

Manx Budget – March 2007

Pensions “A Welcome Change”

By Jon McGowan, Managing Director – MAC Financial

I will leave it to others better qualified than I am to comment on the overall tax aspects of the Budget, however of particular interest to me was the Treasury Minister's announcement during his budget speech, of the release of the Treasury's response to the taxation of pension schemes consultation which concluded late last year.

I know very many people on the Isle of Man have been concerned about the limited options that have been available to them for pensions provision and are keen to learn what changes the Treasury are proposing to improve this situation. Overall I don't think they will be disappointed.

The proposed changes are not extremely radical as I know some of the submissions during the Consultation were, but instead present a reasoned and balanced set of changes, that, subject to approval by the Branches of Legislature, should become effective from April 2008. In fact one or two proposals are intended for introduction much sooner, by concession and these are to be warmly welcomed.

To learn more of the background to the Consultation and to view the full Treasury response please visit www.gov.im/treasury/incometax/strategy/ and you will see the Pensions document under Latest News. This article is intended as a very brief overview of what the main changes are so I will not go in to the background as to why these changes are being proposed other than as set out in the comments below.

The Treasury intentions are:

- to move to an annual allowance regarding pension contributions that is not directly linked to earnings
- not to introduce the Lifetime allowance that was brought in by the UK last year
- to allow contributions into pensions for non-workers, up to a certain limit
- to increase from 25% to 30% the amount of the pension fund that can be taken as a tax free lump sum
- to introduce triviality ie to allow commutation of any number of small pension funds to taxable lump sums up to a total maximum of £15,000 (in the short term by Concession)
- to allow concurrency i.e. to permit members of occupational pensions to also contribute to Personal Pensions (and vice versa) – intended to be limited to 15% of earnings initially, but this will change when allowances change in April 2008
- to make no proposed changes to the maximum benefits allowed in Final Salary pension schemes
- to remove the requirement to purchase an annuity in certain situations and to allow more flexibility over how the benefits can be taken (allowing for example the lump sum to be taken and the pension deferred)
- to increase the minimum retirement age to 55 from 2010 (as the UK have done)
- to move to a system of self-certification for pension scheme establishment.

Contents	Page
The Manx Budget 2007	1
Going Green	2
MAC Financial Private Clients	3
Peak Performance	3
Sport Support	3

CONTACT US

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Continued next page...

“A Welcome Change” (...continued)

Many people will see real changes to the options available going forward as the proposals are aimed at enabling an individual to have greater control, flexibility and choice over their pension while rewarding them for committing to pension savings, in a tax efficient way.

The flexibility over annuity purchase is of particular merit as it removes the constraint of having to purchase an annuity at a fixed date even if the rates are unattractive. I expect, as with the changes made in the UK last year, that many people will recognise the value of these changes - I for one whole heartedly welcome them all - and perhaps the Self Invested Personal Pension (the SIPP) will become the product of choice for those seeking to maximise the benefits of the proposed changes. The SIPP is very similar to a Personal Pension but without an insurance company forcing an annuity at retirement. It offers significant control and flexibility over investment choices.

In anticipation of this demand MAC Financial has recently launched its new SIPP. This is radically different in its approach and will hopefully revolutionise the pensions

industry on the Island, putting the customer at the heart of the proposition and driving down costs - which has got to be very good news indeed! There will be NO charges taken from the SIPP for the set up of the contract, its administration or trustee fees. It should be noted that, as with other SIPPs there will be charges relating to the underlying investments although these are substantially discounted, based on the volume of investments already being made by our investment management partner.

Some commentators have been cynical about our product but as the largest pensions adviser on the Island we have the financial muscle to be able to deliver real value for money – why pay twice? Get the SIPP wrapper for free and arrange your underlying investments in a clear and straightforward way, benefiting from our negotiated discounts on the underlying funds also.

To register for information on the FreeSIPP please visit our website www.freesipp.com or contact MAC Financial on +44 (0) 1624 639450. Take control of your pension now!

MAC Financial - Going Green

We are committed to reducing our carbon footprint and adopting Ethical policies as follows:



1. Offsetting all the carbon dioxide generated by our business mileage activities through the purchase of CO₂ offsets
2. Aiming to introduce during 2007 recycled paper and stationery wherever possible
3. In last 12 months we have developed Client Relationship Systems which significantly reduce paper
4. Informing visitors of our Ethical policies and having promotional literature in reception/on notice-boards
5. Recycling waste products such as paper, toner cartridges, cardboard, etc.
6. Encouraging staff to consider the environment in all aspects of their work
7. Improving energy efficiency in our workplaces.

For A More **Flexible** Future

Find out more about our unique Personal Pensions services...



MAC Financial Launches Private Client Division

MAC FINANCIAL are delighted to formally announce the launch of our Private Client division. This division will focus on the full range of financial planning needs for our Private Clients in such areas as:

- Investments
- Pensions
- Protection.

Through MAC Financial's acquisition of **Aon** (2004), **Marsh** (2005) and **Anglo Irish** (2006) financial services businesses we have quickly amassed over £100m of assets under management for Private Clients in addition to our larger Corporate division.

We have spent many months preparing for the launch of our Private Clients division. This has included a review of our operating procedures, installation of a new Client Relationship Management System and the upgrading of a 'document imaging' system to improve our ability to access client information.

We are very pleased to also announce that **Steve Shimmin** will become **Head of Private Clients** and will be closely supported by (the newly married!) **Claire Watson** (nee Lawrenson). Steve and Claire are qualified financial advisers and will work in conjunction with the Administration Team, led by **Graham Burrow**.

For any of you who have investments outside of MAC Financial we will be delighted to discuss how these can be reviewed so that you can truly plan for the future in confidence.

In The *Community*



Peak Performance

Jon McGowan, Managing Director of MAC Financial is pictured with **Paul Ellis**, who along with his team mates is taking place in this Summers "3 Peaks Challenge" on behalf of Action Medical Research.



Sport Support



MAC Financial are keen to support sport at all levels within the local community, and this year are proud to be the sole sponsors of **Manx Evening Cricket**, and to sponsor **Douglas** and **Vagabonds Rugby Clubs** – in addition to this year's **King William's College** Tour of Australia.



Did You Know...?

- MAC Financial administers more than **275 Corporate Pension Schemes** on the Isle of Man, helping to safeguard the futures of around **4,000 employees**.
- In addition, we look after the financial needs of almost **5,000** personal customers, making us the Island's largest Independent Financial Adviser.