

Working Together

Issue 5 Autumn 2008



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The Newsletter of  Simpson Millar^{LLP}
Solicitors

Welcome to the Autumn edition of Working Together. Feeling the pinch of the credit crunch? This issue gives tips and advice on how to save money and a guide to ensure your mortgage, insurance and pension policies are right for the needs of you and your family.

We confirm your redundancy rights, give you the latest on reclaiming your bank charges and show you just how much heavier your wallet could be (and how much lighter you could be!) by cycling to work.

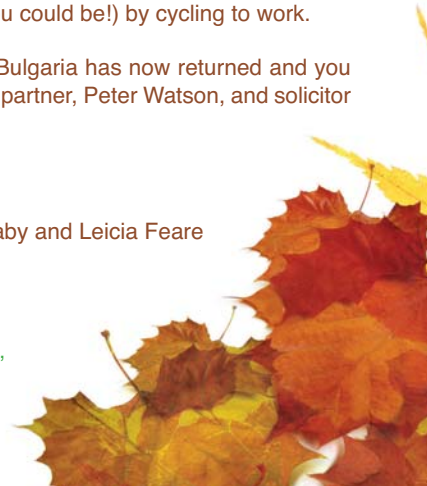
Our aid convoy to the children of Bulgaria has now returned and you can read about how our managing partner, Peter Watson, and solicitor Ricki James got on, on Page 13.

Happy Saving!

Editors; Julie Dudson, Adele Farnaby and Leicia Feare

Be Green!

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tips



With everyone talking about the Credit Crunch, this is the perfect time to review your finances. The Financial Services Department at Simpson Millar assists individuals and families in identifying, planning and meeting any goals they may have in relation to their financial needs. **James Mann**, independent financial adviser, gives the following advice...

Review your Mortgage

Up to 50% of a home owner's monthly income is usually spent on meeting monthly mortgage payments. If your mortgage is your biggest expenditure then cutting its cost will probably be your biggest money saver. This might help reduce the burden of increasing energy and food prices, and help leave some money for the enjoyable things in life.

Simpson Millar could reduce your monthly mortgage repayments by providing you with Independent Mortgage Advice. The right broker is invaluable when deciding on the best mortgage for you and because our advice is completely independent we can recommend the most suitable and competitive mortgage products from across the market place. We are not tied to the products of one company or group of companies (tied or multi tied advisers) as most of the banks and building societies are, they can only offer advice on a limited amount of products - usually their own.

Consider an Individual Savings Account (ISA)

Individual Savings Accounts (ISAs) offer a tax efficient way of holding funds as income and benefits from these types of investments are not subject to either income or capital gains tax.

Whether you're saving for a rainy day, for university or just for tax reasons they are a great option.

Each individual currently has an ISA allowance of £7,200 for the current tax year (2008/09), of which £3,600 is permitted to be held in cash. Payments into these investments can be made via a lump sum if you are in the fortunate position to do this or, as is the case with most savers, with a regular payment each month made via direct debit.

For many individuals it can make sense to contribute towards an ISA as the money you hold in your standard current accounts is still subject to savings tax at either 10%, 20% or 40% depending on your income tax band.

Think about your pension sooner rather than later

Many people are unaware of the reduction in the quality of lifestyle that they could face upon retirement due to insufficient or sometimes non-existent retirement plans.

Currently each individual receives a maximum state pension of

- £90.70 per week for a single person (£4,716.40 per annum 2008/09), or
- £145.05 per week for married couples (£7,542.60 per annum 2008/09)

Without private provisions this is often all that you will receive from the Government in order to fund your retirement and in most cases this will be significantly less than your previously earned income.

Pension Plans provide a tax efficient and regular way of saving for your retirement, and following rules implemented on the 6 April 2006, each employed individual is now permitted to contribute an amount equivalent to their annual salaries subject to this not exceeding the annual allowance (£235,000: 2008/09).

A big advantage to saving via a Personal Pension Plan is that the contributions you make can receive tax relief of up to 40% depending on the level of income tax that you currently pay.

For example, an individual subject to basic rate income tax (20%) who contributes £100 per month into a pension plan would actually receive £125 per month into the plan as the pension provider claims the additional £25 per month from Her Majesty's Revenue and Customs.

Not only that but when you reach retirement (anywhere between age 55 and 75), 25% can be taken as a one off tax free lump sum. Therefore if at the age of 65 your pension is worth £50,000 you can receive £12,500 as a tax free lump sum whilst the remaining £37,500 is used to provide a regular income.



When was the last time you reviewed your life insurance, car insurance, household insurance, mobile phone insurance, breakdown cover or employment protection insurance? You may be paying more than you need to!

For a Free financial MOT or any information on our financial services please call free on 0808 129 3320 or visit www.simpsonmillar.co.uk

Boost your pension

With the decline in final salary schemes, it is more important than ever to ensure we make our own provisions for an income in retirement. Pensions continue to be a very tax efficient way of saving for retirement. The key to retirement planning is not to leave it too late. Here are some useful hints to ensure you maximise your pension contributions:



Claim Tax Relief

Pension contributions made by your company will be made before deduction of tax, so it is not necessary to claim tax relief. If you pay into a personal pension scheme you may need to reclaim tax relief. For example if you contribute £80 per month your pension provider will claim back tax from the Government at the basic rate (20%) meaning that £100 per month would go into your pension fund.

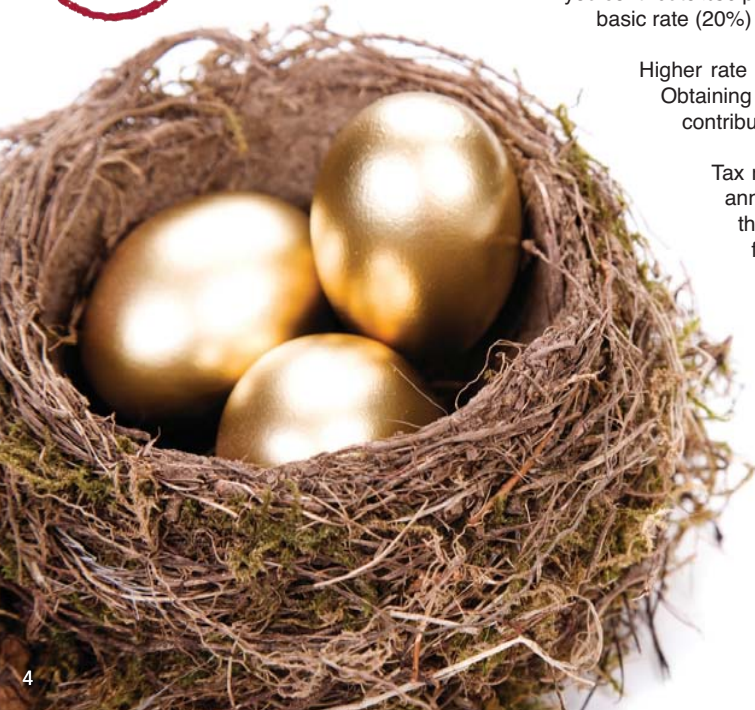
Higher rate tax payers can claim back an additional 20% tax relief via their tax return. Obtaining this rebate may enable people to increase their regular or lump sum pension contributions.

Tax relief is available on 100% of pensionable earnings each year subject to the annual allowance (£235,000 2008/2009). The annual allowance does not apply in the year you draw your pension contributions as long your accumulated pension funds do not exceed £1.65 million (2008/2009).

Redirect Your Student Loan Repayments

Many graduates will be used to seeing a student loan repayment being deducted from their salary each month alongside other deductions such as tax and national insurance. A graduate with the average level of student debt (£10,770) receiving a salary of £30,000 per annum would see approximately £112.50 per month deducted from their salary.

Once the student loan is repaid (estimated to be age 26 for the above example for a student graduating at age 22), the monthly repayments could be redirected to a personal pension plan. This would enable them to make significant pension contributions without feeling an increase in monthly outgoings.



Invest Out of Redundancy Payments

Redundancy payments over and above the tax free sum of £30,000 could be redirected into your personal pension. A higher rate tax payer receiving a redundancy payment of £100,000 would only receive £71,300 after tax and national insurance deductions. If the £70,000 is paid directly into your pension it is possible for the full £100,000 to be sheltered from taxation.

It may also be possible for greater contributions to be made to pensions in the year of redundancy as taxable income may be higher due to a redundancy payment. The maximum annual allowance of £235,000 will still apply.



Salary Sacrifice

Some employers allow staff to sacrifice part of their salary in exchange for non cash benefits such as child care vouchers or pension contributions.

For example, a basic rate tax payer earning an income of £30,000 per annum would pay income tax at 20% and national insurance at 11%. If we look at the top £2,000 of their salary, before this is paid into the individual's bank account 31% would be deducted, meaning the net income would be only £1,380. If the employee agreed to a £2,000 salary reduction to £28,000, in exchange for a £2,000 pension contribution, the full £2,000 would be paid into the personal pension without any deductions.

The employer would also make a saving of 12.8% on the employer's national insurance and might sometimes agree to increase the pension contribution by part or all of this amount.

Reinvest Your Investment Income

If you are in receipt of investment income, on top of earned income, it might take you into a higher income tax bracket. In order to avoid or reduce the amount of income exposed to higher rate income tax you might wish to make a pension contribution, on which you receive tax relief at your marginal rate. This can have the effect of increasing the basic rate income tax band and reducing the overall liability to income tax.

Review Your Existing Pension Arrangements

Many individuals have a collection of various personal pension plans that have not been reviewed for many years. The underlying investments may well have been recommended on their merits at the outset, however investments change and therefore should be reviewed on a regular basis. A review would check that the underlying investments remain in line with your objectives, investment time frame and risk profile. It will also give you the opportunity to move out of funds that have become less attractive over the years.





On yer bike!

Cycling on the up due to rising petrol costs

More and more people are making the move to cycling to work due to recent controversial rises in fuel costs. There are even new schemes in place which encourage employers to buy their employees bicycles in order to benefit from a tax break, reduce their carbon footprint and save their employees money! You can find out more about 'Cycle to Work' schemes at www.cycletoworknow.com.

Whilst cycling is a great pastime and a fun and easy way to exercise whilst commuting, there are dangers for the modern-day cyclist due to the current and fast-paced volume of traffic on the roads.

Drivers can help cyclists by providing plenty of room, trying to anticipate their intentions and being aware of the presence of cyclists at junctions to prevent an accident from occurring.

If you're planning on getting 'On yer bike' to save some money, help the environment and get fitter; remember to wear protective clothing, a helmet have working lights and high visibility clothing for the dark. Also, try to anticipate motorists' actions particularly where changing lanes.



Sales Adviser **Stuart Preston** from our Leeds office found out he could save **£174.97** a month by cycling his usual 12 mile drive to work! He also found out he could burn off **975 calories a day**, and reduced his Carbon Footprint by **65.73kg** of CO2 per month!

Find out your statistics at
www.cycletoworknow.com

Our Road Traffic Accident department deal with pedestrian and cyclists' claims. If you are involved in such an accident or require advice, please contact **Susan Vanden**, head of the RTA Department, on 0844 858 3300.

Smoking seriously damages your wealth

Since the smoking ban in July last year many people who have decided to kick the habit have already seen the benefits not only in their health but in their pockets. If you're one of the people that decided to go smoke free just over one year ago we're sure that you've already noticed the advantages to your health and welcomed the extra cash you have in your wallets in these harder financial times.

It's common for individuals to cut out the luxuries when times are hard – putting more own-brand products in the shopping trolley for example, staying in and cooking rather than having that meal out and cancelling your regular nail or hair appointment but for a smoker the one change that can make a big financial difference is giving up.

The following savings estimations were collated from the www.nhs.uk Go Smoke Free pages:



Number of Cigarettes smoked per day	Saving after 6 months	Saving after 1 year	Saving after 5 years
5	£237	£475	£2373
10	£475	£949	£4745
20	£949	£1898	£9490

Adele Farnaby, litigation executive and newsletter co-editor at Simpson Millar, gave up smoking with the ban last year and since giving up approximately 40 cigarettes per week has worked out that she is nearly **£600** better off!

For more information on how you can give up or cut down on smoking visit www.nhs.uk.





Our Comment On... Bank Charges

Bank penalty charges have been well publicised and are potentially unlawful charges levied on bank customers. There has been a tremendous amount of resentment towards these charges, which range from excess fees through to returned cheque fees and insufficient fund charges.

Whilst some individuals have been successful in reclaiming their charges, the common situation for the majority is that their complaints have been put on hold until the test case is heard in the High Court.

Bryan Nott, from the Bank Charge Reclaim team at Simpson Millar answers your frequently asked questions...

Hasn't the test case been heard and a decision reached?

Yes to some extent. At the end of July 2008 the judge concluded that the charges levied by banks are subject to 'fairness' rules and are potentially unfair and excessive to consumers. This decision opened the gate for the Office of Fair Trading to decide whether it believes the banks' charges to be actually 'unfair'. The Office of Fair Trading is yet to announce its decision on this, but it is hoped that it will be delivered by the end of this year.

So, can our complaints now be processed?

No, unfortunately by law the banks can appeal this decision and as such until the appeal is heard and matters concluded the complaints remain indefinitely on hold.

Whilst this is not what consumers wish to hear, the appeal case is scheduled to be heard in early 2009.

So, there is some light at the end of the tunnel?

Yes, whilst the delay in the process is incredibly frustrating the most important issue is that the right decision is reached. With the ruling to date, attitude of the judge and what appears to be a damning report which is due from the Office of Fair Trading regarding the banks, experts predict that it is likely the decision will be in favour of consumers.

I have received what I believe are unfair charges from my bank but I've not yet lodged a complaint, am I too late?

No, individuals who have incurred these charges but have not yet made a complaint to the bank are urged to do so as soon as possible. You can only reclaim the last 6 years of charges levied. Any delay may mean you lose the ability to get the money back for old charges.

I am currently experiencing financial difficulties, is there any way my complaint can be processed now?

Yes, this may be possible if your current financial situation falls within the financial 'hardship' exemption. This exemption allows those with financial difficulties to get their cases heard now without having to wait until matters are concluded in court.

If your income is not enough to cover your reasonable living expenses including your regular outgoings such as utilities, rent and council tax, or you are struggling to repay debts such as mortgage arrears or large credit card debts, the 'hardship' exemption may apply to you.

I think that I fall within this 'hardship' exemption. What do I do next?

Call the team at Simpson Millar on 0844 858 3500 for a free no obligation information pack.

Simpson Millar LLP has an established department which specialises in working on the clients behalf to try to obtain redress from Banks and Credit Card Companies, the department also provides support and advice for individuals from a team of legal experts.

Find out more at www.simpsonmillar.co.uk

Make a Will,

Make a Difference

With everyone tightening their belts, control of your money is more important than ever, and so is taking control of who will inherit your hard earned savings. Will Aid provides a fantastic opportunity to put your affairs in order and help charities at the same time.

During November, Simpson Millar will draw up basic Wills and all we will ask in return is that the will-maker makes a donation to one of the Will Aid charities.

Making a Will is a straightforward and important way of protecting family and loved ones in the future. If someone dies without a Will, then their assets are distributed according to the laws of intestacy – a detailed impersonal set of rules that dictate where the money goes. There is no guarantee that the surviving spouse will even keep the family home – it may have to be sold to pay off other relatives.

Will Aid is a campaign run by nine of the UK's best known charities:

ActionAid
British Red Cross
Christian Aid

Help the Aged
NSPCC
Save the Children UK

Sight Savers International
SCIAF (Scotland)
Trocaire (N. Ireland)

The Will Aid charities can work miracles and transform the lives of people here in the UK and all over the world. For example, they work to help street children in Ghana, they provide clean drinking water to remote schools in Tibet and provide vital care to the elderly in the UK.

By taking advantage of the Will Aid opportunity this November, you will be helping the Will Aid charities to transform the lives of children, their families and whole communities around the world, as well as ensuring the security of your own loved ones.

For a free Will information pack or more information call 0808 129 3320 or visit www.simpsonmillar.co.uk and fill in an enquiry form.

For more information on the Will Aid charities visit www.willaid.org.uk





Our Comment on... Redundancies

Unfortunately the credit crunch has hit businesses hard and consequently resulted in sweeping redundancies. Many employers have had to make the difficult decision of decreasing their workforce in order to cope with the downturn in the economy. Redundancy is never an easy path for an employer to take. Contracts and staff handbooks may already have agreed procedures in place in case such an event occurs.

Jacqui Parker, Partner from Simpson Millar's employment law department explains more about the process for both employers and employees facing this difficult time...

Redundancy situations can arise in a number of circumstances but they basically occur because the employer needs fewer staff. It is not a result of something that employees have done or failed to do.

The fact that employees are not responsible for the circumstances which give rise to the loss of their jobs does not make the effect of being made redundant any less painful.

Under the terms of the Employment Rights Act 1996 employees are entitled to a statutory redundancy payment, provided they meet certain criteria.

To be eligible for a statutory redundancy payment, an individual must meet the following criteria:

1. They must be an employee;
2. They must have been continually employed for a period of at least 2 years
3. They must be dismissed by reason of redundancy.

How much statutory redundancy pay you are entitled to depends on your age, your weekly pay and how long you were employed by the company. If aged 18-21 you get half a week's pay for each year of service; 22-40 year olds get one week's pay and those over 40, get one and a half week's pay for every year employed by the company. Statutory Redundancy pay is limited to a maximum of £330 per week. If you earn less than that, the payment is calculated using your actual weekly wage. It is worth noting that this is the minimum and your company may well offer a better redundancy package.



Know Your Redundancy Rights

Employees facing redundancy have certain rights which include:

1. The right to be consulted by the employer about the redundancy situation before any redundancies take effect.
2. The right to appeal against a decision to dismiss.
3. The right to be offered suitable alternative employment if such employment is available.
4. The right to a statutory 4 week trial period if alternative employment is offered. In the event that the alternative position is unsuitable, the employee may give notice during the trial period and still be entitled to their statutory redundancy payment. However, if the trial period expires and the employee has not given notice, the right to a redundancy payment is lost;
5. The right to reasonable time off during working hours to look for a new position or to make arrangements for training for future employment. If an employer unreasonably refuses this request, the employee can bring a claim in the Employment Tribunal.

Employers must be aware that:

1. They must consult employees properly when there are 20 or more made redundant at the same time (also known as 'collective redundancies') as the employees will have the right to claim a Protective Award in the Employment Tribunal.
2. Employees cannot be selected for redundancy on the grounds of race, age, sex or disability. Anyone selected on any of those grounds can claim unfair dismissal and/or discrimination in the Employment Tribunal.

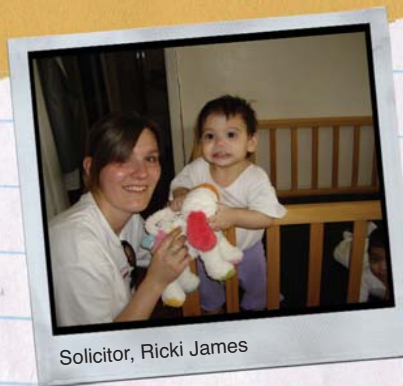
If you or someone you know is facing a redundancy situation, whether an employee or an employer, and they would like more advice on the processes involved, contact our employment law department on 0808 129 3320. We can also give help and advice in contract writing to make sure your office manuals and agreements are in line with current law. Find out more at www.simpsonmillar.co.uk

Charity News Round Up

Peter Watson and Ricki James have recently returned from their trip to Bulgaria with the Communication Workers Union Humanitarian Aid (CWUHA). Every year the convoy does the invaluable task of delivering clothing, incubators, toys and other everyday essentials to some of the poorest parts of the world. This year the convoy travelled to orphanages in Pleven, Bulgaria.



Managing Partner, Peter Watson



Solicitor, Ricki James

Peter Watson kept a daily blog which is available on our website www.simpsonmillar.co.uk along with a photographic diary of the trip. Here is an extract from the blog...

Day 8 and the day we really travelled all this way for...

...The kids came up to us all with the teddies we gave them earlier with their arms outstretched begging to be picked up. They chatted to us in Bulgarian about whatever was exciting them. One little chap who took a shine to me was telling me to take him to the window so he could look at the lorries in the car park. They called us uncles (or Aunties in Ricki's case) and we were told that uncles are visitors who come and show them some normal everyday kindness. Heartbreaking...

...Ricki and I spent the journey exchanging our impressions about the visit. We both agreed that there were aspects that filled us with despair but other parts that made us feel that there was hope for the kids and that the aid we had delivered would make a difference to their lives and that is what everyone came on this convoy for...

Everyone at Simpson Millar LLP is extremely proud to be associated with a charity which gives so much hope to children who may otherwise be forgotten and we will continue to work with the CWUHA to improve the living conditions of some of the world's poorest children. Read more of Peter's diary entries on our website and find out more about the CWUHA at www.cwuha.org.

This newsletter contains information on current legal issues applicable at the time of printing. Note there may have been changes subsequently which have not been incorporated in to this material. This newsletter is intended for information purposes only and its content should not be applied to any particular set of facts or relied upon without legal or other professional advice.



INVESTOR IN PEOPLE

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