



PROFESSIONAL BRIEFING

No.24 October 2007

Key Findings on Employee Benefits (based on a recent survey)

77% of employers feel responsible for employees' long term financial wellbeing.

72% do not measure the return on investment on pensions.

34% say they should educate staff on pensions but don't.

42% have considered introducing auto-enrolment to boost take up of their defined contribution pension scheme.

50% believe government proposals for 2012 for auto-enrolment and compulsory employer contributions of 3% will have no effect on their organisation's scheme(s).

10% plan to increase staff contributions to their staff scheme.

56% have made no changes to their scheme in light of age discrimination legislation.

Financial Education

Financial education aims to provide generic information to employees about a broad range of personal finance issues. It can help employees to begin to understand and make choices and decisions about their own personal circumstances and the benefits available to their employers. It is distinguished from financial advice by its generic nature.

Employers are beginning to realise the importance of providing financial education to staff.

Financial education can be delivered through a range of formats, from newsletters, workshops and even individual clinics. As well as factual information about the benefits and services on offer in the work place, it can cover issues such as pre-retirement planning, mortgages and debt management.

A New ISA Age

ISAs are set to undergo their most fundamental change since they first became available. As some of their key limitations are overhauled from 6 April 2008, there will be added reasons to review client holdings.

The first change is a commitment that the ISA regime will continue indefinitely. The overall amount that an investor can place in an ISA each year will increase to £7,200, of which £3,600 can be held in cash. The new amounts will make it easier to calculate monthly payments.

ISAs will no longer have a distinction between mini and maxi accounts and instead there will simply be cash ISAs and stocks and shares ISAs. Tessa-only ISAs will become cash ISAs.

The removal of the mini and maxi designations will also apply to previous years' subscriptions so that cash components will be known as cash ISAs, whether or not they are held with stocks and shares in a maxi ISA.

PEPs automatically become redesignated as ISAs and the ISA rules for investing in insurance and stakeholder products will be extended to them so that these products will be available as transfer options for former PEPs.

The relationship between cash and stocks and shares subscription levels is similar to before. If an investor puts no money into a cash ISA in any tax year, the entire £7,200 allowance can be invested in a stocks and shares ISA. Any amount put in a cash ISA is deducted from the amount available for stocks and shares.

An investor can hold a cash ISA with one provider and stocks and shares ISA with another. If they prefer, they can hold both types with the same provider. If they decide to switch providers, the cash and stocks and shares ISAs are treated separately, even if both are held with a single provider.

From April 2008, existing ISA investors will be able to switch some or all of their previous cash ISAs into stocks and shares ISAs without losing their tax allowances or reducing their allowance for the new tax year.

Use Your 'Open Market Option'

Since September 2002 it has been a requirement for insurance companies to make policyholders aware of their right to shop around for the best deal when their pension matures. Despite this, only around one-third of clients actually take up this option. There will be cases where the existing insurer will offer the best annuity rate, but this is not always the case. By not checking the open market, your clients could be missing out on the opportunity to receive a higher income in retirement.

It doesn't stop there. If you can answer yes to any of the following questions you may qualify for an enhanced annuity:

1. Do you smoke?
2. Do you now or have you ever taken prescriptive medication?
3. Have you ever been hospitalised for a medical condition?

Effective Delivery of HR Absence Policy

The cost of staff absence to the UK economy rose to some £13.4 billion in 2006, with over 40% of overall time lost attributable to longer periods of absence – 20 days or more. The average employee took around seven days off sick in 2006, losing UK businesses 175 million working days in total.

The challenges for companies today are many, including the reduction of lost time both in terms of incidence and duration of absence due to employee sickness; the maximisation of productivity; determining the causes of employee absenteeism and the true incidence levels; helping employees return to work in an efficient and timely manner.

We have access to a resource called WorkMatters which focuses on making a tangible difference to an employer's overall sickness expenses and helps advisers deliver a range of tailored solutions to their clients.

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You should be aware that investment in securities involves risk. The value can fall as well as rise and you may not get back the full amount invested, particularly in the earlier years.

Taxation: All statements relating to taxation are based upon our understanding of the law and HM Revenue & Customs practice in force at the date of this report. There can be no guarantee that the tax position or proposed tax position at the time of investment will endure indefinitely.