

Mr & Mrs L Parkinson
83 Urswick Road
Ulverston
Cumbria
LA12 9LJ

29th October 2024

Dear Lee and Deborah,

Re: Pension Planning

This report aims to summarise your objectives and then provide recommendations to keep your financial plan on track to meet these objectives.

This letter should be read in conjunction with last year's suitability letter dated 7th September 2023 which included appendices outlining wider information about your circumstances.

Objectives

You have been awarded the following employer pension contributions:

- Lee £25,000 MTM Solutions
- Debbie £15,000 (MTM Solutions) £10,000 (MTM Scaleable Solutions).

You would like our advice on how these funds should be invested bearing in mind your capital growth objective. There has been no change in your risk profile from last year (cautious growth).

Cautious Growth Investor (level 4)

As a cautious growth investor, you are happy to take on investment risk and understand that this is crucial in terms of generating long-term return. You are willing to take risk with most of your available assets. This would typically mean a portfolio invested in a combination of bonds, property, UK and International shares – the share component for a cautious growth investor would be between 20% and 60% of the portfolio value.

It is important to note that a cautious growth investment can fall as well as rise in value and it would be quite common for this type of investment to rise or fall by 15% over a 12-month period. Although your investment is unlikely to fall by more than 15% over a 12-month period it is still possible.

Last year you told us that Lee plans to retire at age 67 and Deborah at 60. You reaffirmed this position at our meeting; thus, you have 7 & 5 years respectively until you retire. You also reiterated your £40,000 p.a. net joint income in retirement target.

Summary of Retirement Assets

Values correct as of 28th October 2024:

Plan	Owner	Fund Value
DXC (Standard Life)	Lee	185,000 (estimate)*
AJ Bell	Lee	58,618
AJ Bell	Deborah	33,156
IBM (L&G)	Deborah	36,368
Total		£313,142

*Contains protected tax-free cash as noted in last years report. This figure has been estimated whilst your Letter of authority is being logged with Standard Life (new plan provider).

Lee's DXC plan will be invested within a Standard Life offering, we will confirm this holding once we receive the information.

Deborah's IBM plan is invested 100% in the Growth Plus pension fund.

Recommendation

- Invest Lee's employer contributions of £25,000, Into your AJ Bell Retirement Investment Account.
- Invest Deborah's employer contributions of £25,000, Into your AJ Bell Retirement Investment Account.

Funds

We are recommending the monies directed towards AJ Bell are invested as follows:

Royal London Short Duration Gilt M Inc- 25%

Royal London Short term money market Y Acc- 25%

Fidelity Index World P (acc) 50%

The funds in situ within AJ Bell should remain invested as they are at present.

Rationale

You are unlikely to need to draw upon your pension funds for another 7 years (when Lee retires). This situation means it is probably too early to start de-risking your portfolio in any major way. Your current holdings are invested in such a way that when combined with standard life and L&G balance out your overall retirement portfolio to a level 4 investment risk. As a result, we are recommending that the fresh capital added is invested at a level 4 risk, and we believe the selected funds are in keeping with this risk level and provide potential for future capital growth.

We trust that this letter provides an accurate summary of our discussions and our recommendations are clear; however, should you have any concerns or wish to discuss any of the issues raised in more detail please do not hesitate to contact us.

Yours sincerely

For Harwood Financial Planning

Ryan J Woodhouse

Independent Financial Adviser/Director

To confirm you have read this report, your acceptance of our fact find, recommendation and consent for us to carry out this transaction, please sign below.

Additional Information

Ongoing Fees/Service

Our initial fee for this work is 2% on a £50,000 combined contribution (£1,000). This will be deducted from your respective pensions upon receipt of contribution.

We believe it is important to review your investment strategy at regular intervals to ensure it continues to meet your aims and objectives. Full details of our service proposition are contained within our client agreement. We will review your plans annually.

Following this recommendation, the estimated ongoing charges/fees on Lees AJ Bell Retirement Investment Account will be as follows (based on a value of £82,851.33):

Type of Charge	Charge (%)	Charge (£)
Fund Charges	0.20	165.70
Product Service Charge	0.25	207.12
Ongoing Adviser Charge	0.75	621.28
Total Charge	1.20%	£994.10

Following this recommendation, the estimated ongoing charges/fees on Deborahs AJ Bell Retirement Investment Account will be as follows (based on a value of £58,259.26):

Type of Charge	Charge (%)	Charge (£)
Fund Charges	0.38	221.38
Product Service Charge	0.25	145.64
Ongoing Adviser Charge	0.75	436.94
Total Charge	1.38%	£803.96

Annual allowance

Contributions into the scheme are limited by the annual allowance. The Annual Allowance is currently a maximum of £60,000 per annum 2024/2025. High earners may have a lower annual allowance. There is also the facility to potentially carry forward up to 3 years' worth of unused allowances. You should note that if an individual has flexibly accessed other pension benefits though, their Money Purchase Annual Allowance may be restricted to £10,000 with no Carry Forward allowed.

Contributions exceeding the annual allowance would trigger a tailored tax charge of up to 45%. Tax relief on any personal contributions made is limited to £3,600 per annum or 100% of salary if higher.

High earners - Tapered annual allowance

From 6 April 2023, individuals who have 'adjusted income' for a tax year of greater than £260,000 will have their annual allowance for that tax year restricted.

For years prior to this, the levels were lower.

- Between 6th April 2016 and 5th April 2020 there was a lower amount of £150,000.
- Between 6th April 2020 and 5th April 2023 there was a lower amount of £240,000.

For clarity, this means that the application of the tapered annual allowance is applied each tax year separately and hence an individual may have a tapered annual allowance in one tax year, and a full annual allowance in the following tax year depending on their income.

The definition of income for the £260,000 figure is 'adjusted income'. The inclusion of employer pension contributions in the definition of adjusted income means that it is not possible to use salary exchange to reduce income below £260,000.

There is also an income floor of £200,000, called the 'threshold income'. Between 6th April 2016 and 5th April 2020 there was a lower limit of £110,000.

This figure has been included to try to give some certainty to individuals about who may be affected by the tapered annual allowance and also to ensure that lower paid individuals are not affected as a result of a large pension contribution.

Where an individual has threshold income of £200,000 or less, they will not be subject to the tapered annual allowance even if their adjusted income is greater than £260,000.

The way that the tapering will work is that for every £2 of income that exceeds £260,000, £1 of annual allowance will be lost. For individuals with adjusted income in excess of £360,000 the taper annual allowance is £10,000.

From 6th April 2023, the tapered annual allowance will apply to individuals with adjusted income of £260,000 and over and threshold income of over £200,00.

