



MEDICLUB

Specialist Financial Advisory Service for Doctors and Dentists

Newsletter

Spring 2019



Pension Alert

The extraordinarily complex rules regarding the Tapering of Annual Allowance introduced in the 2015/17 tax year, coupled with the NHS scheme reporting which advises on over contributions, creates a 'perfect storm' in terms of advice.

NHS practitioners and higher earners (over £150,000) should be alert to the potential for an excess annual allowance charge to be imposed. Where 'adjusted income' exceeds £210,000 (adjusted income includes all taxable income, investment income of all types and benefits in kind such as insurance premiums paid by the employer etc) the Annual Allowance is reduced to £10,000.

So here's the problem: You are unlikely to know that you have over contributed until it has happened and you are then expected to pay the tax on your over contribution. Seems a bit unfair, so what can be done to help this?

Scheme Pays - If the annual allowance charge exceeds £2,000, you can ask the NHSSS to pay the charge from your benefits. Naturally, this reduces the pension fund but it is not an issue if you are hitting the Lifetime Allowance (Without protection in place this is £1,030,000 currently rising to £1,055,000 next year).

Carry Forward - You may be able to bring forward any unused annual allowance from the previous three tax years to benefit from tax relief in the current year. As the earliest years fall out of the calculation then the effectiveness of this will reduce further as time moves on

Other Options - Make sure you are not making things worse by continuing contributions to Personal Pensions or even AVCs. After all, not using your available Annual Allowance may mean that you will

have some to carry forward. You may wish to consider paying into an ISA if you are not maximising contributions as this could form an additional source for excess tax payments.

Our specialists at Chantler Kent advise on ways to minimise the tax liability for higher earners using tax effective investments such as Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs) which offer tax relief with the prospect of potential for capital growth.

For those of our clients who are wisely positioned on the Chantler Kent Wrap, this is a simple manoeuvre and doesn't incur additional costs. A simple 'phone call or email to Marianne will expedite this. If you would appreciate specialist guidance on any aspect of retirement funding, please contact us: mediclub@cki.london.

Pro-Active Accountants

How pro-active is your accountant? Do you feel that you receive valuable tax saving advice and guidance or are your accounts prepared in the same vein every year but with an ever increasing fee? Are your emails and 'phone calls responded to speedily? Are you made aware of your tax liability in good time? One of my clients was stung with a large tax bill literally days before the deadline this year! Thankfully, we managed to secure a loan within 48 hours.

We have numerous accountancy connections so if you feel that you aren't being treated with enough care and attention, do let us know and we will do our best to find the right service to best meet your needs.

The End Game

On the subject of retirement, what's your definition of it? Fishing, golfing, travelling? I suspect most would agree that semi-retirement is more realistic these days, especially in one's early sixties. Selling the practice and possibly working part-time whilst being debt free is arguably the ideal scenario, at least until one is both physically and mentally tired of the work.

To be able to retire, or partially retire, requires forward planning to maximise the value of one's assets, be they a pension fund or a practice, as well as minimising one's tax liability. Counselling advice is crucial from not only one's accountant and financial adviser but also, if you own a dental practice, from a specialist solicitor and practice sales agent.

We can help plan your budget with cash flow modelling software whilst, of course, ensuring that your pension and investments are managed in line with your individual risk profile and overall circumstances.

Selling a Practice

On the subject of the above, one of my longest-standing clients recently succeeded in selling her practice within five weeks and for more than the asking price! How about that? MediClub owes no allegiance to anyone (other than its clients) but surrounds itself with valued and reliable business connections; none more so than Lily Head Dental Practice Sales. Lily and her team conduct seminars around the country for those wishing to sell their practice and allies herself with specialist solicitors and wealth managers to provide a comprehensive low-down on how to approach 'the end game'. For a practice valuation or details of seminars, please contact Abi Greenhough at ag@lilyhead.co.uk or one of the team on 0333 772 0654.



Lily, Abi and me at the Dental Industry Awards dinner last November

Watch Out – There's a thief about!

Fraud and cyber fraud are on the rise and, surprise surprise, the banks are in no great hurry to get their act together and protect our hard earned cash! We take this escalating threat lightly at our peril. Both my son, Jack, and myself have been the subject of credit card fraud in the last year whilst one of our clients has lost a small fortune through having his bank account hacked.

Barclaycard issued a credit card to someone in my son's name and Virgin Money allowed a card in my name to be issued to a third party at a different address to me! They said 'Don't worry; we picked up

on it immediately so stopped the card. You'll only have to wait three months for your credit record to get back to where it was! Halifax told me that someone applied for a card in my name but they didn't issue one, thank goodness.

I had a similar problem with Creation. I had not used the card for years and, indeed, was under the impression it had been cancelled – until I received a statement showing a purchase through Amazon. It was initially quite hard to convince them I wasn't responsible for the transaction. I complained and it was resolved.....until it happened again a few months later! I threatened them with the banking ombudsman and that did the trick until..... guess what.... I have just received a new statement. Totally out of the blue but, thankfully, without any purchases on it. I will write to them and copy the ombudsman in this time.



I spent two weeks in Namibia in October. Amazing! Let me know if you'd like the contact details of our agent. We gave him the outline of our requirements and he put together a fabulous itinerary. Safari lodges; guest houses; excursions etc.

We have even had a thief trying to withdraw funds from a client's wealth management portfolio. Naturally, there are procedures in place to obstruct such an attempt being successful but this is a situation whereby a smaller business such as ours can benefit from the diligence of a member of the team. The rogue client emailed us asking for funds to be released and paid to a different account to that which was registered with us. My colleague, Marianne, telephoned the client to double check the legitimacy (or lack of it) of the request and, sure enough, her suspicions were well founded.

"The views expressed in this newsletter are personal to the writer. Investment and pensions advice should be sought from a suitably qualified and authorised adviser and appropriate to individual circumstances."

The Voluntary Tax

You know what it is but have you done anything about it?

Dee Douglas, Head of Family Law at Valens Solicitors, based at Temple Chambers in London, reminded me that if you haven't made a Will everything does not necessarily pass to your spouse. I was out walking with friends recently and it was a widely held view that everything automatically passes to one's spouse upon death. Making a Will not only takes many of your assets outside your estate for IHT purposes but also ensures the right people receive what you want them to. Your family may not share your idea of what constitutes an equitable distribution of assets but, as long as you have made fair and reasonable provision, your Will should not be contested.

LPAs are also an essential part of future planning for both you and your parents. With my father, Andrew, having dementia and now residing in a care home, I know the value of having LPAs in place. An LPA for health and wellbeing ensures you have control over any decision over health and welfare, including the choice of care home. An LPA for Property and Financial Affairs covers decisions about your money and property. Your chosen Attorneys have to make decisions that you would have made if you were able to and your LPA can give preferences or conditions to help them with those decisions.

I have recently updated both my Will and LPAs, with the latter nominating my three adult children now that my youngest is 22. I can't afford to upset them now!

Professional advice is sensible and will cost a professional fee but trying to arrange Wills on the cheap (like most things) can end up costing a lot more. Be careful who you appoint as an Executor because the fees (often hidden in small print) can be disproportionate.

If you die intestate, then your spouse will retain all assets up to £250,000 plus all personal possessions. The spouse will then have 'an absolute interest' in half of the remainder whilst the other half is split between the surviving children. This could cause financial difficulties for the surviving spouse, so having a Will in place can cater for the specific needs of your spouse/family.

Annual IHT revenue has reached £5.2billion. Don't add to the pot – leave it to those whom you would like to benefit: You know the government will only waste it! Please contact us for a review meeting with a specialist lawyer at Valens or email Dee directly at dee@valenssolicitors.co.uk / 0203-368-3970.

Inflation v Interest Rates

Well, inflation is back down to 1.8%; a two year low. This is mainly due to falling fuel costs and lower electricity and gas prices. With pay rising at 3.3% the outlook for the High Street is positive but savings rates are still derisory. However, only six months ago, inflation was up at 3.5%. It was reported last Autumn that 99% of savings accounts fail to keep up with inflation. This means that the purchasing power of your money left on deposit or placed in a savings account is actually diminishing year on year.

To ensure that your savings keep pace or, ideally, exceed inflation it is necessary to invest in a higher risk asset class than cash.

Savings Options

Risk free options include accelerating repayment of your mortgage, saving in the bank or building society or buying Premium Bonds. The more you save in the latter, the more you are likely to win and, although the statisticians tells us that the probability of winning the jackpot is less than me succeeding Trump in the White House, my Mum assures me it is a great feeling to receive a cheque in the post every now and again. There is no tax to pay on the winnings and the money is instantly accessible – ideal for tax money or emergency cash: visit nsandi.com

We have to accept that the price of retaining cash for emergencies, a deposit on a house or practice and tax is the loss of capital in real terms. Overpaying the mortgage is prudent but not at the expense of keeping a cash reserve. Unless you have an Offset mortgage, once you have repaid the capital, it's gone and no longer available for other uses.

Investing in a managed environment can yield superior returns over time but should be part of a wider long term strategy.

I never put clients off actively managing their own money but warn them of the pitfalls. Research is essential and time is a valuable commodity so one must be prepared to invest a significant amount of time and effort. Using fund supermarkets may (or may not) be relatively inexpensive but they simply offer a facility, whilst a sophisticated I.T. based Wealth Management Programme provides research, rebalancing, flexibility, tax planning advice and accessibility.

FT Top 100 Financial Advisers

Chantler Kent's portfolios have fared very well in these volatile times and the company was placed 29th in the FT Adviser's Top 100 Financial Advisers 2018. If you have sufficient reserves but are looking to achieve a greater return on your capital, please contact us: mediclub@cki.london.



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