

1. How John and Mary saved a total of **£10,000** tax when they each added a £10,000 lump sum into their pension plans.

John (49) was a higher rate taxpayer earning around £75,000. He paid £8,000 into a Personal Pension and reclaimed £2,000 basic rate tax relief, meaning that £10,000 was invested. Because he was a higher rate taxpayer, his tax bill reduced by a further £2,000 saving **£4,000** tax in total.

Mary (John's wife, 48) paid the same £10,000 gross payment into her pension as John. However she earned £114,000 and as a result got a further £2,000 tax break. This was possible because for every £2.00 you earn above £100,000 you lose £1.00 of personal allowances (up to around £120,000)

By paying £10,000 she was able to reclaim £5,000 of her personal allowance (which she would have lost completely without the pension payment). Mary's £10,000 contribution into the pension fund has therefore cost her only £4,000 – a **£6,000** tax saving!

2. How Bob was able to save **£550*** every year - as a result of switching pension companies

Bob (52) worked as a builder and his wife June (49) was a Civil Servant. Bob had just changed jobs and needed advice on his 4 assorted pensions. His new employer offered a payment into their group pension plan so we encouraged him to join this scheme. He was reluctant to move any existing funds over to the new employer scheme in case this was not his last job move!

We researched the pensions and found that the charges for his existing pension were higher than those currently available elsewhere. This was in part due to the fact that when you combine 3 separate smaller funds (£52,000, £56,000 and £3,000) into one bigger fund of £111,000 - administration costs tend to be lower, and in part because newer pension contracts tend to offer lower cost funds.

We showed Bob that annual costs for broadly similar funds could be reduced to around 0.5%pa compared to 1%pa with the existing funds – potentially saving Bob **£550pa** for 13 years. Taking the cost of our advice into account Bob would become better off every year after the first 4 years of the new plan*.

In the end we agreed to use a wider range of funds from some of the best companies available (another benefit of the new plan) and he decided to register for the Lowland R-12 review service. Both options increased the annual costs of the pension, however Bob and June are looking for the best returns and they appreciate that top funds tend to cost more. Plus they want to have a strategy and plan which reacts to changes in the future.

3. How James and Margaret will save £3,397 over the next 19 years after rearranging their existing life and critical illness insurance cover

James (44) and Margaret (41) arranged Life and Critical Illness Cover via their bank for their 25 year £160,000 mortgage 6 years before coming to Lowland for advice. We got new quotes and found that the cost of comparable Life and Critical Illness Cover has reduced in that time. However we had to check the definition of what was covered under the existing Critical Illness policy.

The cover on offer from the new company was every bit as good (and in some aspects better) so we arranged the new policy. This reduced the monthly cost from £68.10 for the Bank's Mortgage protection policy to £53.20pm – saving **£14.90pm** for the next 19 years – ie a **total saving of £3,397.20** over the remaining 19 years of the mortgage.

4. How Rachael (the reluctant pension saver) realised that not joining her new employer's scheme was like turning down a free pay rise of circa **£1,080** every year

Rachel was offered membership of her employer's pension scheme when she changed jobs. She had always been reluctant to save in a pension scheme ("not keen on them") and preferred ISAs.

The employer pension required her to pay 2% of her salary to which the employer would add 6%. She was earning £18,000 so her 2% payment was £30pm and the employer would add **£90pm**. However she was eligible for 20% tax relief on her payment, bringing her actual cost down to £24pm.

In the first year this meant she would pay £288 in return for £1,440 invested (5 x her payment!) . We pointed out that a pension pays 25% tax free cash when you retire so her first year contribution would cost £288 and she will be entitled to £360 when she retired! Plus the remaining fund of £1,080 would give her a guaranteed income at no cost!

How Mike and Pat have reduced their potential inheritance tax bill by **£60,000** by nominating the benefits to be paid to their children (if Mike dies before age 65)

Mike 56 had a pension fund worth approximately £150,000. His wife Pat was in an excellent Final Salary pension scheme, and they decided that if Mike died Pat would not need income from his pension pot. They have assets totalling just over £650,000 (the joint threshold for Inheritance tax). We pointed out that if Mike died, Pat's estate would be around £800,000 and assuming she did not need the money she would leave a tax bill of £60,000 (ie 40% of £150,000)

They have 3 children and we suggested he completes a simple form to nominate the pension benefits to be paid to the children if Mike died before he retires. That way if he dies young, his pension fund is not paid into Pat's estate and is therefore completely exempt from Inheritance Tax, potentially saving **£60,000**. If he reaches retirement and takes the pension – there is no fund to pay out, but it would have been worth it for the potential savings if he died in the meantime.