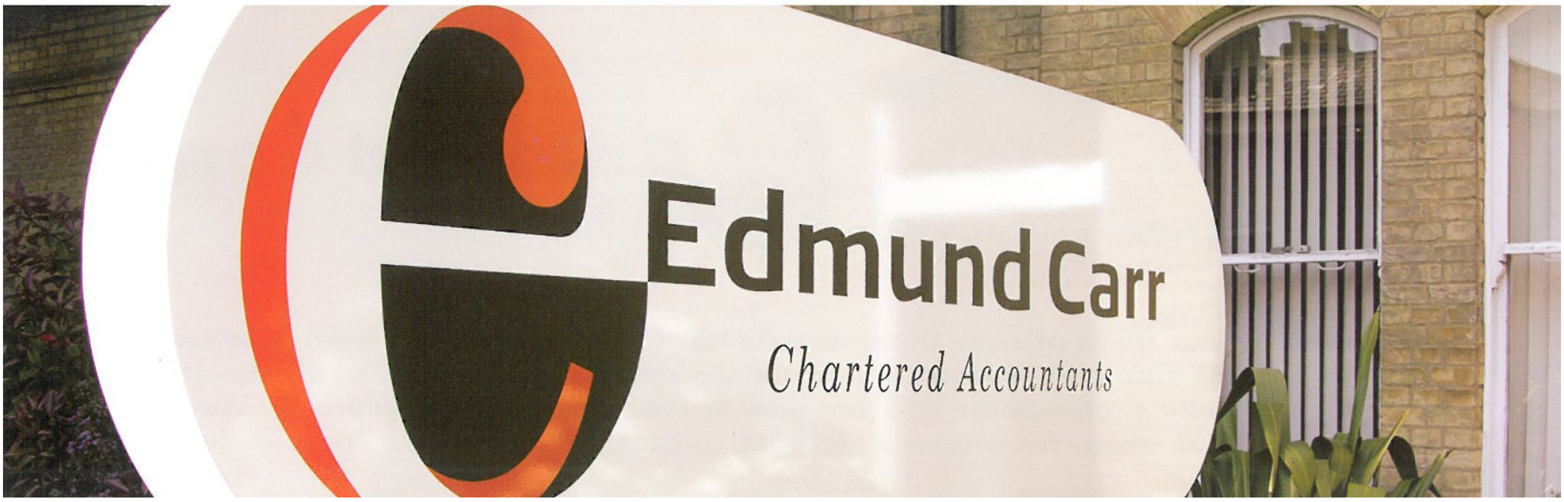

GP NEWSLETTER

April 2015

Alison McDowall - Manager
Edmund Carr Medical Sector

Welcome to our first GP newsletter for 2015 covering issues relevant to General Practitioners.

Pensions Update

Pensions remain a very topical subject with the further changes to the annual and lifetime allowances and the introduction of the 2015 NHS Pension Scheme on 1 April 2015. The new scheme provides yet another matter to consider for GPs reviewing their options with their NHS pension. The following may be questions you are already asking:

- *Do I remain an active member until retirement (which means my pension may be reduced by the impact of annual and lifetime allowance charges);*

- *If I am not automatically required to join the 2015 scheme at 1 April 2015 (those within 10 years of retirement on 1 April 2012 will not have to join and those within 13 years and 6 months of retirement at that date have staged entry), should I do so, or become a deferred member when my right to contribute to the 1995 scheme ceases, and;*

- *If I am required to become a member of the 2015 scheme, should I be considering deferred membership at some stage?*

Our Institute's guidelines do not permit us to advise you on the financial implications of the action that can be taken in response to these questions. However, we are able to provide illustrations of possible scenarios that you can discuss with either your own independent financial advisor, or if you do not have an existing arrangement please speak to David Carr, our in-house financial advisor. Preparation of illustrations is complicated, because no two situations are the same, but we will be happy to give you an indication of likely cost.

My colleague Emma Cook attended the AISMA (Association of Independent Specialist Medical Accountants) pensions training day on 25 March 2015 and has given me a summary of some of the key features of the 2015 scheme. As you may know, Emma has been a member of our medical team for some years and I am pleased to announce that she has been promoted to Assistant Manager:

- The pension is based on career average earnings for all members.

- There will be no automatic lump sum payable on retirement, but there is an option to give up pension in return for a lump sum of up to 25% of the capital value.

- Full benefits can only be taken at state pension age. There will be an actuarial reduction if individuals wish to take their 2015 pension earlier, with an option to buy out up to three years of the reduction, depending on state pension age.

- As with the 2008 scheme, there is an option for 'partial retirement' if you are over the minimum retirement age.

We will be happy to put some more flesh on these bare bones of the 2015 scheme if you need more information.

As I have already mentioned, annual and lifetime allowance are relevant in considering pension options. An annual allowance (AA) charge arises where the growth in pension savings during a year exceeds the allowance, currently £40,000 plus unused relief brought forward from the previous three years. The lifetime allowance (LTA) is based on the value of pension savings at time of retirement, with currently a charge arising if those savings exceed £1,250,000. However, the recent Budget announced a further reduction to £1 million from April 2016. There are one or two points I need to highlight on the AA and LTA, as follows:

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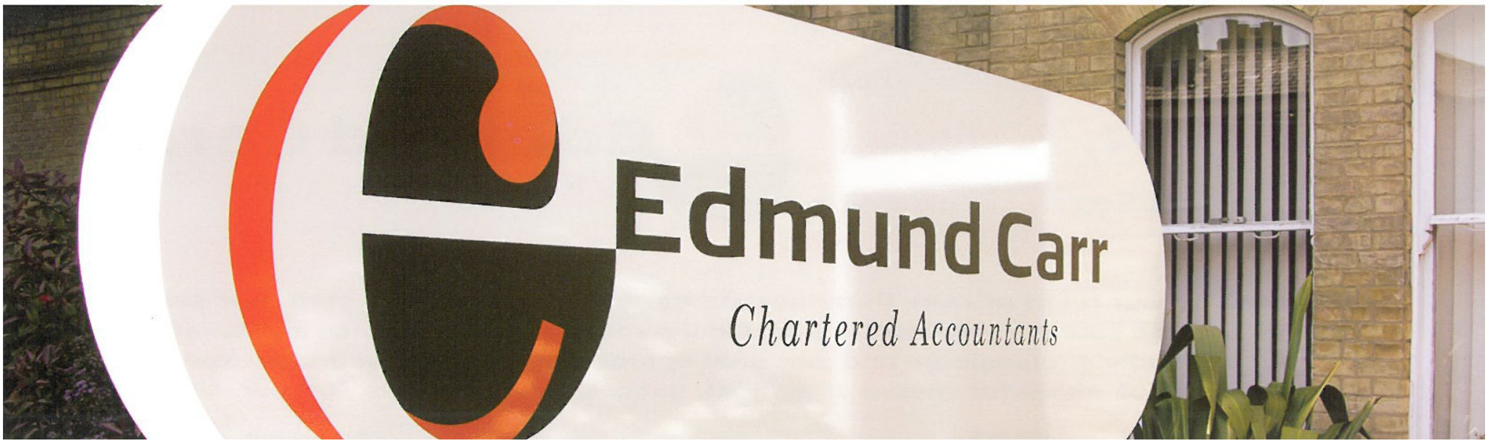

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- Final pensions savings statements for the 13/14 year are expected to have been issued by the beginning of July 2015 and for those clients reading this, please send the statement to us as a matter of urgency as the deadline for the scheme pays election form is 31 July 2015.

- For those involved with more than one scheme, the 1995 and 2008 pension savings will be frozen at the point an individual enters the 2015 scheme. AA charges will be calculated on each pot.

- For the LTA, those whose pension savings at 5 April 2014 exceeded £1,250,000 can apply for Individual protection 2014 which fixes the LTA at the value of the pension savings at 5 April 2014 or £1,500,000 whichever is lower. The deadline is 5 April 2017 and we will be contacting our clients who we think will be affected by this later this year.

Most GPs hit by AA and LTA charges have two main options:

- Continue contributing and get a higher pension, accepting that the AA and LTA charges incurred will erode it somewhat, or

- Become a deferred member and either invest the saved pension contributions (net of tax relief) in some alternative saving for retirement, or spend them!

The illustrations we can provided if asked to, together with the assistance of an IFA, can help make sense of these alternatives.

Finally on pensions, the media has been full of new rules applying to the drawing of pension funds from 6 April 2015 onwards. As always with a significant change like this there is quite a bit of misinformation and I should just make it clear that those new rules do not apply to the NHS Pension Scheme.

In Brief:

Moving away from pensions:

- Have you considered using an online accounting package where you can log in online any time to view financial information? This can provide far more flexibility in both the way financial data is made available to partners and also the way in which practices work with their accountants. Xero is the current market leader and Edmund Carr are now a Silver Xero provider and if you would like to discuss if online is the way forward for your practice please contact us.

- Seniority payments will cease on 31 March 2020. There are no new entrants to the scheme from 1 April 2014 but existing arrangements will remain with seniority continuing to be paid but with total seniority funding being reduced by 15% each year. This does mean there could be a claw back in a future year.

- This is a familiar topic in our newsletters but it is important that partnership agreements are up to date and in particular mention how any potential claw backs of seniority or other funding is to be dealt with, where those claw backs are made after the retirement of a partner to whom they relate.

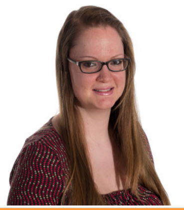
- The latest AISMA Newsline is available on our website giving more articles of interest to General Practioners.

Francis Whitbread

Partner

Debbie Wakefield

Partner



Emma Cook

Assistant Manager

Disclaimer

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

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If you think this information might be useful to a friend or colleague, please pass it on.