menzies wealth management

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Spring 2010

Menzies Wealth Management gets stronger

Menzies Wealth Management Limited was launched on 1 January 2009 as the partners of Menzies LLP felt that their clients would benefit from being able to have both their tax and financial planning needs managed under one roof.

As Managing Director of Menzies Wealth Management, I was offered the fantastic opportunity to build a new and efficient business, with state of the art IT Systems, from scratch. The first years trading was very successful and the company took responsibility for many clients' financial planning and wealth management needs.

On 17 November 2009, Menzies LLP concluded a merger with Morley and Scott. The merged firm will be known as Menzies LLP and is now one of the largest regional accountancy practices in the South East.

The move, which creates a firm with fee income in the region of £32 million, is part of an ongoing strategy to focus on SMEs and smaller corporate enterprises by providing them with specialist accountancy and tax advice.

The Partners of Morley and Scott had offered financial planning advice to their clients for many years with a long established team. Following the merger, Morley and Scott's financial planning team was integrated into Menzies Wealth Management Limited.

"The new team has now over sixty years combined experience advising clients within a professional practice. In addition, I was delighted to welcome a strong administration team to the company."

Menzies Wealth Management now has five advisers, including myself, with experience in most areas of financial planning and wealth management. We are independent financial advisers, directly authorised by the Financial Services Authority and able to work on a commission or fee basis, as our clients wish. Morley and Scott Financial Planning has published Find for many years and we have decided to continue the tradition. Find will be published quarterly online and will discuss topical financial planning ideas which we hope will "strike a chord with you".

If you would like to meet with one of my team for a no-obligation, no-cost financial planning review then please email me enormanwalker@menzieswm.co.uk and I will make the necessary arrangements.

Year end tax planning

Many tax planning opportunities are renewed at the start of the new tax year but if action is not taken before the end of the previous one, allowances and exemptions may be lost forever. Menzies Wealth Management and the practice generally have great expertise in this area and would welcome the opportunity to meet with you to discuss end of year tax planning opportunities.

Pension contributions – These can currently receive income tax relief at UP TO 40%, however there is a belief that due to the current fiscal squeeze this may not continue.

Child Trust Funds – Parents can contribute up to £1,200 per annum free of income and capital gains tax for eligible children.

Individual Savings Accounts – Invest up to £10,200 each year and build up an investment portfolio free of income and capital gains tax. The under 50's are restricted to £7,200 for the 2009/10 income tax year.

Enterprise Investment Schemes – Invest up to £500,000 with 20% income tax relief.

Venture Capital Trusts – Invest up to £200,000 with 30% income tax relief.

Film Schemes – Tax efficient investment opportunities are currently available.

Capital Gains Tax – Use your annual exemption of currently £10,100 before the 5 April 2010 or lose it. Married couples should remember they have a combined £20,200 exemption.

Trading losses – A trading loss from self employment can be offset against capital gains provided a claim is first made against income in the same year.

Inheritance Tax – Taxpayers have an annual exemption of £3,000 which can only be carried forward one year. Use it or lose it.

Space is limited in this publication so we have only been able to offer a flavour year end tax planning opportunities. If you would like more detail then please look at our website or alternatively please speak to your normal point of contact at Menzies LLP.

Removal of personal allowance

As part of its strategy to repay some of its mountainous debt, the government has decided to remove the personal allowance from high earners from the 2010-11 tax year.

The strained logic for this is that the personal allowance is a relief against 40% tax for high earners, or indeed 50% tax for very high earners.

Those whose incomes exceed £100,000 per year will see their personal allowance removed at a rate of £1 for every £2 in excess of £100,000 until it is completely exhausted when income reaches £112,950 (based on 2009/2010 tax rates). Bearing in mind this income has already been taxed at 40%, this gradual reduction in the personal allowance amounts to the equivalent of a further 20% income tax rate to 60%.

The Mathematics:

Current position:
Salary £112,950
£6475 @ 0% = £0
£37400 @ 20% = £7,480
£69075 @ 40% = £27,630
Total Tax: £35,110

From 6 April:
£37,400 @ 20% = £7,480
£75,550 @ 40% = £30,220
Total tax: £37,700

Increase in tax is £2,590 which is 20% of £12,950. Therefore an effective 60% marginal rate of income will be payable

The only way to avoid this is to reduce income to below £100,000.

Here are two options to consider:

Pension contributions – these have the effect of reducing taxable income; so an individual earning £112,950 and choosing to make a 'gross' Pension Contribution of £12,950 benefits from an 'effective' 40% Tax Relief on the Contribution. The Gross Contribution also reduces their 'income' to £100,000 which saves them an additional £2,590 of Income Tax.

If an individual is able to negotiate their salary down to £100,000 and have the same contribution paid by their employer this would save a further £129.50 in employee national insurance contributions and £1657.60 employer national insurance contributions. The employer may be willing to share the NIC saving with you!

Gift Aid – The grossed up value of a gift aid donation to a registered charity has the same effect as a pension contribution. So using the same £112,950 salary above, a net charity contribution of £10,360, reduces income to £100,000. The charity receives £12,950, plus a further 3% government uplift to £13,338.50.

If you are concerned that you might be affected by this change to taxation legislation, then please speak to your normal point of contact at Menzies LLP.

Tax Efficient Investments

The likelihood of tax rises in the years ahead is now a forgone conclusion and this is serving to focus our clients' minds on the opportunities to avoid taxation.

There are a lot of schemes currently being marketed, both by email and in the Press. However they need to be approached with great care. Venture Capital Trusts for example offer a 30% income tax deduction, combined with the opportunity to receive tax free income and realise capital gains free of tax in future.

The mantra that 'The Tax Tail must never wag the Investment Dog' is important. These are quite rightly considered high risk investments and therefore need to be treated carefully.

"We often suggest to clients looking to invest in VCTs that they should invest in a number of trusts in an effort to reduce future investment volatility."

Menzies Wealth Management would be delighted to advise you on tax efficient investments if you wish, either because the opportunity of avoiding future income and capital gains tax appeals to you or perhaps you are looking for a second opinion in respect of a proposition that has been presented to you elsewhere and are looking for an objective assessment of it.

If you would like to investigate tax efficient investment then please contact **Eric Norman-Walker**

Don't put off the will

It is understandable that so many of us put off the task of making a will. After all, it makes us think about our mortality and consider things which we hope will never happen. However, without one, you might be surprised to find out how easy it is for your assets to be distributed out the wrong way.

The exact rules of distribution depend where in the British Isles you live as some details differ between Scotland, Ireland and England & Wales. However, if you are not married, for example, the law is united in saying your partner may get nothing. Without a marriage certificate, your children and parents will benefit instead.

Even if you are married, there are many good reasons for making a will. First and foremost, it allows you to take positive decisions over who gets what – including friends, friends' children, charities and local societies who are entitled to nothing without your say. You can also decide if ex-partners – or perhaps more importantly, ex-partner's children – should be helped out. And, if your estate is greater than £325,000 (£650,000 for married couples), a will can help you plan to reduce your Inheritance Tax liabilities.

In thinking like this, making a will can actually become a very positive, rather than negative experience. Considering these things in advance can actually help your peace of mind and ensure that all you family and friends will be looked after in exactly the way you want them to be.

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