**ISA / Pension Top Up**

**Template Document.**

**Client Name**

I hope this letter reaches you well. This letter will provide a recommendation to make use of your valuable tax allowances for the 2019/20 tax year. I have previously recommended the Pension / ISA detailed in this letter and you may find it helpful to refer to my original recommendation report for greater breakdown on the suitability of this to your needs and objectives.

Recommendations at this time

ISA

I am recommending you contribute £20,000 to your existing XXX ISA to make full use of your 2019/20 ISA subscription allowance. OR I am recommending you contribute £XX,XXX to use the remaining amount of your £XX,000 pension annual allowance this tax year.

# Tax Treatment

An ISA grows virtually free of tax, with any dividends received, whether reinvested or paid out, not subject to tax. Any capital gains that arise from investing in an ISA are also not subject to tax.

PENSION

I am recommending you contribute £XX,XXX to your existing XXX pension.

Your contribution will receive tax relief at source and therefore the total amount that will go into your pension will be £XX,XXX. If relevant... As a higher/additional rate taxpayer you will also be able to reclaim tax via self-assessment. Add detail

# The annual allowance

While there is no limit on the amount that an individual or company can contribute to an individual’s pension, there is a limit on the amount that can benefit from tax relief. For the 2019/20 tax year this is set at £40,000 (or 100% of relevant earnings). If this limit is exceeded, any tax relief awarded will be clawed back through a tax charge on the excess at the individual’s marginal income tax rate. This is the case even if the contribution is from an employer.

The recommended contribution will make full use of the annual allowance for the 2019/20 tax year OR The recommended contribution represents the maximum you can contribute and receive tax relief on, based on your ‘relevant earnings’ for the 2019/20 tax year. OR The recommended contribution represents the maximum contribution you can afford to make at this stage.

# Tax treatment

While invested, a pension grows virtually free of tax. Within the fund there are no liabilities to capital gains tax and any dividends accrued are also tax-free. Pension funds are however taxed when funds are withdrawn or in the event of death/reaching age 75 (under Lifetime Allowance rules).

The current rules on access are that up to 25% can be withdrawn tax-free. The remainder, whether withdrawn as a lump sum, under drawdown or through purchase of an annuity, is subject to tax at an individual’s marginal income tax rate.

Investment Strategy

I am recommending your contribution be invested in your existing strategy. Reconfirm existing strategy.

I have previously detailed in depth why this strategy is appropriate for your ISA/Pension and rather than repeat this here, I would ask that you refer to my report dated XXXX for this detail.

Advantages and Disadvantages

**Advantages**

**Disadvantages**

* Your cash holdings are only exposed to inflation risk and from low returns. Investments are subject to a range of market risks and you may get back less than you invest.
* Money contributed to a pension cannot be accessed before the legal minimum pension age of 55.
* Money contributed to a pension can only be accessed (other than the 25% tax-free element) with possible implications to income tax.

Charges

**Initial charges**

I can confirm that no initial charge will be applied to the recommended contribution OR detail charges.

**Ongoing charges**

Following the recommended contribution, the annual charges in percentage and monetary terms over a 12-month period could be:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Annual Charges** | | | **%** | **£** |
| Plan | Fund Ongoing Charges Figure (OCF) | | X.XX% | £XXX.XX |
| Fund Transactional Charges | | X.XX% | £XXX.XX |
| XXX Platform Charge | | X.XX% | £XXX.XX |
| Ongoing Adviser Servicing Charge | | X.XX% | £XXX.XX |
| **Total Ongoing Charges – based on portfolio value of** | **£XX,XXX** | **X.XX%** | **£XXX.XX** |

**Please note:** The charges above, in monetary terms, are estimates based on the new value of your plan. In reality, the fund value will fluctuate throughout the year and the actual level of charges deducted will therefore differ. In addition, charging structures can and do change and this would potentially impact on the level of charges incurred.

Risks

There are risks associated with any action and I would remind you to note the following:

* All investments have an element of risk attached to them and you may get back less than you invest.
* Tax rules can and do change and my advice can only be based on the current (2019/20) tax year rules.
* The effect of charges will reduce the potential value of your fund in the future. Please refer to your illustration for the ‘Reduction in Yield’ figure which shows how the level of charges could impact on your investment.

Conclusion

Freetype

**Next steps**

Freetype if applicable

Yours sincerely,

**ADVISER**

**SIGNATURE**