mcphersons
financial solutions

MoneyMatters

March/April 2015

ISA shake up

The pension FAMILY TREE

Income *PROTECTION*

End of Tax Year *planning*

How to retire at 55

• Lifestyle Protection • Creating Wealth • Tax Rules •

McPhersons Financial Solutions
c/o 50 Havelock Rd, Hastings, East Sussex, TN34 1BE
Phone 01424 730000 Fax: 01424 730489 Email:info@mcphersonsfs.co.uk

VCTs

ISAs and pensions are popular and well-known choices for tax-efficient investing. If however, you have fully maximised these allowances you may consider an additional, although higher risk, option: Venture Capital Trusts (VCTs).

VCTs offer the opportunity to invest in newly formed and small companies, providing the capital they need to develop the business. A VCT typically invests in around 20 such businesses. These are chosen by the VCT manager, who is an expert in identifying this type of opportunity and negotiating attractive deals on behalf of the VCT's shareholders.

Like traditional smaller company unit trusts and OEICs, VCTs aim to generate capital growth. But VCT rules are different and allow them to pay out the majority of this capital growth to shareholders in the form of tax-free dividends. However, dividends are not guaranteed. Many managers will also aim to grow capital modestly over the long term.

Investing in this vibrant area makes VCTs an exciting investment proposition, but they will perform differently from mainstream funds, and have substantially higher risks. They invest in small companies which are often at an early stage of their development and not listed on the stock exchange. This means they can be harder to buy and sell; and are more prone to failure. The shares in the VCT itself can also be difficult to sell, and will rise and fall in value meaning investors could lose money.

In acknowledgement of the risks the Government offers certain tax benefits to investors.

- 30% income tax relief for subscriptions in new VCT fund raisings
- Dividends paid by VCTs are free of tax
- No capital gains tax (CGT) to pay when the VCT is sold

The income tax relief means those investing £10,000 could receive a rebate of £3,000 from the taxman, although investors must keep the VCT for five years or they will have to repay any tax relief received. In addition, tax-free dividends from VCTs don't need including on a tax return. The tax benefits should be seen as the icing on the cake, rather than the main reason for investing. Tax and VCT rules can change and tax benefits depend on individual circumstances.

No news or research item is a personal recommendation to deal. All investments can fall as well as rise in value so you could get back less than you invest.

The value of your investment and the income from it can go down as well as up and you may not get back the original amount invested. Past performance is not a reliable indicator for future results. Please contact us for further information or if you are in any doubt as to the suitability of an investment.

For more information on any subject that we have covered in this issue, or on any other subjects, please tick the appropriate box or boxes, include your personal details and return this section to us.

- ☐ Financial wealth check
- ☐ Tax efficient investments
- ☐ Pensions
- ☐ Tax planning
- ☐ Critical Illness cover
- ☐ Protection
- ☐ Off-shore investments
- ☐ Healthcare
- ☐ Director and employee benefit schemes

Name

Address

Postcode

Tel. (home) Tel. (work)

Mobile Email

Please return to:
McPhersons Financial Solutions
c/o 50 Havelock Rd, Hastings, East Sussex, TN34 1BE. Phone 01424 730000

m8trix media
M8trix Media Limited
960 Capability Green, Luton, Bedfordshire, LU1 3PE