

INVESTMENT PLANNING: PART 2

Spring-clean your finances

If your financial arrangements are anything like many other busy consultants, then it is time to give your finances a good scrub-up. In the second of two articles, **Graeme Urwin** shows how



1 Review your strategy annually

This may be common sense, but many doctors find they struggle to commit the time to review their affairs every year. If you cannot assure yourself that you can do this, it may be useful to use an adviser who can provide you with an ongoing review service. The big spin-off benefit is that you will get an objective view on how best to achieve your goals.

2 Type of investments

Studies have shown that active fund management – where the fund manager tries to beat the market return – does not work over the longer term, yet many consultants hold their money in these funds.

Doctors will also tend to have a collection of policies rather than a proper risk-assessed portfolio. It is vital to understand what is ‘under the bonnet’ of your investments, whether it be ISAs or pensions.

Use wealth managers who have an investment philosophy, and use passive-indexed funds that aim to give you the market return for the level of risk you wish to take. They will also properly diversify your investments for you and explain the importance of asset allocation and re-balancing.

3 Cost of investments

You may well be investing with traditional insurance companies and fund managers, and effectively be paying ‘retail’, as well as not knowing about hidden charges.

Again, use a wealth manager who will effectively allow you to buy ‘wholesale’, and help you avoid the hidden charges. This could also reduce your paperwork by a huge degree.

4 Private practice and personal pensions or SIPPs

I speak to many consultants who

have been persuaded that they need to cover their private work with a personal pension or Self Invested Personal Pension (SIPP). This may, of course, be the right course of action, but, like the myth that ‘you must get in 40 years of service in your NHS pension’, it is often not.

While there are attractive tax breaks available for investing into pensions, there are also downsides when it comes to taking your money from the maturing fund. To many of our clients, all that matters is that they have enough income in retirement. That may mean they usually have a spread of pension and non-pension investments.

You may also fall foul of new pension rules: see tip 6 last month.

5 Inheritance tax

Some ideas include:

■ Ensure that any life assurance policies are written under trust;

■ Nominate your children to receive any NHS death-in-service lump sums if your partner does not need these monies. A form called a DB2 from the NHS does this for you;

■ If you have children, then look to gift monies when appropriate, using your own financial analysis and projection to show this is affordable.



6 Wills and lasting powers of attorney

Do you have a will? If not, it is sensible to set one up and ensure that it reflects your wishes.

It is also important to have a lasting power of attorney in case you become incapacitated and cannot run your affairs. ■

Graeme Urwin is a fee-based financial planner with the firm Rutherford Wilkinson, authorised and regulated by the Financial Services Authority