

A close-up portrait of Michelle Mone, a blonde woman with long, wavy hair, smiling and looking slightly to the side. She is wearing large, ornate gold earrings with multiple tiers of stones and leaf-like charms. She is also wearing a gold, textured top.

moneyworks

The essential consumer guide to making your money work harder.

April 2015

Hollywood or bust

Michelle Mone talks about the highs and lows of her life.

The Pension Revolution

A look at the radical changes and the financial freedom it will give you.

The Budget

What it means for you and your money.

The Benefits of NISAs

Why NISAs have become an attractive way to boost savings and investments.

Welcome

Welcome to the new look issue of **moneyworks**, the quarterly consumer publication written and designed to provide an informative and essential guide to the current financial issues and stories making the news.

In this edition we focus on the retirement revolution following the Government reforms in April which have seen a shake-up in the way you can access your pension. We look at the greater freedom this will provide and the pitfalls you could face.

We also reflect on the new rules for NISA investors and the tax-efficient benefits that come with it. There's a look at the winners and losers in the recent budget in which first-time buyers and savers received some welcome news, plus we report on why the low Bank of England interest rate is good for some but a hindrance to others.

Kicking off a series of celebrity interviews we speak exclusively to Michelle Mone, the successful business brain behind the multi-million pound empire Ultimo. She discusses her explosive new autobiography, *My Fight to the Top*, and reveals the highs and lows of her career.

Michelle reflects on how she rose from humble beginnings to become one of the world's leading businesswomen and discusses how her incredible story could soon be taking Hollywood by storm.

The importance of seeking financial advice to help you through the choppy waters of planning your future has never been greater and by producing **moneyworks** we hope to highlight the issues which most affect you in an informed way.

We welcome your feedback and hope you enjoy this issue.

Best wishes

The moneyworks team

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Contents

Michelle Mone 4



The boss behind lingerie empire Ultimo discusses her new book, how to succeed in business and her exciting new ventures.

Importance of an IFA 7

We look at the value of a professional financial adviser and why the need for one has never been greater.

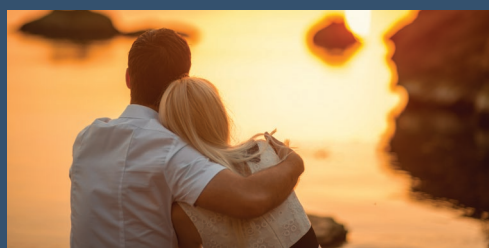
The Pensions Revolution 8

What the new pension reforms mean to you and the greater freedom they will offer.

The Budget 2015 12

A look at the winners and losers in this year's budget.

A Nisa Way 14



Why NISAs have become an attractive way to boost savings and investments.

The News in Brief

A round up of the current financial stories.

Going it alone



Not long ago, securing a loan from the Bank of Mum and Dad was the only way prospective homeowners could buy that all-important first home. But, this kind of financial reliance is waning, with research revealing that more first-time buyers are stepping onto the ladder on their own two feet.

According to research from Clydesdale and Yorkshire Banks, the number of first-time buyers (FTBs) relying on their parents to fund their house move has dropped significantly. The latest Annual First Time Buyers Survey revealed

that less than half (46%) of FTBs surveyed needed help saving for their deposit in 2014, a sharp drop from the 63% who needed help in 2013, and considerably less than the 78% who said the same in 2012.

Saving up for that deposit is becoming far more manageable, while growing economic confidence could mean people have even more disposable cash left over to put into a savings account, meaning the Bank of Mum and Dad are no longer having to foot the bill.

Smile high club

If you're thinking of jetting off abroad, you're picking a great time to do it after the pound punched through the €1.40 barrier in March for the first time since 2007. Analysis from travel money business Centtrip has revealed that, two years ago the average holidaymaker would have spent around £511.84 per trip, but today, they'd only need around £433.07 – a saving of £78.77.



Head in the sand

Half the UK adult population bury their head in the sand when it comes to understanding and managing their own credit.

Dubbed IOU Ostriches - a shocking 47% believe themselves to have a strong credit history, when in reality they don't know the true facts and run a real risk of future financial disappointment. According to independent research commissioned by Experian, the global information services company, seven out of 10 Britons (71%) believe they have a good or excellent history of managing credit. But two thirds of these (66%), equating to almost half the UK population, have never actually checked their credit report or score. Common characteristics of the IOU Ostrich include ever-increasing levels of borrowing, newly-opened credit accounts and only repaying the bare minimum.

Pensioners feel the pinch

Startling figures have revealed the cost of being a pensioner has risen by £800 in the last year.


A typical 'basket of goods' for older people, including food, household bills and insurance, has risen by 16 times the rate of inflation. The average over 65 year old spent £11,200 on goods and services last year, compared to £10,400 in 2013, according to analysis of official figures.

This equates to an 8% rise in costs. By contrast, the average rate of inflation in December 2014 was only 0.5 per cent. If pensioners' costs had risen at the same rate as inflation, they would have seen a price hike of just £50, instead of £800. But the over-65s are getting a raw deal compared with most adults because they are not feeling the full benefits of huge falls in the cost of petrol and diesel.

The overdraft generation

A worrying number of Brits are turning to their overdraft instead of a savings pot when they run out of cash towards the end of the month. Research, conducted by financial solutions company Baines & Ernst, found that more than half (56%) of those surveyed don't have a monthly budget that they stick to, and that could mean they find it difficult to make their income last the month.

Even more worrying is the fact that 17% admitted they didn't have any savings at all – leaving them without a financial buffer to fall back on – while 10% confessed to relying on their overdraft every month.



Hollywood or bust

She's the woman who went from rags to riches building fashionable lingerie brand Ultimo into a £50 million empire and now Michelle Mone has brought out a new book which lifts the lid on her success.

“I think if you work hard for your money, then you shouldn't squander it.”

Success doesn't happen overnight, it doesn't happen without a little graft and most millionaires certainly won't tell you how they did it.

Fortunately 43-year-old lingerie tycoon turned inspirational speaker Michelle Mone is not someone who keeps her cards close to her chest, and in her new autobiography *My Fight to the Top*, Michelle reveals how she did it the hard way and very nearly took her own life after going bust and losing it all.

She said: “It's an explosive book which tells the whole insight of running a business, the trials and tribulations, the struggle and everything that has gone on, it's an appropriate title because it really has been a bloody fight.”

Recalling the moment when she came close to ending it all she said: “Our distributors in Canada ran away with £1.8 million, and I just remember thinking: ‘I can't do this now, we're about to go bust, I'm about to lose my house, I'm about to lose everything in my life that I've ever worked for.’”

“I opened up the medicine cabinet and was about to take every single pill in there, but then I phoned my mum and she came running round and said ‘what the hell are you doing, there are kids who are dying of cancer and you're thinking of ending it all over money?’”

Michelle recovered and bounced back bigger than ever to become one of the UK's most successful businesswomen despite leaving school at 15 with no qualifications and seemingly no prospects.

She admits reliving those dark moments to write the book was one of the toughest things she has ever done.

“I didn't have the nicest experience doing the book, because I had blanked out a lot of things that happened in my life,” the feisty Scot confesses.

“Covering everything and everyone from poverty and bullies to corrupt business partners and a public divorce was almost like a year of therapy for me but having finally written it, I feel I can now move on.”

Looking back it was her tough upbringing in Glasgow's East End that helped mould her into the success she is today and she says that

youngsters from less privileged backgrounds should take note of her story.

She said: “I firmly believe in education. But if you haven't managed to get the best education or you're not from the best area with a silver spoon in your mouth, you shouldn't believe others around you are better than you or that you're a failure before you've even started.”

So having made her millions with Ultimo, what is her ethos about money and what does she spend it on?

She says: “I don't like throwing money away. I think if you work hard for it, then you shouldn't squander it. I don't waste my money. The only time I'd say I was lavish with cash is when I take my kids on nice holidays. I love taking them to Dubai or Spain or America. When I was young we used to just go and stay in a caravan somewhere, but I remember they were the happiest of times.

“I think when you're working so much and you don't spend as much time with your kids as you might want, then getting away with them is special, especially as they're all growing up.”

Having recently sold an 80% stake of Ultimo, Michelle decided that after 17 years, it was time for a new challenge and she now travels the world as a motivational speaker and is also in talks about a TV career.





She said: "I just woke up one morning and thought I need to change my life. I love touring, doing my speaking events and inspiring people and I couldn't do that whilst I was at Ultimo.

"I'm now the number one woman speaker, in terms of demand in the country and I'm starting to do speaking events all over the world, touring places like Singapore, Puerto Rico, Florida and LA. I want to continue inspiring people, this is my new life now."

And so what advice does she give to entrepreneurs starting out today?

"Do your research and have a solid business plan," she says. "I always say fail to plan, plan to fail. Check out all your competitors around you. Try and find a mentor, you will need them for those lonely horrible dark days. Dream and make it happen and never ever give up. Even when you think 'I can't do it anymore' there's always another 0% in you."

It's little wonder there is already interest to turn her book into a movie and Michelle is currently in talks with producers and says she'd love Julia Roberts to bring her story to life on the big screen.

Throw in speculation that she is about to be signed up to appear on Dragons' Den and possibly replace Nick Hewer on The Apprentice, it's certainly an exciting time for Michelle.

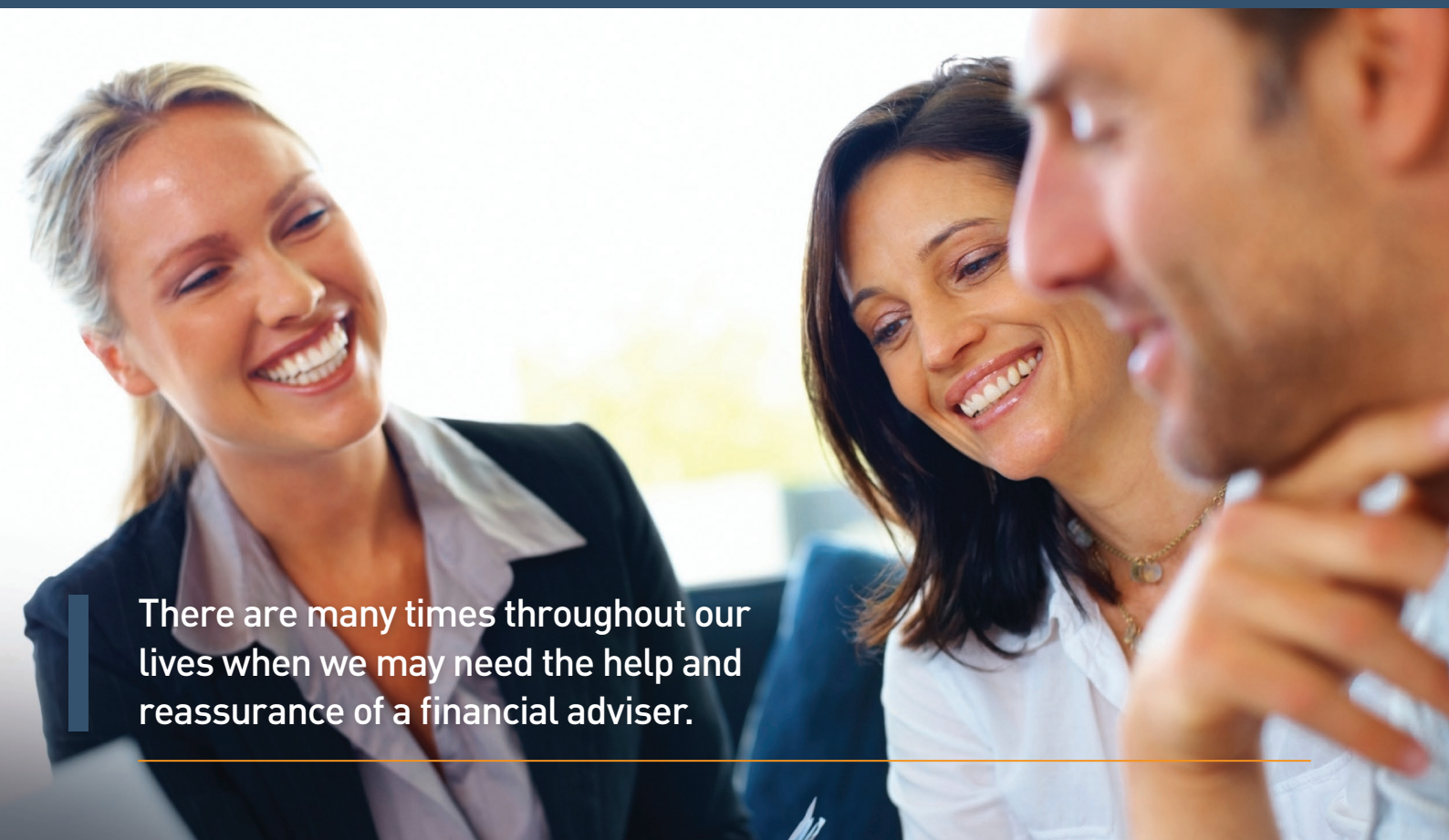
"At the moment I can't speak about any of that until anything is signed. But, you know, there has been interest," she says coyly, "I think they are both great shows and who knows what might happen?"

"But I'll never ever do a show if it doesn't make a difference, or if I can't make a difference. I don't do things just to get my face on the TV, it means nothing. There's a lot of reality shows that I love watching, but I'd never be part of."

Michelle Mone's autobiography *My Fight to the Top* (Blink Publishing) is available now, priced £18.99.



The importance of getting financial advice.



There are many times throughout our lives when we may need the help and reassurance of a financial adviser.

Whether it is taking out a mortgage to purchase your first home; planning your retirement and pension; investing your savings wisely to avoid unnecessary taxation or ensuring you and your family are adequately protected, the value of professional financial advice has never been greater.

However, despite it being such an important consideration in our journey through life, financial advice is often overlooked for many reasons. People may assume the cost of adviser fees will be too high or that they don't need any help having spent a lifetime looking after their own concerns.

But with so many financial implications, new rulings and ever-changing legislation to consider, it is vital to ensure that some of the most important decisions you will ever make are carried out with careful consideration and the best possible reliable information.

Planning for your own future and that of your family is a huge responsibility so surely it makes sense to have access to the best financial advice and options available to you.

With the sheer range of investment, pensions, and protection solutions available in the market it is important that you know which financial products best suit your requirements, the alternatives that are available, and most importantly the risks involved.

With access to the latest technology and knowledge of the current trends and products, we can tailor our recommendations to meet your specific needs and ensure you don't go down the wrong path.

It is also important to stress that financial advice is not just about selecting the most appropriate products or solutions. Equally important is to create a solid financial plan to help you achieve your long term objectives, regularly reviewing that strategy, and making any necessary adjustments along the way to ensure you stay on track to achieve your financial goals.

For more information on how you can make your money work harder and to benefit from the best possible advice please do not hesitate to contact us

A bright new dawn

The government has implemented radical changes regarding how you can access your pension fund in retirement. We report on how you can benefit and the freedom it will give you.



“These significant changes offer greater flexibility and freedom in shaping your retirement.”



Retirement is supposed to be about enjoying the freedom to do whatever you want – but for many people this wasn't reflected by the way in which they could access their pension.

If you are in a defined contribution scheme, there were restrictions over how you could utilise the pot of money that you have spent most of your life building up, once you came to need it in retirement. At least 75% of your pension had to be used to arrange a retirement income, which caused many people to go down the increasingly unpopular annuity route.

But now the government has changed this, following a radical overhaul of the defined contribution pension rules (defined benefit scheme rules remain unchanged). As of this April, you can access your full pot of money from the age of 55, and use it however you like. This is a significant change that offers greater flexibility and freedom in shaping your retirement – but it also requires a major rethink in how you plan for this important chapter of your life.

The pitfalls of a rash decision

The temptation to withdraw your entire pension fund in one swoop has to be tempered by the important tax considerations. In line with the previous rules, only 25% of what you withdraw will be tax-free. The remaining 75% will be treated as your income and taxed at your highest marginal rate. This could significantly reduce the amount of pension savings you receive.

Equally, withdrawing your pension should not be treated as an opportunity to go on a spending spree. If you plan to rely on this pot of money to fund your later years, it clearly needs to last. There are fears that some people will squander their full pension pot and rely on the basic state pension as a fall back option; but the state pension is highly unlikely to be enough to support your desired lifestyle.

Keeping your pension invested

The government has also scrapped the minimum income requirement rules around keeping your pension fund invested via flexible drawdown, making this option accessible to everyone.

Previously, if you wanted to keep your pension invested in retirement, but didn't have at least £20,000 guaranteed pension income sources (or from March 2014, £12,000) you had to choose the capped drawdown route rather than flexible drawdown. However, with capped drawdown, there are restrictions on how much income you can take each year. From 6 April 2015 flexi-access drawdown accounts will be available with no limits on the amount you can withdraw. With the minimum income requirement removed, it is now an option accessible for everyone.

The main advantage of keeping your pension fund invested via flexible drawdown is that it can continue to potentially rise in value. However, it also means that your fund remains subject to an element of risk and may fall in value. Making large withdrawals could also exhaust your pension's value completely.

It is good practice for people approaching retirement to reduce the level of risk their pension is exposed to as they prepare to give up work – in fact, many pension schemes automatically do this on your behalf. Yet if you do plan to keep your pension fund invested during your retirement, you might not want to alter your risk and reward approach in this way.

What about annuities?

For people who want a guaranteed regular income, don't want to be landed with a large tax bill for withdrawing their pension, or who don't wish to keep their fund invested, an annuity may still be the most appropriate choice.



What does this all mean?

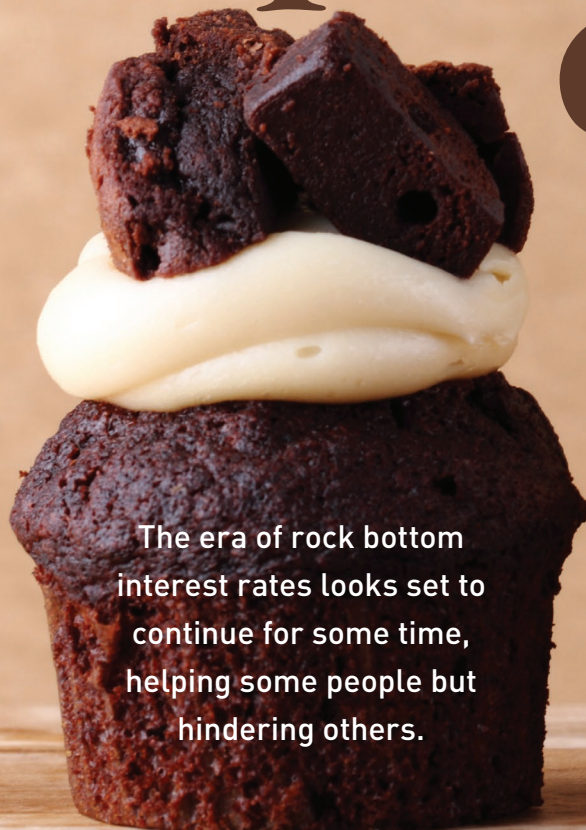
- Ability to access full defined contribution pensions from age of 55, and use it however you wish (in line with existing rules, only the first 25% you withdraw is tax-free).
- Flexible drawdown option made more accessible by removing previous restrictions.
- Scope for annuity providers to develop new, more innovative products for those who require a regular income in retirement.
- The 55% tax charge on pension lump sum death benefits has been scrapped if you die before you are 75. This means a chosen beneficiary can inherit your pension tax-free. If you die after 75, in the 2015/16 tax year, your beneficiaries will have to pay 45% income tax on the proceeds (after 2015/16, they would only pay tax at their marginal rate).
- Government to offer free guidance service (although this service will be informational only and won't include advice specific to your circumstances).

Annuities have received a lot of bad press over recent years, largely due to rates tumbling over the long-term. The government has therefore relaxed some of the previous restrictions to allow annuity providers to develop more flexible products which suit different needs.

If you are interested in an annuity it is highly recommended you search beyond what your provider might offer you – shopping around for an annuity that is suited to your specific circumstances could significantly boost your income.

Ultimately, these changes to pensions offer significant opportunities but also throw up potential pitfalls. Retiring is a major milestone, and your finances are likely to shape the lifestyle that you experience. You really do need a solid and robust plan that is right for your circumstances, which is why sitting down and devising one – with the help of a professional adviser – could prove vital.

The ups and downs



The era of rock bottom interest rates looks set to continue for some time, helping some people but hindering others.



It is now over six years since the Bank of England base rate was dramatically reduced to the historic low of 0.5% – and there have been winners and losers from this economic stance.

Cheaper borrowing costs have certainly helped to reignite the housing market, with homeowners benefiting from considerably cheaper mortgages. February figures from the Bank of England revealed that fixed rate mortgages have fallen to record lows with the Council of Mortgage Lenders reporting that “some lenders are offering the lowest long-term rates the market has ever seen” and that “the outlook will be for low mortgage rates to continue”.

On the other side of the coin are savers, who have suffered a dramatic fall in the rates available via bank and building society deposit accounts.

In 2007 – when base rate averaged 5.5% – the average rate on a one-year fixed rate bond was 5.65%. Yet by 2009 – the year when interest rates fell to 0.5% – the average bond rate halved to 2.77%. It has halved again since, averaging 1.32% in 2014.

The obvious downside is that it is hard to generate a rewarding level of growth or income from your savings through traditional saving – especially when factoring in the effects of inflation. Savers with long-term financial objectives have either had to resort to alternative options or revise their plans downwards.

The big question, therefore, is how long will the Bank of England maintain its 0.5% stance? Given it was a move originally taken to revive

the UK economy that was suffering from the effects of the global credit crunch, the recent green shoots of recovery have prompted speculation over when the Bank of England will act.

Yet with inflation tumbling significantly of late – to its own record low of 0.3% – expectations of a base rate rise have been tempered. Previously a base rate increase was anticipated for later in 2015, but many analysts have now pushed these forecasts back even further. Indeed, the Bank of England has even hinted at reducing rates further, as they seek to avoid the UK experiencing deflation.

It all means that, for now, low rates are here to stay – and so it's back to those winners and losers. Understandably, there has been plenty of media coverage highlighting the benefits of borrowers arranging a long-term fix now, whilst deals are so cheap and favourable. With the Government reforming stamp duty thresholds for purchasing a house – a move George Osborne predicts will benefit 98% of buyers – this year could be a good time to climb the property ladder or at least re-mortgage.

For savers though, the misery continues. If you have money stored in a low-paying deposit account that is ear-marked for long-term use, it could be time to look at how you could make it work harder. For example, you could consider investing this money instead – providing you don't need to access your capital for at least five years, and are willing to accept some risk.

[Sources] <http://www.cml.org.uk/cml/publications/newsandviews/179/701>
<http://www.bristolpost.co.uk/Bristol-businesses-report-fall-orders-says-Bank/story-24688377-detail/story.html>
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Austerity to Prosperity

In what may prove to be his final budget, the Chancellor George Osborne announced several new measures that are a major boost for savers and first-time buyers.

It will be dubbed as the budget that saved the savers and rewarded struggling first-time buyers with a helping hand.

George Osborne's March budget also ushered in a wave of tax-free banking to finally reward Brits crippled by record low interest rates. Contained within that famous red briefcase was a brand new Personal Tax Allowance for savers, which means that basic rate taxpayers won't have to pay any tax on the first £1,000 worth of interest they earn.

Previously, £200 would be deducted in tax from earning £1,000 interest (meaning you would receive £800), so this new rule makes saving a more rewarding path. For higher rate taxpayers, the Personal Tax Allowance is £500.

Meanwhile the revolution in ISAs (or New ISAs) continues, as Cash ISA holders will be allowed to withdraw their savings and pay it back in, without losing the tax-efficient benefits. To qualify, repayments must be made in the same tax year as the withdrawal.

In a bid to help first time buyers, a brand new 'Help to Buy ISA' will be introduced in the autumn. For every £200 you pay in, the Government will also contribute £50. This will be capped at £3,000 government

contributions. So effectively you can save £12,000 and receive £15,000 for a deposit to buy a first home. Such a move is expected to boost the housing market, as it will ultimately enable more people to get onto the property ladder.

Pensions

For pre-retirement and retired generations, there was mixed news within the budget. The pension contribution lifetime allowance is being reduced from £1.25 million to £1 million. A 55% tax charge would apply on pension holdings above £1 million. MGM Advantage's pensions technical director Andrew Tulley is disappointed by this move, stating: "£1m might sound like a large sum of money, but the reality is that would secure you an index-linked income of around £24,000 a year after you have taken your tax-free cash. Put in those terms, it doesn't sound as generous."

Meanwhile retirees who are locked into an annuity will next year have the option to cash theirs in for a lump sum. The idea is that an insurance provider buys out your annuity and receives the income that would otherwise be paid to you, and in return you receive a settlement sum to use however you like.



If you have gone down the annuity route – perhaps because you had little choice – and are unhappy with the level of income you are receiving, this could be an attractive route to consider taking. However, you need to be aware that you will be taxed at your marginal rate for receiving a lump sum, which could reduce the value of your fund compared to continuing to receive an income from it.

Personal tax

Osborne has built further upon the personal tax threshold rises he implemented over the last few years. From this April, your personal allowance (the point before you start paying tax on your income) increased to £10,600. In the Budget, it was confirmed that this threshold will rise to £10,800 in 2016/17 and £11,000 in 2017/18.

At the other end of the scale, the threshold at which people start paying 40% income tax is to increase from £42,385 in 2014/15 to £43,300 in 2017/18. The transferable tax allowance for married couples will also rise to £1,100.

Levels and bases of and reliefs from taxation are subject to change and value depends on individual circumstances.

Source: <http://newsroom.mgmadvantage.co.uk/budget-2015-40-somethings-with-pensions-worth-423000-should-consider-stopping-pension-saving/>

Five reasons to smile.



Savers won't have to pay any tax on interest on the first £1,000, or £500 for higher-rate taxpayers.



New Help to Buy ISA, every £200 saved leads to a government top up of £50.



Other ISAs to be made more flexible, allowing savers to keep tax benefits when they take money in and out.



Annual tax return abolished, with details to be uploaded automatically online.




Personal tax free allowance rises to £10,800 next year and £11,000 the year after while the 40p rate climbs to £43,300 in 2017-18.

A romantic couple is shown from behind, embracing each other against a warm, golden sunset sky. The man is wearing a light blue button-down shirt, and the woman has long blonde hair. The overall mood is peaceful and hopeful.

It's looking NISA for savers

Major government changes over the past 12 months could potentially boost your savings and investments – especially if you are married.



The principle of saving or investing for your future is one that any responsible government would wish to promote. Yet with rock bottom interest rates, global market uncertainty and restrictive pension rules dominating the personal finances landscape over recent years, UK savers have hardly been filled with compelling reasons to do so.

However, in addition to the pension revolution, the UK Government has acted to improve the potential returns you can receive through saving or investing by revamping the rules around Individual Savings Accounts (ISAs).

Rebranded as New ISAs – or NISAs – last July the Government increased your annual allowance by more than £3,000, to £15,000. It also removed the restriction that only half of your allowance could be used for Cash ISAs, providing you with the freedom to utilise your full entitlement into Cash, Stocks & Shares, or a mixture of the two.

This is a considerable boost for savers and investors, particularly as your 2015/16 NISA allowance has been increased further to £15,240. The main advantage of NISAs is that the returns your money generates are not taxed, in contrast to regular savings and investments. The more often you use your annual allowances, the more tangible this benefit will become. After all, no one likes paying more tax than they strictly need to.

A further change took effect this April, as taxation rules around how married couples inherit a spouse's NISA allowance were scrapped. Previously, the NISA tax perks would die with the investor, meaning the holdings their partner inherited would immediately start to attract income and capital gains tax.

Now, married couples will be allowed to keep their partner's tax benefits when transferring their NISA holdings, via a one-off additional NISA allowance. By the Government's own forecasts, this move will benefit over 150,000 married couples every year.

These changes mean that the benefits of NISAs have become even more compelling. Every UK adult receives a new allowance each tax year (starting April 6), although you must use it by April 5 the following year, as it cannot be carried over.

Cash NISAs are typically offered by banks and building societies and operated like a regular savings account. You need to be aware that interest rates available via Cash NISAs are not as high as they used to be, partly due to the Bank of England base rate remaining at the historic low of 0.5%.

Alternatively, you can invest into a Stocks & Shares NISA. Doing so would see your money subjected to a greater level of risk, although typically this is where you might find a more attractive level of return in the long-term.

It all depends on the timeframe of when you require your capital, and your appetite to risk and reward. Stocks & Shares NISAs are only suitable if you are prepared to invest for a minimum of five years. If you require your money sooner or would prefer the flexibility to access your money in an emergency, then cash NISAs remain a better, albeit less rewarding, option.

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