

## 1. How Sally and Roddy cut **£4,800** from the Inheritance Tax bill due by the family, by gifting **£12,000** to their children

Sally (62) and Roddy (70) are retired and comfortably well off – but they knew there was a potential Inheritance Tax bill waiting for their children when they died. They own 2 properties and had a variety of savings and investments valued around £900,000. However, Roddy's income from his final salary pension scheme would halve if he died first, so they were reluctant to give away large sums of money as they might need it for Sally, longer term.

They knew they could gift £3,000 per person in any tax year and thought this was all they could do. However as they had not made any gifts for several years we pointed out that the previous year's allowances were also available – to them both. They paid a lump sum each of £6,000 (profit on their ISA investments) much to the delight of their 3 children. This money is now completely (excluded from) any future Inheritance Tax Calculations – a potential saving of at least **£4,800**

## 2. How Carol cut the cost of managing her investments by around **£180** a year by switching to Lowland

Carol, a retired teacher had a portfolio of stocks and share ISAs worth around £52,000 but was concerned about the costs associated with these funds. Her current adviser was charging 1% for “advising” her and she felt he was “not doing very much for his £500 every year”. We charge 0.75% for our ongoing advice so there was an immediate potential saving of 0.25% of £52,000 – ie around £130 every year. The portfolio was on a “platform” with what appeared to Carol to be an expensive administration charge.

We checked the figures and funds and found that the administration cost was not excessive but slightly higher than other companies so we recommended a switch to a different administrator to cut the administration fees slightly – in this case around £50.00pa. We agreed to review the funds for Carol every year in future under our R36 service. Carol paid our fee of £300 for advising and implementing this for her, and is happy that we are on hand to review the funds and that she is paying around **£180pa** less in fees every year in future.

## 3. How Anna and David cut the income tax bill on their savings by **£162** every year by changing the ownership of their savings accounts

Anna and David had £45,000 in a joint deposit account. They have other investments and want to retain the cash as a safe / rainy day account. They use their ISA allowances by switching existing Unit Trust investments into ISAs every year. Anna has a small state pension of around £3,200pa and is a non tax payer. David a retired GP earns £47,300 from his NHS and state pensions and is currently a higher rate tax payer. Interest on the deposit account is 1.8% - circa £810 in a year. We recommended switching the deposit account into Anna's name, meaning no tax was deducted and saving 40% of David's half of the interest. That way they have exactly the same savings account and are taking no more risk with their money – but they will reduce the tax bill by around **£162** (40% of £405) every year..

## 4. How Bernard and Julia saved **£840** in set up fees when they switched between funds

Bernard (71) and Julia (67) had always taken a keen interest in their investments but wanted a second opinion on the funds they held, and someone to reassure them that everything was likely to be all right. They had 13 different funds with 7 different companies and found keeping tabs on the different companies really difficult. In addition,, some money was in ISAs but they had not added new money for some years since they retired. It was particularly tricky collating information for the tax return from the non ISA investments.

We recommended they consolidate all the funds into one account using a free service called re-registration. The new plan has a flat annual fee of £45 per member but no charge for buying or switching to a new fund. We identified 3 funds worth £42,000 which did not meet our investment criteria and suggested alternatives with 2 new companies. Switching to these new funds and managers cost them nothing, saving an initial charge of up to 2% compared to buying these same funds direct from the new companies.

Now Bernard and Julia receive a consolidated tax statement every year with one figure which makes their tax returns a doddle, and we encourage them to switch the maximum into an ISA every year to improve the tax efficiency – for which there is no charge. The upshot is that Bernard and Julia pay no more for any of the funds than before but have the benefit of ongoing advice and saved around **£840** in initial fees.

## 5. How Drew was discouraged from investing (and therefore losing) **£10,000** in a dubious land purchase deal!

Drew (78) was always looking at opportunities to make money as he enjoyed the thrill of an investment which paid off. He was used to taking risks in his former business life and felt comfortable with dabbling in alternative high risk investments with a small portion of his investments.

Whilst we choose to concentrate our advice on traditional investments and avoid the more esoteric (and generally high risk) areas we are happy to discuss the pros and cons of any proposals to help client come to their own conclusions, even though we are not allowed (ie authorised by the FCA) to give advice.

Some years ago Drew asked us about a property deal where he was considering investing £10,000 in a plot of land “ripe for development” promising fantastic returns. There was a plush website and he was convinced this was a good idea. However he decided to call Lowland for a second opinion.

This was a scheme about which we knew very little at the time, but instinctively it felt wrong. Unrealistically high returns are usually too good to be true and while he was able to afford a loss - we suggested extreme caution – and to be prepared to lose the lot if he decided to invest. In the end Drew held off and is now very relieved as this recent briefing from the FCA explains:

<http://www.fca.org.uk/consumers/scams/investment-scams/land-banking>