UNISONMONEYTALK

The personal finance newsletter for UNISON members published by Lighthouse Financial Advice

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Last chance to use your annual allowances

Although we have only just started a new calendar year, the end of the 2013-2014 tax year is just a few weeks away. The good news is that you still have time to make pension contributions and use this year's ISA allowance if you have not already done so.

With tax relief on contributions and any subsequent growth free of tax, pension contributions are an attractive way of saving for retirement. For instance, if a basic rate taxpayer contributes £8,000, HMRC adds £2,000 making a total contribution of £10,000. Similarly, higher rate and top rate taxpayers receive basic rate tax relief. In addition they can claim back up to a further 20% and 25% respectively (of the gross contribution) through their tax return.

Talk to one of our expert financial advisers now and find out whether you can:

- use unused allowances from previous years
- make higher contributions if you expect your earnings to fall next year
- get tax relief at the highest possible rate
- make the most of the £50,000 pension allowance
- benefit from using next year's allowance now
- avoid the child benefit tax charge
- exchange a bonus for a higher employer pension contribution.

ISA allowance: use it or lose it!

ISAs are a good complement to pensions, as they offer more flexibility in how and when you can access your money.

Savings held within an ISA are exempt from capital gains tax and no income tax is paid by the investor, making them one of the most tax-efficient ways of saving for most people.

Moving funds into an ISA

If you have investments in collective funds such as unit trusts or OEICs, consider moving them into an ISA. That way you won't pay any capital gains or income tax on future growth or income.

What are the limits?

Adults resident in the UK can invest up to £11,520 in a stocks and shares ISA and children (under the age of 18) up to £3,720 in a Junior ISA in the 2013/14 tax year, the latter with the advantage that the children don't have to pay the contributions themselves – family, friends, or indeed anyone else can pay in to their account.

This means that a family with two children can invest up to £30,480 in total this tax year knowing that they won't have to pay future tax.

Making new investments

If you are making new investments, it is important to take expert financial advice to make sure that you choose a fund that suits your objectives and circumstances from the thousands available. To discuss using your ISA allowance book an appointment with one of our financial advisers.

Also in this issue

For advice on pension contributions and ISAs, book an initial, no obligation consultation with one of our professional financial advisers now or contact your usual Lighthouse Financial Advice adviser.

Call 08000 85 85 90

Email appointments@lighthousefa.co.uk.

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ADVISER ONLINE SERVICE AWARDS 2013 Highly commended Large Adviser of the Year

Life & Pensions awards 2012 Winner Large IFA Firm of the Year

Life & Pensions awards 2011 Winner Large IFA Firm of the Year

Life & Pensions awards 2010 Winner Large IFA Firm of the Year

Will your pension provide you with enough retirement income?

Do you know how much income your pension fund is on track to provide you with when you retire? If not, you should check. If your retirement income is likely to be lower than you expect – or need – then you should take action now. And the earlier you start the better!

Your pension fund is your nest-egg and you need to look after it to make sure you have enough for a comfortable retirement. Making additional contributions is one option and, remember, you receive tax relief on contributions you make, within certain limits (see page 1).

Options for boosting your pension pot

If you are a member of a large public sector pension scheme, such as the local government or NHS pension schemes, there are a number of ways you may be able to boost your pension pot with the aim of having more income when you retire:

- make additional contributions on a regular basis into your current scheme (known as additional voluntary contributions, AVCs), if your current scheme offers them
- set up and pay in to a stakeholder pension or personal pension plan.

Which you choose will depend on your job, how much you earn and the pension pots you already have. Remember, if you have moved employer you may have funds in more than one scheme. You might want to consider consolidating them into a single fund. However, this is probably not a good idea to transfer out of a 'final salary' scheme, as you could end up with less income when you retire. Other issues to consider include costs and investment options.

Will you have enough?

If you would like to find out what your income might be when you retire and how you may be able to save more book an appointment with one of our professional financial advisers or contact your usual Lighthouse Financial Advice adviser.

Call 08000 85 85 90

Email appointments@lighthousefa.co.uk.

Affordable, practical, professional financial advice in the workplace

Our regional representatives work with local UNISON representatives to ensure that members are given access to Lighthouse Financial Advice advisers and services in the work place.

Lighthouse Financial Advice, UNISON's preferred provider of professional financial advice, organises hundreds of seminars each year in the workplace, covering a range of financial planning issues such as:

- pension rights and pre-retirement planning
- specialist knowledge of NHS and local government pensions
- the financial implications of taking voluntary severance
- saving for retirement
- financial planning: getting started.

To arrange an event please contact your local Lighthouse Financial Advice Representative:

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Book your complimentary financial review now!

Lighthouse Financial Advice is one of the largest providers of expert financial advice in the UK, so you can be sure we have an adviser near you.
Tens of thousands of people around the country rely on our advisers to make their money work harder. We can guide you through those times in life when you need to review your finances:

- saving for the deposit on your first home
- starting a family
- funding university fees
- planning for retirement
- maximising income in retirement.

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Worried about how you would pay for long-term care?

Being faced with the prospect of paying for long-term care can be stressful and worrying. Understanding what help – if any – you may be given can be difficult, as the rules are complex. The good news is that there are solutions and we can advise you on them.

The annual cost of a residential care home ranges from nearly £28,000 a year to over £38,000 a year, depending on the level of care required, according to Laing and Buisson. That's between £538 and £739 a week.

Are you likely to need long-term care?

According to data from the Office of Annual Statistics in 2013:

- 36% of 65-74 year olds
- 47% of over 75s
- 69% of over 85s

will need long-term care.

Even though you may be entitled to state benefits and some funding from your local authority, the harsh truth is that there is likely to be a considerable shortfall which you will be expected to pay from your own money. Here are two examples of what people have had to do.

Flora sells her home

Flora is becoming increasingly frail and wants to move permanently to a local residential home, having stayed there recently for a week. Her pension income is £6,900 a year. She has £10,000 in savings and owns a house worth £175,000. She is a widow with two adult children. Flora's assets exceed £23,250 so the local authority will not pay for any of her long-term care. Flora can opt for a deferred payment plan, which means her fees will continue to be paid while she sells her house. Her income will go to the local authority. She can retain £23.90 a week in personal expenses allowance. Clearly this situation is far from ideal.

Bill and Dorothy use half their savings

Bill has advancing dementia and now requires residential care. Bill's income is £20,000 a year from pensions and Dorothy's is £9,000. They have £50,000 in cash savings, £40,000 in investment bonds and a house worth £250,000. Dorothy can stay in the family home – its value won't be taken into account by the local authority. The £40,000 investment bond is not taken into account either. However, Bill's half of the savings is, as is half his pension income, with the other half going to Dorothy. Bill will have to pay for the balance himself until his remaining savings fall below £23,250, at which point the local authority will start to contribute. When has savings fall below £14,250 the local authority will pay the whole amount.

There are other ways

Depending on your situation, it may be possible to buy a care fees plan, which provides a guaranteed lifetime income. This is paid free of tax directly to the care home. It can reduce the risk of running out of money and can protect your remaining capital.

Another option is to use income from your savings and investments. However, you would need to have a substantial sum invested to generate the full amount required.

Also, depending on your family circumstances and where you are receiving your long-term care, you could consider using some of the equity in your home to fund the shortfall.

We are experienced in advising people who need to pay for long-term care, including the relatives and personal representatives of the person concerned. We can help you make sure that you are claiming all the state help to which you are entitled and explain your options for funding any shortfall.

Book an appointment with one of our qualified long-term care advisers.

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Will you have to pay 100% of your fees?

If you have savings or other assets of more than £23,250 (England & NI), £25,250 (Scotland) or £23,750 (Wales) you will be expected to pay for 100% of your care fees.

Source: HM Government, 2013. Figures expected to change in 2016.

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