

FINAL WARNING on pension tax relief



Dentists who don't currently make use of generous higher rate tax relief will potentially lose a valuable and fast disappearing government tax break on pension contributions.

Higher-rate tax relief has always gone against the grain of a Labour government largely because it benefits 'high earners.' Finally, in the recent budget, the chancellor launched an all out attack on high income individuals with particular venom reserved for those with income over £150,000 pa. Whilst media attention has focused on those with income in excess of £150,000 there have also been some body blows dealt, even for dentists with income under £150,000. In brief:

- **Personal Allowance** of £6,475 of tax free income - is phased out from 2010/11 if your income is £100,000 +, i.e. a potential tax increase of £2,590 pa.
- **National Insurance** increase of 0.5% for individuals from 2011. This is an increase of £470 pa (based on income of £100,000). If you are an employer, rates will also increase by 0.5%.

Given the continuing recession and long-term effects of government debt we should expect further tax rises. The income bar for higher tax rates is likely to be lowered in future budgets to penalise high earners even further.

Consequently PFM advise all dentists to take immediate action to fight back against this tax rise by using their remaining opportunity and utilising higher rate tax relief. This will involve increasing pension contributions and, for some, starting contributions for the first time.

How to attract tax relief

Pension contributions remain one of very few ways to reduce your tax liability. Our case study shows, if your income is less than £150,000, you can still benefit in the following way:

FOR EXAMPLE

- Step 1:** Set up a regular contribution of £500 per month to a personal pension
- Step 2:** The revenue will add £125 pm to your pension fund
- Step 3:** Reclaim a further £125 pm (£1,500 each year) for each contribution, through your self assessment.

Personal pensions can improve your retirement income and can offer excellent long-term investment opportunities. Read more about our financial review service inside this issue.

LOOKING FOR A PRACTICE TO BUY?

Visit www.pfmdental.co.uk

- > Use the contact us button and receive regular practice details by email.
- > View our dental practices for sale listing

PRACTICES UPDATES DAILY

📞 Advice Line: 01904 670820



FINANCIAL REVIEW APPOINTMENTS AVAILABLE NATIONWIDE
visit www.pfmdental.co.uk



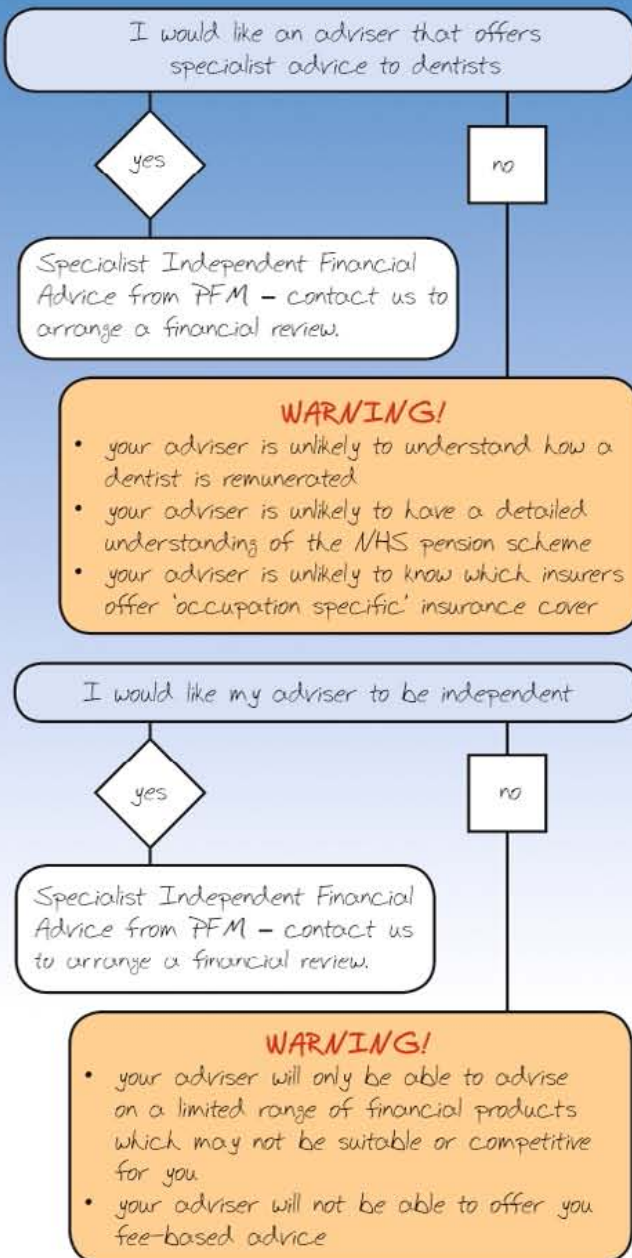
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Financial review

Book your appointment with one of PFM's specialist independent financial advisers

PFM's financial advisers are always keen to meet new clients to introduce them to the high quality service we provide. The flow chart below might help you to identify the type of adviser that you need:



REVIEW APPOINTMENTS AVAILABLE NATIONWIDE - 3 OPTIONS TO ARRANGE YOUR FINANCIAL REVIEW:

1. Complete the enclosed reply card
2. Use the contact us button at www.pfmdental.co.uk
3. Call us on 01904 760820

Retirement planning

A new flexible approach



The traditional approach to retirement amongst dentists is changing. Recent tinkering with the NHS Pension scheme point to concerns over future funding of what is an enormous liability for the cash strapped NHS. It is to be hoped that the new retirement age of 65 for new joiners (from April 2008) and a stepped increase to your contribution (now up to 8.5% for some practitioners) are sufficient to bring the scheme funding under control. Commentators often make the point that at the creation of the NHS in 1948, a pensioner's life expectancy was significantly shorter than it is today.

The fact remains that individual dentists have little power to prevent future changes to the NHS scheme benefits. **Our experience of helping practitioners with their retirement planning reveals that the greatest threat to retirement income is a failure to plan ahead. Often this is a failure to take account of increasing private fee income and the resulting loss of valuable NHS Pension benefits.**

A personal pension offers a flexible way to 'pension' private fee income and enhance your retirement income. Contribution levels and the retirement age are not fixed and a wide choice of underlying investments is available (through an independent financial adviser).

AVOID A DELAY IN STARTING YOUR CONTRIBUTIONS

early start = early finish and tax relief

	Future pension fund value	Annual pension	Tax relief saving (for higher rate tax payer)
Start now	£502,810	£30,169	£90,000
Wait 5 Years	£348,938	£20,936	£75,000
Wait 10 Years	£233,956	£14,037	£60,000
Wait 15 Years	£148,035	£8,882	£45,000

Based on a 30 year old saving £500 per month to age 60. Assumed average return of 7% and fund charges of 1% pa with annuity rates of 6%.

If you want an experienced adviser to guide you through the maze of personal pension options contact PFM to arrange a pension review. In addition we will take time to explain the NHS pension and assess your position in the light of new tax legislation.

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

Do you have the best mortgage?

Recently there has been a move from a number of lenders to offer preferential (lower) interest rates for borrowers who apply directly, rather than going through an intermediary or mortgage broker. The lender is able to reduce the interest rate because they do not have to pay a commission to the introducer.

MORTGAGE REVIEWS AVAILABLE NOW INCLUDING:

- Remortgage options
- House purchases
- Buy to let
- Offset accounts

PFM welcomes this approach as the cost savings for a client can be substantial. As a result we have invested in software that allows us to research all mortgages, both intermediary and direct deals to advise you accordingly. Importantly there is still a need for advice in selecting the most suitable mortgage for your needs from the maze of products such as fixed, tracker, variable, discounted, capped and offset.

Although we still offer the commission based route many clients are now benefiting from our advice on 'direct to lender', non-commission mortgages. For this service we charge a fixed fee of £400 plus VAT.

Initially, you could be forgiven for objecting to paying a fee for mortgage advice. However in our experience, 'direct rates' could save thousands of pounds compared to the most competitive intermediary or 'broker' deals. In the interest of fairness we offer both routes and always guide clients towards the most cost effective and suitable mortgage for their needs.

Whether you are looking to purchase a new house, move or your discounted/fixed rate has come to its expiry, contact us to review your mortgage rate and we will advise you on the most suitable mortgage for your needs. We also recommend that you regularly review your mortgage protection and buildings insurance which are inclusive of the mortgage review.

Income protection

For a review of your income protection sickness cover only an Independent Financial Adviser can consider all the options

Income Protection has always been a high priority for dentists and continues to be so. Statistics from the Dentists' Provident Society show that in 2008, musculoskeletal conditions accounted for the largest proportion of claims. With an average of 141 claims per month (for Dentists' Provident alone) there is a compelling argument for making sure you have the right level of cover in place.

DENTAL SPECIFIC COVER

PFM will always recommend 'own occupation' cover. This feature ensures that even minor ailments are covered if they prevent you from practicing dentistry. PFM have the specialist knowledge and experience to identify which insurers offer occupation specific cover.

COVER FEATURES

In many cases cover fails to keep pace with your earnings. This is likely to be the case if you haven't reviewed the level of cover since qualifying. There are limits on the amount of cover (usually 50-60% of earnings) so regular advice is recommended.

It is important to consider a number of other features including:

- **Deferred period:** When should your cover start? Do you need immediate cover?
- **Guaranteed or reviewable rates:** Some insurers offer a guaranteed premium which can be valuable over the long-term
- **Inflation linked cover:** It is important to make sure your cover automatically increases with inflation both before and after a claim.

With a wide variety of features to choose from and a wide range of cost options it makes sense to speak to an adviser who can offer independent advice. For example, guaranteed premiums are only available where you seek advice from an independent adviser. As always, your adviser should have experience of advising dentists to ensure you have the most suitable policy in place.

Contact **Martyn Bradshaw** or **Jon Drysdale** for further details.
Tel 01904 670820



Buying a Practice

Why go it alone?

Borrowing money to buy a dental practice doesn't get any easier.
PFM offer expert guidance and help.

Banks are now looking more carefully at each application for dental practice finance. With increases to goodwill over the last 2 – 3 years, some practice purchases do not always make commercial sense. Often we explain to dentists that the profitability is as important (if not more) than the turnover of the practice. What benefit is there to the purchase of a £1 million turnover practice that generates less for the buyer than their net profits as an associate?

PFM's experience can help not only in negotiating finance and arranging insurances but can help you review whether the practice is right for you and comment on the price that should be paid through our valuations service.

Whether you are purchasing a practice through our sales agency or elsewhere we can help in as many or as few of the following areas as you wish:

Practice Valuation/Viability Assessment – To help ascertain the correct price/value of the practice. We can also provide you with an assessment as to the viability of the practice for you, by producing projected profit and loss accounts under your ownership.

Finance Negotiations – We will produce a lending report with all of the information required by the banks to negotiate your loan requirements. In presenting a strong case this should ensure the most competitive premiums are offered. Also because we approach a number of lenders we will confirm who is offering competitive premiums.

Mortgage Protection – The banks will request that you have adequate income protection and life cover (optional critical illness) for the loan amount and term. As independent financial advisers we can review the whole market to get you the most competitive premiums. *You should always seek independent financial advice as the premiums could be significantly cheaper than taking a policy with the bank, and suitable terms e.g. own occupation may not be offered.*

Partnership Cover – For some practices the buyer will be entering into a partnership or expense sharing arrangement. Cover can be arranged to ensure you receive the funds necessary to buy the remaining share from the deceased estate using a suitable trust.

Surgery Insurance – Similar to buildings and contents cover but for the practice. This cover should include pressure vessels insurance, public liability and employer liability cover.

Locum/Practice Expenses – Similar (but not to be confused with) income protection, this provides cover for the overheads of the business if you cannot work due to being ill. Costs such as staff, utilities, finance still need to be paid.

For expert guidance on buying a practice contact PFM on 01904 670820 or visit www.pfmdental.co.uk

Lunch and learn

An independent and impartial approach to financial education for dentists



PFM have well established education programme offering 'section 63' CPD to several Deaneries nationwide.

We are now able to offer short flexible presentations to practices covering a wide variety of topics. If you would like an impartial and independent insight in to any of the following subjects please contact us to arrange this complimentary service.

- ✓ NHS Pension benefits and pensioning for private fee income
- ✓ The new taxation rules for high earners
- ✓ Dental specific income protection and insurances
- ✓ Partnership or business protection
- ✓ Investment planning

Our talks can be arranged at lunchtime or out of hours and an adviser will be available afterwards to answer individual questions.

If you would like us to provide lunch we will – and yes it's free!

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 May 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