



# **'Getting Financially Organised – 49 Tips To Save Time and Reduce Stress'**

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Doctors and Dentists**

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**Getting Financially Organised – 49 Tips To Save Time and Reduce Stress**

**2<sup>nd</sup> Edition**

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**For ideas on how you can improve your financial position visit our  
specialist site at [www.medicaldentalfs.com](http://www.medicaldentalfs.com)**

**Please feel free to email this guide in its entirety to any colleagues.**

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## Introduction

It was that time of year again.

It was only a couple of months since Michael paid his tax bill and now the cycle was starting all over again. It was time to prepare for his tax return. But it wasn't a task he was looking forward to.

For years his accountant had been nagging him to organise his paperwork throughout the year. But being busy, Michael had never got round to it.

He stared at the pile of receipts, bank statements, credit card statements and a ton of mail that he'd amassed over the last 12 months.

Enough was enough!

Michael decided he couldn't go on like this. Things had to change.

We're not sure how organised you are. Maybe Michael's story sounds familiar. We recently polled our Financial Tips newsletter readers and the subject that they wanted to know the most about was getting financially organised.

In response to this we've written this tips guide, based on our 30 years joint experience dealing with doctors and dentists. We suggest you print out a copy of the guide so that you can make any notes.

We know from personal experience that being organised in all aspects of life can save a ton of time and frustration. We hope that you pick up some tips that will help you plan ahead and reduce your stress levels!

Please contact us on **0191 217 3340** if you have any questions or if you'd like more information about how we can help you plan towards your retirement (you can hear some client comments at <http://www.medicaldentalfs.com/client-comments> and see some published articles at <http://www.medicaldentalfs.com/mediaroom> ).

We hope you enjoy reading this guide as much as we did putting it together!



**Ray Prince**  
Financial Planner



**Graeme Urwin**  
Financial Planner

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## Getting Organised Basics

1. Create a paper filing system and discipline yourself to keep everything there. Consider one of the many software programmes available. It's also a good idea to complete a spending plan to see exactly where you are spending your money.
2. Keep tax returns for 6 years and then throw out. Also, discard/shred any old product literature and bank statements more than 1 year old.
3. If your spouse is a non tax payer, ensure deposit accounts are in their name and fill in form IR 85 to receive the interest gross – so it's tax free! Even if they pay tax at the basic rate and you at the higher, put the money in their name to save 20% tax.
4. Ensure you have an emergency fund of at least twice your monthly net income in a competitive deposit account or your flexible mortgage.
5. Pay off your credit cards in full each month.
6. Keep your credit rating high by paying all your bills on time. Check your credit score on [www.experian.com](http://www.experian.com)
7. Ensure that your various home/contents/car insurances are good value and cover you for what you need. Visit [www.moneysavingexpert.com](http://www.moneysavingexpert.com) for ideas on reducing your monthly expenses.

## Mortgages and Loans

8. Don't be lazy here! By simply remortgaging to a more competitive rate you can often save a lot of money. Many lenders will pay your costs to move your mortgage to them. It may be worth researching the deals you can get, and challenging your existing lender to match it.
9. If you wish to overpay your mortgage and/or are self employed saving in a normal deposit account, then look at a flexible/offset loan. The savings here can be massive, especially for higher rate tax payers, and the actual rates charged are now similar to the "cheap" deals on offer for normal loans.
10. On a normal mortgage, even though not totally flexible, it is common to be able to overpay up to 10% of the loan each year. If affordable this makes sense and will pay off your debt sooner.
11. If you have an endowment policy have it reviewed to see if you should continue investing into the plan. The ongoing charges on many plans can be high meaning you may be better off paying the monthly premium into your mortgage rather than endowment.
12. If you have a "buy to let" property then ensure you are claiming tax relief on all the interest payments and allowable expenses. Be aware of who owns the property to be able to claim the maximum amount.
13. If you have debt on credit cards that you don't pay off each month then think about transferring this debt to a 0% card deal. Another way of sorting this out is to transfer this debt by remortgaging, which will probably have a lower rate of interest.\*
14. Most lenders will attempt to sell you Accident/Sickness & Unemployment cover. This is normally expensive and unnecessary for doctors and dentists. Check your existing income protection and NHS benefits before you sign on the dotted line.

*\* You should think carefully before securing unsecured debt on your property. Replacing any short term debt with a longer term commitment may mean that you may pay back a greater amount over the longer term.*

**YOUR HOME MAY BE REPOSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE. The FSA does not regulate all types of mortgages.**

## Protection

15. As you are a professional person, then you are likely to want quality cover. After all, if you were to fall ill, you do not want the insurance company to say to you that although you can't work as a doctor or dentist, you could do telesales for a living! Check that your income and critical illness protection are on an "own occupation" basis and do not have a lot of exclusions.
16. When working out how much cover you need to cover debt and living costs, don't forget to build in the benefits you will receive from the NHS. These can be substantial if you have more than 10 years service for example. Don't pay for cover you do not need!
17. Then consider whether you wish to have guaranteed or reviewable premiums. We would normally recommend the peace of mind that comes with guaranteed rates, which means that the insurance company cannot increase the premium in the future if they are experiencing a high level of claims (which is what they can do with reviewable premium plans).
18. Most protection, particularly if for the longer term, should be inflation proofed so that the cover increases to protect you from increases in the cost of living.
19. Having considered these areas, ensure that you are paying the minimum for your cover. Life assurance policies, for example, are now available with tax relief on the premiums, and could save you a lot of money.
20. For life cover for couples, consider taking out individual plans rather than a joint life plan which pays out on the first death. The cost will be slightly more, but the cover will survive the first death and could pay out double if the second life dies within the term of the policy.
21. When applying for cover on any insurance policy, ensure you disclose all your medical history. Insurance companies may not pay out a claim for non-disclosure.

## Estate Planning

22. Gordon Brown has a habit of wanting to grab as much of your money as possible on your death, rather than it passing to your children or relatives. Assuming you hold the opposite view, there are a few simple steps you can take, and the first is for a couple to make proper wills ensuring that you both benefit from utilising the nil rate band (£312,000 for 2008/09). This will typically save £124,800, and is commonly called a Discretionary Will Trust.
23. Ensure that existing or new life cover policies are written under trust. This means that although the benefits will still go to the people you want to leave your money to, the revenue will not count these monies as part of your estate. This can prevent large amounts of your money from going to the government instead of your family.
24. If you are a member of the NHS Pension Scheme you will have death in service benefits including 2 x superannuable income as a lump sum. This will form part of your estate unless you take action. Instruct a specialist solicitor to create a discretionary trust, and obtain a form from the NHS called a DB1 which will nominate this trust to receive this money if you were to die. Typically you will save £68,000 inheritance tax on a salary of £85,000 pa.
25. The above planning technique can also be used for any private pension arrangements you have made such as personal pensions or added voluntary contributions.
26. Gifting can be very effective if affordable to do so. If you are a couple you can gift up to £3,000 per annum each, and £5,000 if your child marries. If you gift more than this as a lump sum, this is called a potentially exempt transfer (PET). This means that after 7 years there would be no tax if you were to die, and there is a sliding scale from the third to the seventh year reducing the bill.
27. Another way to gift above the £3,000 per annum limit is to gift from income that is "spare". As long as it does not reduce your standard of living, and is habitual and recorded properly, it does not form a PET.
28. Ensure you have (one each for couples) an Enduring Power of Attorney set up whilst you are fit and well. This means that if you were involved in a car accident and were mentally incapacitated, a trusted spouse or relative would be able to take over your affairs and have access to your bank accounts etc.

## Investing

Investing should be thought of as the route to help you achieve your goals in life. The following is based on an investor who has an emergency fund and has a separate strategy for debt. We also presume that the investments would be put in the appropriate “wrapper” such as an Individual Savings Account.

29. The first step is to assess the amount of risk you do or don't want to take with your money and over what timescale. This should be done with a psychometric tool such as the Finametrica Risk Profiling system, which helps you to determine clearly where your boundaries lie in terms of what level of volatility you are prepared to accept.
30. The risk profiler will point you to how you should decide on your asset allocation, which is the amount you have in equities, bonds, property and cash. The percentage mix of these will determine the returns you can expect over time as different types of asset class will have an expected rate of return and prosper in different economic conditions.
31. You can now build a proper investment portfolio, and not simply a collection of unrelated policies, which is a mistake many investors make. Decide whether you believe that active fund management is going to deliver. In fact, most funds actually under perform the market and that is before deducting the costs of active fund management from the returns.

Where out-performance has been achieved it tends to be a shorter term phenomenon. We would suggest you believe the heavyweight academic research into passive tracking funds rather than listen to each fund manager saying they are the best. These investing principles have been established by a collection of actual evidence and theory from the academic disciplines of economics and finance. This is a body of work referred to as **Modern Portfolio Theory (MPT)** – see Advanced Tips.

32. Once you have decided on your asset allocation, use a wrap platform, such as Transact, which is an administration service to help you manage many investments in one place. You may need help from your financial planner to set this up, but the main advantages are:
  - Reduced amount of paperwork.
  - Valuations available online, via username and PIN.
  - Funds can be switched from one investment provider to another with minimum delay and a reduced (or nil) initial charge.
  - Competitive terms for funds held in cash, with immediate access

- A single point of contact for all valuations etc
- Access to discounted institutional asset class investments

The main disadvantage is that wrap platforms will normally charge for their service, meaning the overall administration charges could be higher than holding the investment funds direct with the fund manager.

33. Most investors are used to using retail funds sold and promoted by the banks and financial advisers. Traditionally, only investors with millions of pounds could gain access to institutional funds, which allow consistency in asset allocation and lower costs. But now you can gain access to these funds through platforms like Transact who pool your money with many other investors.
34. Diversify! Diversification is much more than not putting all of your eggs in one basket. It is important to select different 'baskets' of shares whose patterns of return are different from each other. All asset classes have good and bad times. The next logical step is to accept that the UK is only a small part of the world's equity and bond markets and to invest only into UK equities and bonds alone is inherently riskier. It is therefore appropriate to have some exposure to foreign equities and bonds to provide greater stability to the returns, notwithstanding the exchange rate risks that may be involved. It is with this exchange rate risk in mind that we recommend a higher proportion of exposure to the UK than a truly globally proportionate portfolio might follow.
35. Once you have settled on your portfolio the funds should remain invested. Don't try to be clever and guess the markets. Many investors have attempted this with disastrous results. If you miss the best rises in the market over the years you may as well have had your money in cash!
36. Because different asset classes grow at different rates of return, it is necessary to periodically re-balance (usually annually) a portfolio to maintain the target asset mix that is necessary to meet your risk profile. By re-balancing whenever portfolio allocations migrate outside an allowable strategic range, you are enforcing a 'buy low sell high' discipline which may enhance the long term return for the portfolio. Selling assets that are performing well and buying asset classes that are performing poorly may seem to contradict common sense. Re-balancing by definition will involve 'buying low' and 'selling high'. Many investors make the costly mistake of doing the opposite, which can result in lower returns in the long run. Re-balancing allows the portfolio

to take advantage of favourable time periods for each asset class, which can often result in a steadier, less volatile performance.

## Pensions

37. 'A Day' was introduced in April 2006 which introduced an overall change to the UK pension rules, including an overall limit of £1.5 million (your lifetime allowance) that each individual can have in their "pot" without penalty. Therefore the first thing to do is to measure where you are. Get a valuation from the NHS (01253 774774) and on any private pensions you have, and calculate if you're over the limit.
38. If you have exceeded the lifetime allowance, apply for primary or enhanced protection – this is covered in more detail in our ["A Day" guide](#).
39. When considering buying extra benefits such as added years in the NHS or a personal pension, think hard whether this is the best route. It is our experience that many clients invest more into pensions for the 40% tax relief than for the crucial test of whether they need more income in retirement. Many clients are, for example, then hit for higher rate tax in retirement which reduces every £1 to 60p. Also, don't fall for the "I must get 40 years NHS service in" – quite often you don't!
40. Write to the Pension Service (0845 3000168) to get a projection of your State Pension. The state pension does not count towards your lifetime allowance.
41. If you are married and have a younger wife with few benefits of her own, then consider a pension for her instead of more for you. You can contribute up to £3,600 per annum with no evidence of earnings. If you employ her then you could obtain tax relief at your higher rate on this pension. It could well be then that in retirement she will pay no or little tax as the pension benefits could be £7,000 per annum or less.
42. It is important that you are made aware that by investing in a pension you are losing control of the way you can take the benefits later. For example, the government dictate the rules here, and these rules change! It is also worth mentioning that annuity rates (the amount of income you receive for a given amount of money) have been falling for many years with little prospect of recovery as life expectancy continues to rise.
43. This does not mean that you should ignore pensions of course, but you could be far better off to reduce debt or invest in ISAs or buy to let etc.

## Advanced Planning Tips

Once you've managed to get yourself organised, you may still want help from an expert who will be able to keep all your planning on track.

We may be a little biased, but it's our opinion that all doctors and dentists should work alongside a financial planner over the long term, with the aim of achieving your long term objectives. The alternative is usually to use a financial adviser who may provide a policy selling service. Whilst the latter can be useful, it carries many limitations.

If you do use a financial planner make sure the following applies:

44. The service you receive to be not only independent but impartial, with no hidden agenda to get you to buy more policies (unless you need to buy more). They act for you and only you.
45. The job they will do for you will be based on an accurate **diagnosis** using forecasting software to see where you already are in relation to your goals in life. Quite often clients can retire or slow down before their expectation simply because they have some form of measurement.
46. Knowing this context, the financial planner will **prescribe** by creating a detailed strategy for you to achieve your goals with the right amount of risk.
47. Your planner will take great care in investing your money (see investment tips). Based on these sound fundamentals, they will introduce you to Modern Portfolio Theory (MPT), if they are using this approach. This is a body of work based on principles using actual evidence and theory from the academic disciplines of economics and finance. In a nutshell, it gives the greatest probability that you will earn the return that is appropriate for the level of risk that you are willing to assume.
48. It is our experience that clients are sometimes paying hundreds or thousands of pounds on policies they do not need! Make sure you cancel any policies that you don't need.
49. Your "financial map" will then be amended and updated every year and follow you through your wealth creation stage whilst you are working, to your wealth preservation stage in retirement. It is all about achieving peace of mind, leaving you to concentrate on your family life and career.

## Summary

Thanks for taking the time to read this tips guide and we hope it helps you to get and stay more organised!

To find out if we can help you with your financial planning call **0191 2173340** or [email us](#) for further information. Initial telephone discussions are free of charge and without obligation.

If you're not receiving the twice monthly Financial Tips newsletter, simply [visit our specialist website](#) to join. By doing so you'll be able to keep up to date with all the latest pensions and financial news for doctors and dentists. (Your details are safe with us and we will not sell or pass them to any third parties). This site also contains free articles and resources to help you effectively plan your finances and save time.

## About the Authors



Ray grew up in the North East of England and attended Kings School in Tynemouth, an experience he remembers for the cold weather, all year round! After school he continued his studies, completing a Master's degree in 1997 at Sheffield Hallam University.

Ray started working as a financial adviser in 1994 with Friends Provident. In 1996 he made the step to become an Independent Financial Adviser, joining medical and dental specialists Baxter Fensham Ltd. It was here that he developed his specialist knowledge, advising doctors and dentists how to get the most from their financial planning.

Ray started presenting his ideas in seminars and workshops and has since spoken in front of hundreds of doctors and dentists throughout the UK. In 2000, he left Baxter Fensham to team up with Thomas Dickson and together they were founding members of money4dentists.

Ray has presented financial planning seminars to groups within dentistry, including Women in Dentistry, dental health education council, the BDA and both undergraduate & postgraduate schools. Ray is also a presenter on the financial video site [www.moneycastonline.com](http://www.moneycastonline.com)

In 2004, Ray relocated from the Midlands back to the North East and has since teamed up with Rutherford Wilkinson plc to deal specifically with members of the medical and dental professions.

Ray has continued to pass various financial papers and holds the Advanced Financial Planning Certificate and the Diploma in Financial Planning accredited by the Chartered Insurance Institute. His passion is working with and helping clients who want an unbiased view as to how they can achieve their lifestyle and financial goals and objectives. He likes to help others less fortunate than himself and has volunteered for Crisis, the charity for the homeless, and did a sky-dive in 2003 for Dentaaid, raising funds for under-resourced dentists in the Third World.



Graeme also grew up in the North East, in Chester-le-Street. He remembers very clearly helping out in his father's newsagents nearby, delivering round upon round of newspapers far too early in the morning!

After working for the Mars group for several years, he joined the Medical Sickness Society in his mid twenties. It was here that he developed a passion

for helping medics and dentists with their finances, and became very used to the ins and outs of the NHS Pension scheme. It was this same passion that made him move on after 16 years to become an Independent Financial Planner, as he wanted to offer his clients a broader range of services and a totally impartial advisory service.

Graeme is also a presenter on the financial video site [www.moneycastonline.com](http://www.moneycastonline.com)

After working in London and Kent for many years, he returned to the North East in 2000 with his family. They are now settled in Rothbury, Northumberland, and have invested in thick fleeces and walking boots!

When not working, Graeme spends a lot of time with his family, and is very aware of the saying "tempus fugit" when his daughter increasingly shows him up with her improving skills and fitness.

His other personal interests are local history, genealogy, archaeology and cartography. He also loves walking and playing racquet sports, and regularly plays squash. He also completed the Great North Run in 2005, raising money for children with cancer.

## About Rutherford Wilkinson plc

Rutherford Wilkinson plc is a leading firm of Independent Financial Advisers and was formed in 2002 from the merger of Wilkinson Hatton and Rutherford Financial Management (formerly Peter Rutherford & Co).

These two firms were a natural match, combining substantial strengths and resources. Rutherford Financial Management was an investment specialist formed in 1992, and Wilkinson Hatton, established in 1986, had dealt mainly with corporate clients on a fee-charging basis. Both firms placed a strong emphasis on providing quality advice from professionally qualified advisers, matched with outstanding customer care.

The merger has created a full service financial services organisation that can meet the needs of all types of client, whether business or personal.

**A specialist division was created in 2005 when Ray Prince and Graeme Urwin joined the company. This division deals exclusively with the financial planning needs of UK resident doctors and dentists.**

As well as holistic fee based financial planning, Rutherford Wilkinson offers a wide range of financial services:

- Comprehensive Mortgage Service, residential and buy to let (sourcing the right deal for you and handling many aspects of the administration)
- Practice Acquisition Advice, including practice finance
- Estate Planning / inheritance tax mitigation / wills
- Retirement Strategy, to help you manage your affairs when you decide to give up work
- Long Term Care, planning for when you can't look after yourself or a family member
- Family Protection, to make sure your family have financial security if you die prematurely or suffer a critical illness
- Income Protection, ensuring you have enough income if you can't work due to illness, injury or accident
- Debt Management, understanding how to make debt work for you
- Foundation Planning including product selection (suitable for younger clients)

- Portfolio Evaluation, so you can align your investment strategy with your attitude to risk
- Individual Product Research, to help you buy the right financial policies

## **Risk Warnings**

All content provided in this special report is only for your own information and use, and is not intended to address your particular personal requirements or to be relied upon in making (or refraining from making) any specific investment or other decision. Such content shall not constitute any form of advice or recommendation by us.

**YOUR HOME MAY BE REPOSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.** Written details are available upon request. The FSA does not regulate all types of mortgages.

The content relating to the past performance of an investment is not necessarily a guide to its performance in the future. The value of investments or income from them may go down as well as up. The value of investments may rise or fall due to the volatility of world markets, interest rates and capital values or, for investments held in overseas markets, changes in the rate of exchange in the currency in which the investments are denominated. You may not necessarily get back the amount you invested.

Where you are unsure about any specific investment or other decision, you should obtain appropriate expert independent advice.

Levels and bases of, and relief from taxation are subject to change as UK legislation and regulations and the UK tax regime are amended from time to time. Any content referring to such legislation, regulations or tax regime should not be relied upon. The content in this guide refers to the 2006/07 tax year.

Unless otherwise stated, this guide is directed only to doctors and dentists in the United Kingdom. Doctors and dentists outside the United Kingdom should not use or rely upon any content provided.

Seek advice from an Impartial Independent Financial Adviser whenever considering restructuring your investments. Each investment should be considered on merit and not just for the tax advantages.

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