

Improvements to e-Suitability - paragraph library version 1.4.13 17.4.2017

We are pleased to announce amendments to e-Suitability which take into account budget and other changes applicable to the new tax year.

The most significant changes are:

- **Budget changes 2017**
- New Lifetime ISA product
- Improved automated support for documenting consideration given for other plan types
- Minor layout corrections

Budget changes 2014

Changes have been made to take account of the changes confirmed in the last budget:

- ISA allowance now £20,000
- Junior ISA allowance now £4,128
- Income tax savings band still £5,000
- Age allowance now £28,000
- Capital gains tax allowance now £11,300
- Trivial commutation for pensions still £30,000 but only for DB schemes
- Small pots trivial commutation limit still £10,000 per pot max 3 pots
- Personal Pension contribution limit still £40,000

Unchanged allowances are:

- Nil Rate IHT band still £325,000

New Lifetime ISA product

A new and significant type of ISA has become available effective 6.4.2017 and we are pleased to announce inclusion of support for it now.

Whilst Lifetime ISAs may only be opened by people between the ages of 18 and 40, tax advantaged savings may continue up to age 50. Access to the ISA is limited to purchasing a first home or penalty free access can be obtained at any time after age 60. Coupled with the savings bonus's added by the Government annually after each new contribution, the Lifetime ISA has includes tax advantages in some ways similar to pension investments and so it is likely that this will need to be considered as a suitable alternative every time you make a pension investment or Stocks and Shares ISA recommendations.

SUMMARY FEATURES OF THE RECOMMENDED PLAN

Owner	Rory
Provider	Ascentric
Investment type	Lifetime ISA
Term	Open ended
Initial investment amount	£20,000.00
Source of initial investment	source of investment

For further details, please refer to the supplied Key Facts document.

An example of the automated text to describe the product follows:

GENERAL DESCRIPTION OF THE LIFETIME ISA INVESTMENT PLAN I HAVE RECOMMENDED

- The ISA investment I have recommended can be used to hold savings, investments or a mixture of both. A wide range of investments may be held in a Lifetime ISA including unithold collective investments which allow you to benefit from a diverse pool of investments, shared with other investors.
- Broadly, there are three types of ISA available, Stocks and Shares ISAs, Lifetime ISAs and Cash ISAs. You have the choice to invest in one or more of them each tax year. Each ISA may be held with the same or different ISA managers.
- The most you may invest in ISAs is £20,000 per tax year but in a Lifetime ISA, you are limited to £4,000. For example, you may decide to invest £5,000 in a Cash ISA, £4,000 in a Lifetime ISA and £11,000 in a Stocks and Shares ISA, making £20,000 in total. These limits apply in the tax year ending April 2018.
- Unused ISA allowances may not be carried forward to future tax years.
- Special rules apply to “non-equity” investment funds, sometimes known as “bond” funds. A “bond” fund is one which comprises more than 60% in “qualifying investments”. When an ISA manager invests in such a manner, a full tax reclaim of 20% will be available on interest distributions.
- ISA fund managers are unable to reclaim an Income Tax credit of 10% for “equity” funds.
- Any gains are exempt from Capital Gains Tax and there is no liability to personal Income Tax.

The potential disadvantages report section for this product includes automatically inserted text to warn of an HMRC withdrawal penalty as follows:

POTENTIAL DISADVANTAGES OF THE RECOMMENDED PLAN

I want now to summarise the most important potential disadvantages of my recommendation, some of which may be repeated in greater detail in later sections of this report.

If you need to withdraw funds from a Lifetime ISA before age 60 for a purpose other than purchasing your first home, this will usually be subject to an HMRC penalty charge of 25%. This charge will not apply in the event of death or terminal illness.

insert potential disadvantages.

Improved automated support for documenting consideration given for other plan types

Previously, support for discounting the use of announced but not yet available Lifetime ISAs was given in all situations where a Stocks and Shares ISA recommendation had been made.

Now, the discounting text has been amended to reflect that Lifetime ISAs and Help to Buy ISAs are available as follows:

ISA LIFETIME ISA

With effect from April 2017, a new form of ISA, a “Lifetime ISA”, came into effect. Anyone between the ages of 18 and 40 can open a Lifetime ISA and invest up to £4,000 per tax year. Any amount added to a Lifetime ISA before age 50 will receive a 25% bonus from the Government. You may use the proceeds of a Lifetime ISA towards the purchase of a first home worth up to £450,000 or wait until you are 60 and take out all the savings tax free. You may withdraw the value from the ISA before you are 60 but, unless the money is used to purchase a first home, you will lose the Government bonus and pay a 5% penalty charge.

I have not recommended that you set aside some of the amount you have now available to invest to be allocated to a Lifetime ISA because:

insert reason.

In addition, we have provided text to discount the use of Stocks and Shares ISAs in situations where a another ISA has been recommended, an example of which follows:

STOCKS AND SHARES ISA

In addition to or instead of a Lifetime ISA, you may in the same tax year invest in Stocks and Shares ISA. The investment limit for a Stocks and Shares ISA is £20,000 for the tax year ending April 2018. This means the investment you have made in a Lifetime ISA has reduced your capacity to invest in a Stocks and Shares ISA.

As compared to a Lifetime ISA, the main advantage of a Stocks and Shares ISA is that there is no restriction on when and how you may withdraw money.

I have not recommended that you set aside some of the amount you have now available to invest to be allocated to other ISA types because:
insert reason.

In addition, we have provided text to discount the use of Help to Buy ISAs in situations where a another ISA has been recommended, an example of which follows:

HELP TO BUY ISA

In addition to or instead of a Lifetime ISA, you may in the same tax year invest in Help to Buy ISA. The investment limit for a Help to Buy ISA is £2,400 for the tax year ending April 2018 and the overall annual investment limit for ISAs is also £20,000. This means the investment I have recommended you make in a Lifetime ISA has has not reduced your capacity to invest in a Lifetime ISA.

As compared to a Lifetime ISA, the main advantage of investing in a Help to Buy ISA is that no penalty is payable should you decide to close the account without purchasing a first home. In this event, you lose only the Government bonus which would otherwise be payable. The Government bonus is a valuable addition but if you only wish to save for your retirement, it may be better to save or invest another way.

I have not recommended that you set aside some of the amount you have now available to invest to be allocated to a Lifetime ISA types because:
insert reason.

Notice in both instances the, “have not” text appears coloured green and this is to facilitate an alternative “have” selection in case of need where, say, you have made recommendations for both forms of ISA.

The text defaults to “have not” which means people used to the former text will not be affected by this change unless they choose to make use of it.

Furthermore, we have extended this principal to all other products to consistently enable you to select “have not” or “have” depending on the particular need.

As a point of general guidance, we should like to remind you that, in instances where you have made a recommendation for a number of investment products in a single cycle of advice, our default recommendation is to create a single suitability report for each one and support this with a single needs and demands statement.

This recommendation owes itself to the fact that although good suppression technology to avoid unnecessary repetition exists in the core software, this has not proved strong enough to handle all of the need for suppression where multiple investments are included in a single report.

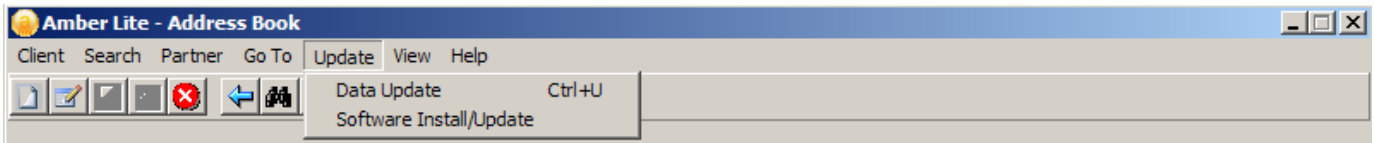
Minor layout corrections

The paragraph library has been reviewed and a number of small layout corrections have been made. In this connection, we are grateful for continued user feedback on any flaws found in the content, the correction of which will take precedence over all other development work.

New paragraph library

Amber Lite

If you have not already updated the software, select the “Data Update” option from the drop down menu which is accessible immediately after launching Report Writer.



Then follow the onscreen instructions.

Adviser Office

If you have not already updated the software, select the “e-Suitability data update” option from the drop down menu which is accessible immediately after launching Report Writer.

