e-news
WINTER 2014

bourne taylor neville

Lasting Powers of Attorney – why you need one

An accident or illness can strike anyone, at any time, often without warning. Making a Lasting Power of Attorney (LPA) while you are still fit and healthy can ease the burden on your family by giving them the authority to act on your behalf if you are unable to do so.

A property and financial affairs LPA allows someone else to make decisions about money matters, while a health and welfare LPA nominates someone to make decisions about your healthcare and also expresses your wishes about life-sustaining treatment.

The key difference between the two is that a property and financial affairs LPA can be used while the donor still has capacity, should they wish this to be the case, whereas the Health and Wealth LPA can only be used once the donor has lost capacity.

If you do not have an LPA in place and later become mentally incapacitated, an application has to be made to the Court of Protection for someone to become your Deputy before they can take control of your affairs. This is a complicated, costly and stressful process, plus there are ongoing costs and duties following the granting of a Deputyship Order. In addition to the annual supervision fee and Deputyship Report required by the Court of Protection, the Deputy may have to take out a security bond to cover their actions.

Making an LPA now avoids complications in the future if the worst should happen, and gives you peace of mind knowing that you have done everything you can to ease the burden on others. You can then get on with your life in the hope that your Attorney will never have to use it. We are here to advise you.

The Financial Conduct Authority does not regulate will writing. Past performance is not a reliable indicator of future performance. The value of your investment can go down as well as up and you may not get back the full amount you invested.

Auto-enrolment: employers need to be prepared

So far, automatic enrolment has gone very well according to The Pensions Regulator (TPR), but there are warnings that many smaller employers are still unprepared to meet their legal duties.

Under the automatic enrolment rules, all employers will have to enrol most employees into qualifying pension schemes. Employees can opt out if they wish, but it is a criminal offence to induce them to do so.

Four and a half million people have been automatically enrolled, which is around half the expected final total. The National Employment Savings Trust (NEST) recently revealed that around one in ten employees is choosing to opt out. Some pension providers and payroll systems have experienced teething problems, but generally administration appears to be running smoothly. Although, a recent TPR survey found that 20% of small employers and almost half of micro employers do not even know their staging dates.

The regulator has issued a strong warning to smaller employers: "the numbers of times we will need to use our compliance powers will rise."

TPR recommends starting planning 12 months before your staging date. As TPR said, "Act now, be prepared or risk a financial penalty."
If you need help in planning for and implementing automatic enrolment, please get in touch to discuss what you have to do.

Auto enrolment is regulated by The Pensions Regulator.

Upfront payment of tax

This year's Finance Act gave HM Revenue & Customs (HMRC) the power to require an upfront, or accelerated, payment of tax where a taxpayer has made use of a tax avoidance scheme which is under dispute with HMRC.

A list of nearly 1,200 affected schemes has already been published, and HMRC started issuing accelerated payment notices in August. Payment is required within 90 days, and late payment will initially attract a 5% penalty. The notices cannot be appealed. The substantial tax payments now faced by those already notified should act as stark warning that aggressive tax avoidance can end up being costly.

31 January deadline for self-assessment

One of the most important dates in the tax year for individuals who submit a self-assessment form, 31 January, will soon be here again.

It's generally the latest date by which you should have filed a tax return for the previous year without incurring a penalty.

So for 31 January 2015, the tax return should refer to the tax year 2013/14 that ended on 5 April 2014. The balancing payment for 2013/14 will also be due. This is the tax and class 4 NIC payable for 2013/14 less any payments on account that you may have made.

The balancing payment includes any capital gains tax and student loan repayments due for the year. What's more, the first payment on account for 2014/15 will be due as well – normally estimated as 50% of the tax and class 4 NIC payable for 2013/14.

We are here if you need help with your self-assessment.

Making the most of your ISA

Cash is still by far the most popular type of ISA investment, according to the HMRC statistics. But it may not be the best use of this precious tax-free facility for many people.

An ISA really comes into its own after an investor has built up plenty of accumulated income and gains. Cash is not usually a very attractive long-term investment, especially at present with the currently prevailing low interest rates.

However, if you cannot afford to invest for the long term, an ISA can make sense as a home for short-term cash reserves, because it is simple and saves a small amount of tax on the interest.

But if you are saving for the longer term – say for at least five years – then consider looking for a longer term investment, where the tax freedom of the ISA will have a chance to build up some real value. Of course, this will mean investing in assets like property or share-based funds that can fluctuate in value.

Past performance is not a reliable indicator of future performance. The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested.

A necessary protection review

Now is the time to review your protection requirements in the light of inflation and changes in your personal circumstances over the year.

Most life insurance cover is not inflation linked. More important, however, is that the risk of a serious illness or death increases with age. There is a 1 in 50 chance of any 40 year old dying within the next ten years but by the time we reach 50 the risk increases to 1 in 25. Compare these with the odds of 1 in 26,000 for winning even £25 with Premium Bonds.

Is your current life assurance cover enough to repay the mortgage and any other debts in the event of your death? Will it also provide your wife or husband or civil partner with sufficient additional capital to replace your lost income for the next few years – or longer if you have dependent children? Are you making plans for the future, perhaps for your children and would these plans be likely to fail if you died prematurely or were seriously ill and not able to work? It is worth treating this review with the seriousness your family deserves.

Past performance is not a reliable indicator of future performance. The value of your investment can go down as well as up and you may not get back the full amount you invested.