

# acumen

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## About us

AC Mole Financial Services LLP was formed in 2006 as a joint venture between AC Mole & Sons and investment advisers Rowan & Co Capital Management PLC. The LLP is an appointed representative of Rowan & Co Capital Management PLC (which is authorised and regulated by the Financial Services Authority).

The connection between A C Mole & Sons and Rowan goes back over twenty years. Many A C Mole & Sons clients have long been – and will continue to be – looked after by Rowan directly, but the joint venture provides a local service to those looking for financial advice for the first time and to those seeking a new adviser.

Adviser Caroline Perry is based at A C Mole & Sons offices at Stafford House in Taunton, but is also available for appointments at our Bridgwater office. Caroline has been with AC Mole Financial Services from the beginning and has a wealth of experience, having been involved in financial services for over 20 years after graduating from Manchester University with a degree in Management Sciences.

Assisting Caroline is administrator Toby Kearney, who has a background in insurance, banking and mortgages.

### AC Mole Financial Services LLP offers a broad range of advice including:

Investment planning using bonds, unit trusts and discretionary managed funds

Tax efficient savings such as stocks and shares ISA investments

Pensions planning, including personal pensions, SIPP's and company schemes

Retirement planning, including annuities, income drawdown and phased retirement

Tax planning including inheritance tax, capital gains tax, income tax and trust planning

Protection planning, including life assurance, income protection, critical illness cover and business protection.

**If you are looking for independent, professional, easy to understand advice, why not call us today?**



## Investing in *'interesting'* markets

The old Chinese curse runs "May you live in interesting times" and the turmoil in the World's markets in recent months would probably fit that description.

2008 was an extremely difficult year for investments and the FTSE 100 fell from a peak of 6376 to a low of 3780. The combined effects of the bank crisis and a worldwide loss of confidence has resulted in some of the toughest investment conditions for many years.

Traditionally during difficult periods for equities, investors have been able to take refuge in the relative safety of bonds and cash investments. This time around, however, the collapse of well known financial institutions and the resulting government bank bailout has made even

cash investments feel risky. Coupled with low interest rates it can be difficult to know where to invest.

At times like this it is more important than ever that your investments are kept under review. Some funds have weathered the conditions better than others and despite the market turmoil there are still some good investment opportunities out there.

**If you haven't recently undertaken a full review of your investments we would be delighted to do this for you.**

# Make a sacrifice – and gain an advantage

**The Pre Budget Report was intended to deliver a boost to the UK Economy, but there was a sting in the tail in the proposal that National Insurance (NI) rates will increase in April 2011 to help fund the package of measures.**

The concept of salary sacrifice has been around for many years but with the current and proposed levels of NI it has assumed a new importance as a way of reducing both employer and employee NI contributions. Briefly, an employee can choose to take a lower salary in exchange for a payment by the employer into a suitable pension scheme, saving tax and NI personally and also saving his employer NI. A win:win situation.

The concept is ideally suited to high earners, who may find that the reduction in tax and NI contributions combined with the savings made by no longer having to make personal pension contributions offset the lower salary.

Care must be taken though, for there can be downsides. For example, members of final salary schemes - where the pension is based on salary - could find that their pension is reduced as a consequence, as well as any salary related benefits such as life cover or bonuses. It is therefore vital to obtain advice on the suitability of salary sacrifice in individual circumstances.

## To bypass or not to bypass?

It is a commonly held perception (and quite true) that in the event of a pension policy holder not living to enjoy the benefits of his or her pension savings that the whole of the accumulated fund will be paid out under trust to a previously nominated beneficiary, often the surviving spouse.

As a result, the proceeds of the plan do not fall into the deceased's estate and are not therefore liable to inheritance tax (IHT). It is, however, entirely possible that on the death of the surviving spouse, the proceeds will fall into his or her estate, so that taking the couple as a unit the benefits are potentially subject to IHT. This potential IHT charge can be avoided by making the nominated beneficiaries the children.

But what if it is important that the spouse becomes entitled to the benefits, in whole or in part? A way around this impasse is through the use of a spousal bypass trust. Instead of naming the spouse as beneficiary, the fund passes to the trust. Under this trust the member's spouse, children and grandchildren can be potential beneficiaries. The member can then advise the

trustees of his registered pension scheme by an expression of wish that he would like them to consider paying to the trustees of the spousal bypass trust any lump sum death benefit that may become payable from the scheme.

The trust falls under the discretionary trust tax legislation which carries tax implications of its own. Whilst by setting up the trust with a nominal amount it would be possible to avoid the initial 20% IHT charge, the trust would also potentially be subject to periodic IHT charges. These potential IHT charges need to be taken into account when assessing the suitability of this solution but with good planning, the savings can be substantial. It is very important to take independent advice before entering into this type of arrangement.

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