Consolidate to Accumulate - Control Your Financial Destiny!

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Are your retirement provisions “all over the place” in a rag-bag of miscellaneous policies and schemes built up in past jobs, with no coherent plan or control? If so, you wouldn’t be alone.

As a broad rule of thumb, it is often said that one needs to fund maybe 15-20% of gross earnings to a pension fund throughout one’s working career, from one’s early 20’s, to achieve a reasonable pension. But of course many people delay starting to fund until later – then find they need to fund higher amounts. It may be too late by then, even if they had the funds.

Traditionally, many such funds have been invested in insurance company pension plans, where one’s money is managed by the insurer in a managed or with profits fund. But many are deterred from such plans by the pedestrian returns available from certain lacklustre managers, and also by worries over financial strength of with profits funds, their opacity and the discretion that actuaries have, high charges, insolvency worries and perhaps by inappropriate asset-allocation, if indeed they know how their funds are invested at all.

Self-Invested Personal Pension Schemes (“SIPPS”)

An increasingly popular alternative amongst more sophisticated investors, “SIPPS” allow YOU to choose and control the investment of your funds, without exposure to the financial strength of a life assurance company, and without tying you into restrictions on the available fund managers. Charges can be kept minimal.

A SIPPS can be merely a low-cost “wrapper”, particularly for larger funds of six-figure amounts upwards, and it to enables you to benefit from the generous tax benefits of approved pensions, which are:

Income Tax relief at your top rate on contributions
From April 2006, relief on personal contributions of up to 100% of earnings, max £215,000pa. Employer contributions to this limit needn’t be limited by earnings.

Growth free of Capital Gains Tax

Investment income within fund taxed beneficially

Tax free cash at retirement

Death benefits can be written in trust to avoid Inheritance Tax

These tax benefits will be on funds up to the “personal lifetime limit” from April 2006, which will be £1.5m initially, then uprated. A higher personal limit can be established before then by aggressive-funding up to 2006, subsequently uprated, to maximise tax benefits, so there is a “window of opportunity” to act before then.

Investment Options

Once the SIPPS is established, YOU decide where and with whom the funds are to be invested. You can choose the investments yourself, or appoint one or more managers to design the asset allocation, and choose the best funds from the full range of top flight fund managers on the open market. Available investments include:

Commercial Property – You might want to have your business premises as your pension fund. Then the rent you pay is credited to your own pension fund. Or you can buy commercial property and let it. **Up to April 2006 only,** you can gear up and borrow **up to 75%** of the purchase price of the property within a SIPP, the 25% coming from SIPP funds. Borrowing will be limited to 50% of SIPP FUND after April 2006, so there is a "last chance to buy".

Residential Property will be permitted as an investment in future, and investment restrictions relaxed to allow esoteric investments such as art, antiques etc..

Managed Commercial Property Funds (investing in shops, offices and factories, nationally)

Deposits-we can optimise returns through money-market funds with maximum safety

Securities (shares, corporate bonds, gilts etc) listed on a recognised exchange

Authorised Unit Trusts, Open Ended Investment Companies, Investment Trusts, with any manager

Offshore funds and Foreign Currency

Exempt Approved pension funds

By adopting a "hands-on" approach to managing your funds, either yourself or with my help, you can tailor the asset-allocation to suit your risk profile, timescale, and to maximise your investment returns. It used to be said that you have to "speculate to accumulate", but many would disagree. Getting the right level of comfort with risk and return is more important. To control this process, you may need to "consolidate to accumulate".

Action: You may wish to transfer existing funds to a SIPPS, from your personal pensions or maybe from company pension schemes in which you hold rights. Often, people have a "rag-bag" of miscellaneous pension arrangements accumulated more by chance than design. Why not consolidate them into an efficient low-cost vehicle you can control and monitor?

I have experience in establishing and managing bespoke SIPPS for high income and high net-worth clients, designing appropriate asset allocation models and providing professional monitoring and management. As ever, there are big differences between contracts and providers, as to charges, and permissible investment asset classes, so advice is needed.

Why not take control now, and ask me?