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AIM TO MAXIMISE YOUR SAVINGS AND INVESTMENTS IN 2012 | JANUARY 2012

With the New Year here, many will be worried about how their finances will fare amid all the economic uncertainty. However, by focusing on saving, you can begin the year on the right footing. Here are 10 tips on how to make the most of your savings.

1. **Use your ISA allowance -** The ISA limits for 2011/2012 are £10,680 into a Stocks and Shares ISA or £5,340 into a Cash ISA and £5,340 into a Stocks and Shares ISA. Any savings into an ISA are exempt from tax, which means you receive all the interest or growth with no tax due. You need to use your ISA allowance for this tax year before 5th April 2012. ISA limits for 2012/2013 are set to rise to £11,280 and £5,640. Sit down and decide what it is you would like to achieve from these investments and when you might wish to access them. Then you can start to build an appropriate investment strategy.

2. **Build up emergency savings -** Before locking your money away in a high rate account or savings product, build up at least three to six months worth of salary in an easy access account. This way, you'll always have money available in an emergency.

3. **Little and often -** Not everyone is fortunate enough to have large deposits, so save on a regular basis by setting up a monthly direct debit into a savings account or ISA just after you've been paid. This gets you in the saving mindset.

4. **Watch out for penalties -** Some accounts have limits on the number of withdrawals you can make and others penalise you for making withdrawals by imposing an interest penalty. They may pay a bonus of say 0.75 percent interest, but this drops to 0.25 percent after a withdrawal.

5. **Diversify -** Use collective funds such as unit trusts or investment trusts to spread the risk across different asset classes such as stocks and shares, fixed interest and property. These funds do involve some risk and you should be clear on your capacity to accept any potential short term losses should their value drop.

6. **Make use of the CGT annual exemption -** You can realise gains of up to £10,600 in the current tax year without paying Capital Gains Tax and this is set to increase annually by the Consumers Price Index (CPI).

7. **Switch your investments to tax free ISA's -** If you have a portfolio of investments with some gains, then consider crystallising some of these gains and immediately re-investing these gains back into an ISA if you have not already used your ISA allowance for the tax year. Keep any gains within the CGT allowance of £10,600.

8. **Pension contributions -** If you don't have a pension, then start making contributions into either your employer's pension scheme or your own personal pension plan. Contributions attract 20 percent tax relief for basic rate and non taxpayers, with higher rate taxpayers being able to claim a further 20 percent or, in some cases, 30 percent relief through their tax return.

9. **Use your spouse -** Transferring any income-bearing assets to lower earning spouses can help to share the tax burden. This is particularly relevant if the spouse does not use his or her personal allowance or basic rate tax band.

10. **Tax Efficient Investments -** Investments such as Venture Capital Trusts and Enterprise Investment Schemes might be worthy of consideration to sit alongside pension and ISA funds for those who may be willing to accept higher risk in return for income, capital or inheritance tax reliefs. Whilst they potentially do not suffer the same restrictions in terms of access in the way that pension funds do, they do provide you with another potential retirement strategy. These are higher risk investments and as with all investments professional advice should be taken before proceeding.

Gregor Munro is a Financial Planner at Johnston Carmichael Financial Services Limited and can be contacted at the Edinburgh office on 0131 222 2203.