



ST. JAMES'S PLACE
WEALTH MANAGEMENT

SUCCESSFUL RETIREMENT PLANNING

PARTNERS IN MANAGING YOUR WEALTH



THE LUXURY OF CHOICE



Wealth gives us choice. Fundamentally, it determines our lifestyle and the relationship between work and leisure – how much of our time is devoted to generating wealth and how much to enjoying it.

On a more practical level, a range of investment choices allows a portfolio to include varying degrees of risk and varying styles of investment management. It may also allow investments to be reinforced with tax relief.

PENSION SCHEMES – THE TAX GIVEAWAY



Pension schemes have always been tax efficient, but historic restrictions on contributions prevented them from being an important constituent of an investment portfolio for many successful people. Furthermore, membership of an employer scheme prevented any meaningful personal investment.

The whole system was designed to provide an ‘adequate’ income from a pension age of 60 or 65. But some people, quite justifiably, want their endeavour and success to buy them access to larger funds at an earlier age. Current rules reflect this and:

- There is no link between ceasing work and accessing funds
- Employer schemes can now be topped up by personal plans
- Large contributions can be paid.



THE GOOD THINGS REMAIN



What makes pension contributions unusual is that tax relief is available on the investment and on the benefits.

Personal contributions are payable net of basic rate tax of 20% and some are relievable against the highest marginal rate of tax. So if a member pays a contribution of £24,000 net of basic rate tax, the scheme will invest £30,000.

Assuming that 40% relief is available on the whole contribution, the effective cost of the contribution will be reduced by a further 20%, or £6,000 in the example, to £18,000. The additional 20% of tax relief is obtained by submitting a self-assessment tax return.

Just to emphasise the advantages of pension arrangements, 25% of the fund is then available as a tax free cash sum from age 55 (this will rise to 57 in 2028).

The levels and bases of taxation and reliefs from taxation can change at any time. The value of any tax relief depends on individual circumstances.

*If you are a higher rate taxpayer,
submitting a self-assessment tax return could result
in an additional 20% of tax relief.*

YOUR BONUS OPPORTUNITY



Nowadays, it is common for the remuneration package of a high earner to include a substantial performance-related bonus element. This implies that there will be some years that are better than others. These rules provide an opportunity to invest bonuses with tax relief and build long-term investment over a shorter period.

Indeed, in some cases it may be possible for the employer to redirect a bonus, or part thereof, into a pension scheme and so not need to make National Insurance contributions on the payment into the scheme.

TAKING BENEFITS – THE CHOICE IS YOURS



One of the big differences that legislative changes have made is to put investors in control of their long-term wealth planning again. Here are some of the main changes worth considering:

- There is no requirement to purchase an annuity with the pension fund
- The fund, or any part of it, may be used to purchase an annuity that can continue, and therefore provide an income, after your death
- The fund can be actively managed while you take an income
- The arrangement can provide a lump sum on death that will be tax free if death occurs before age 75, and an important part of inheritance tax planning
- You need not retire to take benefits (and will not be required to take benefits at retirement).

This level of freedom marks a radical step towards returning control of pension plans to their investors.

Taking an income from the fund will reduce the size of your pension fund and the investment growth may not be sufficient to maintain the level of income you wish to draw. If you withdraw money at a rate greater than the growth achieved by your investments, your remaining fund will reduce in value. The level of income you take will need to be reviewed if the fund becomes too small – this is more likely the higher the level of income you take.

The income you receive may be lower than the amount you could receive from an annuity, depending on the performance of your investments.



USE THE SIMPLIFIED TAX REGIME TO YOUR ADVANTAGE



The pension tax rules can be summarised as follows:

TAX RELIEF

- Personal contributions are relievably against your income tax
- They are payable net of basic rate tax with any higher rate relief being claimed via the self-assessment process
- Employer contributions are a deductible business expense
- Employer contributions are tax free for the employee, provided they do not exceed the Annual Allowance
- Pension funds are free of all UK income and capital gains tax (although they are unable to recover the dividend tax credit)
- Generous tax free cash sums of 25% are available on retirement and even more generous tax free benefits are available to dependants upon your death should death occur on or before age 75.

The tax benefits of a pension will depend on your circumstances and tax rules, both of which can change.

MAXIMUM CONTRIBUTIONS

There is an 'Annual Allowance' of contributions on which you will not be taxed. From 6 April 2016, anyone with total income from all sources above £150,000 will see their annual allowance reduced by £1 for every £2 of income above £150,000. The maximum reduction is £30,000 – reached if your income is at least £210,000 – which would result in an allowance of £10,000.

It may, in certain circumstances, be possible to 'Carry Forward' unused allowances from previous years and as a result benefit from an increased Annual Allowance. This is, however, potentially complex and advice should be sought.

Within the Annual Allowance there is a limit on personal contributions that qualify for tax relief. This is 100% of earnings.

INVESTMENTS

Subject to the rules of the scheme, there are no real restrictions on investments. However, there may be severe tax charges for investment in residential property or 'tangible moveable assets', whether it is direct or indirect.

A pension plan may borrow, within limits, to purchase an asset.

PENSION BENEFITS

These comprise a tax free cash sum and income. The type of income chosen determines how long it will be paid for. Benefits can generally start to be taken from age 55 (this will rise to 57 in 2028). There is no link between working status and timing of benefits. After age 55, the member may take benefits when needed, in full or in part.

It is possible to take the cash sum without the need for any income.

The income may be provided by way of annuity purchase or withdrawals from the fund or a combination of both. The introduction of benefits may be phased.

The cash sum will usually be tax free and the pension will be taxed as earned income (without any liability to National Insurance).

The lifetime allowance for 2018/19 is £1,030,000. Any fund in excess of this allowance will be taxed at the point when benefits are taken, at a rate of 55% on the excess of the fund over the lifetime allowance when taken as a lump sum. It may be possible to apply for protection from the lifetime allowance, depending on the value of your pension funds; or you have not contributed (either personally or on your behalf) to pensions, since the start of the 2016/17 tax year.

DEATH BENEFITS

In the event of your death before age 75 you will be able to pass your pension fund to any beneficiary tax-free. This applies whether the fund is taken as a lump sum or as income.

In the event of your death at 75 or over it will be possible to pass your pension fund to any beneficiary. If your beneficiary receives income payments, the beneficiary will pay Income Tax on the amount they receive at their marginal rate. Alternatively, it will also be possible for a beneficiary to take the pension fund as a lump sum taxed at the recipient's marginal rate.



A LONG-TERM STRATEGY IS KEY



For wealthy investors, the case for pension investment can often be made on tax relief alone, but there are other opportunities to utilise such investments as an essential part of a long-term wealth management strategy.

The St. James's Place approach to long-term wealth management offers a range of investment funds, covering an array of economic and geographical sectors. It also offers a choice of successful specialist investment managers who are subject to our monitoring discipline.

This has a number of advantages:

- It gives us freedom to select first-class managers from the whole market to manage our various funds
- It enables us to change any of those managers at short notice if we have lost confidence in them, without any charge or inconvenience to our clients
- It offers our clients the opportunity to spread their money between funds managed by different investment firms to give real diversification of risk
- The cornerstone of the St. James's Place approach is its Investment Committee. The Committee's role, very simply, is to 'manage the fund managers' on behalf of our clients. It selects, monitors and if necessary changes the managers.

With thousands of fund managers to choose from this is a huge task. To advise the Committee we retain independent consultants such as Stamford Associates, Redington and others. This sophisticated service is not available to private clients elsewhere, but as a major corporate client we can access their skills and, in turn, make them available to our clients.

The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.

We also offer a Self Invested Pension Plan (SIPP) facility, which allows you to direct how part, or all, of your pension fund should be invested. A typical portfolio might have the investor pitting their expertise in a sector against the skills of one or more of our investment managers – and all under one arrangement! In this way, the investment will uniquely reflect your circumstances and objectives.

SIPPs do however tend to have higher costs than a standard pension and active management is essential to maximise the benefits of the wider investment choice on offer. For these reasons, they will not be suitable for everybody and generally only those who are fairly experienced at actively managing their investment should consider this type of investment.

YOUR NEXT STEPS



As an expert in wealth management, your St. James's Place Partner can talk you through the full range of retirement options and create a bespoke income solution for you. If you are interested in discussing your options in more detail, contact your St. James's Place Partner.

For further information, please contact your St. James's Place Partner, call St. James's Place on 0800 0138 137 or visit www.sjp.co.uk.

ABOUT ST. JAMES'S PLACE



We are a FTSE 100 company that provides highly personalised, face-to-face wealth management services to individuals, families, trustees and businesses. With over £90 billion of client funds under management, we are well established as one of the UK's leading wealth management organisations.

Our wealth management advice service is delivered through the St. James's Place Partnership. Its members, called Partners because of the way they work in partnership with their clients, comprise some of the most experienced and able professionals working in wealth management today.

BUILDING LONG-TERM RELATIONSHIPS

We place clients at the very heart of everything we do and recognise that your circumstances and objectives are unique. Our advice and service are personally tailored to you, and are underpinned by our distinctive approach to investment management in which we select some of the best fund managers from around the world. Clients often continue the working relationship with their Partner over many years, appreciating a source of trusted advice as their financial needs and priorities evolve over time.

YOUR PERSONAL GUARANTEE

To provide you with added peace of mind and reassurance, we also guarantee the suitability of the advice given by members of the St. James's Place Partnership when recommending any of the wealth management products and services available from companies in the group, more details of which are set out on the group's website at www.sjp.co.uk/products.

AWARD-WINNING WEALTH MANAGEMENT







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