



BLACKTOWER FINANCIAL ADVISERS LIMITED

The Professional Forum

Pensions Update November 2005

A-Day (April 6 2006) will see many clients requiring financial advice, to ensure they are not disadvantaged by the new pensions regime. Some of the more recent developments include:

- Grandparents apparently can buy a property within their SIPPS, with up to 40% tax relief and let their grandchildren live rent free from A Day. Watch this space!
- A tax charge is likely to apply, in most cases, on the death of a member in Alternative Secured Pension (ASP) when assets are passed to other scheme members. This is still at a consultation stage and we do not know whether it will be an IHT charge or an Income Tax charge, what rate will apply and whether there will be an inter-spouse exemption.
- We are finding a surprisingly large number of clients who have a tax free cash sum of more than 25% of their pension funds (sometimes more than 100%!). Clients should be aware of their options as soon as possible.
- Residential Property will be all the rage! For those wishing to use the property, it seems that it will be better to pay rent than a benefit in kind tax charge.
- Clients should be aware of the need to use a professional property management company, possibly chosen by the SIPPS provider, reducing net returns.
- Overseas property purchase seems to be an unattractive option, at least until there is clarification of overseas tax liabilities that may apply.
- Some more esoteric investments may not be acceptable for most SIPPS providers if they are judged to be a wasting asset (less than 50 years lifespan).
- Any pre A Day borrowing on Commercial property, at up to 75% of the value, must be drawn before A Day. This applies to new purchases, developments, refurbishment or even a remortgage for a better interest rate.
- Don't forget carry back ceases for PPSs on 31/1/06 and RACs have effectively until 5/4/06 (with carry forward).

There has been so much press coverage about A Day and especially concerning SIPPS and the purchase of residential property, that almost every financial adviser (whether independent or not) is now claiming to be an expert on the subject. Please remember that we have been actively advising clients on property purchases within SIPPS and SSAS for over 15 years.

We look forward to hearing from you.

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

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