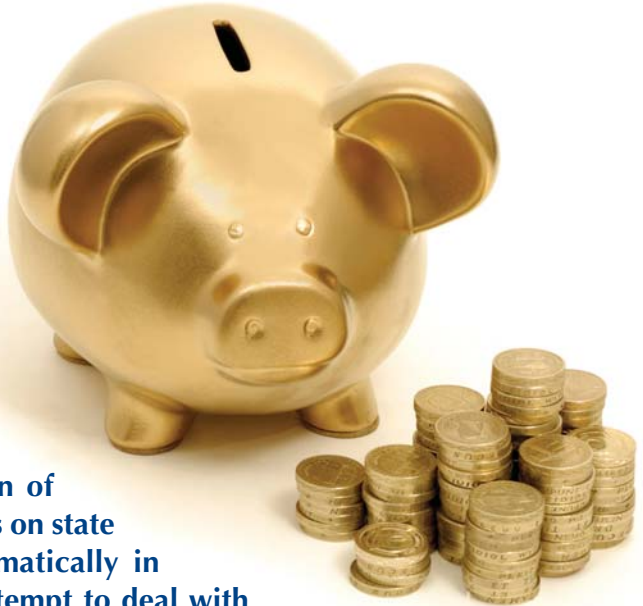


Personal Accounts are coming..



Recent figures show that savings in the UK have hit an all-time low of just 1.1% of GDP. With the ageing population of baby boomers, the demands on state finances will increase dramatically in the next 10 years. In an attempt to deal with the impact of this, the government is launching the Personal Account in 2012.

The Personal Account is a new type of pension. When launched, all employees will have to place 4% of their earnings into the account each year, with the employer having to pay an additional 4%. This amounts to a compulsory pension scheme funded by employees and employers.

The new Personal Account can be opted-out of, but it would be difficult to see the government looking favourably on people doing this.



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The payments will clearly be a drain on employers, who will effectively have their wage bills increased overnight by 4%. There will be a drain on employees also, who will see their pay packets fall overnight.

While this additional saving will probably be a good thing (unless the money that you save

reduces any state benefits to which you may be entitled in the future), initially it will be hard to budget for and so we strongly recommend that people start saving 1% of their salary into pensions this year, 2% next and 3% in 2010. By the time we reach 2012 you will be used to saving this amount, and will also have set aside a further tidy sum for yourself.

Retrospective Rules can be a good thing

Over the past few years there has been a great deal of talk about HMRC making retrospective changes to legislation that has changed the legal or taxation status of existing arrangements. However, over the past year or so HMRC has been seen to only use retrospective legislation for the benefit of taxpayers – yes, you read it right, for the benefit of taxpayers.

In October last year, the changes to the Nil Rate Band rule meant that a married couple whose estate was liable to IHT can now 'carry forward' the first-to-die allowance. This saves a significant amount of tax on the estate. The change of rule was backdated to the beginning of IHT, some 20 years ago, where the survivor is still alive.

An even more interesting change has just been made, which affects the owners of property abroad.

In many countries there have been problems associated with directly holding property, particularly in France, Spain and Portugal. The solution to the problem was to set up a company to own the property and for the client to own the shares in the holding company.

The downside of this arrangement, which most people did not appreciate, was that the shareholders (the clients) would then be liable to a Benefit in Kind tax charge as it was held that they were benefiting from an asset owned by the company.

Clause 42 of the new Finance Act has now removed this liability. Under the rules, no Benefit in Kind will be chargeable where the offshore company existed solely to hold the property. When the new legislation comes into force, following royal assent, it will be retrospective and, in the first move of its kind, those who have paid the tax over the last 20 years, can claim back the tax paid.

How would you spend \$75bn?

How much is \$75bn (£40bn)? Well, it's a lot of money, about 8 years' worth of inheritance tax payments or about half of the NHS budget for the year. If you had that much money, how would you spend it?

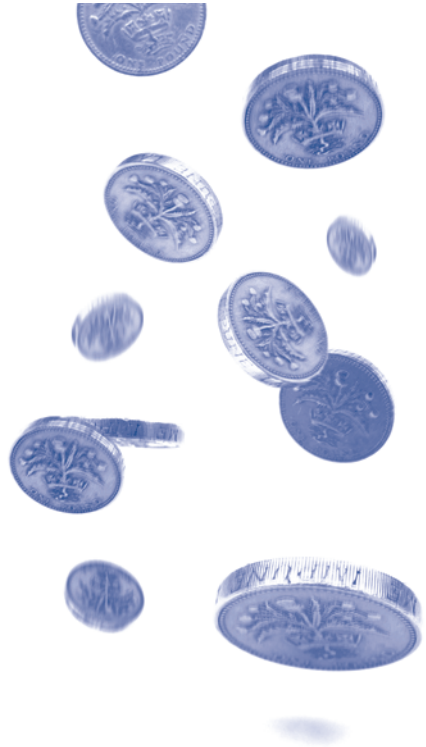
How much is \$75bn (£40bn)? Well, it's a lot of money, about 8 years' worth of inheritance tax payments or about half of the NHS budget for the year. If you had that much money, how would you spend it?

This question was asked of the Copenhagen Consensus, a group of economists who meet once a year to talk about the world economy and current events. So, what was their answer? They answered like this:

- Give vitamin and zinc supplements to children: \$60bn
- Add iron and iodine to diets: \$286bn
- Immunize every child in the world: \$1bn
- Use biofortification to boost food crops' nutrient content: \$60m
- De-worming programme for all schools: \$27m
- Reduce the cost of schooling worldwide: \$5.4bn
- Increase schooling for girls: \$6bn
- Provide local nutrition education: \$798m
- International family planning education: \$4bn
- Heart disease treatment: \$500m
- Malaria prevention: \$500m
- Tuberculosis treatment: \$419m

Their conclusions are designed to make the greatest impact, for the money spent, on the quality of the lives of people throughout the world.

How would you have spent the money?



Best Savings Selection

To get the best from your deposit based savings you often need to move the money around. Use these rates to help you with your arrangements.

Top Three No Notice Accounts

Name	Contact	£1 Gross %	£500 Gross %	£1,000 Gross %
Anglo Irish Bank	0845 455 2222	6.05	6.05	6.05
Bradford & Bingley	0845 724 7247	N/A	N/A	5.75
Heritable Bank	0845 607 1212	N/A	N/A	6.06

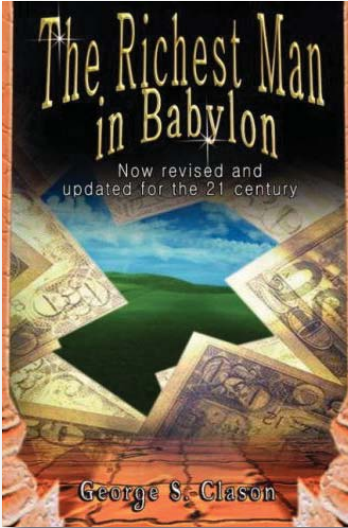
Top Three Monthly Interest Accounts

Name	Contact	£1 Gross %	£500 Gross %	£1,000 Gross %
Alliance & Leicester	www.alliance-leicester.co.uk	6.31	6.31	6.31
Chelsea BS	0845 7446622	N/A	6.31	6.31
FirstSave	www.firstsave.co.uk	N/A	N/A	6.09 (minimum £5,000)

Top Three Cash ISA's

Name	Contact	£1 Gross %	£500 Gross %	£3,000 Gross %
Julian Hodge Bank	0800 028 3746	N/A	N/A	6.50
Teachers BS	0800 783 2367	N/A	6.25	6.25
IceSave	www.icesave.co.uk	N/A	N/A	6.10

Please check with the terms and conditions before opening any account. If in doubt consult with your financial adviser directly as the above are for information only.



The Richest Man in Babylon

The Richest Man in Babylon by George S. Clason
(ISBN: 9562913791)

This month's book of the month is a revisit to one of the very first books we recommended. The Richest Man in Babylon is a genuine genius of a book. Written as a tale, it imparts great financial advice that everyone should take. In these uncertain economic times, the advice from over 60 years ago still holds true. If you still don't have this book, buy it now, but more importantly, read it.

Tax Freedom Day

Tax Freedom Day is the day by which an average UK resident would have paid all of their taxes due, both direct and indirect, if they had paid all their income since 1st January to HMRC. This year, Freedom Day fell on the 2nd June, a full week later than last year.

Care with spouse's pay

With the new tax year have come changes to personal allowances, which have increased as they usually do. However, at this time, the National Insurance Contribution thresholds have not changed. So, do not be tempted to increase spouse's pay to £6,035 unless both employer and employee want to pay increased National Insurance.

Sisters lose

Joyce and Sybil Burden have just lost their case in the European courts, to be treated the same way as married spouses for Inheritance Tax purposes. You will recall from previous Updates that they wanted to benefit from the spousal exemption in the same way as civil partnerships. No further appeal is possible.

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