



▶ WELCOME TO OBJECTIVE WEALTH 1



▶ PERSONAL FINANCE PORTAL . 1



▶ THE GROWING IMPORTANCE OF ISAS TO FINANCIAL SUCCESS 2

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Financial *focus*

Please visit our new website www.objectivewealthfinancial.com to meet the team and find out more about our services

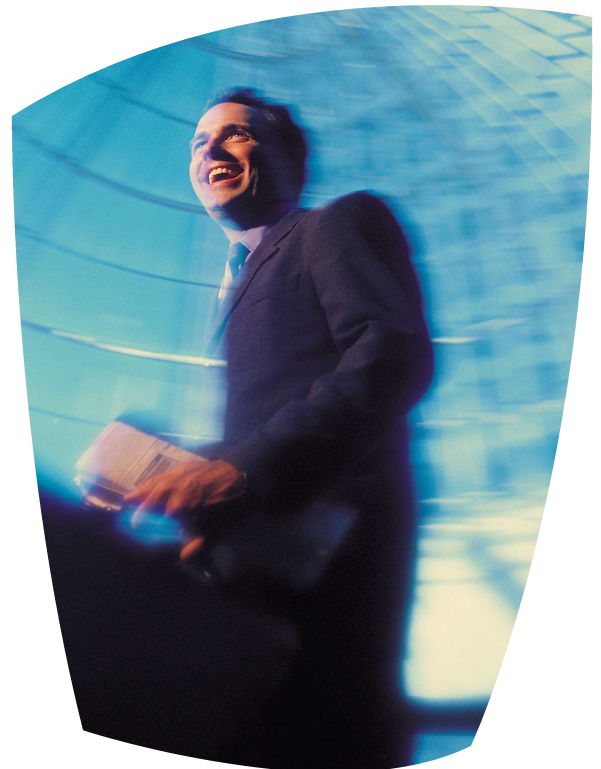
||| OBJECTIVE WEALTH

Welcome to Objective Wealth

Firstly, I would like to take this opportunity to welcome you as a client to Objective Wealth Limited. As part of our commitment to you and all our clients, we are going to send out newsletters on a regular basis covering a variety of subjects in the financial world relevant to you and your money. This represents the first of these letters and I hope you find the content helpful and it may mean that you have more to think about which I would be delighted to answer any questions you might have on the subject.

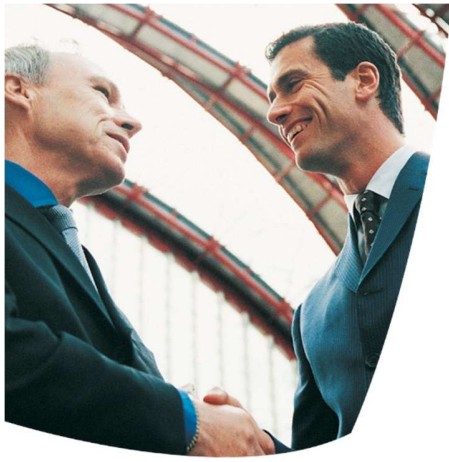
I also want to introduce Mark Jones to you. I have known and worked with Mark for many years. He is an experienced adviser with a wealth of knowledge in dealing with client finances. You will have some contact with him going forward and I know you will find him to be a valuable member of the Objective Wealth team. Mark put together the main body of the information in this letter, which gives you an insight as to the quality of support that he will bring to Objective.

John Wheatley



PERSONAL FINANCE PORTAL

If you have not already received an email from me regarding your connection to our Personal Finance Portal, this is something that you can expect in the coming weeks. You will also receive confirmation of our new investment proposition which we have worked very hard to create to ensure that you will get the best results for the lowest costs from your portfolio. We would ask for you to respond to the investment proposition email to allow us to progress with the changes. These aspects will complete the introduction process to Objective Wealth Limited and will represent the beginning of our commitment to you to provide the best service available in managing your finances.



The growing importance of ISAs to financial success

How do you boost your retirement income whilst minimising the tax you pay? Here is one way you can achieve this.

ISAs, as we know it, were introduced in 1999 but they look very different now compared to when they were first offered for public investment. At first, they were seen as a tax planning bonus with ISA contributions limited to £7,000 per tax year of which the maximum investment in cash being £3,000. ISAs were designed for investors to invest tax-free, so it was a very appealing tax wrapper which had more flexibility than a pension. Now we stand twenty years later, and ISAs have become an integral part of financial planning. This can be down to number of factors. The first, is the annual contribution limits which have noticeably increased in recent years and currently stands at £20,000 per person each tax year. This £20,000 limit has been available the last three tax years including the current tax year which has recently started. Therefore, it has been possible for an individual to quickly amass £60,000 worth of contributions into a tax-free environment in a very short space of time. For couples, using each person's ISA allowance means that over this period they could have £120,000 sheltered away from tax which is a significant amount. In an article by The Telegraph back in March, they estimated there are now over a thousand ISA millionaires in the UK and it is easy to see why. Benjamin Franklin said the only two things certain in life are death and taxes, but ISAs offer the

opportunity to really minimise the tax individuals pay over their lifetime and with the increased limits, it is a real possibility to for an individual to pay no tax at all within their investment portfolio.

ISAs in Retirement Planning

"the only two things certain in life are death and taxes"

BENJAMIN FRANKLIN

The second factor which contributes to the importance of ISAs to the overall financial plan is the squeeze on pension contributions in recent years. The current annual allowance of tax relievable pension contributions is £40,000 per annum and for some high earners this allowance is reduced to only £10,000. Therefore, the ISA allowance and pension annual allowance is becoming more aligned over time. Added to this, the Standard Lifetime Allowance for pensions is currently £1,055,000 and there is tax charge of any monies held above this amount once the investor reaches a Benefit Crystallisation Event. We have now come to a point where ISA portfolios could potentially be larger than pension portfolios as there is no cap to how much can be held in ISAs. It is becoming a more common site to see a combination of ISAs and pensions creating a tax efficient income in retirement rather than solely relying on pensions. Therefore, as an investor you need to change your mindset from solely

seeing pensions as a retirement vehicle. I have created a scenario of how to create a tax efficient income of £20,000 per annum a State Pension Age using an ISA and a Personal Pension.

The question is, how much do you need to sustain the income. To qualify for the full state pension, you need 35 years of National Insurance Contributions and you will receive £168.60 taxable income per week. For the Personal Pension and ISA, it entirely depends on a client's approach to risk as to what is a sustainable income so careful planning is required with your adviser.

However, as an example, If I take a sustainable income withdrawal of 4% per year from the ISA then you will need a fund of £156,393.25 to achieve an income of £6,255.73 per annum. If we do the same for the personal pension, then we would need a fund worth £124,426.75 to create the taxable income of £3,732.20pa and the tax-free lump sum income of £1,244.27pa. The crucial aspect to this scenario is the taxable pension income and state pension income fall below the personal allowance of £12,500pa. Therefore, it is possible to take the full £20,000 income completely free from tax. Obviously, the advice will need to be tailored for each individual's circumstances, but this gives you an example of how careful planning around ISAs can help with your retirement planning. **MJ**

TAX FREE INCOME

Creating a £20,000 income



State Pension	£8,767.20
Personal Pension Income	£3,732.80
Personal Pension (taking lump sum as pension income)	£1,244.27
ISA Income	£6,255.73
Total	£20,000

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