are allocating the interest received by making best use of your personal allowances

You and your partner are making pension contributions to the right person's pension fund to claim the tax relief now, but not lose money by paying too much tax when either of you take your pension.

Ownership

Have you placed you and your partner's savings, investments, and assets under an appropriate trust to:

Pay the right money to the right person or charity at the right time

Not lose money by paying too much inheritance tax, legally and ethically

Avoid a time-consuming wait for probate

Are you and your partner's savings, investments and assets held in single names, jointly owned or (and please forgive the jargon), cross proposed?

You and your partner could be missing out on making use of your joint allowances, where they are applicable.

Tax Shelter

Are you and your partner's savings, investments and assets in the right tax shelter allowing you to:

Reclaim tax
back that you are
owed –
for example on
pension
contributions

Defer tax until you
want to access or
spend the asset when
your tax position and
the taxation on the
asset may be less than
it is today

Save tax on the
future growth of
your asset –
for example
an ISA

The above might seem complicated and often people only get the full job, half done. This is where a professionally qualified adviser can help make sure you do not miss out on the financial planning opportunities which exist.

What may have been right last year may not be now due to the Budget Statement, so don't let a lack of knowledge, apathy or inertia lose you money!!

The value of pensions and investments can fall as well as rise. You may get back less than you invested.

Tax treatment varies according to individual circumstances and is subject to change.

