THE DAVID PENNEY PRACTICE

WEALTH MANAGEMENT
TODAY AND FOR TOMORROW

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PRACTICE *focus*

David Penney, Director

Welcome to our **Autumn 2015 newsletter**

With autumn truly upon us, we are now on the countdown to the festive season and welcoming 2016. The New Year brings many opportunities and in this edition of Practice Focus we look at some of the changes being introduced next year and beyond.

These include the introduction of the tax-free Personal Savings Allowance, and the phasing in of the 'residence' Inheritance Tax nil rate band. We also announce the launch of two new income-focused funds, and introduce you to the whole of the team here at The David Penney Practice.

I hope you enjoy the read.

David Penney

The **Inheritance Tax** nil rate band is going up, but only for some

When Inheritance Tax (IHT) was introduced in 1986, the national average house price was £36,000 and the nil rate band was £71,000 per person. Today, many more estates are within the scope of IHT. This year's summer Budget included details of how the Government intends to increase the nil rate band to £1 million, through the introduction of an additional 'residence' nil rate band.

The proposals so far

In April 2017, the additional residence nil rate band will start at £100,000, rising by £25,000 each tax year until it reaches £175,000 in 2020/2021. It will be transferable between spouses and civil partners. However, it is proposed that the additional nil rate band will only apply where property is subsequently left directly to the descendants of the deceased (including adopted children and step children) or to certain types of trust for direct descendants. For estates exceeding £2 million (before the application of any reliefs), for every £2 of the value over that threshold the additional nil rate band will be reduced by £1. So, those with no children or an estate worth over £2.35 million (if single) or £2.7 million (if married) won't benefit at all. The additional residence nil rate band will apply only on death and it won't be permissible to split the additional nil rate band across properties. However, it should be possible for one parent to leave a property to their children on the first death and the survivor to leave another, on their subsequent death.

What to do now

It is too early to tell whether the changes will bring any new planning opportunities, but we will continue to monitor progress. Those with estates worth more than £2 million may wish to consider giving away assets now. If you would like further advice, please do contact the office.

New funds

The Investment Committee is responsible for overseeing the evolution of our fund range. The backdrop of low interest rates presents a challenge for investors, as does the question of when and how far they may rise. Pension flexibility means the demand for income continues to be a priority for many. So, the Committee has been working with investment consultant, Redington, and I am delighted to announce the launch of two new income-focused funds.

- The Diversified Bond fund aims to provide an attractive level of income by investing across a broad universe of global fixed-interest markets. It will combine three complementary investment strategies managed by Payden & Rygel, Brigade Capital Management and TwentyFour Asset Management.
- The Strategic Income fund aims to generate a higher level of income than traditional fixed-interest and equity funds. It will blend four independent investment strategies managed by MidOcean Credit Partners, Schroders, BlueBay Asset Management and TwentyFour Asset Management, predominantly investing in high-yielding fixed-interest assets, with exposure to global equity markets.

The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested. Equities do not have the security of capital which is characteristic of a deposit with a bank or building society, as the value & income may fall as well as rise.

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The David Penney Practice Team

With a number of new faces joining the Practice in 2015 I would like to present our own "Family Tree" and acknowledge the contribution of everyone on the team in helping to deliver an excellent service to our clients

ADVISORY TEAM

David Penney
Senior Financial Consultant

- Specialises in estate planning - GENERATION *to* GENERATION®
- Investment and tax strategy
- Leadership of the Team

Steven Woodford
Technical Consultant

- Designs solutions to meet complex planning needs
- Investment strategy and asset allocation
- Client technical queries

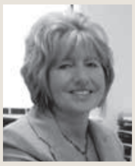
Peter Buffery
Financial Consultant

- Investment management and performance monitoring
- Provides holistic financial advice
- Undertakes client review meetings

CLIENT EXPERIENCE TEAM

Nina Sahota, *Practice Manager*

- Responsible for overall delivery of client service and the day-to-day management of the client experience team



Linda Askey, *Research Manager*

- Provides valuable technical support to the advisory team, co-ordinating policy research and preparing detailed reports for clients

Samantha Capener, *Communications & Events Co-ordinator*

- Arranges client appointments and advisory team diaries. Co-ordinates seminars, client events and general communications throughout the year

Sonia Choudhury, *Client Service Administrator*

- Manages our internal systems to ensure practice standards are maintained and prepares materials required for client review meetings

Mary Taylor, *Practice Support*

- Responsible for front desk duties and provides general support to the team to facilitate a smoothly run practice

Beverley Penney, *Practice Support*

- Helps to maintain the accuracy of our internal records and provides support for client events and communications

THE DAVID PENNEY PRACTICE

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Cash is still the preferred home for ISA savers but for how much longer?

With the introduction of the tax-free Personal Savings Allowance imminent, HMRC has released figures showing cash is still king for Britain's ISA savers. But will that change?

The Personal Savings Allowance applies to bank and savings accounts, enabling basic-rate taxpayers to earn £1,000 interest tax free, and higher-rate taxpayers £500. Interest rates will likely start to rise slowly next year, but once the Personal Savings Allowance is introduced, at the current average rate, a basic-rate taxpayer would be able to deposit over £148,000 in a standard instant access savings account and receive all their interest tax free, with higher rate taxpayers able to deposit just over £78,000. Cash is the right home for money that might be needed in the short term, but the Personal Savings Allowance may lead savers to consider continuing to use their ISA allowance for their liquid funds.

April will reveal how many fail to make the most of their ISA opportunity. Those looking to maximise tax benefits, build capital and create future income, might consider investing their ISA allowance in stocks and shares is a better option.

The value of an ISA with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested. An investment in a Stocks and Shares ISA will not provide the same security of capital associated with a Cash ISA. The favourable tax treatment of ISAs may not be maintained in the future and is subject to changes in legislation.