carbon financial partners limited

spring newsletter 2016

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Chartered Financial Planners of the Year 2015

Carbon capture tour star Richie

Carbon has secured Scottish golfer Richie Ramsay as its high-profile ambassador on the European Tour.

Our sponsorship enjoyed a high profile in both the traditional press and on social media when it was formally announced before Richie teed-up en route to an impressive top 20 finish at the HSBC Championship in Abu Dhabi, which was won by US star Rickie Fowler.

Throughout the course of the season golf fans should look out for our distinctive logo adorning Richie's golf shirts, and on tournament Fridays he will be sporting Carbon's orange and black corporate colours.

At the turn of the year, Richie was ranked number three in Scotland and his sights are now trained on climbing the world top 100 ladder, with the added incentive of claiming a Team Europe Ryder Cup place at Hazeltine in September.

Carbon managing director Gordon Wilson is delighted to have Richie on board in an ambassadorial role for a business celebrating its own trophy wins, including being hailed "Adviser Firm of the Year (UK)" at the Professional Adviser Awards 2015, and "Chartered Financial Planners of the Year 2015".

He said: "Supporting Richie was an easy decision. He first popped up on our radar as a Walker Cup player and, of course, he is remembered as the first British player in nearly a century to win the US Amateur Championship back in 2007.

"Ironically, that win was achieved at Hazeltine, where he met and subsequently married his wife, Angela. Wouldn't it be a wonderful sporting story if Richie could make Darren Clarke's Ryder Cup team?

"Like Richie, the team at Carbon plan methodically, we work hard to succeed, we have very high standards and we aim to 'be the best we can be'.

"Our relationship got off to a flying start with the coverage Richie secured in finishing tied for 16th in Abu Dhabi, as the Middle East swing of the Tour got going, in a star-studded field which included Rory McIlroy and Jordan Spieth.

"We wish Richie every success and hope he has a fantastic 2016, especially with the couple expecting their first child in the weeks ahead.

"Our aim at Carbon is to be recognised as the best firm of financial planners in the UK, and the natural choice for owners of businesses and professional practices, senior executives and professional sportsmen and women."

Edinburgh-based Richie commented: "I am delighted to be announcing Carbon as a new sponsor. Not only will they help me with my own financial planning but I look forward to representing the company while I am travelling around the world."

Gordon Wilson can be contacted on 0131 220 0000 or by email at gordon.wilson@carbonfinancial.co.uk.

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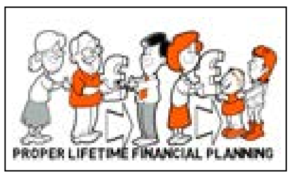
Watch our Lifetime Financial Planning Video



To watch the video, scan the QR Code above using the Optiscan App or similar or visit: www.carbonfinancial.co.uk/videos/

Tax Year End Checklist – use it or lose it!

Have you made the most of this year's tax allowances and are you aware of the significant changes to pensions, buy to let and dividends post April 2016?

By Stephen Rowntree, financial planner

Could you benefit from more than the standard pension annual allowance?

- The annual allowance for pension tax relief is £40,000. But, due to a change in pension input period (PIP) rules this year, there could be an opportunity to double this to £80,000, giving tax relief of up to £36,000.
- In addition, you could take advantage of pension 'carry forward' rules to bring forward unused allowances from the previous three tax years. Where no payments have been made in the last 3 years, up to £180,000 can be contributed before April 6th which could attract up to £81,000 tax relief.
- Top rate taxpayers should seriously consider making the maximum contribution possible before the restrictions to the annual allowance are introduced next month.

Have you maximised your ISA allowance?

- ISAs don't attract the headline grabbing tax relief on investment that pensions receive, but they do benefit from also being a tax advantaged vehicle in which to grow your savings and, unlike pensions, money can be withdrawn at any time tax-free without restriction.
- The ISA allowance is £15,240 and you are free to split this between Stocks and Shares & Cash. If you have children you could invest £4,080 on their behalf in a Junior ISA.
- New 'help to buy' ISAs could also be a good idea for those looking to purchase their first home in the next few years.

Use your Capital Gains Tax (CGT) allowance

- It is always sensible to consider crystallising capital gains each year up to the maximum allowance, currently £11,100. Doing this within assets liable to CGT ensures that any large withdrawals can be accommodated with minimal tax otherwise you could end up paying up to 28% tax on your gains. This could perhaps be achieved by moving assets to a tax-free ISA or pension environment.

Inheritance Tax (IHT) Exemptions – transfer wealth regularly to avoid 40% tax!

- On death, where your estate passes to someone other than your spouse or a charity, inheritance tax of 40% could be payable. To minimise the tax payable, consider the following:
  - Maximise your pension allowances – pensions benefit from being outside of your estate for IHT purposes and they are a great way to pass wealth on to the next generation.
  - Make gifts of up to £3,000 (or £6,000 if you have not used the previous year's allowance) each year without triggering an IHT charge.
  - Make larger gifts outright or to trust which generally will fall out of your estate after 7 years.
  - You could potentially gift any amount of 'surplus income' provided it does not reduce your normal standard of living.

Reduce income tax

- Reduce income below the thresholds of £10,600, £42,385, £100,000 or £150,000, at which income tax rates increase, by making pension contributions, gifts to charity, or passing income-producing assets to a spouse.
- Marriage Allowance lets you transfer £1,060 of your Personal Allowance to your husband, wife or civil partner, potentially saving them £212. To benefit as a couple the lower earner must have an income of £10,600 or less.
- Consider Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs), which offer both income tax and capital gains tax attractions, noting that such structures have more risk attaching.

Pensions, Buy to Let and Dividends – changes to be aware of post April 2016

Restrictions to high earners' pension tax relief and a reduction in the lifetime allowance

- Higher earners will see their pension annual allowance (on which tax relief is available) reduce by £1 for every £2 of relevant earnings over £150,000 down to a minimum annual allowance of £10,000. This will seriously restrict the amount that higher earners can invest in pensions.
- In addition, the pension lifetime allowance is reducing to £1m, so you should consider whether to protect your lifetime allowance at a higher amount using Fixed Protection 2016 or Individual Protection 2016.

Landlords beware

- The following changes are being introduced which could seriously impact on the profits of buy to let investors:
  - From April, a stamp duty surcharge of 3% will apply to buy to let property purchases.
  - From April 2017, tax reliefs available to higher and additional rate taxpayers on mortgage interest payments will be restricted to basic rate tax only, while additional tax relief for "wear and tear" will also be substantially reduced.

10% tax credit on dividends abolished – will this increase your tax bill?

- From April 2016, notional 10% tax credit on dividends will be abolished and instead a £5,000 tax-free dividend allowance will be introduced. Dividends over £5,000 will be taxed at 7.5% (basic rate), 32.5% (higher rate), and 38.1% (additional rate)
- This means that if you receive dividends in excess of £5,000 a year, you are almost certain to be worse off under the new system. For example, if you are a basic rate tax payer (who has used their £11,000 income tax personal allowance in full but has no other income) and you receive a dividend of £32,000, at present you would essentially receive a net dividend of £32,000, this is because the 10% tax due is covered by the 10% tax credit. However, from April a £32,000 dividend would result in a basic rate dividend tax bill of £2,025 (£5,000 at 0% rate and £27,000 at 7.5% rate) and a net dividend received of £29,975. This is significantly more tax than under the current dividend regime.
- Business owners and investors who receive a large proportion of their income from dividends need to seriously reconsider how they receive their income going forward.

If you would like to discuss further please contact **Stephen Rowntree on 0131 220 0000 or at stephen.rowntree@carbonfinancial.co.uk**

Getting thin & rich quick

By John Bell, financial planner

The investment and diet industries have more in common than you might think. Both exploit our weaknesses for a 'quick fix', are dominated by fads and fashions and are largely unsupported by any evidence, yet we seem to fall for it every time.

There are countless claims made by the diet industry and some widely held beliefs which would appear to be completely without foundation;

1. Fat makes you fat. Yes, gram for gram fat contains more calories than protein or carbohydrate but the link between body fat and the fat we eat appears to end there.

- Both low fat and low carbohydrate diets have been studied in laboratory settings with researchers concluding that restricting calories (not fat or carbohydrates) determines weight loss.

2. Exercise makes you lose weight.

- Great for your health but apparently not your waistline according to experts including British cardiologist Dr Aseem Malhotra in a leading health journal recently.

3. When you eat matters (e.g. don't skip breakfast or eat at night).

- Most studies conclude that when you eat makes little difference even in extreme cases such as eating one meal per day.

So what actually works (apart from eating less)? Getting enough sleep, paying attention to or 'tracking' what you eat and ditching junk foods all have scientific backing. You guessed it, boring common sense!

Some of the most popular strategies endorsed by the investment industry similarly struggle to be proven.

1. You get what you pay for i.e. paying expensive 'star' investment managers to closely scrutinise companies and carefully select the 'winners' will earn you superior returns net of fees.

- The numbers consistently show that investors who instead simply keep costs low and buy the whole market have a greater chance of success.

2. 'Timing the market' adds value. Investing when shares cost less and selling when values are high is the aim of every investor.

- However, research shows that most successful timing decisions happen as a result of random chance and in most cases, both individual investors and investment managers who simply 'buy and hold' earn more over the long run.

3. You should buy and sell often to take advantage of new opportunities.

- Studies show that on average, those who trade more incur higher costs which reduces the amount they earn overall net of charges.

So guess what? The best way to earn the returns you deserve from the markets you invest in is to buy the whole market (diversify) through low cost trackers, include small and value companies which are consistently proven to earn higher returns, and hold. Dull and boring (again) gets results.

At Carbon we don't follow the latest fads and fashions, instead we make decisions and recommendations based on the very best research available from some of the most respected financial economists and institutions in the world. It isn't especially sexy or exciting but it works.

You can't get thin or rich quick without taking considerable risks and both are likely to be unsustainable. The rule to remember is; 'if it sounds too good to be true then it is'.

If you would like to discuss further please contact **John Bell can be contacted on 0131 220 0000 or by email at john.bell@carbonfinancial.co.uk**

Bibbity, bobbity… oh, bother!!

Hazel Brown, director

In 2006 we all watched, spellbound, as Mr Brown announced he was going to make pension legislation all twinkly and simple. Unfortunately, as Cinderella's fairy godmother remarked, "Even miracles take a little time".

After nearly 10 years of feeling like Alice's journey through Wonderland, curiouser and curiouser, we arrived with a bump in the land of the new pension freedoms. At first glance, I agree with the view of the Mock Turtle, "Well I never heard it before … but it sounds uncommon nonsense"!

However, in true Disney style, there is a "spoon full of sugar" in the form of the many more ways you can use your pension fund. Let's take a look at some of them:

- You won't be forced to buy an annuity, which only pays a trivial amount of income, and instead, you can 'drip' out capital, at whatever amount you like, as required. You can even take it all at once!
- If you die you can leave the pension fund to anyone, free from inheritance tax. It doesn't have to be left to a spouse or to children, and it doesn't even have to be a lump sum. Under the new rules, Cinders could leave her funds to Buttons, as a survivor pension, which he could access before the age of 55 and, possibly, not pay income tax on the proceeds.

Of course, as always happens in the best fairytales, you don't get to the happy ending without some level of struggle and cost. Many providers have not embraced the reforms and do not offer the freedoms now possible under existing contracts. If you take no action, you could miss out on having a more flexible income in retirement and, on death, loved ones might miss out on securing more flexible, tax efficient benefits.

So, make sure you get your pension plans reviewed, but before you go ahead and move your money, please do watch out for the costs involved. This could be a fee for advice to transfer funds or as a result of losing valuable guarantees. Not to mention the unscrupulous companies who will happily 'magic' your capital away with promises of exceptional returns, no charges and your capital guaranteed. Like Snow White and the juicy apple… the loss of your hard-earned savings is certainly going to stick in your throat.

Our advice? Make sure your pension plans have all the freedoms you need to fulfil your life plan and that you officially record the names of those you wish to benefit when you die.

If you would like to discuss this further please contact **Hazel Brown on 0131 220 0000 or at hazel.brown@carbonfinancial.co.uk**

If you have any questions arising from the newsletter or if you have any other financial questions for our team of experts, please e-mail Alison Whyte on alison.whyte@carbonfinancial.co.uk or call any of the offices.

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To register your interest in receiving future issues of Carbon Copy please e-mail **enquiries@carbonfinancial.co.uk**

The Highland 500 Charity Cycle 2016

The Highland 500

Towards the end of the summer a handful of us, along with some friends and contacts, will cycle around the North of Scotland for charity. Our route will start in Inverness, initially following the NC500 across to the West Coast and up to the top of Scotland. From the top of Scotland we will cycle down the spine of the country back to Inverness. It is a route of over 500 miles, to be completed in five days – over 100 miles per day on average, with some fearsome hills, including the Bealach Na Ba, one of the hardest climbs in the UK, rising from sea level to 2,000 feet and climbing continuously for five and a half miles. And then there will be Scotland's summer weather to contend with!

We will be raising money for Winning Scotland Foundation, an independent charity that, using sport as a learning tool, works to create a culture where all young people in Scotland have the opportunity to develop themselves and learn important life skills.

If you would like to support us, or join in for all or some of the ride, please contact the Carbon Social Cycle Club organisers, **Richard or Stephen, on 0131 220 000 or by e-mail at** richard.wadsworth@carbonfinancial.co.uk or stephen.rowntree@carbonfinancial.co.uk, **or on 0131 220 0000.**

If you would like to donate, please visit: **mydonate.bt.com/fundraisers/highland500**

Our experts in the headlines

The Carbon team is often quoted in publications including Scotland on Sunday, the Telegraph, the Scotsman, the Herald and the Press and Journal.

You can view our most recent press coverage by visiting the website
www.carbonfinancial.co.uk/blog/

Keep up to date with our latest news on
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Top marks for Matthew

The Insurance Society of Edinburgh award prizes to the top three candidates who pass the Diploma and Advanced Diploma each year. They have just announced that of the 20 people in Edinburgh who passed the Advanced Diploma, **Matthew Duncan** achieved the top mark. Matthew will be attending the awards ceremony to accept his trophy on 21st June.

We also have had another incredibly successful quarter of exam success. Graduate trainee **Gary Wright** obtained both the Chartered Insurance Institute's (CII) Diploma in Regulated Financial Planning and the Chartered Financial Analyst Society's Investment Management Certificate by passing his final Diploma module. Graduate trainee **Ben Lingard** passed the Investment module of the CII's Advanced Diploma in Financial Planning, as well as an additional Securities Advice and Dealing unit.

Four members of the team – graduate trainees **Michael Wilson** and **Matthew Duncan**, and Paraplanners **Julie Wild** and **Alyson Campbell** – successfully tackled the Advanced Diploma's Financial Planning in Practice exam, with **Michael Wilson** and **Alyson Campbell** passing additional exams in the same diet. These additional examination credits resulted in **Matthew Duncan** and **Alyson Campbell** being awarded the Advanced Diploma in Financial Planning, with **Alyson** also being awarded Chartered Status early in the New Year.

We were delighted to welcome **Jonathan Olson** to the Carbon team in early December. **Jonathan** is joining us as a graduate trainee, having recently completed his History degree at the University of Edinburgh.

Chartered Financial Planners of the Year 2015