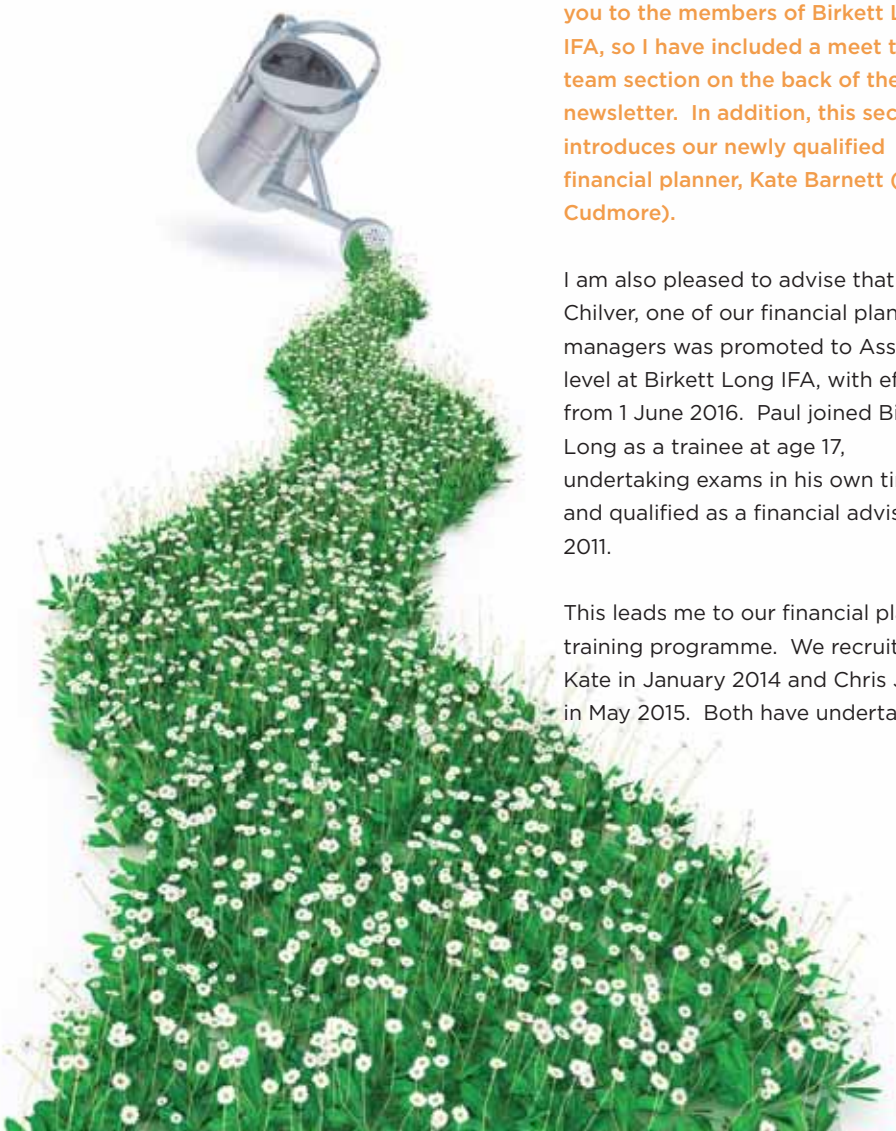
SUMMER 2016

Independent Financial Advice

NEWS AND ADVICE FROM BIRKETT LONG



'Growing our own' experts

Welcome to the second edition of our newsletter. I would like to introduce you to the members of Birkett Long IFA, so I have included a meet the team section on the back of the newsletter. In addition, this section introduces our newly qualified financial planner, Kate Barnett (nee Cudmore).

I am also pleased to advise that Paul Chilver, one of our financial planning managers was promoted to Associate level at Birkett Long IFA, with effect from 1 June 2016. Paul joined Birkett Long as a trainee at age 17, undertaking exams in his own time, and qualified as a financial adviser in 2011.

This leads me to our financial planning training programme. We recruited Kate in January 2014 and Chris Jarrold in May 2015. Both have undertaken their professional qualifications and received support and training from Birkett Long. As you will read later, Kate qualified as a financial planner in November 2015 and we anticipate that Chris will qualify at the beginning of next year. In addition, our trainee paraplanner, Shane Ali, is now only one exam from gaining his paraplanner qualifications.

Due to the success of Paul, Kate and Chris we have launched a trainee financial planner programme. Joe McArdle, who joined us in July 2016, will take his Chartered Insurance Institute (CII) Diploma in Regulated Financial Planning under this programme, with the objective of qualifying as a financial planner in two years' time. We have found that there is a shortage of good quality advisers in the industry and by 'growing our own' Birkett Long IFA will have a strong foundation for future growth.

I hope you will find this newsletter interesting and if there is any content you would like to see in future editions, we would love to hear from you.

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Equity release - could it be right for you?

In the UK in 2016, there are 23 million people aged 50 and over. We all know that in recent decades life expectancy has increased and it is expected that over the next 17 years the number of people aged 65 plus will rise by 40%. In Age UK's 'Reasons for Care in Crisis' report it stated that the number of people age 65 and over grew by more than 1 million between 2005/2006 and 2012/2013, with the number of people aged 85 and over rising by 30%.**

Against this backdrop it is estimated that the amount of equity held in older people's homes is somewhere in the region of £1.4 trillion***.

Equity release offers the potential to meet some of the challenges presented by living longer. To put the financial cost into perspective, a man who retires at 64 today, will, on average, spend 35% of his life in retirement. Compare that to the 1950's when the average man retired at 67 and spent 18% of his life in retirement*. However, as retirement lengthens, many people find they have not made adequate provision for their financial needs.

As a consequence of our ageing population, the equity release market has doubled in size since 2011. Homeowners over the age of 55 unlocked a record amount of housing wealth via drawdown lifetime mortgages in the last three months of 2015 and the level of lending saw a new high of £1.16 billion****.

Many remember equity release 'horror stories' of the 1980's and still have very real concerns. However, today's equity release arrangements are very different beasts to those on offer 30 years ago.

All arrangements are now regulated by the Financial Conduct Authority (FCA) and advisers must have an appropriate qualification in order to give advice about equity release. Modern schemes are a far cry from those of the 80's, and include safeguards, such as:

- a guarantee of no negative equity
- an option of including inheritance protection
- fixed interest rates
- no mandatory repayments during the loan term

In addition, the adoption of the Safe Home Income Plan standards of the 1990's, along with subsequent changes in regulation under the auspices of the FCA and the Equity Release Council, have made major differences to equity release.

Providing for your children or grandchildren

Investment bonds are a form of collective investment which, unlike unit trusts and other investment types, use an insurance policy as the "wrapper" for the underlying investments.

This has a number of tax advantages, one being that 5% of the value of the original investment can be withdrawn each year for 20 years without any immediate liability to income tax, and withdrawals can be "deferred". Investment bonds can be held offshore giving the advantage that returns are free of UK tax until they are brought back to the UK. An offshore bond can also be held in trust, which could make a suitable form of investment for children or grandchildren. For example, a trust held under an offshore investment bond would allow income to be rolled-up tax-free. Segments of the bond could be assigned to the child/grandchild on reaching 18 and paid tax-free, provided that the child's income did not exceed their personal Income Tax allowance (currently £11,000). In addition, the 0% starting rate tax band is available for gains from offshore bonds, as is the £1,000 personal savings allowance (PSA), so a child with no income could potentially receive gains of £17,000 with no liability to income tax.

At Birkett Long IFA we also work with Birkett Long LLP's legal experts to help you with trusts and other tax planning issues.

Paul Chilver
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Despite this, it remains very much an area requiring specialist advice. When a client contacts me about equity release, my priorities are always to discuss the alternatives, to make sure any State benefits will not be affected, and to discuss in detail the various types of equity release arrangements on offer to ensure they will meet my client's needs.

I have spoken to many clients regarding equity release but no two have had the same circumstances. It is vital that your requirements are understood before your adviser makes recommendations as generally, once an equity release/ lifetime mortgage loan is taken out, it is intended to be exactly that - for life!

If you are considering equity release, our advice would be that not only should you go to a specialist financial adviser who has the appropriate qualification, but you should also seek legal advice.

*Source: *Age UK Later Life Factsheet (Feb 2016)*
*Source: ** Care in Crisis Report 2014*
*Source: *** English Longitudinal Study of Aging (ELSA)*
*Source: **** Equity Release Council*

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Putting your house in order - wills and LPAs

It is important for everyone to put their legal affairs in order. One of the most important is to make a will. When someone passes away without a will they are described as having died intestate, meaning their assets will pass following rules they have not chosen and may not want.

Even if you have already made a will you should keep it under regular review. Consider whether since writing your will, you have separated or remarried, your family has expanded or your estate value has changed significantly. In any event it is advisable to review your will every few years. Ensuring your will is up to date in terms of your wishes and changes in the law is as important as making one in the first place.

A further area of planning for your future is to ensure your family has the ability to help you should you lose mental capacity. A lasting power of attorney is a document giving legal authority for someone you choose to be able to assist you with your financial and possibly health and welfare matters, should you need them to. These are very important documents that you should take time to consider.

Wills and lasting powers of attorney are equally important and should be organised long before they need to be relied upon.

At Birkett Long, we have expert knowledge and would be very happy to discuss your future planning needs with you.

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under the spotlight

Meet the team

Nicola Ward
Associate and Head of Birkett Long IFA LLP

Paul Chilver
Associate and Financial Planning Manager

Colin Hyoms
Senior Financial Planning Manager

Kate Barnett
Financial Planner

Chris Jarrold
Trainee Financial Planner

Joe McArdle
Trainee Financial Planner

Kirsty McCrave
Trainee Paraplanner

Shane Ali
Trainee Paraplanner

Zoe Meredith
Financial Services Executive and General Insurance, Consultant

Gillian Dulieu
Financial Services Executive

Lauren Bamber
Financial Services Administrator

Gina Dunne
Secretary

Newly qualified

Kate Barnett joined Birkett Long in January 2014 as a trainee paraplanner, having previously worked in the legal team at the Financial Services Compensation Scheme (FSCS).

With Birkett Long's encouragement and support, Kate progressed quickly through the six Chartered Insurance Institute (CII) exams to gain the Diploma in Regulated Financial Planning. She qualified as a financial planner in November 2015. Kate also has a law degree and is now one of our four financial advisers and a very valuable member of the team.

Working closely with experienced financial planning managers at Birkett Long has provided Kate with an excellent platform from which to learn and build on her qualifications.

Since joining us, Kate has also renovated a house and organised her wedding! When she does get some spare time, Kate enjoys cooking, reading and running, and has completed two half marathons.

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