



Tax Planning Deadline Looms



With the tax-year end in sight this issue focuses on shrinking your Tax Bill whilst increasing your retirement income and making the most of investment conditions with valuable tax allowances.

The 5th April 2009 is an important deadline for dentists to utilise tax planning allowances and reliefs. With valuable tax benefits for investment strategy we focus on how **ISAs and Pensions** offer tax advantages.

With significant global stock market falls in 2008 and record low returns on cash savings, investors need to review their options to optimise investment returns. We strongly advise Dentists to make use of the following valuable tax saving allowances

Individual Savings Accounts (ISAs) - "fast track" ISA recommendation

ISAs provide dentists with an annual investment allowance for flexible long-term tax-efficient income and growth. If you want to make regular savings or capital investments you should not miss your annual ISA allowance. Over time ISA allowances can accrue to a substantial sum to provide a highly tax efficient backbone to your long term investment assets. Withdrawals from ISA savings do not need to be declared on your tax return. Growth within the ISA is generally free of Income or Capital

INSIDE THIS EDITION

Equity investments - why now?	2
Avoiding investor apathy	2
Pre-retirement planning - independent advice	3
Essential Continuous professional development	3
Thinking of selling? - professional Marketing	4
Incorporation - don't dive in	4

📞 Advice Line: 01904 670820

Gains tax. The limited annual allowance of £7200 per individual is a 'use it or lose it' allowance.

PFM can provide you with a "fast track" ISA recommendation if you confirm your requirements to us before the tax year end.

Pensions – Tax Relief Deadline

By making a pension investment before 6th April you can benefit from tax savings which will help to reduce your tax bills. **Simply, a personal pension investment of £10,000 will cost higher rate taxpayers £6,000. Here's how...**

An 8,000 net investment before 6th April 2009 attracts the following tax saving benefits:

- **Tax relief at source** – H M Revenue & Customs will immediately add £2,000 to your pension investment making the gross investment to your pension £10,000.
- **As a high rate tax payer** - you are also eligible for a further 20% relief, which means a £2,000 tax saving against your balancing tax payment due 31st January 2010.

Attention NHS practitioners

Many dentists are still not aware that they can now "double up" on their pension funding with private pensions on their NHS earnings. The latest pension rules now allow NHS dentists to contribute to private pensions up to their total taxable profit (with a maximum allowance of £235,000).

The tax year end deadline provides investors with an important date to take up tax efficient ISA allowances and benefit from tax reliefs for pension investment. Contact PFM now for independent financial advice.

Equity Investment – Why Now?

Paul Rathbone one of PFM's experienced *investment fund researchers* considers 'Bulls' and 'Bears' and how investment history has a habit of repeating itself.

In recent months, with equity (share) markets losing value and demonstrating high levels of volatility, many investors have sought safety in the guise of cash. However, with interest rates at just 1.5% (and tipped to fall further), for many investors cash is ceasing to be attractive because the real yield (after inflation and tax on interest) is now negative (i.e. a fall in real terms). With this in mind we pose the question: Is it too soon to invest in equities?

A recent study by Thames River looks at 'Bear' Markets since 1987¹ (Bear Markets are defined as a prolonged period in which investment prices fall). Their findings reveal that the average duration is 339 days and the average fall in the FTSE 100 is 30.9%; at the beginning of November we were 533 days into the current

Bear Market and at its low for the year, the FTSE 100 had fallen by 45.5%. In a historical context then, we may be through the worst in terms of duration and magnitude, although that can not be guaranteed!

The 2008 Barclays Equity-Gilt Study provides data since 1900. In their study of the last 108 years, equities have beaten cash in 76% of 5 year periods and 93% of 10 year periods. Of course, the losing periods tend to coincide with investing at or close to market peaks and with equity returns trailing cash since the turn of the century, it is clear that we are not at peak levels today.

While past performance is not a guide to future returns, these studies suggest that now may be an opportune time to take a serious look at equity investment. It is our belief that

equity markets currently offer compelling value for those who are prepared to weather short-term volatility and take a long-term view (10 years or more). Furthermore, with interest from cash drying up, income seekers may wish to consider UK equity income funds as an alternative home for (a proportion of) their money. Many funds yield in excess of 5% and there is the potential for growth in the underlying fund too.

If you'd prefer to dip a toe rather than dive right in, investing on a monthly basis can help to reduce the timing risk of making a lump sum investment, as you will be buying your funds at a variety of prices.

If you'd like to consider your investment options please contact your usual PFM adviser or return the reply card



for an initial discussion.

¹ Black Monday (1987), First Gulf War (1990), LTCM/Russian Default (1998), September 11th (2001) and the Tech Wreck (2000-3).

Avoiding Investor Apathy

The need for expert independent advice for your investment portfolio



There has never been a more important time to be pro-active with your pensions and investments.

For many, the last quarter of 2008 was a terrifying experience of how helpless you can feel when there is a global economic melt down.

If you are battenning down the hatches and keeping your fingers crossed for economic recovery you firstly need to make sure your investments and pensions are positioned appropriately to reflect your attitude to risk. Secondly you should check that the funds you are investing in are of a suitable calibre as some funds are better equipped to perform well when markets begin to turn the corner.

Portfolios do not have to be substantial to deserve professional attention which is enhanced by our experienced team of investment fund analysts. With the aid of sophisticated portfolio software we can review your existing portfolios and "deadwood" poor performing funds before replacing

them with funds that we feel are more appropriate and primed to capitalise on the current depressed stock market which sees equities, commercial property and fixed interest securities all depressed relative to historic average values.

Our service also comprehensively reviews your existing funds and assesses whether they have performed above average over a number of different time periods and also investigate the credibility of the fund manager. Besides offering suitable fund switch instructions we will make suggestions about transferring to more efficient contracts where cheaper charges can be found.

Please do not wait for the 'green shoots' of a recovery to appear before you regain your interest in investments. Act now and mark your objectives on the enclosed reply card or alternatively contact John Fearn on 01904 670820 (e-mail john.fearn@pmdental.co.uk)



Feedback

Keeping you up-to-date on the issues and opportunities facing our clients

SIPP Property Investment...

Recently we have received a number of calls from dentists requiring a second opinion or impartial advice on SIPP property investment. PFM offers a *SIPP Feasibility Study* for dentists who are interested in investing property to a SIPP. Independent Professional advice is essential to receive a balanced study of the benefits and drawbacks to SIPP Property Investment. Sadly some advisers extol the virtues without explaining all the drawbacks. Contact David Leaf for more details.

Beware - PCT Handouts...

Some PCTs are enhancing contractual arrangements and offering all time limited PDS supplementary contracts, extra payments for assistance in the fluoridation treatment and sometimes increasing access hours. Be warned, these are not perceived to add value to the goodwill of your practice by a purchaser as they are not ongoing. Likewise, VT contracts do not enhance the goodwill.

Buying a practice- rate management options...

Recent discussions with a Healthcare Manager from a large High-Street commercial lender revealed a raft of interest rate options as an alternative to the traditional variable rate.

Pre-Retirement Plan

Do you have a retirement plan, if so, how realistic is it?

In our experience few dentists spend sufficient time considering what is actually required to achieve their retirement ambitions. Most have a "romantic image" of long holidays, more time for hobbies and interests and other special projects. However, the reality of achieving what you want and when you want it can be a more sobering prospect!

Most dentists appreciate the need to plan for retirement, however, few find the time or really understand what is required. At best conscientious individuals set up investments to property, investment funds, pensions and their practices, hoping that their efforts will be sufficient. Whilst others just hope!

Pre-Retirement Consultation Service

Based on our experience of providing pre-retirement planning to dentists, PFM offer to bring together all key aspects of personal and business financial planning to help dentists achieve their retirement goals.

This specialist service provided by PFM provides exactly that:

- **Practice Succession** – guidance to establish a route map for the development and realisation of practice assets.
- **Financial Profile** – to establish your current and forecast assets, income needs and financial planning priorities.

- **Your Retirement Plan** – to establish your preferences and realistic targets.
- **Retirement Income Provision** – a comprehensive overview of your NHS, private pensions, investment assets and income potential for retirement.
- **Investment Strategy** – to provide targeted advice to help you achieve your long term financial goals.
- **Estate and Tax Planning** – to review Will provision and long term tax advice.
- **Dependents and Contingency Protection** – to review essential insurances which form a part of your long term contingency cover.

What can you expect

The Pre-Retirement Consultation Service is a professional fee-based advice service for dentists wanting independent financial advice to "get a handle" on their retirement financial planning. It provides comprehensive research, analysis, a consultation meeting and a detailed strategic financial planning report. This is all available for a fixed fee of £750 plus VAT. Please contact David Leaf or John Fearn for further details.

Essential 'Continuous Professional Development'

Throughout 2008 PFM lectured all over the UK providing approximately 2 seminars per month to the nation's dentists; generally on the subject of "Essential Financial Advice". Our seminars are tailored to the requirements of the group, ranging from foundation advice for vocational trainees right through to pre-retirement planning tactics for senior dentists. If you would like to arrange a Section 63 qualifying seminar or a foundation financial planning day for vocational trainees then please contact PFM as soon as possible as we have already taken a large number of bookings for 2009.

We have had great comments from attendees feedback forms including:-

"very informative", "I really found the session useful".

Please contact John Fearn or Jon Drysdale for more information about our courses and to make a booking.

Telephone: 01904 670820 or e-mail john.fearn@pfordental.co.uk or jon.drysdale@pfordental.co.uk



Thinking of selling - what's the market?

Paul Newsom from PFM's practice valuation and sales team explains why a professional approach to marketing your practice can make all the difference.

Despite the doom and gloom of the present economic climate, both NHS and private general practices on the whole do not appear to be showing any signs of a downturn in activity or income. The momentum following the introduction of the new NHS contracts is still ongoing with demand for both NHS and private practices being higher now than they were before April 2006. However this may not always be the case.

Selling a practice takes time and effort as anyone who has sold a practice will tell you. The advantages of a professional marketing approach to achieve the best offer from the right buyer should not be underestimated. PFM will help you to determine a market price for your practice, taking into account current market conditions. We can undertake a formal valuation of the goodwill and equipment and advise on your own exit strategy.

Having set an asking price for the practice it's over to PFM. We have an undeniably high level of experience in dealing with negotiations, as well as some of the legal intricacies and of course, dealing with

PCTs. Our in-house Practice Sales team provides full-time administrative support, responding to enquiries and arranging viewings with efficiency and professionalism.

Matching a buyer to your practice

Our agency registers all dentists who are interested in buying a practice by location. Using the latest technology we are able to contact them without delay and generate immediate interest. A professionally produced and detailed prospectus is supplied to all interested parties. As you would expect website marketing is provided as well as Press advertising (BDJ) if necessary.

Selling a dental practice from start to finish, often takes months rather than weeks. We are always happy to talk to dentists who plan to sell their practice, well ahead of the event. This provides invaluable initial guidance and a clear strategy for the disposal of the practice.

If you would like to discuss the sale of your practice at any stage, please feel free to contact Paul Newsom or Martyn Bradshaw on (01904) 670820.

Incorporation problems

Over the last 12 months PFM have been inundated with enquiries on incorporation. Whilst we are not a substitute for your accountant, we have a wealth of experience on the subject of incorporation and have helped many dentists to make an informed decision about the best way to structure their business. Sadly the negative points of incorporation can be lost amongst enthusiasm for the potential tax saving, which for some can be negligible.

Here are some key oversights:

- As a director you are exposed to corporation tax, income tax, national insurance and dividend taxation all of which could be increased in the future to help dig the government out of its mounting debt.
- Primary Care Trusts (PCT's) can take the opportunity to review the provider's contract when there is a change of business title. We have seen UDA rates drop by as much as £5 when the contract is renegotiated.
- A Director often elects to receive a very low salary. This limits scope for pension contributions significantly. A reduced salary can influence mortgage borrowing limits and the maximum level of income protection insurance.
- PFM can help you to review the good, the bad and the ugly of incorporation before you make a huge leap of faith. Contact us today for a no obligation discussion.

PFM's call-back promise

– introducing our new confidential reply-card

Our new reply card now allows you to request an immediate discussion with one of our advisers.

The new design keeps your personal details confidential. When we receive your card we guarantee to contact you within 2 working days of receipt. Please help us by enclosing an email and mobile telephone number.



INDEPENDENT FINANCIAL ADVISERS



David Leaf



John Fearn



Paul Newsom



Martyn Bradshaw



Jon Drysdale

The information in this newsletter is based on our understanding of law and HMRC practice as at January 2009 and is subject to change

Practice Financial Management Ltd are authorised and regulated by the Financial Services Authority. Practice Sales, Valuations and Business Loans are not regulated by the Financial Services Authority. Past Performance is not a guide to future performance and the value of an investment can go down as well as up.

📞 Advice Line: 01904 670820 ✉ email: info@pfmdental.co.uk