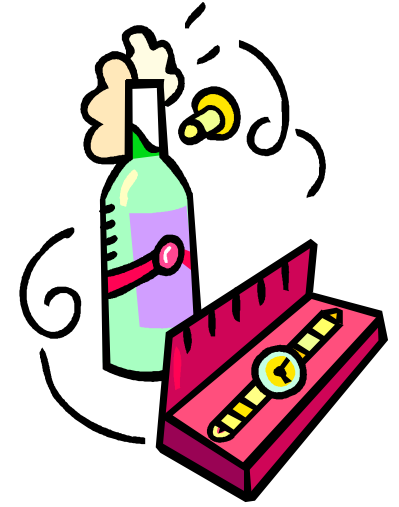


HOW TO RETIRE



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Chartered Financial Planners

Summary

- Challenges facing landlords in retirement
- Property as an asset class
- The other asset classes
- Exit strategies
- Re-investing the proceeds
- Inheritance Tax consideration



The Challenges

- Continuing to manage tenants
- Tax efficiency of residential property
- Capital gains tax if sold at a profit
- Ability to sell portfolio in one go
- What to do with the proceeds



Exit Strategies

- Out-source management of your property portfolio
 - Still requires a hands-on approach
 - Less profit due to agent fees
- What are the other options?
 - Sell all in one go?
 - Reduce your exposure over time?

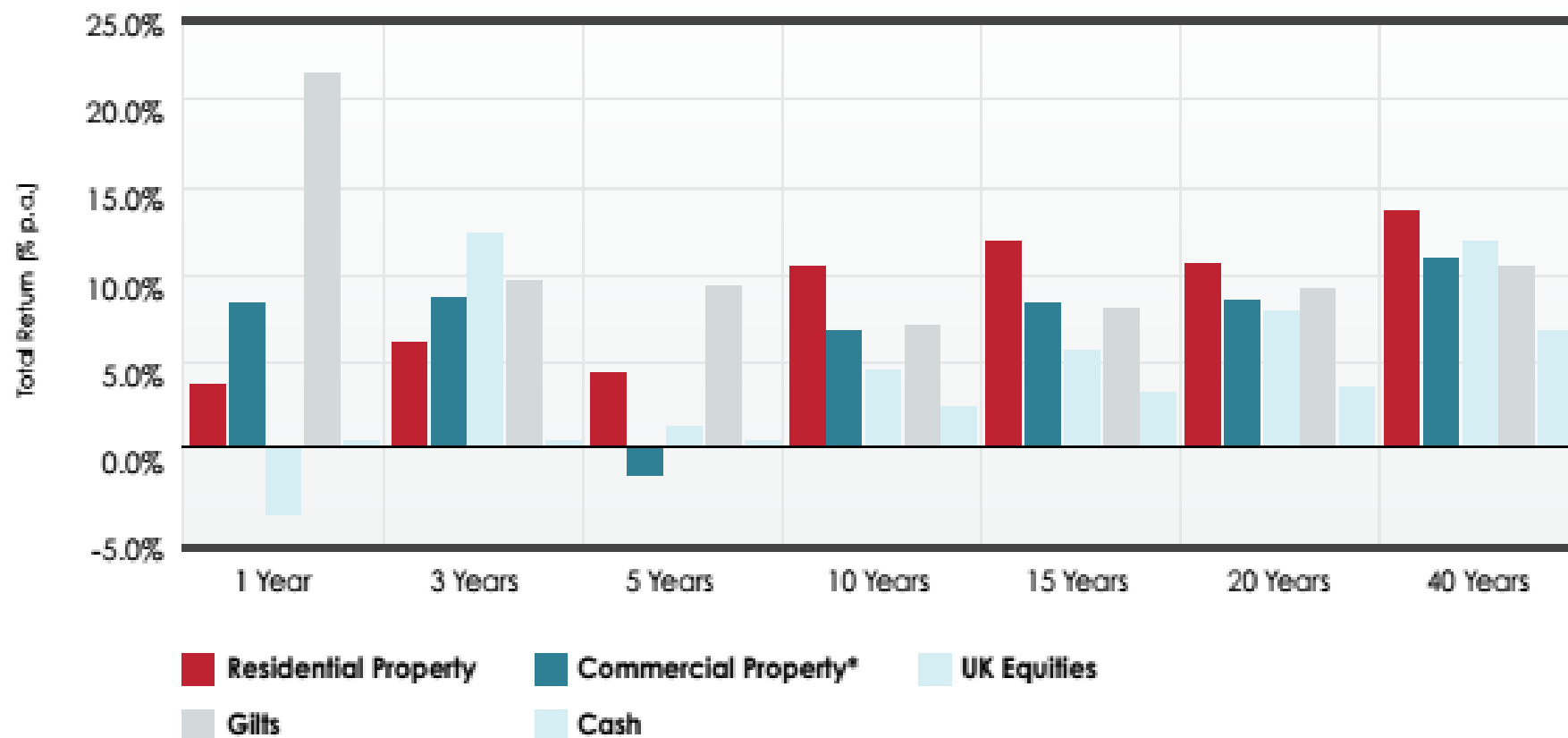


Congratulations!

- Long-term growth in residential property has been fantastic
- Average 3.5% PA income over 20 years
- Total return of 10.5% PA over 20 years
- “Geared” with mortgages means even better returns for you
- You may even be borrowing at rates lower than inflation



Total Return by Asset Class



Source: Acadametrics, ARLA, IPD, Barclays Capital, Heartstone. Data up to December 2011

*IPD Monthly Index used for 1987 onwards

So why bother changing?

- Residential property is a business first, and an investment second
- The management requires real effort on your part
- By reducing or selling your portfolio you could enjoy investment returns with less hassle
- Market becoming buoyant again – taking profits?

But what else can you invest in?



Cash



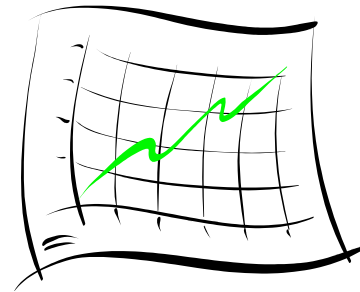
Corporate property



Government borrowing



Corporate borrowing



Company shares

Cash in the bank?

- Current rates at historic lows
- Expect 1.7% PA interest
- Average annual return in 20 years has been 3% PA
- Average inflation has been 2.8% PA



Government Borrowing (gilts)

- Government raises finances using gilts
- Current rates at historic lows
- Around 2.3% PA income
- Considered “safe haven”
- Potentially overvalued
- Average return of 7.5% PA in 20 years



Corporate bonds

- Companies raise money using bonds
- Cheaper than bank financing
- Riskier than gilts
- Around 3% income
- Average return of 5% PA in 20 years



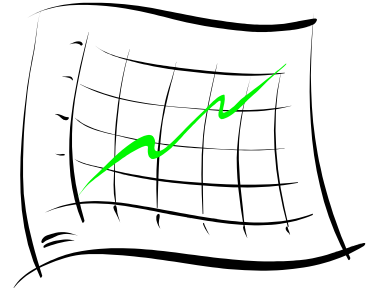
Commercial Property

- Most similar asset to residential
- Currently out of favour
- Income of around 4% after costs
- Average total return of 8% PA in 20 years
- Can run into major problems (credit crunch)

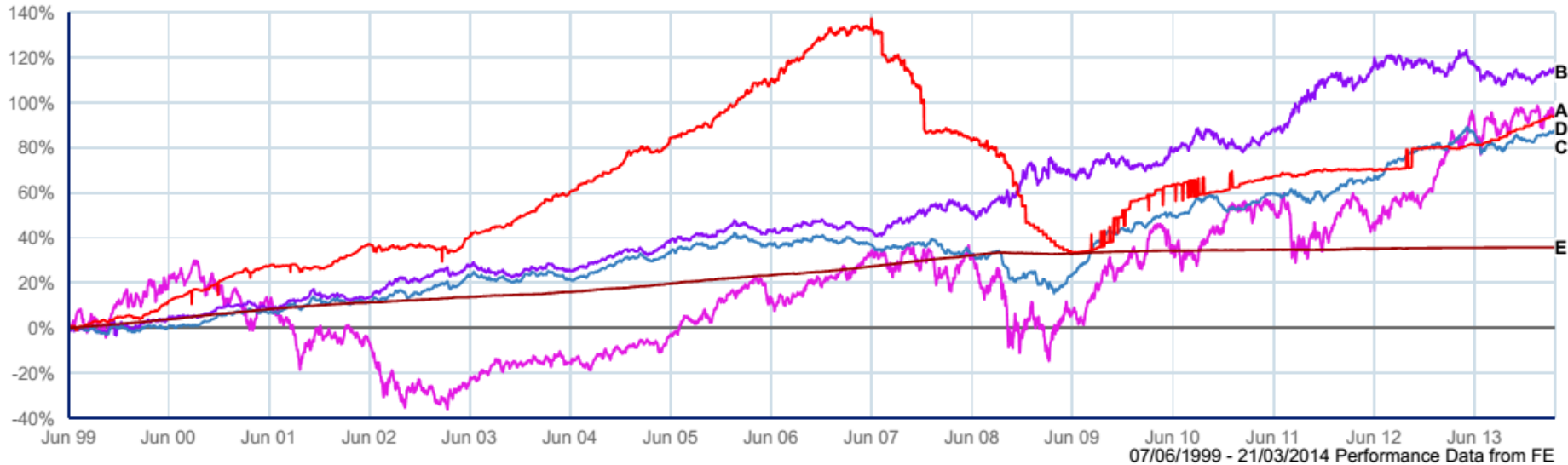


Stocks & shares

- Traditionally the best performing asset
- Also the highest risk
- Typically provides income between 0-4%
- Average returns 10% PA in 20 years



How do they stack up?



Annualised Performance

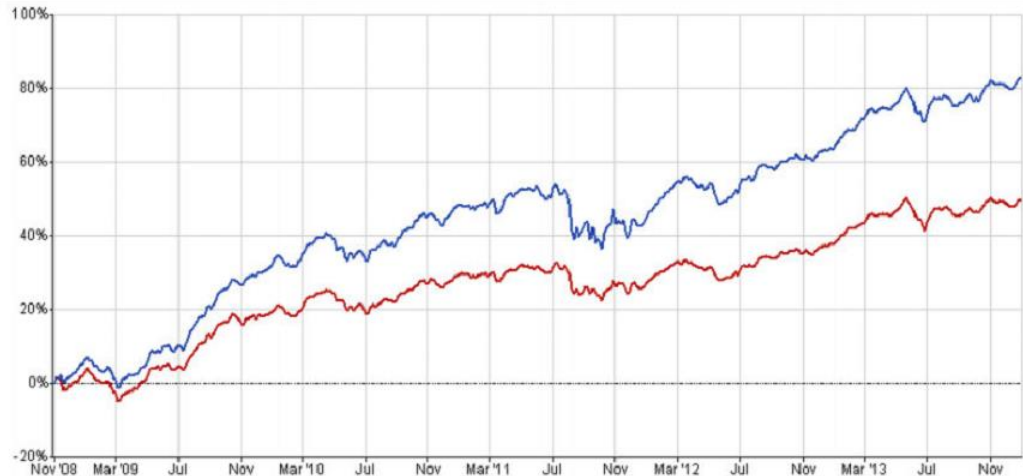
		1y	3y	5y	10y
A	FTSE World Index	7.7%	9.5%	15.6%	8.8%
B	FTSE British Government All Stocks	-1.9%	5.2%	4.2%	5.2%
C	IMA Sterling Corporate Bond	1.9%	6.1%	9.7%	4.1%
D	Henderson UK Property Inc	8.0%	5.5%	7.0%	2.2%
E	IMA Money Market	0.1%	0.3%	0.4%	1.6%

All of the above?

- A diverse portfolio can include all of these
- Combination means more stable returns
- Manages and reduces risks
- Could produce income of 4%
- Total returns of around 8% PA
- ISAs, pensions can improve tax efficiency

A lower-risk portfolio managed by Hunter Aitkenhead

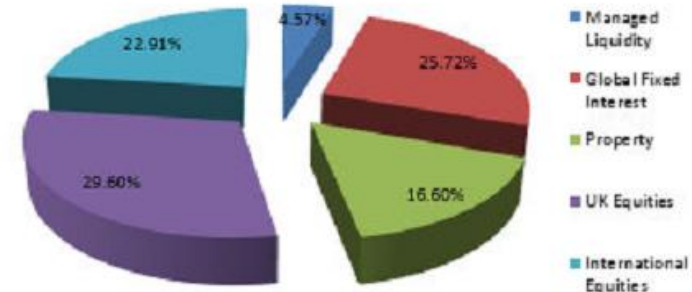
	1 month	3 months	6 months	1 Year	2 Years	3 Years	Inception to date (03/11/08-31/12/13)
Income Portfolio	0.91%	3.45%	5.61%	12.00%	26.30%	23.34%	82.85%
IMA Mixed Investment (20-60% Shares)	0.46%	2.29%	4.75%	8.85%	17.94%	15.70%	49.85%



■ A - Martin Bown - Income 08/01/2014 TR in GB [82.85%]
 ■ B - IMA Mixed Investment 20%-60% Shrs TR in GB [49.85%]

03/11/2008 - 31/12/2013 Data from FE 2014

• 4% Income



Capital Gains Tax in 90 seconds

- Only payable on **PROFITS**
- Can deduct any borrowing
- Buying & Selling costs are deductible
- Property improvements deductible
- BUT decoration & maintenance not



Capital Gains Tax in 90 seconds

- Annual tax-free allowance of £10,900
- Losses can be brought forward
- Tax rate is 18% and 28%
- Gifts between spouses are free of CGT



Meet Mr (Land) Lord



- Owns 20 houses, worth £2 Million in total
- Total purchase price was £1 Million
- Total borrowing of £500,000
- Mr Lord sells up, with total sale fees of £100,000
- This means proceeds after costs of **£1.4 Million**
- Profit of **£400,000**

The Tax Take...



- Profit of £400,000
- £10,900 tax-free allowance
- Tax is due on £389,100 at 28%:
- Tax of £109,000
- Profit after tax of **£291,000**
- **Net proceeds of around £1.3 Million**
- Could transfer property to spouse before sale to reduce tax paid

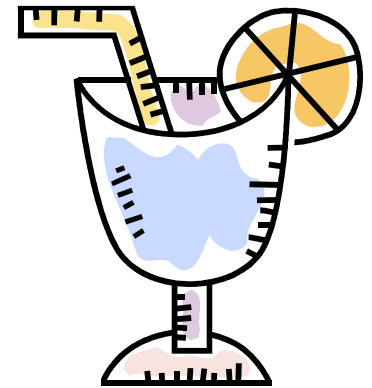
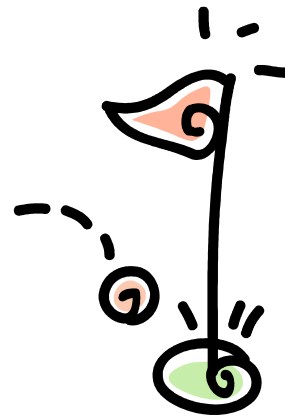
Mr Lord Invests



- Puts £300,000 in the bank
- Invested £1 Million
- Enjoys an income of up to 4% - £40,000 on top of any other state or private pensions
- Can spend the capital as and when he needs it
- Potential for capital growth as well
- Is making his income more tax efficient using ISAs

Mr Lord Relaxes!

- Unlike his property portfolio, investments do not need day-to-day management
- Mr Lord has the time, and the means, to relax
- Or maybe pursue other business ventures



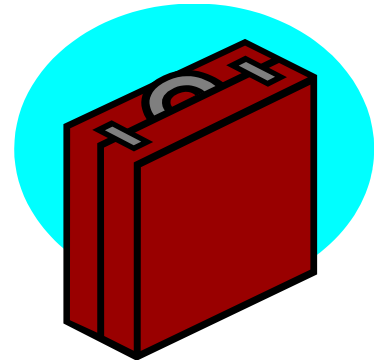
What About Inheritance Tax?

- Anybody with assets above £325,000 may have an issue.
- Can be dealt with in a variety of ways.
- Mr Lord & his wife could transfer assets to a Trust and still enjoy an income
- This could remove up to £750,000 from their taxable estate in 7 years



A Great Budget for Savers & Investors!

- ISA allowances were upped to £15,000 PA
- Pensions will become much more flexible
- NS&I will release “Pensioner Bonds” paying generous interest on cash
- Help announced for “self-builders”



About Us

- Hunter Aitkenhead are independent financial planners
- We can assist with all areas of investments, pensions, and inheritance tax planning
- We are based in North-East Leicestershire
- I travel regularly to Sheffield
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Any questions?



An investor may get back less than the amount invested. Information on past performance, where given, is not necessarily a guide to future performance.