



BLACKTOWER FINANCIAL ADVISERS LIMITED

The Professional Forum

Investment & Tax Update July 2006

To compliment our popular Pensions Updates and Commercial Mortgage Updates we are introducing a Residential Mortgage Update and this, our first, Investment and Tax Update.

These will be forwarded on a regular basis to Accountants and Solicitors as part of our Professional Forum Programme. Each Update is intended to inform you of legislative, technical and product developments in these four key areas of our business.

This first Investment and Tax Update focuses on estate planning and property matters.

Estate Planning On Hold?

Until Royal Assent the use of trusts for estate planning looks somewhat fraught. We are seeing Life Offices scrambling to modify their estate planning products and re-draft trust deeds and until these new schemes have been "tried and tested" uncertainty will persist.

Against this backdrop "asset conversion" strategies look increasingly appealing. By converting privately owned assets to assets benefiting from Business Property Relief an IHT saving is achieved after just 2 years, without relying on trusts. Blacktower have long favoured the asset conversion approach where clients retain control and access. We are able to offer your clients access to a range of schemes offering Business Property Relief and can tailor a strategy to meet your clients' individual circumstances and risk tolerance.

POAT - The Lesser Of Two Evils?

From 6 April 2006 Pre Owned Asset Tax is levied where your clients have free or low cost enjoyment of an asset they previously owned. For many clients a charge to income tax on the value of benefits enjoyed may be preferable to a potential IHT charge but this will not always be the case and your clients have until **31st January 2007** to elect for the original transfer to be treated as a gift with reservation and subjected to IHT instead of income tax. In offering guidance to your clients it is important to revisit their financial circumstances and overall objectives and this is where Blacktower can provide valuable assistance.

Equity Release for Estate Planning

We see an increasingly large number of clients who are keen to help children and grandchildren on to the property ladder but are unwilling to relinquish liquid assets and the financial security they provide. Funding a child or grandchild's property purchase through equity release can be a very effective solution particularly where the donors' estate is likely to suffer IHT; beneficiaries can receive an inheritance at the time it is most required and there is no effect on the donors standard of living. Blacktower have qualified staff able to guide your clients through the complex equity release market and devise bespoke estate planning solutions.



Property Back In Vogue

The return of high levels of volatility to equity markets reinforces the need for an appropriately diversified portfolio. Returns from property based investment have historically demonstrated a low level of correlation with equity and fixed interest returns and indeed it is now possible to build a property portfolio (commercial and residential) diversified by a range of sub sectors, many seeking to capitalise on opportunities in the EU accession states and the London “Olympic Effect”. We are able to offer your clients specialist advice and access to a range of sectors through a variety of investment medium. Including tax shelters such as SIPPs and ISAs.

Our Technical Factsheets and Client Mailers are all available upon request and we would be delighted to arrange a presentation for your colleagues and clients if appropriate.

For further information please contact Chris Bruce or David Anderson

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