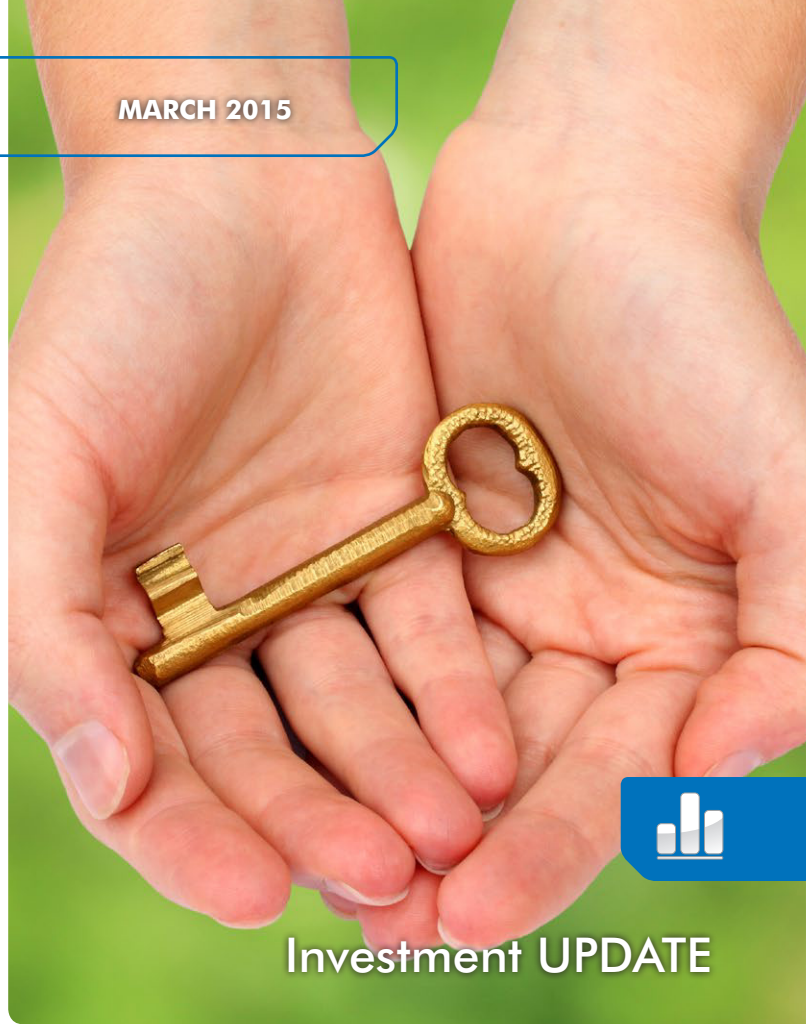




Teachers Financial Planning

Establishing your financial position

This guide looks at elements of your finances that you need to consider in order to make informed decisions



Investment UPDATE

Financial planning and advice relies on a full understanding of your current financial position. There are different methods you can use to determine how much money you have and how much you need. This information will enable you to plan how you will achieve your financial goals.

What is your net worth?

As part of the financial planning and advice process you will need to prepare a net worth statement. This statement takes into account all of your readily available assets, such as savings and investments, as well as other assets that may not be available to you immediately.

Liabilities and debts should also be accounted for in your net worth statement, in order to get an idea of your real financial position.

Readily available assets include:

- gilts and bonds
- equities
- investment trusts
- funds (unit trusts, OEICS, ETFs)
- savings accounts and cash deposits
- cash ISAs
- equity ISAs
- National Savings and Investments
- Premium Bonds.

Other assets include:

- your home
- other property
- private company shares
- partnership interests
- your car/s
- pension funds
- investments such as antiques, paintings, precious metals and jewellery
- assigned life assurance.

Liabilities include:

- mortgage debt
- bank loans and overdrafts
- hire purchase debts
- credit card liabilities
- income tax
- capital gains tax
- inheritance tax.

In simple terms, your net worth is the total of your available assets plus other assets minus any liabilities.

Why create a net worth statement?

Your net worth statement can help you check your progress towards financial goals as well as ensure you are able to plan for changes in your objectives, needs and circumstances. At the same time, keeping an eye on your assets can help you ensure that your tax liability is kept to a minimum.



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In addition, your net worth statement can give an indication of your financial situation when you die. In turn this will inform how you protect dependents through insurance and tax planning.

Your net worth statement can also be used to plan your retirement income, including your levels of contribution over the years.

Cashflow forecasting

Once the preserve of business owners, cashflow forecasting is also an important tool for individuals.

In its most basic form, cashflow forecasts look at your income and expenditure to help you to see where budgets could be cut, or where there could be a surplus, all of which gives you a better picture of your finances. It can also help you to plan for unexpected outgoings that can take a toll on your savings and investments.

The chances are that if you are employed your net income each month will be fairly steady. It's your expenditure that you may be able to moderate. A few simple steps such as reducing the amount that you spend on eating out could mean that you have more of a buffer available should you need it.

Tax planning

In addition to a net worth statement and cashflow forecasting, tax planning will help you to establish your current and future financial position.

Income tax

The level of income tax that you pay will depend on your income from employment as well as your income from investments and other assets, including:

- some state benefits
- most pensions
- interest on savings and bonds
- rental income above £2,500
- benefits you get from your job
- income from a trust
- dividends from company shares.

You may be able to reduce your tax liability by making sure that your spouse or civil partner has made the most of their tax-free personal allowance and switching income around to ensure that all allowances are fully utilised.

It is also important that you know what income needs to be declared through a self-assessment tax return.

Contact us to find out more.

Inheritance tax

Often referred to as the voluntary tax, advance inheritance tax (IHT) planning can significantly reduce your bill in the long-term. This is where establishing your current financial position really comes into its own, because it will help you to ensure that your IHT bill is as low as possible.

For example, there are a number of exemptions that can be used, including:

- the annual exemption of £3,000
- normal expenditure gifts out of after-tax income
- wedding gifts (up to specified limits)
- small gifts of up to £250.

It is also important to note that IHT is not normally charged on anything you leave to your spouse or civil partner as long as the UK is their permanent home.

Capital gains tax

Capital gains tax (CGT) is only charged on the gains made when an asset that you sell or give away (i.e. gift) has increased in value. This doesn't apply if you sell or give away personal belongings worth £6,000 or less or, usually, your main home.

However, the first £11,000 of gains made each year are exempt for CGT, so it is sound financial and tax planning to make the most of it. The allowance for trusts is £5,500 for 2014/15.

Financial planning

Having a solid understanding of your current financial position can only benefit you when it comes to setting goals and making a plan. The more information you have available to you, the more it can be used to your benefit.

The next step after establishing your current position is to start formulating your goals and planning how to achieve them.

Contact us to discuss financial planning.

Important Notice

The value of investments can fall as well as rise and you may not get back the amount you originally invested. Tax rules and allowances are not guaranteed and may change in the future.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. The FCA does not regulate certain tax planning activities and services.

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