



Genie Accountancy

Knowledge, Experience, Support



Financial Planning for Contractors



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1.0 Contractor Mortgages

Getting a Contractor Mortgage

Thanks to specially negotiated contract based underwriting, Contractors can avoid the disappointment of being turned down by their local high street lender and become a homeowner within 4 to 6 weeks, with the help of the original Contractor Mortgage specialists, Contractor Financials.

Having negotiated the first bespoke underwriting for Contractors over 15 years ago, and having helped over 18,500 Contractors, Contractor Financials understand the needs of Contractors and have a proven track record in finding and securing competitive mortgages for a Contractor's needs. Their experience in dealing with a wide variety of lenders on and off the high street, has enabled them to build strong relationships with key underwriters and they often have access to exclusive rates and products.



What is contract based underwriting?

One of the main barriers to Contractors securing mortgage lending on the High Street is that most will require between 2-3 years accounts to calculate affordability. The downside with this is that most Contractors accounts will be arranged to minimise tax take which invariably means taking a low salary and dividends. Unfortunately, this can have a huge impact on the amount that a Lender is willing to lend to a Contractor but this needn't be the case.

ContractorFinancials have negotiated contract based underwriting with many of these Lenders that enables them to calculate your mortgage affordability based on a multiple of your gross annualised contract rate alone. This means that any tax saving measures that you have in place don't dent what you declare as income for mortgage purposes and the Lender won't need to waste time looking at what the accounts of your limited company show. This also means that you can often borrow more than your permanent colleagues.

As a Contractor you are not restricted to only being able to get a residential mortgage, Contractor Financials also offer you the chance to start a buy to let portfolio, remortgage onto a better more competitive rate, the ability to take advantage of Government funded schemes.

What you need to apply

When applying for your Contractor Mortgage all you will need is two forms of ID, recent bank statements, a current signed copy of your contract, and a utility bill for proof of address. The award winning Contractor Mortgage Advisers will help you find the best mortgage at the best rate, so that your repayments are affordable.

When organising your Contractor Mortgage the process couldn't be any easier, as well as not having to provide 3 years' worth of accounts, you can also rest assured that your Adviser and their experienced processing team will handle the whole process for you.

Never pay broker fees!

Moving house is expensive enough, without having to pay mortgage broker fees...which is why, unlike other brokers, Contractor Financials will never charge you a fee for their award winning service. This can save you up to £695, leaving you more spare cash to spend on decorating your home.

If you would like to speak to one of the Contractor Mortgage Advisers at Contractor Financials fill out an enquiry form and the team will be in contact shortly.

2.0 Contractor Pensions

Are you on track to reach your retirement goals?

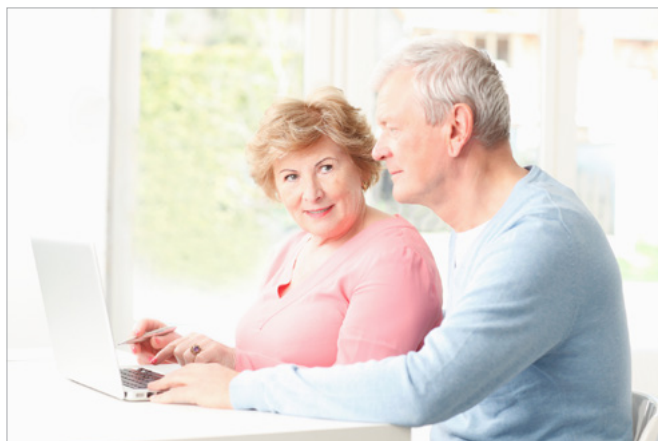
When it comes to planning your retirement, it is important not to underestimate how much income you will need per year to maintain a comfortable living standard.

A recent report by Prudential shows that those who will be retiring within the next 12 months will be expecting a larger income than those who took their pensions in the last 2 years at £15,800, £500 higher than last year. This optimism comes after a five year period in which people's retirement plans had been crushed by the market crash. With those retiring before the recession in 2008 expecting to command an average income of £18,700, nearly £3000 higher.

Don't underestimate the cost of retirement

Although it is good news that retirement incomes are rising, Contractors should consider whether an income of £15,800 a year would be limiting when it comes to enjoying a comfortable retirement. In the 2013 Autumn Statement, Chancellor George Osborne speculated that the age at which you can receive the state pension could rise to 69 by the late 2040s. Meaning that Contractors currently in their 20s and early 30s may have to work into their 70s before being eligible for the state pension.

According to a study by BlackRock, British pension investors hope to achieve an annual household income in retirement of £27,400, much higher than the average figures of what pensioner's will expect this year. In order to achieve this level of income, these investors think they would only need to save £259,000. Unfortunately, the truth of the matter is that with life expectancy on the rise, they would actually need to save closer to £525,000 in order to achieve their goal.



Make the most of the £40,000 annual allowance

In order to avoid financial worries when it comes to retirement, Contractors should ensure they are taking full advantage of the annual allowance that you can invest up to per year and receive tax relief at your highest nominal rate. This tax year the annual allowance has changed from £50,000 to £40,000 from April 2014, but if you still have a large lump sum to invest and didn't manage to catch the end of tax year deadline then you can still make use of carry forward rules to invest up to £140k in 2014/15.

If you have built up a pot of retained profits in your limited company then you could invest them directly in to a pension and avoid a hefty corporation tax bill. Whilst this will mean delaying getting your hands on the cash until you reach age 55, it does represent a very tax efficient method of transferring funds from company

to personal hands. At 55 you can choose to release up to 25% of your pension as a tax free lump sum with the remainder left to grow or used to provide an income.

As long as your day to day expenses are covered and you have taken any salary or dividends that you require, you should be able to invest as much of your remaining income and retained profits into a pension as you would like because there is no relationship between salary and the size of a company contribution. As funds are transferred directly, there is no personal income tax or national insurance deduction and you also save on the corporation tax that you would otherwise have paid on this year's profits.

Your options at retirement include:

- Anyone aged over 55 who has contributed to a pension scheme will now be able to take the pot they have grown as a lump sum, subject to tax, to either invest or spend as they wish.
- Contractors are able to buy an annuity and have the option of taking 25% of the fund as tax free cash and still be able to transfer the balance to a personal pension 'drawdown' arrangement or encash your pension. The old 55% tax charge can now be avoided as Osborne will now charge tax at your highest marginal rate instead, saving even higher rate tax payers 15% tax.
- The guaranteed limit for 'Flexible drawdown' on final salary schemes has been lowered from £20kpa to £12k pa.
- Encashment is now possible as three pension pots of up to £10k at the age of 60 and above, previously this was set to two pots up to £2k over a lifetime.
- There is now an increase from £18k to £30k in the overall triviality limit so a Contractor can access the entire fund up to £29,999, of which 25% is tax free and the remainder subject to income tax.
- For those Contractors who have a 'capped drawdown' arrangement, the maximum income limit has been set at 120% of the governments 'GAD' income limit. This limit has now been extended to 150% of GAD.

These options are a result of changes made in the 2014 Budget. They are potentially very far reaching and they put control firmly back in your hands as the investor. This demonstrates a clear signal that the Government wishes to encourage saving again.

ContractorFinancials Active Management Service can get your retirement plans on track

Saving for the eventual day you decide to hang-up your keyboard and retire is one of the greatest investments you will make. Given average life projections are extending, it is probable that you are funding a retirement of over 30 years. In addition to advice on a suitable pension vehicle ContractorFinancials also offer our clients a tailored portfolio service to help you gain the maximum possible return at a level of risk you feel comfortable with.

Their investment committee meets to review the construction of our client portfolios and gives quarterly feedback on areas such as asset allocation, geographic and sector allocation, performance and risk to help ensure your retirement plans remain on track at all times. Your advisor will then also make contact on at least an annual basis to review your investment as due to changes in asset prices, or even perhaps a change in your personal circumstances, your risk tolerance may have changed.

Don't delay, invest today...

When it comes to organising your pension don't leave it too late. According to MFU the pension provider, 48 is the age at which people finally accept that they cannot work forever. If you left organising your pension until then it would be difficult to ensure a comfortable retirement income. The experienced pension and investment Advisers at Contractor Financials are on hand to help, whether you are 48 or 28 they will advise you on the best pension to suit your needs and retirement goals.

3.0 Critical Illness and income replacement

Contractor Critical Illness Cover

Have you ever thought about how you and your dependants would financially cope if you were to develop a critical illness?

Due to the challenging and commercial environment you work in as a Contractor, you are sometimes at a greater risk of being diagnosed with a critical illness. 15 years ago, illnesses such as a heart attack, Cancer or a stroke would have been killers, but thanks to advances in modern medicine, treating these critical illnesses has become easier and there is now a greater chance of survival.



Ensuring that you are protected if you were to be diagnosed with a critical illness is crucial to support your lifestyle, and avoid financial loss and difficulties if you need to stop working or cut down your hours.

How does it work?

Like life insurance, critical illness cover will pay out a tax free lump sum on diagnosis of a critical illness, which can be used how you see fit, and does not need to be paid back even if you fully recover. You will also be able to choose the amount of benefit that you want to receive, as well as the length of term that you are covered for i.e. until your children grow up.

If you were diagnosed with a critical illness you may wish to cover your mortgage, alternately you may want to protect a smaller amount to cover essential home improvements to make life easier, or to purchase a specialist car or equipment, or even to clear any outstanding debts.

For a relatively small monthly premium you can rest assured knowing that if were to be diagnosed with a critical illness, you and your family are financially protected.

Combine Critical illness cover with Life Insurance

A popular option with Contractors is to combine Critical illness cover with Life insurance, this is often cheaper than arranging the two policies separately and you will only need to manage one monthly premium.

The award winning protection team at Contractor Financials are here to help you every step of the way, from helping you find the best policy for you, to even handling a claim for your convenience. Your Adviser will also ensure that your cover is inflation proof, so that your amount covered does not fall in value, therefore you can rest assured knowing that you will have the same amount of spending power whenever you need to claim.

If you would like to speak to an Adviser about organising your Critical illness cover, or a combined Critical illness and Life Cover, fill out an enquiry form and someone will be in contact shortly.

4.0 Contractor Life Insurance

Although Life Insurance is not something that anyone likes to have to think about, should the worst happen to you, it is essential to have cover in place to protect your loved ones financially at what will be a very difficult time.

Protect your loved ones financially

Thankfully with the help of the experts at Contractor Financials, organising your Life insurance will be made as easy and hassle free as possible and once it is organised you will not need to think about it again. Many Contractors will assume that this type of cover is expensive but this is not the case, for a small monthly premium you will be ensuring that your dependents are protected financially.

Since leaving your permanent job, and becoming a Contractor you will have lost the death in service benefits, which your large employer would have provided you with. Contractor life cover will pay out a lump sum on your death to clear any outstanding mortgage, pay off other debts and cover funeral expenses, or to provide an income for your dependants to replace your earnings.

Organising your Life Cover

When it comes to arranging your life cover there are a number of different options available to suit you specifically, and your Adviser will search the whole of the market to find the best policy for you at the most affordable rate.

You will have the option to choose the level of cover you require, for example if you have a mortgage of £200,000 you may want to take cover for £300,000 so that your mortgage is paid off as well as leaving your family with some extra cash to cover any other debts and allow them to take time off work for grieving.

You can tailor your policy to cover your specific mortgage, for example if you have a repayment mortgage then your debt will become smaller over time due to the fact that you will be clearing the capital with your repayments each month. In this case you would be advised to go for a decreasing life cover which would lower in line with your mortgage debt. The protection specialists at ContractorFinancials are highly experienced and will help you choose the best type of policy to cover your mortgage and other requirements.

You will also need to choose the term you wish to be covered for, such as to age 65 or for the whole of your life, the more that you insure for and the longer the term, the more expensive the cover gets so think carefully about your requirements.

Help at every step

When organising your cover, you will also be able to choose how your dependants receive the money when they come to claim, as you may be concerned about how your loved ones would handle a large lump sum of money. A popular option with Contractors is to choose a family income benefit policy which will pay your loved ones an agreed monthly income instead of a single lump sum.

The award winning Advisers at ContractorFinancials will also ensure that your policy is inflation proofed so that your policy has the same level of spending power in 5 years or even 30 years when your dependents make a claim. If that day comes, the team will be on hand to help your loved ones claim so that the whole process is hassle free at that stressful time.

To speak to a specialist, fill out an enquiry form and an Adviser will be in contact shortly.

5.0 Relevant life cover (aka Keyman Insurance)

Tax Efficient Life Insurance for Contractors

Relevant life cover allows you to protect your dependents in a way that mirrors the death in service benefits that you used to have as a permanent employee.

How does Relevant Life Cover work?

If you have a partner who receives an income from the company then you can tailor the policies to cover you both individually as long as they are an employee of the company, for example a company secretary. The policy can cover you or any partner who earns salary or dividends for a sum of up to fifteen times your total remuneration from the company.

This life cover will pay out a lump sum in the event of your death up to age 75 and can offer you the peace of mind that your family, an individual or a charity of your choice will be looked after.

Why choose Relevant Life Cover?

Contractors using a One Man Ltd company can transfer the cost of life insurance to your business rather than find the cost personally from your post-tax income. In this way the new plan offers you substantial savings on any existing life cover that you pay for personally. It should also be possible to offset the premiums against corporation tax as a business expense.

Unlike the old company sponsored 'Key-man' insurance policies, where any pay-out on death belonged to the company and your dependents were taxed on the receipt of funds, this new policy is kept in trust to protect your dependents. An added bonus is that in most cases the benefits won't be liable for inheritance tax as long as they are payable through a simple discretionary trust.

What happens if my circumstances change?

Even if you decide to return to permanent employment, you can still benefit from the tax savings by simply transferring your policy to your new employer. Your cover is written in trust and this not only keeps the money safe from any liabilities that the new company has but also makes the plan easier to transfer.

You can pay the policy personally and this means that, unlike traditional death in service cover that is non-transferrable by the employee, this policy can be kept in place irrespective of who you work for. Finally, despite any health issues that arise, you will not be medically underwritten again with this cover and so the policy can remain intact.

The advisers at ContractorFinancials can handle the whole application process for you, from setting up the policy initially to transferring it to a new trustee or helping your family to make a claim if the worst should happen. For more detailed information and a quotation based on your needs please call 0845 062 8888.



6.0 Covering university fees

How can I fund my kid's university years?

This is a dilemma faced by many Contractors as ideally we would all like to make a contribution to our child's university fund. The good news is that there are a number of ways that you can help them to foot what is almost certainly going to be a hefty bill. Your investment strategy will depend largely on how many years you have before your child is due to enrol at university as this will affect the opportunity for growth on your investments. If your child is due to start next year for example then your options for saving may be limited but there are still ways to release the money needed to help them afford rising student costs. With the estimated costs of a university education now hitting highs of £55,000, this is set to become a priority for Contractors in the years to come.

Over five years left to save...

As you have a while to save before your son or daughter packs their car and leaves for student digs, you can consider longer term investments such as a stocks and shares ISA which will offer you a tax efficient environment to grow their university fund. You can currently invest up to £11,880 per year in an Individual Savings Account (ISA) with up to £5,940 in cash. From July 2014, the new NISA will come in to force which will allow investors to save up to £15,000 per year and there will be no limits as to how you split your investment across cash or stocks and shares so Contractors should invest as much as possible up to this limit each year.



The key to ISA investment is to drip feed your contributions over the course of the year rather than invest a large lump sum at the end of the tax year.

Drip feeding, referred to as pound cost averaging, will minimise your exposure to any short term fluctuations in the stock market because you would only be exposing a relatively small sum with each contribution. The fact that you have a longer time to save will also help to reduce the risk of investing in stocks and shares whilst maximising the potential for long term growth with this form of investment.

There are now Junior ISAs available which allow the parent to contribute on a child's behalf without affecting your own ISA allowance. This could offer the ideal solution to Contractors who are looking for a long term investment as your child won't be able to access the funds until their 18th birthday and this should coincide with their enrolment at university. Parents can currently invest up to £3,840 a year in a Junior ISA and your child won't pay any tax on the growth on this investment. On 1st July the amount that can be paid into a Junior ISA for 2014-15 will increase to £4,000. If you invest up to the annual limit in both an individual and a Junior ISA then you have the potential to save up to £19,000 per year in a tax efficient environment from July 2014.

As with any long term investment, keeping on top of what's known as 'asset allocation' will be the key to making sure you get the most out of your ISA. It is important to try and spread your investment across a variety of asset classes so you have exposure to stocks and shares, bonds, property, cash etc., both here and overseas. This will enable you to spread your risk and also make the most of the opportunity for

growth across this wide range of assets. An Independent Financial Adviser will be able to talk you through the options available and can help you make the most of your ISA. The Adviser will help you manage your asset allocation over the life of your investment, ensuring that your ISA always stays in line with your attitude to risk.

Less than five years to save...

If your son or daughter is fast approaching their eighteenth birthday and you have been shocked by the rising costs of a university education then it isn't too late to help with the funding. Whilst saving a large lump sum using an ISA could be difficult in these timescales, it is still worthwhile investing up to the annual limit in the time you have left. For Contractors with a limited time frame, a cash ISA will undoubtedly offer the safest environment for your investment as you won't be affected by fluctuations in the markets.



If you are already using up your ISA limit and are looking for other ways to raise the cash then you could consider remortgaging your property to release a lump sum to help cover the costs. Thanks to funding for lending, remortgage rates have dropped to their lowest level since the credit crunch struck in 2008 and Contractors are currently saving thousands of pounds a year on their mortgage repayments by switching to a lower rate. This could therefore offer the ideal solution as you could raise a lump sum for your son or daughter whilst potentially lowering your own monthly outgoings. The mortgage advisers at ContractorFinancials will search the whole of the market to find you the best rate and will take care of the remortgage process for you so you benefit from all of the savings with none of the hassle. The advisers charge Orange Genie clients none of the normal broker fees that apply elsewhere.

Contractors who are approaching age 55 or are already over this age could consider releasing a tax free lump sum of up to 25% from your pension pot. There is also no obligation to retire when you release the lump sum so you can carry on contributing until you are ready to hang up your contracting hat. However, it is important to consider the effect this would have on your retirement nest egg as taking 25% now could have an impact on the income you will be able to draw down when you decide to retire.

Alternative ways to help your child afford their university experience

One of the largest outlays for a student is accommodation costs, particularly for those that decide to go to university in a major city. Contractors can help their children with these costs and also build a long term investment income by opting to purchase a buy to let property for the child to live in whilst studying. They rent out the remaining bedrooms to friends or fellow students so you could earn an income off the property whilst your child lives there.

A buy to let mortgage is entirely separate from your own residential mortgage and is assessed largely on the estimated rental income for the property that you are purchasing. Choosing a property in a popular student quarter of the city means that you can be confident of finding tenants for the life of your investment so you could choose to keep your buy to let property long after your son or daughter decides to move on. You can choose to take out a Home of Multiple Occupancy (HMO) mortgage which would enable

you to rent out each bedroom in the house separately to multiple tenants. This would save your child the hassle of finding friends to take on the other rooms and managing the tenants as you could employ a lettings agent to manage the other rooms for you.

You should also look at the loans and grants available from the Government which may help your child to cover their university years on their own. Every British student is entitled to a tuition fee loan which will cover the £9000+ per year tuition fees for their chosen course and they will only need to pay this back once they are earning over £26,000 per year after they graduate. If they never earn over £26,000 then they never repay the loan and as this isn't calculated based on parents earnings, your child should be entitled to receive this help. Maintenance loans are also available which can help towards your child's living expenses at university but this portion of the student loan is means tested based on the parents household income. If your household income is below average then your child may also be eligible for a means tested grant which they won't have to pay back so it is worth investigating the options open to your child before they apply for a course.

Fundamentally, parents must consider whether it would make financial sense to help their child through university or whether it is more pressing a need to invest in their own financial future. Your child is likely to have another fifty years to pay off their student debts and will only be liable to do so once they are earning over £26,000 per year, whereas you may only have a small number of years left before your retirement date and perhaps retirement planning should take priority.

In a lot of cases Contractors will try and find a balance between these two conflicting priorities so to speak to an Adviser about the all options available call ContractorFinancials on 0845 062 8888 or [click here](#) to fill in a contact form and an Adviser will be in touch.

Financial advice is given by ContractorFinancials, which is a trading name of Contractor Financials Ltd and is regulated and authorised by the Financial Conduct Authority.



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