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# WEALTH KNOWLEDGE

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In this month's Wealth Knowledge newsletter...

The National Association of Pension Funds has revealed consumers' top concerns about the government's pension reforms. We find out what the best-performing asset class was over the past 16 years. Tax-free inherited ISAs were introduced in April 2015. And, we look at the new rules surrounding shared parental leave.

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## Consumers reveal concerns about pension freedoms

**Consumers have concerns about the potential risks of taking their pension as cash lump sums, according to a survey by the National Association of Pension Funds (NAPF).**

The poll shows that a large number of private pension holders aged between 55 and 70 are worried by the potential risks posed by the reforms, despite 82% seeing them as a positive change.

The biggest potential risks that people see are:

- running out of money before death (63%)
- being mis-sold products (47%)
- making bad financial decisions (44%)
- being targeted by financial scams (36%).

Joanne Segars, chief executive of the NAPF, said:

"Savers are worried about some of the risks as most decisions now fall on their shoulders. It's clear that there's much for the government and industry to do to ensure these fears do not turn into a reality."

## Citizens Advice warns about pension scams

A report by Citizens Advice has revealed the most common tactics used to defraud people of their pension savings.

Using 150 cases of pensioners being tricked into handing over money and personal information, the bureau identified the 5 most common scams.

- **Moving savings:** Pensioners are charged high fees for moving their pension savings into a fraudulent scheme
- **Fake investments:** Scammers persuade pensioners to make expensive investments by promising good returns
- **Fraudulent advice:** People are offered 'free' pensions advice, which is then charged for, and their personal details may also be obtained
- **Fake services:** A paid-for service is offered which is either not delivered or is not in the consumer's best interest
- **Phishing:** Emails are sent or calls are made asking for the person to hand over personal information such as bank account details and their national insurance number.

[Talk to us about protecting your retirement savings.](#)

## Buy-to-let most profitable investment

**Buy-to-let has been the most profitable asset class over the past 18 years, research by specialist lender Landbay has found.**

Using Nationwide housing data, the analysis found that every £1,000 invested in an average buy-to-let using a 75% loan-to-value mortgage in Q4 1996 would have been worth £14,897 in Q4 2014. This is a compound annual return of 16.2%.

Buy-to-let purchasers buying property only with cash would have returned £5,071 for every £1,000 invested by Q4 2014 – a compound annual return of 9.4%.

Over the same period, £1,000 investments in other asset classes were not as profitable:

- Commercial property: £4,494 (a compound annual return of 8.7%)
- Gilts: £3,329 (a compound annual return of 6.9%)
- Equities: £3,119 (a compound annual return of 6.5%)
- Cash: £1,959 (a compound annual return of 3.8%).

Buy-to-let investors enjoyed a strong 2014 with property prices rising by an average 8.3% during the year.

John Goodall, chief executive of Landbay, said:

“The phenomenon of buy-to-let as an asset class only goes to underline the stable personal finances of landlords. The stability of returns shown in this paper underlines why this group of borrowers can be so attractive for lenders.

“The history of buy-to-let can be viewed as a history of opportunity for those offering the financial backing to landlords.”

[Contact us to discuss your savings and investments.](#)

## Tax-free inherited ISAs introduced

**Spouses and civil partners can now inherit ISAs from their partner tax-free.**

Before 6 April 2015, the spouse or civil partner of the deceased lost the tax-free ISA status after inheriting their ISA savings.

Under the new rules, the surviving spouse or civil partner will receive an ‘additional permitted subscription’ (APS): an allowance matching the value of the deceased’s ISA savings.

The APS allowance will have no effect on the person’s ISA allowance (£15,240 in 2015/16) and can be transferred into cash or stocks and shares ISAs.

Anyone whose partner died on or after 3 December 2014 is eligible for an APS allowance.

The allowance has been available for use since 6 April 2015, and will be available for 3 years after the date of death for cash subscriptions if the date of death is after this date, or within 180 days if before this date.

Carol Knight, operations director at the Tax Incentivised Savings Association, said the changes would enable a “much fairer outcome” for ISA inheritors:

“Often a wife or civil partner will have savings in a husband’s name and can lose out significantly under the previous rules whereby investments held by deceased ISA savers lost their tax-free status before they were inherited. Allowing ISA savings to be transferable without leaving the ISA wrapper will enhance the greater flexibility and will act as a further incentive to save within ISAs.”

[Contact us to discuss your savings options.](#)

## Shared parental leave changes

**New shared parental leave rules came into effect at the beginning of April, allowing parents and adopters more flexibility in how they look after their child during the first 12 months of its life.**

Parents with children born on or after 5 April 2015 are now able to share up to 50 weeks of leave and 37 weeks of pay in the first year after the child’s birth. The aim of the reforms is to allow couples to better balance the needs of their new families against their employment commitments.

Partners who adopt a child are also now eligible for shared parental leave during the first year of the child’s adoption.

Under the new rules:

- mothers will continue to take a minimum of 2 weeks maternity leave after giving birth
- couples will be able to share up to 50 weeks of leave and up to 37 weeks of pay after the initial period.

Gemma Ospedale, employment partner at law firm Royds, urged businesses to prepare for their new legal responsibilities:

“Preparing now by establishing robust procedures for parental leave is the best way to ensure that you remain on the right side of the law. This could include setting out the process for notifying you as an employer and the booking of leave, to ensure the needs of both the businesses and employee are fairly met.”

[Talk to us to find out how shared parental leave affects your payroll.](#)

### Important Information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. ISA and pensions eligibility depend on personal circumstances. You cannot normally access pension benefits until age 55.

The value of investments can fall as well as rise and you may not get back the full amount you originally invested. Your home may be repossessed if you do not keep up repayments on your mortgage.

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