



# Perspective

MANAGING WEALTH



**SPRING 2020**

**Death Benefit Form**

Requirements and pensions

**Protecting Family Finances**

Consider your financial circumstances

**Property Tax**

Significant Tax Reforms

**Exam Success**

Growing our next generation

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Chartered

The information provided must not be considered as financial advice.

We always recommend that you seek independent financial advice before making any financial decisions.



#### Welcome to our Spring 2020 newsletter

We sincerely hope you and your family remain well and healthy. Right now, nobody knows how the Covid-19 crisis will impact them personally and financially, how long it will last, and what it looks like on the other side. We want to reassure you we will be here to support you whenever you need us.

Our IT systems and infrastructure have been cloud-based for some time, hence we have full confidence in our ability to maintain an attentive level of client service, with no significant changes or interruptions. We operate to the highest standards of Cyber-security.

You can contact your Adviser as usual via email and telephone. All meetings will be held remotely using a technology method that works best for you. We will continue to contact you when your annual financial planning review falls due, and again these meetings will be held remotely until further notice. Our overall advice is to remain invested in line with your previously agreed objectives.

We will keep you regularly updated on important financial matters, including market insights from our sister company Cambridge Investments Ltd. Please ensure we have your current email address as that will be our main way to communicate with you.

If you have any concerns or wish to discuss any other aspects concerning your finances, please don't hesitate to contact me or your Adviser if we can be of any help. Again, I wish you and your family good health.

#### Ian Wilkinson

Managing Director, Perspective (North East) Ltd

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All calls to and from our landlines and mobiles are recorded to meet regulatory requirements.

# Why I Run

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Our Group Regulatory Director, Julie Hepworth, completed the Berlin Marathon in September. She gives us her personal insight into the benefits of running and how this impacts her role.

On 29th September 2019, I completed my fifth marathon in a personal best time of 3:56:52 in Berlin. It's difficult to put how I felt into words as I ran through the Brandenburg Gate towards the finish line, the crowds cheering me on as the reality of a sub-4 hour time started to sink in. Then as I crossed the finish line and started to feel the pain in my legs, it didn't matter because the enormous sense of accomplishment far outweighed the pain.

I often get asked "Why do you run?". I've run intermittently since my early 20s but after discovering Parkrun in 2015, my passion for running has been firmly reignited.

My role at Perspective as Group Regulatory Director and as a Financial Conduct Authority (FCA) Regulatory Decisions Committee member, require me to have a deep understanding of relevant rules and legislation.

At Perspective, this manifests itself both in the standards that your Financial Adviser works to, and in my FCA role, the decision outcome of cases that I and my fellow panel members determine, to ensure the fair treatment of regulated firms and individuals.

I find running empowering by helping my mind to become clear and focussed and giving me time to gather my thoughts which ultimately makes me happy.

I run in all elements, on the road and sometimes on trails or fells. You can usually find me at a local Parkrun most Saturday mornings either running or volunteering. The sense of freedom that running gives me is cathartic and it's a wonderful way to enjoy the beautiful Yorkshire countryside where I live.

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## Requirement For A Nomination Form

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It is crucial that the plan providers are offered some level of guidance when it comes to paying these death benefits. This is provided using a 'Death Benefit Nomination Form'. In most instances, the options are quite simple. In our experience, most people will request that the benefits of the Pension or Drawdown plan be paid to the spouse or partner. They may also consider paying benefits to children or even grandchildren.

However, what about when there is no spouse, or the spouse has predeceased? Now the Policyholder has to consider what the position is with the funds. As mentioned before, it can be paid to absolutely anyone and that includes a charity as well.

Modern Life means that many members will have children from previous relationships whom they want to provide some benefits to in the event of death. This can be catered for in a number of ways and is a complex area where we recommend professional independent financial advice be sought.

A final consideration is that the Nomination Form is simply just that. A nomination. The ultimate decision as to where the funds are paid is held by the plan providers. In most instances, they will adhere to the nomination provided by the policyholder, but what if it isn't that easy. Some providers do not incorporate Nomination Forms in their applications and this can lead to problems and we always recommend that either Nomination Form or Letter of Wishes be lodged with every Pension Provider.

### Want to discuss your death benefit nomination form?

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We can advise you on the best way to handle issues raised by Death Benefits Nomination forms.

"The ultimate decision as to where the funds are paid is held by the trustees"



# Pension Death Benefits

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The rules upon death changed radically in 2015 when Pension freedom was launched. Before this, there were specific and very different rules between those in a Personal Pension and those in a Drawdown plan. Now, they are now the same whether you are accumulating (in a Personal Pension or SIPP) or decumulating (in a Drawdown plan).

Put simply, if you die before age 75, the fund value can be paid to anybody, free of all income tax. This includes a dependent such as your spouse, or it can be paid to your children, grandchildren, nieces, nephews, other family members or even that nice lady who lives next door.

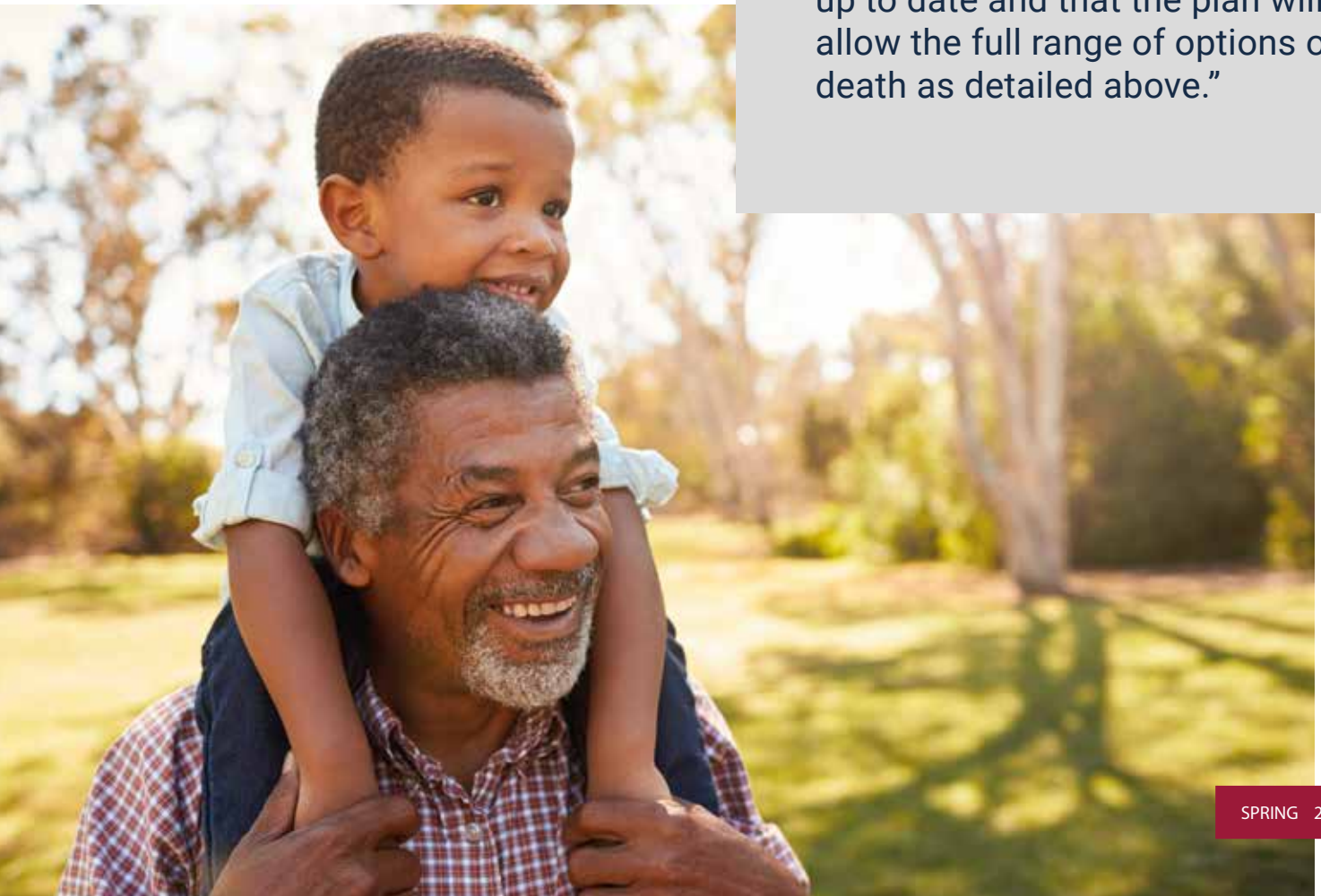
After age 75, the fund can still be paid to anybody, but the amount of money received by the beneficiary is deemed as income and will be taxed at their marginal rate. To try to mitigate what could be a large income tax payment; this money can be paid into a Nominee Drawdown plan, so that funds can be drawn more efficiently. There are further rules involved, which we won't cover here.

“If IHT is an issue, it may be more sensible to draw income from assets that are liable to IHT and to leave the Personal Pension to grow, free of IHT. Clearly, in these circumstances, advice must be taken.”

What is key is that your Personal Pension or Drawdown plan can be paid to anybody upon your death.

What is also important to note is that the majority of Personal Pension and Drawdown Plan death benefits are free from Inheritance Tax (IHT). This makes it a very efficient investment vehicle. If IHT is an issue, it may be more sensible to draw income from assets that are liable to IHT and to leave the Personal Pension to grow, free of IHT. Clearly, in these circumstances, advice must be taken.

“You should review your plans to ensure that the beneficiaries are up to date and that the plan will allow the full range of options on death as detailed above.”



# Financial and legal documents you should have

The unexpected can happen, and to be prepared, we would urge you to consider these five important financial and legal matters that will give you and your family peace of mind.

## 1. Is your Will up to date?

If you were to die without a Will, you would be said to have died “intestate”. What this means is that your estate will be distributed according to the rules of intestacy and unlike popular beliefs, this does not mean the whole estate passes to your spouse. However, it is not only important to have a Will, but to ensure that it is kept up to date, especially with the recent changes in IHT concerning your main residence. Do take the opportunity to review it regularly and ensure it is in a safe place. Finally, whilst it is clearly important that you know where it is, are you sure that your family and/or your executors do? Dealing with this matter will be a difficult enough time without scrambling about in the back of a wardrobe looking for this important document.

## 2. Have you got a Lasting Power of Attorney?

This is a difficult conversation to have, but in our experience, a Lasting Power of Attorney (LPA) is one of the most important documents available. LPAs allows you to choose people to act on your behalf should you later begin to lose your ability to manage your personal affairs because of physical or mental incapacity.

It takes effect, if need be, during your lifetime and is completely separate to a Will. Creating an LPA gives you the reassurance that you know who’ll make decisions for you should you not be able to make them yourself. That person will be someone you know and trust to act in your best interests. Having the LPA in place saves considerable expense and time should your family later need to make decisions for you.

## 3. Have you got your Financial Plan up and running?

Whatever your age, it is far better to have a clear understanding of what assets you have and how they are going to drive your future requirements. Financial planning enables you to have a better understanding of what your money is doing for you and how it will support you. Therefore, we encourage people to look at their overall long-term position, rather than just looking at next month or next year.

Having a long-term Financial Plan gives you a better understanding of what you are trying to achieve and how you will get there. We would strongly encourage you to talk to us, if this is something you have yet to consider.

## 4. Are you protecting your family?

The importance of ensuring your family is looked after in the event of your death or incapacity to work due to illness or an accident cannot be stressed enough. You should check any cover you have through your employer and review whether this is sufficient for your needs. If you have changed your employer recently, it is particularly important to check.

## 5. Are you being tax efficient?

How you hold your investments and Pensions can make a big difference to the amount of tax you pay. Many people now have multiple personal Pensions arising from changing employers. Is it best to keep these separate or consider consolidating them? Have you recently looked at your investments and do you have a plan in place to avoid paying unnecessary tax on your death? Making lifetime gifts to your children and grandchildren are actions you can take, though it is vital to understand the rules concerning them.

**If you have any questions concerning any of these matters, please do not hesitate to contact us.**







# Protecting you and your family's finances

## Top Reasons people give for not taking out protection

There are many things to consider when looking to protect you and your family. It may not be the most exciting of subjects, but it answers one of our most basic desires - to keep safe all that we hold dear.

The state of the Protection Nation report [1] reveals that the top reason people gave for not taking out protection was that they think premiums are too expensive (69%). They also believe they won't get ill and they don't need insurance. Despite this, many people want to protect their lifestyle and loved ones from the financial impact of dying or becoming seriously ill.

## Serious health conditions or illness

Nearly half of the people surveyed (46%) felt they were unlikely to go on sick leave for three months or more, 44% thought they were unlikely to have an accident that meant they were unable to work, and a third (34%) felt it was unlikely they would contract a serious health condition or illness. Research [2] shows that the chance of being off work for two months or more before the age 65 is 26% for males and 37% for females.

Even if illness struck, nearly half (43%) felt they could manage for a year if they were unable to work due to serious illness or injury, 55% said they would manage for six months, and 71% would manage for three months. Yet the reality is that only two in five could survive financially for more than six months if they were unable to work.

**Source Data:** [1] Royal London's 'State of the Protection Nation' report conducted by Opinium. 2,005 UK adults ages 18+ were surveyed from 9-12 January 2018. Results have been weighted to nationally representative criteria.

[2] Source: Pacific Life Re, March 2018. These figures have been produced based on their interpretation of the Institute and Faculty of Actuaries' Continuous Mortality Investigation insured lives incidence rates together with their estimate view of future trends. Incidence rates for the entire population may be different to those lives that take out insurance products.

**PURE PROTECTION POLICIES TYPICALLY HAVE NO CASH IN VALUE AT ANY TIME, AND COVER WILL CEASE AT THE END OF THE TERM. IF PREMIUMS STOP, THEN COVER WILL LAPSE.**

## Inertia plays a part in people's decisions

Despite only a small percentage of consumers saying they had life insurance (3%), critical illness cover (3%) and income protection (5%) through their employer, some felt they didn't need income protection (58%), critical illness cover (47%) and life insurance (34%). The results revealed inertia plays a part in people's decision not to buy, as 20% of full-time working people recognise they need income protection but don't have a policy. Over a third (38%) of people working full-time feel they don't need income protection, but just 8% said they didn't need it because they had cover with their employer.

## Lack of Cover in line with people's needs

The figures show that 58% of people with a mortgage have life cover in place if the home owner dies, leaving 42% unprotected. But worryingly, 71% of people with a mortgage would have no protection in place if they were diagnosed with critical illness, and 81% of mortgage owners have no income protection in place. The reason this is concerning is that people are far more likely to be diagnosed with a critical illness or have an injury that stops them working than to die before retirement age, so more people should consider critical illness or income protection.

A quarter (25%) of people who don't own any life insurance, critical illness cover or income protection said they were confident that this lack of cover was in line with their needs. This figure doesn't get much better when we look at those in full-time employment (30 hour a week or more), with 27% saying they were confident.

## Life Happens - let's take care of it

We believe that receiving professional financial advice is vitally important. Life turns out a little differently for everyone, so the amount and type of protection you may need depends on your personal circumstances. Please contact us to review your situation.



## Property Tax Rule Changes

**Some landlords and second home owners are largely unaware of the significant tax reforms coming into action this year.**

HM Revenue & Customs' (HMRC) capital gains tax (CGT) communications research report reveals how woefully unaware taxpayers are of significant changes to CGT rules on the disposal of second homes. Owners apparently do not understand the jargon used in HMRC information and end up consulting friends or even YouTube. You can imagine what might go wrong there.

The new rules from April 2020 say that when a second home is sold, the owner will have to file a return and pay the CGT due on the sale within 30 days. This is a significant change to the status quo, in which the tax must be paid by 31 January following the end of the tax year (5 April) in which the property was sold.

Experienced landlords may be reasonably familiar with the current rules and aware of the forthcoming changes. In general, though, people who own a second property are unlikely to understand the new rules and obligations.

**“Report reveals how woefully unaware taxpayers are of significant changes to CGT rules on the disposal of second homes.”**

### Second Home Owners

Second home owners, often in attractive rural or sea-side locations, are a popular target for government tax reformers. In recent years, several changes to the taxation of this category of property have been introduced, causing confusion and uncertainty for those affected in some cases. In addition to the forthcoming CGT changes, the amount of tax-deductible interest from rental income has also been reduced year by year.

### No More Exemption

However, other changes are on the way for all property owners and it does not just affect people with second homes. The rules on private residence relief changed on 6th April 2020 when the final period exemption reduced from 18 months to nine months. The final period exemption is one of several non-occupancy exemptions in the private residence rules, which 'pretend' the property was occupied as a main residence. This applies even if the owner was elsewhere, meaning capital gains tax is not due on that period.

When it was introduced, the policy aim of the longstanding final-period exemption was to allow people to have a period of non-occupancy at the end of ownership. This meant they were not charged CGT for that period if there were delays to sale.



## Lettings Relief

Lettings relief from tax is also in the firing line. This boon currently applies where a house that was once a person's main residence is subsequently rented out. The proposal is this relief will only be available where the owner shares the home with the tenant.

If this rather unlikely arrangement ever happens, perhaps the relief would be better described as a 'lodger relief'. Whether it is nicknamed that or not, property taxation matters are often complex and advisers can provide real value.

## In Summary

### Final Period Exemption

The Final Period Exemption allows an individual who sells a property which has been their main residence to treat the final months of ownership as exempt from CGT. What has changed is:

- » The exemption will reduce from 18 months to 9 months.
- » The exemption will remain 36 months for people who are disabled or in a care home.

### Lettings Relief

- » Lettings relief can reduce the CGT payable on the sale of a property, which has been a main residence and also let as residential accommodation.
- » The relief will only be available where the individual has lived in the property at the same time as the tenant. It will stop being available where the property has been wholly rented out.

### Private Residence Relief

- » Private residence relief is extended to homeowners who are serving in the armed forces and receive payments from the Ministry of Defence's Future Accommodation Model.
- » The rules concerning the transfer of residential properties between spouses or civil partners including their previous use of the property have been clarified.



# Community Matters

## Perspective (Home Counties) Ltd

This year Perspective (Home Counties) Ltd based in Chesham had planned to take part in various charity walks to raise funds for a charity with whom they have been involved with for some years. Covid-19 will have a significant impact on these plans but their commitment to help remains.

Fountain of Peace believes that every child, regardless of where they are born, has the fundamental right to a happy and healthy childhood. The charity supports children who have been orphaned or abandoned in the Kyenjojo region of Uganda. They are the only registered children's home in the area and care for every child as if they were their own, giving them all the love, care, protection and practical support they need to thrive. They currently look after 49 babies with another 400+ local children attending its school.



Our office manager, Kris Grannell, had the privilege of visiting this charity in 2018 and with a return trip planned for July 2020, she knows first-hand the amazing impact Fountain of Peace has on both children and the surrounding area.

### Kris comments:

"As it has been a few years now since the office set themselves a walking challenge for charity, we agreed to dust off our walking boots again in 2020. We undertook the London half-marathon walk in January, and had planned to do the ULTRA 50km walk around Windsor at Easter and finally the 22km Thames Path challenge, walking from Cookham to Henley in September.' These plans will sadly be impacted by Covid-19."

Please visit the Fountain of Peace website at [www.fountainofpeace.net](http://www.fountainofpeace.net) where much more information can be found, including the stories of some of the children.

For more information or to donate (thank you), visit our Just Giving Page: <https://www.justgiving.com/Perspective-Fountain-of-Peace-2020>.



*"When I compared the relative privilege my own children grew up in to the tiny, malnourished babies arriving at the home, I knew it was something I wanted to be involved with. Every donation, however small, will go a very long way to improving the lives of these vulnerable babies, turning them into the happy, healthy toddlers in our picture!"*

KRIS GRANNELL



# Community Matters

## Perspective (North East) Ltd

**Perspective's office in Newcastle upon Tyne raised £316 for The People's Kitchen with a Christmas Bake Sale and Xmas Jumper Day.**

There are many enthusiastic bakers and cake makers amongst the staff so there was quite a competitive spirit to the delicious spread!

The People's Kitchen was established in 1985 by Alison Kay, the same year as the firm that has become Perspective (North East) Ltd was founded by Mitch Wilkinson, father of our Group Managing Director, Ian Wilkinson.

Alison, then in her 70s, was spurred on by an article about the death of a homeless man and decided to set up an organisation to support those in need. Within a year, she had 40 helpers, and they inaugurated the first People's Kitchen next to the railway arches by Dean Street in Newcastle, offering food, clothes, a warm fire and welcome to anyone who came in peace. Alison Kay died in 2001, aged 91, but inspired by her example, The People's Kitchen remains true to her principles; providing 'friendship and food' to anyone who needs support.

They were recently awarded The Queen's Award for Voluntary Service in recognition of their work.

*"Our mission is to support the homeless and disadvantaged in the Newcastle area, as we have been doing since 1985."*

*The People's Kitchen*



**The Queen's Award  
for Voluntary Service**

*The MBE for volunteer groups*

For more information, visit  
[www.peopleskitchen.co.uk](http://www.peopleskitchen.co.uk)





# Perspective Training Academy News

We are delighted to report the latest exam successes from students in our Training Academy. Congratulations to them all!

## At our Maidstone office:

- Sam Wright, Director passed his AF5 exam and also achieved Chartered Financial Planner status, the profession's highest qualification
- Rebecca Hill, Technical Manager, passed both her AF5 and AF7 exams
- Mark Cashmore, Adviser, passed his AF5 exam

## At our Newcastle upon Tyne office:

- Joshua Clark, Adviser, passed his AF1 – Personal Tax & Trust Planning
- Michael Gahagan, Paraplanner, passed his AF5 which completes his Advanced Diploma
- Cecilia Reilly, who joined us recently as an Adviser, passed her AF5 Financial Planning Process exam
- Jessica Wright, Paraplanner, passed her AF5 Financial Planning Process exam
- Simon Coward, Paraplanner, passed his AF4 Investment Planning exam

## At our Braintree office:

- Leah Challis received a Distinction for her Financial Services Administration qualification

*"Whilst studying towards the exams does take a lot of hard work, having the necessary support in place from colleagues and external sources has been a huge help towards becoming qualified. Sitting the exams alongside the day-to-day job has given me the opportunity to apply the knowledge learned through studying."*

**Michael Gahagan, Perspective (North East) Ltd.**

## At our Oswestry office:

- Olivia Lowe, trainee Paraplanner, passed her RO1 and RO2

## At our Newcastle under Lyme office:

- Kirsty Ross, Paraplanner passed her RO1 exam.

## At our Marlborough office:

- Naomi Cunningham, Paraplanner, passed her RO2

We have over 20 people going through our Training Academy at present and see our in-house, workplace-based approach to training and development as fundamental to delivering our client-centric service.

For more information regarding our in-house training academy visit <https://www.pfgl.co.uk/work-for-us>



Staff from our Newcastle Upon Tyne office who have recently passed exams: Joshua Clark, Cecilia Reilly, Simon Coward, Trevor Clark (Director) and Jessica Wright.



**Training Academy**

GROWING OUR NEXT GENERATION