

UNISONMONEYTALK

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

SUMMER 2016

Financial peace of mind - make it happen!

UNISON
Living

As the UNISON Living partner for personal financial advice, our job is to help you secure your financial future, whatever your stage in life and financial situation.

Dealing with financial issues can be daunting. Do you know how you would pay your bills if you fell ill? Or if you could save thousands of pounds on your mortgage? Or if your pension will give you enough income when you retire? Or your options for accessing any additional pensions? Or how you could help your family financially?

Financial advice for public sector workers

UNISON appointed us on account of our specialist knowledge of, and expertise in, civil service and other public sector pension schemes and financial issues affecting members. We provide practical, affordable, professional financial advice tailored to your individual needs.

Complimentary financial check-up

We are offering all UNISON members a no obligation, complimentary consultation with one of our professional advisers. They can meet you at home, at work, or elsewhere. They will explain how you could benefit from advice and how much it will cost. You can then decide whether to go

ahead. We have over 150 advisers all over the UK, so there's bound to be one near you.

Your adviser can explain how you may be able to:

- protect your family's income, so they have enough money if the worst happens
- build up a nest-egg tax-efficiently, for yourself or for your children or grandchildren
- boost your pension provision, so you will be able to enjoy a comfortable retirement
- take your pension tax-efficiently and get the income you need
- pay for long-term care
- pass on your wealth tax-efficiently.

Book your complimentary appointment

Call **08000 85 85 90** or email appointments@lighthousefa.co.uk to arrange a complimentary, no obligation, appointment with one of our professional financial advisers.



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Seminars in the workplace on topical personal finance issues

We organise seminars in the workplace on a wide range of financial planning topics. The seminars, which are free of charge, have a relaxed, informal atmosphere. Topics can include the consequences of changes to the civil service and other public sector pension schemes, the financial impact of

being made redundant, or other relevant issues.

Alternatively, we can run a surgery, where members book 30-minute, individual, confidential consultations with one of our experienced financial advisers. To discuss holding a seminar or surgery in your workplace please

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How to spot a pension scam

People aged 55 and over are receiving phone calls, letters and texts from people wanting to “help” them access their pensions. How can you tell a bona fide adviser from a fraudster? Here are some tips which should help you spot the difference.

Scammers generally try to lure you with promises of one-off investments, pension loans or upfront cash. Once you have signed any forms and the transfer has gone through it's too late. You could lose all your savings and on top of that be landed with a hefty tax bill to pay.

Common tactics used by scammers

- A cold call, text message or website pop-up or someone knocking on your door and offering you a free pension review, a one-off investment opportunity, or talking about a legal loophole.
- Promises of returns of over 8% on your investment – if it sounds too good to be true it probably is.
- Paperwork delivered to your door by courier that requires immediate signature. Never be pressured into signing anything.
- An offer that gives you access to your pension before you turn 55 by transferring funds overseas.
- A proposal that puts all your money into a single investment. Most financial advisers recommend a range of investments to spread the risk.

Don't become a victim of pension fraud

Do not be pressurised or rushed into signing anything until you are certain. A genuine financial adviser will never rush you into a decision.

If you are consulting a financial adviser, which is a sensible thing to do, make sure that they are registered with the Financial Conduct Authority, www.fca.org.uk/register.

Read the FCA's Scamsmart warning list at www.fca.org.uk/scamsmart. This lists the names of investment schemes that are known scams. Further information is available from The Pensions Advisory Service. If you've already signed papers and suspect a scam, report it to Action Fraud at www.actionfraud.police.uk or call 0300 123 2040.

If you are approaching 55 or about to retire, Pension Wise can tell you more about what you

can do with your retirement pot, www.pensionwise.gov.uk.



If it sounds too good to be true it probably is. You could lose all your savings and on top of that be landed with a hefty tax bill to pay.

However, what Pension Wise won't do is give you advice specific to you, your circumstances and objectives. For that you need to talk to a professional financial adviser.

When can you legally access your pension pot?

You can release funds from your pension as soon as you reach the age of 55. If you're under 55 you cannot access your pension unless you are certified as being too ill to work. When you do access your pension you could have tax to pay, depending on how much you take and any other income you have. Professional financial advisers can help ensure you don't pay tax needlessly.

Talk to us before accessing your pension!

We are professional financial advisers and as such, our advisers are registered with the Financial Conduct Authority (FCA). They have the knowledge and expertise required to recommend ways of drawing your pension in ways that provide you with the income you need in retirement.

Call 08000 85 85 90 or email appointments@lighthousefa.co.uk and book a no obligation initial consultation.

Meet LISA

- LISA stands for the new Lifetime ISA.
- They will be available from April 2017.
- They are being created to help people buy their first home and to save for retirement.
- UK residents aged between 18 and 40 will be able to open one and pay in to it until they turn 50.
- They will be able to pay in up to £4,000 a year (tax year 2017/18), and the government will top up their contributions by 25%.
- Whether a LISA is more suitable than a traditional pension or ISA will depend on your circumstance. We will be covering LISAs in more detail in the spring 2017 issue.

Tax-free savings for everyone!

While the super-rich may move money offshore to try to save tax, you don't have to. The government actively encourages us to take advantage of legitimate tax-efficient savings accounts to build long-term savings.

Tax-exempt savings plans are affordable, long-term regular savings plans for adults and children that offer tax-free savings.

1. Payments don't cost the earth

They are an affordable way to save for the future – you can save from as little as £10 a month, up to a maximum of £25 a month.

2. Your choice of savings term

You can choose how long you want to save for, with the minimum commitment being 10 years. It's even possible to select the exact date that you receive your tax-free sum – for example, if you're saving for a specific birthday or an anniversary.

3. High street banks can't offer these plans

Only friendly societies can give you the additional tax advantages of tax-exempt savings plans, which provide you or your child with a cash sum payout at the end of your chosen term, free of capital gains tax and income tax. A tax-exempt savings plan can be held alongside an ISA, Junior ISA, Child Trust Fund or other children's savings plans.

4. You won't lose any money

With tax-exempt savings plans your cash lump sum payment is guaranteed to be at least what you've

paid in, which means there's less risk taken with your money – provided you continue to keep putting the agreed amount aside each month. There is also the possibility of bonuses being added to your plan to increase its value. However, the addition of bonuses is not guaranteed.

Tax-exempt savings plans are longer term saving plans, so if you are unable to continue saving for the full duration of the plan, the amount you get back will be affected and in the early years could be very little, if anything.



Find out more

If you would like to find out about tax-exempt savings plans and other tax-efficient accounts call us now on **08000 85 85 90** or email appointments@lighthousefa.co.uk and book an appointment with one of our professional financial advisers.

Low earners can now pay less tax

The introduction of the personal savings allowance means that most people with an income from earnings and interest of less than £17,000 don't have to pay any tax on the interest paid on their savings. To find out more call **08000 85 85 90** or email appointments@lighthousefa.co.uk and book an appointment with one of our professional financial advisers.

Other tax-efficient ways of saving

ISAs

You don't pay income tax on any income you get from an ISA or any capital gains tax on any growth. Think of ISAs as your very own tax haven. The annual ISA allowance is a generous £15,240 (tax year 16/17), that's £30,480 for a couple. Junior ISAs are available for the under 16s – the maximum you can pay in is £4,080 a year (tax year 16/17).

Lifetime ISAs (LISAs) will be available from April 2017 to help young people save for their first property or for retirement. See article on page 2.

Pension contributions

Contributing to a pension is one of the most tax-efficient ways of saving, as you receive tax relief on your contributions at the highest rate of income tax

you pay. You may need to claim some of this yourself if you are a higher rate taxpayer.

NS&I

National Savings and Investments (NS&I) offer 100% secure tax-free children's bonds and ISAs. They also operate Premium Bonds – prizes are tax-free.

Tempted to cash in additional pension pots?

There is nothing to stop you taking all the money out of your defined contribution pension pot and spending it as you wish. For many people this would be a foolish decision, but for some could be a sensible one.

If you are aged 55 or over with a defined contribution (money purchase) pension (ie one that is not based either on your final salary or career average earnings, commonly known as a defined benefit scheme) you can cash in all or some of your pension pot at any time – assuming your pension provider or scheme permits you to do so. Cashing in your pension is a big step and not a decision to be taken lightly.

Do you have other pension income?

However, it is something you could consider if you have other pension income, for instance from defined benefit (such as career-average or final salary) schemes, that will provide you with the income you need. Cashing in your pension allows you to use your pension savings in a variety of ways. You could choose to pay off debt, such as your mortgage or credit cards, buy a new car, pay for a holiday or perhaps use the money to buy assets that aren't available via your current pension.

It is very important to understand and take into account the income tax you will have to pay on these withdrawals. The first 25% is payable tax-free. However, you need to realise that it is easy to trigger income tax of 40% or even higher on such withdrawals given the current tax threshold limits.



Expert advice

It is not advisable to cash in your pension without taking professional financial advice. Why not book an appointment now with one of our professional financial advisers? Call

08000 85 85 90 or email appointments@lighthousefa.co.uk.

Accessing additional pensions: your options at a glance

- All in cash; 25% tax free, 75% taxable (full cash withdrawal).
- Gradual withdrawal of funds; partly tax-free, partly taxable (flexi-access drawdown) or uncrystallised funds pension lump sum (UFPLS).
- Buying an annuity.

The value of your investments can go down as well as up, so you could get back less than you invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

Why John, aged 64, decides to cash in his additional pension pot

John, a widower aged 64, is ready to start enjoying life again. He has just agreed to retire early at the end of May 2016 and is fortunate to have built up a reasonable amount in his employer's defined benefits pension scheme. He also has a small private pension currently worth £30,000.

His main concern is to have enough money to

live comfortably for what will hopefully be a long retirement. Unsure of his options and the tax implications of his decision, he decides to consult a financial adviser specialising in pensions.

The adviser asks John about his lifestyle and how he envisages his retirement. He also asks him for full details of all aspects of his finances

– including how much he spends, his savings and his borrowings, such as his mortgage.

Having gained a full picture of John's financial circumstances, the adviser recommends he take advantage of pension freedom by cashing in his private pension. He will receive 25% (£7,500) tax-free and pay income

tax at 20% on the balance of £22,500, as he will have no other income in tax year 2016/17.

This will give him a total income of £25,500, which John and his adviser have agreed is enough for him to live on comfortably until he starts to receive his defined benefit pension and state pension on 1 May 2017 when he will reach the age of 65.