ASSET Advantage

Your quarterly newsletter from

ASSET Investment Management Ltd

wealth management specialists

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Inheriting Your Partner's Savings Account

In the Chancellor's Autumn Statement was the announcement that if you outlived your spouse or civil partner you could "inherit" their ISA. The Treasury and HMRC have now issued further information and a set of draft regulations. The effect of the regulations in their current form will be to:-

- Permit a surviving spouse/civil partner to make additional ISA subscriptions equal to the value of the deceased's party's ISA at the date of death.
- Allow non-cash holdings (e.g. unit trusts, OEICs and shares) to form part or all of the subscription.
- Set a time limit - broadly 180 days after administration of the estate is complete or, in the case of cash assets, three years from the date of death if later.

The opportunity to transfer existing ISA investment is helpful, the Autumn Statement had appeared to suggest that investments would have to be realised and subscriptions could only be in cash. However the current regulations leave unchanged what happens between the date of death and the new subscription being made. That will mean the ISA assets will be taxable as part of the estate between the date of death and the making of the subscription. To complicate matters further, because the subscription value is fixed at the date of death, a transfer of non cash holdings will be affected by changes in value before the subscription is made.

The measure will have effect from 6 April 2015 in respect of deaths on or after 3 December 2014.

So, whilst perhaps some of the mechanisms are still a little unclear, this is a welcome move which means that the tax shelter on the deceased party's ISAs can be preserved, but unlike with pensions, for the spouse/civil partner only. Also, on death of the surviving spouse/civil partner, the value of the ISAs will still be assessable for Inheritance Tax (IHT).

It is possible, however, to transfer ISA accounts into specialist Alternative Investment Market (AIM) ISAs which remove the holding from the estate for IHT purposes after 2 years.

Whilst the temperature outside is still struggling to rise into double figures these days, the FTSE-100 has been closing at record highs for the last few sessions - over 7,000 points.

Whilst we have signalled volatility over the coming 12 months, this is indeed good news and most portfolios will have benefitted for the rise in the UK and global markets.

Our Services

We are able to offer qualified advice in areas other than pure investment, such as:-

- Equity Release
- Care Fee Planning
- Income Protection
- Life & Critical Illness cover
- Pension Planning
- Inheritance Tax Planning
- Wills and Estate Planning
- Lasting Powers of Attorney

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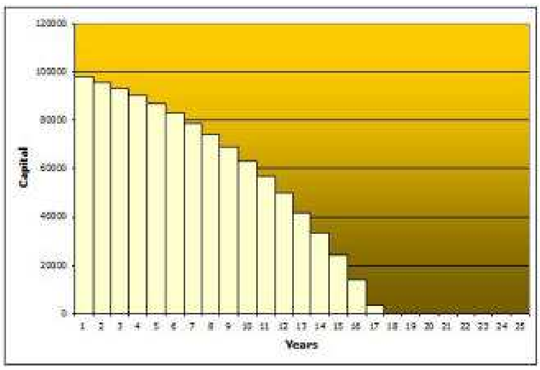
How Long Will Your Money Last?

It is interesting to see commentators urging advisers to be able to demonstrate how long clients' money might last should they be taking income, if only because we developed a simple tool to do this some years ago. We can input your fund value, the income taken, assumed investment growth and income indexation and produce a chart and figures.

For example, a fund of £100,000, income taken of £7,500 per annum, increasing by 2.5% p.a. and with an assumed growth rate of 5% p.a.



The fund would run out after 17 years. We will continue to monitor relevant portfolios at reviews as we have done in the past.

Heading for Financial Meltdown?

A few weeks ago, Crispin Odey, the hedge fund manager, predicted the imminent catastrophic collapse of global markets, the effects of which would "be felt for a hundred years". Prophetic stuff indeed.

The gravitas accorded to these predictions was that Crispin Odey had predicted the falls in 2007. In fact, so had Vince Cable, but his views are less widely publicised these days.

So, is he right?

It is impossible to say; he may indeed be one of the few "bears" who has got this right. It is interesting to note, however, that all the Odey group equity funds remain fully invested and that as a hedge fund manager, taking short positions then spooking the markets could work in his favour.

If you are worried, see across for a potential solution.

Tax Avoidance v Tax Evasion

Much has been written about this of late - the majority of the "experts" on some television programmes clearly have no idea about the difference either.

To be clear, tax avoidance is legal and is something that we would build in to investment plans and advice as a matter of course. For example, simply putting a life insurance plan to mitigate Inheritance Tax into trust for beneficiaries could avoid thousands in unnecessary tax. This is not tax evasion.

Similarly, a Deed of Variation of a Will can mean that assets by-pass a generation, again avoiding IHT. This is a vital tool as the settlor of the original Will might want to change the beneficiaries but can no longer do so as he or she lacks mental capacity.

To deny someone the right to have their estate disposed of without undue tax simply because they had lost mental capacity would seem harsh in the extreme, but is something the commentators eager to jump on the bandwagon fail to grasp.

That said I think we might all like to see criminal prosecutions brought against those actively evading tax or using artificial mechanisms so to do.

Rephasing of Investments

With the UK and many world markets at record levels, how can you protect your portfolio's value?

One option is to move entirely to cash of course, but this is hardly a solution for anything other than the immediate short term.

Another option is to take advantage of our "rephasing" facility for Transact based investments. This works by moving all of your investments to cash and then repurchasing your holdings (in one of our templates) in instalments over the next 6 months. Switching costs would apply at 0.45% and for assets outside an ISA or Pension wrapper, Capital Gains Tax may be triggered.

If markets do fall then you will be buying back at cheaper prices than before; the reverse, of course, is that if markets continue to rise then you have missed out on that growth.

If you would like to discuss this then please get in touch.