

FINANCIAL CONSIDERATIONS

Charles Royle and Company

Planning for Life Outside The Police

Why Plan?

Benefits of a Financial Plan

- Direction and Meaning to Decisions
- Decisions Relate to Financial Plan
- Ability to Adapt to Life Changes
- More Confidence and Security

- Where are you now?
- Where do you want to be?
- How do you get there?

Other Considerations

- Tax
- Inflation
- Personal Circumstances
- Risk

Taxation

Taxation

**“But in this world nothing
can be said to be certain,
except death and taxes”**

(Letter from Benjamin Franklin 13 November 1789)

Allowances Against Income

Under 65

£7,475

The Rates of Income Tax

Rate of Tax	Taxable Income
20%	£0 - £35,000
40%	£35,001 - £150,000
50%	over £150,000

Rate of tax on savings 20% for basic rate taxpayers

Saving Tax - An Example

Problem:

Tax paying spouse

Interest from Building Society - £1,500 pa

Tax deducted at source - £300

Saving Tax - An Example

Solution:

Transfer account to non-taxpaying spouse

Tax saved - £300

For a higher rate tax payer saving - £600

Other Methods of Taxation

Inheritance Tax (IHT)

Capital Gains Tax (CGT)

What is Capital Gains Tax

A tax on any increase in the value of possessions when sold or given away.

Some Capital Gains Tax Examples

Stocks and Shares

Unit Trusts

2nd Property

Antiques

Art

Some Capital Gains Tax Exempt Examples

Gifts between spouses/registered civil partners

Sale of main or only home

Private Car

Lottery/Premium Bond winnings

Personal Possessions worth less than £6,000

When you die

Capital Gains Tax

How is it Taxed?

First £10,600 of net gain is exempt

Excess taxed at 18% or 28%

Allowable losses can be offset

Capital Gains Tax

Example calculation (tax year 2011-2012)

Capital Gain	£20,000
Losses	£ 1,800
Annual allowance	£10,600
Taxable Gain (£20,000-£1,800-£10,600)	£ 7,600
CGT rate	18%
Capital Gains Tax payable (£7,600x18%)	£ 1,368

Tax Treatment of Certain Investments

Tax Free

ISA

Premium Bonds

Fixed Interest & Index Linked Savings Certificates

Endowments & long term investment plans

Tax Treatment of Certain Investments

Taxable

Deposit Accounts

Gilts

Local Authority loans

Insurance Company bonds

Unit Trusts/OEICS

Stocks and Shares

Some Tax Tips

Tax Tips...

- Fully use personal allowances
- Ensure investments are tax efficient and suit your personal circumstances
- Utilise Capital gains Tax exemptions whenever possible to consolidate gains

Tax Tips...

- Complete Tax Returns promptly and accurately
- Check Assessments and Notice of Coding carefully
- Retain all tax papers, interest details, P60s in a file

A Taxing Responsibility

- Legally - we're responsible to pay tax that is due
- Morally - we're responsible to pay as little as possible

THE EFFECTS OF INFLATION

Inflation measures how the pound in your pocket reduces in value through the general increase in prices

Using Real Money

Price of a Pint of Beer Today?

Ten Years Ago?

When You Had Your First Pint!?

Inflation

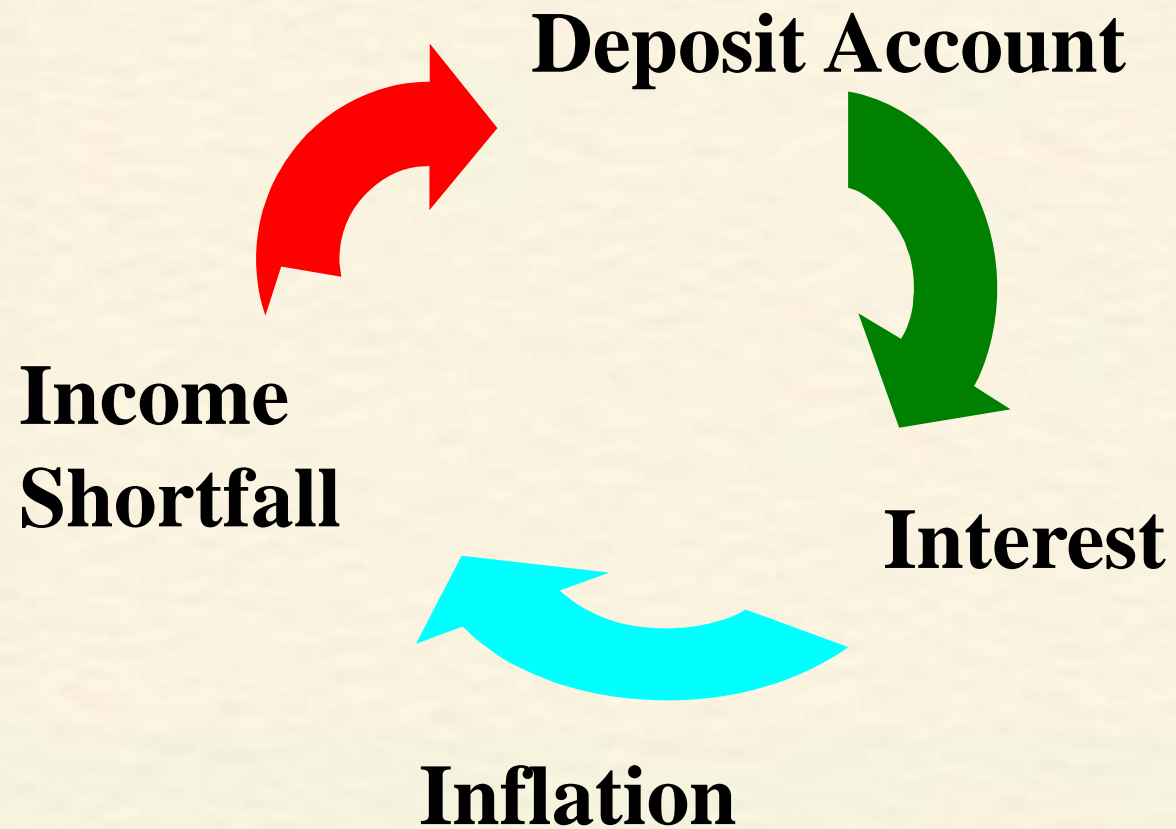
- Current RPI 5.6%
- Current CPI 5.2%

Source - ONS October 2011

What Will £10,000 be Worth in the Future?

Yearly Inflation	5 Years	10 Years	15 Years
3%	£8,590	£7,370	£6,330
5%	£7,840	£6,140	£4,810
7%	£7,130	£5,080	£3,620
10%	£6,210	£3,860	£2,390

The Vicious Circle



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Luncheon

