

The 2010

Emergency Budget

Impact on the Saver

## The Saver

The changes in this Budget that most affect savers are those that apply to income tax and capital gains tax

In addition, the Government also announced that Government contributions to the Child Trust Fund will cease completely on 1 January 2011. For children born before 1 August 2010, Government contributions will reduce from £250 to £50 (£100 for low income families)

## Considerations for Savers

Savers should make sure that they invest in a way that is aligned with their attitude to risk and their objectives; and also in a way that utilises the allowances and tax efficient investments available. For example:

} Savers should, if it is appropriate, seek to maximise their annual subscription to an ISA. This is now £10,200 for all qualifying investors. Remember, any payments to the cash element of an ISA (up to £5,100) are deductible from the amount that can go into a stocks and shares ISA.

} Collective investments geared towards capital growth can be gradually encashed over successive future years such that capital gains then arising fall within the investor's annual CGT exemption.

## Considerations for Savers

} Qualifying savings plans are life assurance based regular savings plans. The main attraction of these plans is that the proceeds at maturity are free of any personal liability to UK Income tax and CGT, irrespective of amounts. However, the minimum term of these policies is 10 years and individuals need to maintain regular premium throughout that term. The plans can be written under trust so that the benefits payable on death within the first 10 years are free of inheritance tax.

} Following the announcement of the withdrawal of the Child Trust Fund savers may want to consider tax efficient savings plans for any of your children/grandchildren.

# Considerations for Savers

} These can comprise

- Setting up a tax efficient pension plan for your child or grandchild and making payments of £2,880 (£3,600 net of basic rate income tax) per annum. If this route is selected, the child will not have access to the cash until age 55
- Establishing a bare trust for the child's benefit and investing in tax efficient investments.

The information is based on our understanding of current UK tax law and HM Revenue & Customs practice at the time (22 June 2010). Future changes in UK tax law and practice could affect this information.

The value of the tax treatment will depend in individual circumstances. Current tax treatment may not be maintained in the future. HSBC does not accept any responsibility for actions taken as a result of the information contained within

this budget summary. The information does not constitute advice. It is recommended that you seek advice from your financial adviser on all aspects of your financial planning. You should also bear in mind that the proposals announced in

the Budget of 22 June 2010 are not law until they are added to the statute books.