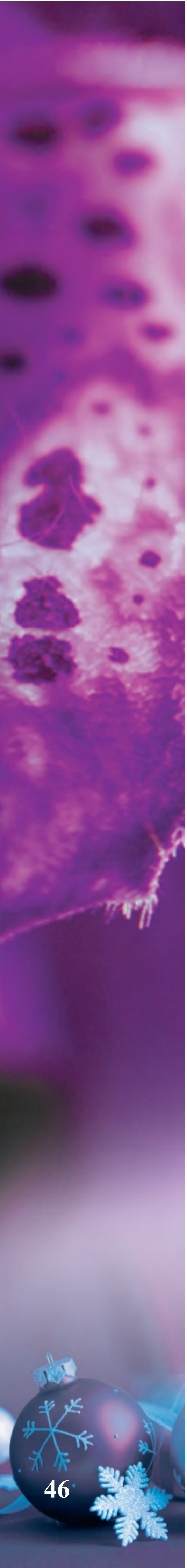

Cavendish Medical

The 12 "winning ways" to perk up your finances this Christmas:

At the time of writing the FTSE 100, the index of the UK's 100 largest companies by market capitalisation, had gained 16% over the previous twelve months and 33% since its low in March of this year. This apparent optimism about future events has not always seemed consistent with recent news that the UK remains in a technical recession following a sixth consecutive quarter of declining Gross Domestic Product (GDP). The Bank of England also saw fit to continue to inject money into the economy by extending the "quantitative easing" programme by a further £25 billion to take their total outlay to £200 billion.

"QE" and an anaemic economy have helped to keep base interest rates in the UK at a historic low of 0.5%. How and when the Bank of England will be able to start addressing the imbalance is yet to be seen. So far, marginal interest rate rises have occurred only in countries like Australia, Israel and Norway, where the worst effects of the credit crunch were avoided.

The progression of economic recovery is also being closely watched by the Chancellor who has just announced that the date for this year's Pre-Budget Report (PBR) will be several weeks later than last year. This should allow time for some last minute horse trading over which initiatives to include in what will be a key pre-general election Budget in April 2010.

All commentators agree that, in addition to the increased rate of income tax (50%) and reduction in the personal allowance from April 2010, there will be further moves to raise tax revenue, freeze increases in public sector pay and make "targeted" cuts to public services. With this in mind, it has never been more important to get your own finances in order. To help everyone get their affairs in shape over the Christmas period we have prepared this 12 point checklist:

1. **Make use of the increased ISA allowance:**

   The annual allowance was increased on the 6th October 2009 for the over 50s from £7,200 to £10,200. For those under 50, the allowance is due to be brought in line from April 2010. The new individual ISA limits are:

   £5,100 to a Cash ISA (plus a further £5,100 to a Non-Cash ISA).

   £10,200 to a Non-Cash ISA only.

   ISA investment remains one of the most flexible and tax advantageous savings and investment structures available to UK residents and, in particular, those who are subject to higher rate income tax. The age restriction for a Cash ISAs is 16 and 18 for a Non-Cash ISA.

   "Bed and ISA" may also be attractive. Flexible ISA providers will allow you to transfer in investments held outside of your ISA in lieu of a cash contribution.

2. **Get an opinion on the new NHS pension:**

   Consultants in England should receive final documentation regarding the new "2008" NHS pension between January and June next year. If you are still undecided about whether to transfer your service into the 2008 scheme, there will be little time next year to make a decision prior to the deadline.

3. **Solve "the Ltd Co conundrum":**

   For those with a spouse who helps with the administration of private practice, medical accountants have been strongly advising that consideration is given to a switch from sole-tradership to incorporation (Ltd Company). This can provide significant tax savings where income and dividends can be more equally shared between you, your partner and any other shareholders in the company.

4. **Make use of your partner's and family's allowances:**

   - Many individuals fail to make the best use of the family's allowances. There are many ways to increase the tax efficiency of the family's affairs:
   - Maximise the family ISA allowances every year.
   - Build up a fund of investments under the capital gains tax regime.
   - The first £10,100 of investment gains realised in the year are free of tax. Subsequent gains are <u>currently</u> taxed at 18%. You can do this for yourself and your partner to maximise your annual allowances.
   - If you employ your partner, consider making employer pension contributions on his / her behalf. This can help to reduce your income tax liability.
   - If your partner is a basic rate taxpayer consider holding income producing assets in their name.
   - You can make pension contributions on behalf of your children. Superannuation will not be the same if they choose to take a medical path in the future. This also has inheritance tax benefits.

5. **Check if the minimum personal pension age applies to you:**

   If you were born between the 6th April 1955 and the 5th April 1959 you will soon have to wait longer before being able to access monies tax free from your personal pension as the minimum age is increasing from 50 to 55 in April 2010.

   For those with a £100,000 pension fund value the maximum tax free lump sum that can be withdrawn is £25,000. If you had planned to use these funds you will need to act quickly to secure benefits prior to the 6th

April 2010. Those with a flexible pension scheme (the minority) will be able to remove part or all of the tax free lump sum without the need to purchase an annuity or withdraw some other form of income.

6. **Find out about the implications of Clinical Excellence Awards on pay, pensions and retirement:**

   In some cases, you can be financially better off when taking flexible retirement from the NHS by retaining your old style Distinction Award rather than applying for a higher CEA.

7. **Review your savings accounts:**

   The interest rates offered on most current, and even online savings, accounts remain negligible. Furthermore, if you are a higher rate tax payer and hold significant cash deposits in your own name any interest accrued will be taxable at the highest rate.

   Consider how much cash you need to have readily available and whether it should be held in your name. Some fixed-term cash accounts over 12 months now offer rates of 3.95% gross. Locking up cash for 24 months may attract rates of 4.25% gross (November 2009).

8. **Review your insurance provision:**

   When did you last review your insurances? Are you aware of the right level and coverage of risks for you and your family? Knowing that you have the right level and spread of financial protections can provide significant ease of mind.

   Conversely, if you are reaching the latter stages of your career and your financial responsibilities are reduced you should consider which of your financial protections are worth maintaining.

9. **Be proactive:**

   2008 and 2009 demonstrated that many approaches to the management of investments were not based on sound foundations. Never before had the adage "*don't invest in what you don't understand*" been more prescient.

   Although no-one can legislate for the direction of investment markets, this does not excuse high charges, speculative risk taking, complicated investment products and other "nasties" that we regularly spot when meeting new clients. If you suspect that you are not receiving the best service, do not be put off seeking a further opinion, it is your right.

10. **Reduce any unsecured debts:**

    Buried deep in the revised overdraft or credit card "terms and conditions" you have recently received will be bad news. Banks and Credit Card providers, faced with making ongoing provision for bad loans, are increasing the rates that apply to your borrowing. With low savings rates, you should consider reducing your outstanding borrowings, particularly if these are held on specialist credit cards (airlines, store cards, etc) where credit interest rates can be as much as 40% on cash withdrawals and purchases.

11. **Take your holidays in Turkey:**

    Exchange rate movements can be pronounced and unpredictable. However, there have been some noticeable trends this year. The Turkish Lira has declined by 7.8% against Sterling over the past 12 months. Against all other major currencies, Sterling has continued a mostly downward trend (the recent strengthening against the US dollar excepted).

    Over 12 months the Pound has declined by 9.4% against the Euro, 25% against the Australian dollar and 9.2% against the Swiss Franc. A weak pound may help UK PLC export to the rest of the world. However, it will not help you when buying lunch for the family in the Alps over Christmas and New Year!

12. **Reserve your place at the ASGBI Cavendish Medical weekend financial retreat on the 23rd and 24th January 2010:**

    This event is designed specifically for those aged 55 and over and will cover everything you need to know about preparing for the next stage in your career and retirement. Expert speakers will give presentations and be on hand to answer your and your partner's specific queries on taxation mitigation, investment and retirement planning including but not restricted to:

    - Clinical Excellence Awards.
    - Timing retirement to your advantage.
    - The organisation of Private Practice (Sole Tradership / Limited Company / Partnerships).
    - How to organise existing assets prior to retirement.
    - Investment planning in a high tax environment.
    - Managing the "lifetime allowance" for pension funding and avoiding the 55% tax.

Nick Saxby – Specialist Medical Accountant.
Simon Bruce – Independent Financial Planner.
Mark Martin – Independent Financial Planner.

Retired surgeon Iain Macintyre will also give an informal evening lecture to Members and Fellows on the history of medicine and his career as a Surgeon in Scotland.

This will be a great opportunity to get up to speed with the latest developments, meet friends and relax in pleasant surroundings.

Look out for the advertisement in this Newsletter and book your place early as we will not be able to cater for large numbers.

This article is not and should not be treated as financial or investment advice.

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