

## Investment Solutions Bulletin – Quarter Two, 2011.

### **For Richer, For Poorer.**

***Here we go again! Another round of a Government “giving with one hand and taking away with the other,” and all in the name of fairness and paying for other peoples’ mistakes... (Sorry to any bankers out there!)***

**For Richer:** The personal allowance for Income Tax has risen to £7,475 for the 2011/12-tax year for those under 65. It is estimated this will mean around 250,000 people will no longer pay Income Tax. It was also announced that the personal allowance will rise to £8,105 in 2012/13.

Age related allowance for those aged between 65 and 74 rises to £9,490 and to £10,090 for those 75 and over. The income limit for age related allowance rises to £24,000 from £22,900.

**For Poorer:** The Basic rate band will fall from £37,400 to £35,000 and it is estimated that around 750,000 people will now pay the higher rate of 40% for the first time. In 2012/13 the basic rate band will fall to £34,370 to take account of the increased basic rate allowance.

**For Richer:** Your personal ISA allowance 2011/12 has risen to £10,680; half of this will be the Cash ISA Limit.

**For Poorer:** Class 1 National Insurance contributions have risen by 1% to 12% and the additional rate has risen from 1% to 2%. Employer’s contributions have also risen from 12.8% to 13.8%.

**For Richer:** Good news!! The 50% tax rate band is only temporary! But it will continue for 2011/12... not so good.

**For Poorer:** As previously announced the Annual Allowance for Pensions has decreased from £255,000 to £50,000 from 6 April 2011. There is some scope to use the past three year’s unused allowances.

The Standard Lifetime Allowance for pensions will also fall from £1.8m to £1.5M from April 6 2012.

**For Richer:** A proposal to introduce Children's ISA's in the autumn for those that do not have a Child Trust Fund.

**No Change (yet...):** The Inheritance Tax limit will remain at £325,000 up to and including 2014/15-tax year. After that, it is proposed that a link be established between the allowance and any rises in the Consumer Prices Index.

For deaths occurring after 6 April 2012 a reduced rate of IHT will apply if you leave 10% or more of your net estate (after reliefs, exemptions, and the nil rate allowance etc...). The reduction will be 10% giving an effective rate of 36%.

**For Richer:** Capital Gains Tax allowance rises from £10,000 to £10,600, with half the allowance available for trusts.

#### **In Summary:**

***Overall the Chancellor gave a little here and took a little there. Given the Government's insatiable need for cash to fill the black hole, it is more important than ever to use your tax-free allowances. Whether you have already retired or are still funding for your retirement it is important to take advice to ensure your money is working its hardest for you.***

**As an Independent firm of Financial Advisers, we are suitably qualified to help you.**