



# OPTIMISING YOUR SAVINGS

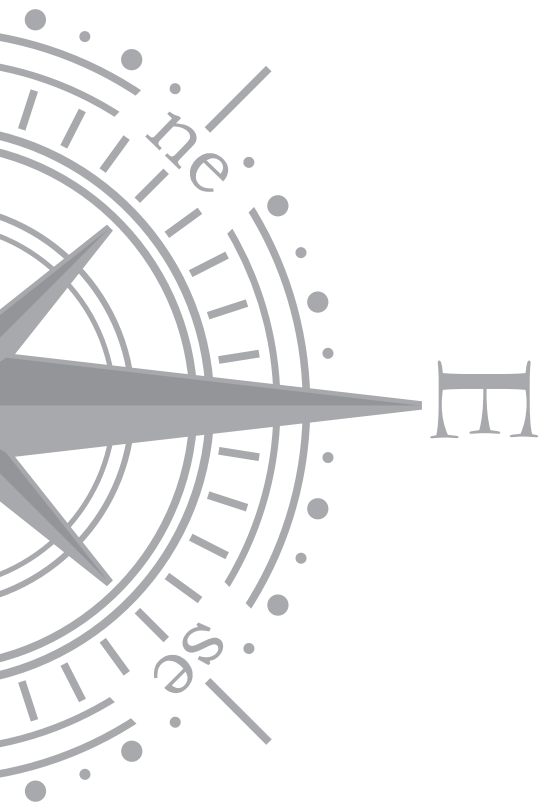
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Financial guide for retirees making Aliyah

**RAYMOND JAMES<sup>®</sup>**

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Golders Green



## *‘In life, patience is a virtue. In retirement, it’s virtually invaluable’*

I have been working with Olim for many years helping them with their finances and investments. During that time, I have given lectures to thousands of potential Olim, written many articles and conducted numerous one to one meetings. I have drawn on this extensive experience to write this guide. I understand the concerns of potential Olim and what questions they may need answering. This booklet is intended to be a useful guide to Olim, particularly those who are in their retirement years.

It is hard enough for people living in the UK to safely manage their financial affairs whilst making sure that they invest wisely and tax-efficiently. When moving to another country there are many more factors to consider, not least the tax regime of the country to which they are moving. I hope this booklet serves as a useful resource to assist you with making the most appropriate future decisions for your personal circumstances.

There is one overriding question that all retirees have; *how do I ensure that I never run out of money in my or my spouse’s lifetime?*

The issues around tax, residency, buying or renting property etc are all typically based on clients trying to understand if they have enough money to last them their lifetime. If they do have enough, they need to know how to invest wisely and pay as little tax as possible.

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*‘It is the planning and investing that you do now that will have the biggest impact on your future financial stability’*

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This booklet is intended to help answer your questions. Obviously, everyone’s financial circumstances are different thus you should take your own professional advice. **Please do not rely solely on this booklet as it is only meant as a general informative guide.**

I always tell my clients that it is the decisions you make now (pre Aliyah) that will have a huge effect on your circumstances further down the line. The majority of people I meet have sufficient funds for their current needs. However, many of these people are likely to have financial problems in ten or fifteen years’ time. It is the planning and investing that you do now that will have the biggest impact on your future financial stability. With medical advances resulting in longer life expectancy (circa 79 years for males, 83 years for women), it is absolutely imperative to plan for a long retirement. It is statistically quite likely that at least one spouse will live into their nineties thus your retirement funds may need to last for several decades!

The Israeli tax concessions for Olim are well documented but how they intertwine with the UK rules is more complex. Below I will outline some of the basic rules and concepts together with some of the key issues that will affect your retirement savings. When creating and managing portfolios for my clients, these (and other) factors are considered in order to optimise clients’ situations and remove as much risk and uncertainty as possible.

*‘Israel does not have inheritance tax, which is obviously very favourable’*

## **Income Tax**

There is no income tax in Israel on non-Israeli sourced income for TEN years. This point often gets confused. To be clear, only money (income) that is generated OUTSIDE of Israel is tax-free regardless of whether it is brought into the country or not.

## **Capital Gains Tax**

As with income tax, any gain made outside of Israel will be tax free for TEN years.

## **Inheritance Tax (IHT)**

Israel does not have inheritance tax which is obviously very favourable. What you need to remember is that the UK does apply IHT to UK situs (situated) assets even if the owner of those assets lives abroad (Israel) and is not domiciled in the UK. Inheritance tax avoidance is a big motivator for retirees so there is more on this later.

## **UK Resident**

Historically if you were in the UK regularly for 90+ days a year, you were typically considered a UK tax resident. Although this was not actually written in law it was the principle that the tax system worked on. This was recently challenged and resulted in the UK introducing new rules that actually define residency.

As so often happens when the Government tries to make things simpler they actually made it much more complicated. There is now a table to follow and depending on the number of ‘factors’ or ties you have, this will determine how many days you are allowed to be in the UK before you become resident again. The residency rules require their own booklet so I am not going to go into too much detail here. Depending on your personal situation it is fair to say that most Olim would be able to come back for either up to 90 or 120 days per year. Spending too much time in the UK could cause you to become a UK resident and this may mean that you are subject to tax on your worldwide assets - therefore you probably want to avoid this!

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*‘A retiree that has fixed sterling based pension income should reduce their dependency on sterling if possible’*

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## **UK Domicile**

Domicile is quite a confusing concept; it is broadly defined as ‘where you call home’. The example I use is of a retired British expat on the golf course in Spain; he/she would typically tell you they are British even though they have lived in Spain for many years. It is this ‘Britishness’ that contributes to a person being UK domiciled.

Domicile affects inheritance tax thus if you remain domiciled in the UK (even though you don’t live in the UK) you will still be subject to IHT on your worldwide assets. The aim for UK Olim is therefore to lose your UK domicile.

What you broadly need to achieve is that when an independent person looks at your situation, it is evident that you have permanently moved and are not coming back. However, just showing signs that you have left the UK is not enough. You must also show that you have positively ‘arrived’ somewhere and are there to stay. Thus leaving the UK and sailing around the world would not be sufficient, as you cannot demonstrate where your “new” country is.

Israel is the Jewish homeland that offers all Jewish people “the right of return” and as such, unless you are a criminal all Jews can make Aliyah and become Israeli citizens. A Jewish person moving to Israel is different to a non-Jewish person moving to Spain. There is a religious and cultural affiliation with the Holy Land that simply does not exist with Spain! As a result, a British (Jewish) person moving to Israel should be able to lose their UK domicile. This is not normally an easy thing to achieve thus you need to be careful not to leave connecting factors to the UK such as a burial plot, property, memberships etc. These will contradict your assertion that you have left the UK for good and are never coming back to live in the UK ever again.

## **Currency**

A critical difference between a person retiring in the UK or in Israel is currency risk. Retired Olim will no longer be spending money in the same currency as they are earning. This may sound fairly simple and obvious but it causes great financial uncertainty. A retiree that has a fixed sterling based pension income should reduce their dependency on sterling if possible. I have always been a strong advocate that people making Aliyah should invest in various currencies and not solely rely on Sterling.

A decade ago, people who moved to Israel were getting 8.5 Shekels to the Pound. Currently the exchange rate (Mar 2022) is nearer 4.3. This means that peoples’ Sterling based income has, in effect been reduced by nearly half. Most retirees simply did not plan (understandably) for their income to drop by a half. This has caused great financial strain for many of them.



The recent Brexit events have really highlighted how important it is not to be overly dependant on any one currency. Our multi currency portfolios performed particularly well post the Brexit vote which more than made up for the dramatic fall in Sterling. It was reassuring for me and my clients to see that the multi currency approach worked well even when put to a “once in a generation” (Brexit) test.

## Inflation

Inflation is arguably the greatest danger to people’s (particularly retirees) savings. It slowly rises by a few percentage points per year eating away at the true value of your money. Since the cost of living increases gradually we often don’t notice it. When the affects become apparent it may be too late as there could be an irreparable hole in your finances.

In my experience we all underestimate the dangers of inflation. We talk about market risk, we worry about banks going under, we worry about getting an extra 0.5% from a different bank account, but people miss the “elephant in the room” which is inflation. In my opinion inflation should be retirees’ primary financial concern.

What is really interesting about inflation is that it disproportionately affects retirees. Government inflation figures refer to a “basket” of goods and services. Research shows that retirees spend a higher proportion of their money on “services” such as meals out, taxis and health care. Typically, services inflation is higher than goods inflation. This is because the price of goods has remained relatively cheap as manufacturing is increasingly carried out in low wage/cost countries in Asia. Thus you can import cheap goods, but you can’t import services (you can’t import a cheap taxi ride!). As such, retirees should not be complacent when looking at low Government inflation figures. The chances are that your own personal inflation rate is somewhat higher than the official general Government figures.

As an example of how damaging inflation is, take an inflation rate of 4% (which does not sound too bad) this would mean that in ten years time your money would have almost halved in value. If your portfolio dropped by 50% people would rightly feel very worried, however people often don’t appreciate that inflation is causing such damage. As I said earlier it creeps in gradually and escapes notice until it’s too late.

Now that that I have dealt with the basic principles I will discuss the issues that you will face as you embark on your Aliyah journey.

## Property

Often the default position of people that I meet is to keep their property in the UK and rent it out. This is understandable but is it the right thing to do? Property has generally been an extremely good investment, particularly over the last twenty years or so. The property question gets to the heart of investment planning for Olim. What makes perfect sense for someone living in the UK is not necessarily right for Olim.

Unless you are a professional landlord managing numerous properties, I strongly recommend you do not keep your UK property and rent it out. This is especially true if you are relying on the rent for part/all of your income need.

**Here are some of the issues you need to consider:**

### Reasons to keep UK property

- Property has been an excellent investment in the past
- Rent produced from the property can be used as source of income
- There would be a UK property to live in if things do not work out in Israel
- Property should be a good long term ‘hedge’ against inflation



### Reasons to sell UK property

- Property has done extremely well in recent times. Could this be coming to an end especially as interest rates can only go up from current levels
- Managing property can be time consuming and stressful when based in the UK and this is even more so when you are based abroad
- Paying management fees will be costly
- Overheads, repairs and vacant periods reduce returns
- UK property is subject to UK inheritance tax at up to 40% (UK situs asset)
- Non liquid asset – money can't be released quickly or easily nor can you sell part of the property should you need a small amount
- Rental income subject to on-going UK income tax (even if you live in Israel)
- HMRC could argue that you are still UK domiciled if you keep your former private residence [see section on inheritance tax]. Investment properties e.g. “buy to lets” should be less significant in determining your domicile
- Sterling only income
- UK Capital Gains Tax now chargeable even for non-residents
- Yields in London at around 2-3%

When you consider the typical yield on a London property, less all the costs such as agents, management, insurance, vacant periods, repairs, UK tax etc it typically brings the yield to below 3%. If the rent is a vital part of your income requirement, then you are dependent on a stranger paying rent and that income will be in Sterling. Thus you are relying on an individual person and a single currency for your income needs. I think that combination is too risky for my clients especially when their pensions will also be Sterling based. Add to that all the uncertainties of managing a property from Israel and most people decide to sell.

However, for those of you who still need convincing, consider that you need to pay UK Income tax on the rental income and UK Capital Gains tax on future gains. As an Oleh you do not need to pay Israeli income tax on your investments (10 years). However UK property will remain taxable in the UK. Why hold an asset that attracts UK income/capital gains tax when you can hold other assets that are tax free?

*‘Thus you have the certainty that your financial position will be the same or better on the Israeli tax system’*

In my opinion, the final nail in the coffin for UK property is that inheritance tax at 40% (subject to the nil rate band) is payable on any asset (including property) left behind in the UK.

When you consider the low income yield, the difficulties and costs of managing property from abroad, the fact that UK rental property will potentially be subject to income tax, capital gains tax and inheritance tax it is clear to me that there are more appropriate investments for Olim. There are other forms of investing that are not subject to any of these taxes and typically produce a higher income.

## **Pensions**

There are lots of issues to consider with pensions, not least because the UK pension system is very complicated and is forever changing. Often people have a variety of different pension schemes that each have their own rules. In April 2015 probably the biggest change in generations came into force with UK pensions. In broad terms pensions have become far more flexible than they have ever been.

I will discuss pensions in general terms, but you really should talk to a competent UK pensions adviser.

In April 2020 the new UK-Israel tax treaty came into force, resulting in perhaps the biggest tax concession on pensions that I have ever seen. Until April 2020, UK pension income was governed by the UK-Israeli tax treaty that came into effect in the 1960s. The wording of the treaty meant that UK pension income had to be taxed either in the UK or in Israel. As a result, UK olim had to continue paying UK tax on their pensions or “volunteer” to pay Israeli tax on their pensions during their first 10 years.

The UK-Israel Double Taxation Agreement was revised in 2019 and the changes come into effect at the start of the Israeli and UK tax years in 2020. Unfortunately, the new protocols do not seem to apply to pensions in relation to “Government service”.

As a result of these changes, UK pension income will be treated the same as any other non-Israeli sourced passive income. This means that for the first 10 years there will be no tax to pay on your pension income in either country!

The new rules become particularly interesting when taken into consideration alongside the pension freedoms that came into force in the UK in April 2015. Since that date, one has been able to take out 100% of their pension fund (post age 55). They would be required to pay tax immediately on any amounts taken that exceed 25% of the pension fund. When these new rules came in there was talk of pensioners taking out all of their pension funds out to buy Lamborghinis! The reality is that most people have not raided their pension pots as they recognise the significant tax charge they would suffer.



*‘It is a very exciting prospect to be able to take all of your money out of your pension tax free.’*

The combination of the 2015 flexibility rules and the 2020 tax treaty is a very exciting development. A person who moves to Israel can now take out 100% of their pension pot, absolutely tax free. A person would have made pension contributions which were tax free, the growth within the pension would have been tax efficient and now they can take all the money out tax free! As I write this, I am still taken aback by how generous this is.

It is a very exciting prospect to be able to take all of your money out of your pension tax free. However, consideration needs to be given to what you would do with the money. Your pension is broadly a tax-free environment; thus, I would suggest that if you have taken the money out of a highly tax efficient structure (pension) you would want to reinvest in a similar tax friendly arrangement. I think there is little point in taking money out of a tax-free pension scheme and reinvesting somewhere that is taxable. So unless you are intending to spend your pension fund, I would advise you to be sure you know where you are going to re-invest the money before you take it out and be certain the new arrangement will not be taxable.

It is worth noting that after your first 10 years (tax free) in Israel you will need to pay some tax on your investment income. Israel are quite generous to pensioners and they have preferential tax rules for pension income. Therefore, consideration needs to be given to tax post ten years to decide if taking 100% of your pension is the right thing to do long term.

We have done a lot of work together with Israeli accountants to try and work out what is the most favourable course of action. As always, it will depend on your circumstances, other income, etc, so there is no universal answer. Feel free to discuss this with us and we can share the advice we have had from Israel and our pensions specialist can give you guidance from the UK side.

There are a lot of factors to consider, so no one should ‘cash in’ their pensions on the back of these paragraphs alone. Pensions are particularly complex; some schemes, typically older schemes may have benefits built into the plan that could be particularly valuable so you are unlikely to want to give those up, without very good reason.

There is a lot that goes into the decision of exiting your pension. There is obvious and known information, some of which is discussed above, but there is also the unknown information. For example, I have spoken to clients where taking out their pension does not look like the best idea.

*‘There is a lot to consider,  
so please take advice from a  
UK adviser who is regulated  
by the FCA.’*

However, they have said that there is a very good chance that over the next ten years the rules in the UK or Israel will change. Therefore, they would rather take all their money out while they can, even if they have to pay a bit more tax or lose a certain benefit. My personal opinion is that post COVID-19, governments are going to be looking for ways to raise money to pay back their debts. I suspect higher taxes are therefore on the cards for most of us. Historically, governments have amended pension rules as a way of raising taxes which is also one of the reasons that they are now so complicated.

There is a lot to consider, so please take advice from a UK adviser who is regulated by the FCA. I have noticed that some Israeli based advisers are advising on UK pensions. One should be cautious as they are unlikely to have suitable qualifications, you will probably pay more and as they are not regulated by the FCA, you won't have any protection if the advice is unsuitable.

There is an additional rule that stipulates that you will not pay more tax on your pension income in Israel than you would have paid in the country from which you came. This applies to new immigrants and to veteran returning residents. Thus you have the certainty that your financial position will be the same or better on the Israeli tax system.

### **QROPS - Qualifying Recognised Overseas Pension Schemes**

As a result of EU freedom of movement legislation, UK pension rules allow one to move their existing UK pension funds into an overseas pensions scheme (QROPS).

Changes to QROPS rules in 2017 mean that they have largely lost their appeal for new investors. People moving to Israel would need to pay an upfront tax charge of 25% of the value of the fund. So, although technically an oleh can have a QROPS, there seems little point due to the tax charge. Those that already have a QROPS can continue to enjoy the benefits of it.

I believe the new tax treaty and pension flexibility rules offers something even better than QROPS did.

*‘Whether your pension money is sent to your UK bank, your Israeli bank or an offshore bank account is irrelevant for taxation purposes’*

### **Pension Payments**

People often ask how does their pension actually get paid into their bank in Israel and does that make any difference to the tax treatment.

Firstly, your tax liability (if any) on your pension or savings income is not dependant on where the money is sent (remitted) to. Whether your pension money is sent to your UK bank, your Israeli bank or an offshore bank account is irrelevant for taxation purposes. Therefore, the decision on where to send the payments is based on what is the most practical and convenient for you.

The State pension can be paid directly to you in Israel in Shekels. This is probably the most convenient way of receiving your pension. The money will be changed using the banking exchange rate rather than a tourist rate. Additionally, if you move to non-contested geographical locations (eg Tel Aviv) you will be entitled to the yearly inflation increases. There is talk from time to time about the Government stopping inflation increases for expats, as this would save a lot of money over time. It hasn't happened yet but it could and this should be factored into your plans.

With regards to non-State pensions, you will need to contact the scheme administrator to confirm if they are willing to pay direct to Israel.

### **Investments**

Now that I have discussed some of the guiding principles, there are other things you need to consider in light of the above:

- What do you want your investments to achieve?
- Do you want the highest possible income now or do you want your investments to grow so that you have a greater income in the future?

*‘An ‘optimal’ portfolio inside a tax efficient structure will give you the greatest possible chance of financial success in your retirement’*

- How much income will you need?
- What is my life expectancy and is there enough money to see me/us through?
- Do you have other sources of income? Are they guaranteed?
- Can you afford to put your money in the bank which has no growth?
- How important is it for you to leave money to your children?
- Would you be prepared to invest differently to avoid 40% UK inheritance tax?

Everyone will have different answers to these questions. This is why each individual should have their own tailor-made portfolio designed to take into account their unique set of circumstances. Typically as you get older you will want to reduce the risk and increase the income that comes from your savings. When selecting investments, it is very important that you consider this at the outset so you have the flexibility built in to allow for changes in your circumstances.

The answers to the above questions will form the foundation of your portfolio and its asset mix. A successful portfolio should typically hold cash, property, bonds/gilts and equities.

Research shows that 90% of a portfolio’s performance is due to selecting the right asset mix. The remaining 10% of the performance is due to picking the right stock or bond. It is because of this that getting the right asset allocation is so fundamental. The wrong asset mix can affect 90% of a portfolio’s performance and the amount of money you have in the future.

There is no perfect investment. Each of the four asset ‘classes’ and investment types have advantages and disadvantages and their own unique characteristics. It is blending the most suitable attributes to your circumstances that creates your own ‘optimal’ portfolio. An ‘optimal’ portfolio, in multi currencies, inside a tax efficient structure will give you the greatest possible chance of financial success in your retirement. This is exactly what we try and achieve for our clients.

#### **Here is an overview of the four asset classes:**

##### **Cash**

##### **Pros**

- Capital is secure
- Easy access
- Comfort – reassuring to know you have money in the bank



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*‘Cash is simply not a very effective long-term investment.’*

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### Cons

- Lowest rate of return from all the asset classes
- Inflation will erode the capital and therefore, in real terms, your money is likely to decrease over time
- Susceptible to interest rate changes therefore unpredictable income in the future

UK Banks and Building Societies pay the interest net of tax [after deducting UK tax]. However, once you have moved to Israel, you can fill out a form requesting the interest to be paid gross. Money left in a UK bank would be part of your estate for UK inheritance tax purposes. Therefore, an offshore bank account should be considered as they pay interest gross.

As global financial regulation gathers pace, financial institutions have a greater responsibility to pass on information to various Government organisations. There can be negative implications for any institution that has clients/customers that are not disclosing their tax information to the relevant authorities. As a result the banks are becoming much more cautious on who they take on as clients. Some of them will no longer take clients from abroad or outside the EU. Each bank will have their own criteria and you should check in advance that they will be happy for you to be a customer once you move to Israel.

Cash is simply not a very effective long-term investment. However, cash is an essential part of a person’s overall investment portfolio. Everyone should keep an emergency fund in cash that can be readily accessible. Normal financial planning would recommend 3-6 months’ expenditure kept in cash. For Olim I recommend that they keep 12-24 months’ expenditure in cash, as there are more unknowns. Keeping more than this means that a larger portion of your finances are not growing for the future. However, you must do what feels comfortable for you.

### Property

Residential property has been covered earlier.

Commercial property usually involves the purchase of either retail, office or industrial units and renting them out on longer-term contracts. This usually provides a consistent and predictable income for the investor. However, just like residential property the rent received is taxable in the UK. In addition, the property would also be subject to UK Inheritance Tax as it is a UK situs asset.

This outweighs some of the potential benefits, therefore somebody moving to Israel should think carefully about any property holdings they have.

Placing property into an offshore structure could help avoid Inheritance Tax but not UK Income Tax.

### Bonds/Gilts

Bonds are IOUs to companies and Gilts are IOUs to the UK Government. 'Bonds' is a loosely used term in financial services. This should not be confused with other bonds you may come across, particularly bonds that a bank or building society may offer.

The UK Government may choose to raise money by issuing Gilts. An investor purchases the Gilts from the Government. In return, the Government pays regular interest and promises to pay back the initial investment on a set date in the future.

For example a Gilt called a "Treasury 2035 - 5%" would mean that it pays 5% per year until 2035, at which time your initial investment would be returned to you. This is the safest form of investment as the government would have to 'go bust' for it to be unable to repay the money. Western Governments should simply not go bust although it is not impossible.

*'It is blending the most suitable attributes to your circumstances that creates your own 'optimal' portfolio'*

Corporate Bonds are exactly the same except instead of lending money to the Government you lend it to a company. However, you would receive a higher rate of return, because regardless of how strong the company is, there is still a higher risk of a company going bust than the UK Government.

### Pros

- Capital is fairly safe
- You have a fixed date when capital is returned
- Gilts pay gross of tax
- Bonds pay net of tax, but tax can be reclaimed
- No capital gains tax payable on Gilts/Bonds
- Reliable fixed income

### Cons

- There are higher returns from other investments
- Could lose money if sold early
- Locked into fixed interest rate
- Unlikely to keep up with inflation

Since the credit crunch the Government has introduced measures to reduce the cost of money in the economy. This policy is continuing in light of market difficulties triggered by the corona virus. The result of these policies is that Gilt yields by historical measures are currently near their record lows which actually means that gilt prices are near their record highs. Therefore, in the current market, Gilts are potentially a wolf in sheep's clothing. People think they are safe but at current prices they could be very dangerous investments.



## Equities / Shares

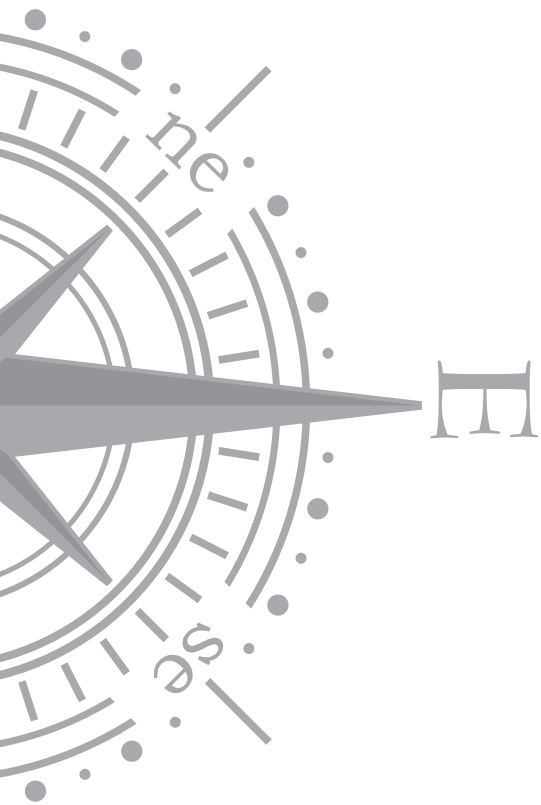
Stock market investments have outperformed all asset classes since the Second World War. However, newspaper headlines during the bad times have given them a poor reputation in some circles. In my opinion it would be unwise to ignore their long term returns. They will fluctuate in value over the short term but over the longer term they should comfortably outperform inflation and provide a larger future income for you.

### Pros

- Good chance of future growth
- Best performing asset class
- Liquid asset
- Combats Inflation
- Huge choice of investments
- Access to funds from all over the world
- Spreads your risk
- Easy access to other currencies so less dependence on Sterling

### Cons

- Can be volatile
- Should not be considered for less than five years
- Returns very hard to predict
- Perceived as high risk



### ISAs

These are tax efficient savings vehicles that allow money to be saved tax free at the bank/building society. They can also be used to invest in stocks and bonds in a tax efficient manner. They are only available to UK residents so once you leave the country you will be unable to invest in any new ISAs. However, you are allowed to keep your existing ISAs.

Whilst these are tax efficient in the UK, they are NOT the most tax efficient for Olim. Your ISAs are UK situs assets thus would be subject to potential UK Inheritance tax (IHT). Furthermore, even if your ISAs are not worth anywhere near the £325,000 IHT exemption, there would still be the need for a UK probate on death. Therefore, ISAs are a particularly potent example of how you need to think differently when making Aliyah. ISAs for UK residents make absolute sense and everyone should have them. For people making Aliyah there are better structures for your savings and investments.

### Inheritance Tax

Inheritance tax is a major issue that must be considered when making Aliyah. Currently there is no inheritance tax payable on the assets of a deceased person's estate for Israelis living in Israel. Contrast this to the UK where after allowances the remaining assets are taxed at 40%. Thus nearly half of your total wealth may go to the UK taxman.

Some simple inheritance tax planning could save your family a substantial amount of money.

*Qu If I move to Israel, will my UK assets still be subject to UK inheritance tax?*

*Ans* Most definitely yes. Even if you are a non-resident and in fact non domicile, the assets that you hold in the UK, even money in a bank account, will be subject to UK inheritance tax.



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*‘This adds to the importance of thinking seriously about not keeping your family home and investment assets in the UK’*

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*Qu If I move to Israel, will my worldwide assets, including those in Israel, be subject to UK inheritance tax?*

Ans UK inheritance tax is not dependant on whether a person is UK resident but rather if they are UK domiciled. The domicile of a person is much harder to define. The normal definition is based on whether you have lived in the UK for 15 out of the last 20 years (a change from 17 years since April 2017). In which case, based on this definition, people moving to Israel still face UK inheritance tax for a number of years after they have left the UK. Indeed in most cases people making Aliyah need to work on the basis that they will be subject to UK IHT for a minimum of 5 full tax years after they have left. This is provided HMRC accepts that you have left the UK for good with no intention of becoming resident again.

**Some of the points that the HMRC would consider in your favour are:**

- You have sold your UK home
- You no longer have any assets in the UK
- Your family lives in Israel
- You have made a Will in Israel
- You have voting rights/citizenship in Israel
- You have officially made Aliyah
- You have given up burial rights in the UK and intend on being buried in Israel

This adds to the importance of thinking seriously about not keeping your family home and investment assets in the UK.

If for example you keep your UK home and spend time in the UK, HMRC can argue that your five-year clock has not started yet. It is only once you have fully severed your UK ties that the clock starts.

## Summary

As you can see, optimising your savings when moving to Israel needs careful consideration and planning. Do it correctly and it should be financially rewarding.

You need to fully understand the issues that you face and the various risks associated with any strategy. The risk of losing money is perhaps the most obvious, and it is this that often paralyses people and prevents them from taking appropriate action. There are other more subtle risks that will greatly affect the value of your savings and are more dangerous than market fluctuations such as inflation and currency risks. Thus sometimes doing nothing is the biggest risk of all.

## Solution

Using our expertise as Chartered Wealth Managers and Chartered Financial Planners we are able to create a bespoke portfolio tailored exactly to your needs. This portfolio will be actively managed on your behalf and is typically structured offshore.

We are frequently in Israel visiting our clients. This gives us the opportunity to discuss their investments and ensure that the portfolio continues to be the most suitable for their on-going needs.

Through our network of expert contacts in the UK and Israel, such as Lawyers and Accountants, we are able to direct future Olim through the financial maze that they face. In recent years we have helped many Olim to optimise their savings when making Aliyah.

Clients living in Israel represent the majority of our business, thus we wanted to ensure that clients have their savings optimised after the 10-year tax holiday in Israel. We have recently finished a project with one of the 'top four' international accountancy firms. We have been dealing with their Tel-Aviv office. With their help, we can offer a very tax efficient structure that minimizes taxes after the 10-year tax break. The details are beyond the scope of this booklet.

We have many very satisfied clients who we have helped over the years. Please ask us for our "testimonial" document that highlights what a number of our clients say about us or you may view it on our website.

*'Using our expertise as Chartered Wealth Managers and Chartered Financial Planners we are able to create a bespoke portfolio tailored exactly to your needs'*

*‘The Isle of Man (IOM) structure that we often use for clients in Israel has perhaps the most protection of any fund anywhere in the world. The IOM government guarantees 90% of the value of the funds’*

## **Regulation and safety of assets**

Aside from being a leading international firm, Raymond James Investment Services is regulated in the UK by the Financial Conduct Authority (FCA). The FCA is highly regarded regulator on the world stage. The regulator’s primary concerns are the safety of client assets and clients being treated fairly. Raymond James Investment Services has a strong ethos of state conservative investment management and a low risk corporate outlook. Raymond James Investment Services currently holds five times the amount of money/cash reserves than the regulator requires, as part of our ‘capital adequacy’.

The Isle of Man (IOM) structure that we often use for clients in Israel has perhaps the most protection of any fund anywhere in the world. The IOM government guarantees 90% of the value of the funds should a firm fail resulting in a loss for a client. The financial firms have extensive safeguards in place and are highly regulated. It is therefore extremely unlikely that the government would ever need to step in. However, it is reassuring for investors to know the scheme is in place. This compares favourably to the UK banking system that offers a maximum of £85,000 in compensation should the bank fail. Contrast this with investments made in Israel where there is no client protection scheme at all.

People sometimes tell me that investment management is cheaper in Israel. That may or may not be the case as there are fund and structure charges that may not be visible. The UK has led the world in transparency and ensuring that advisers are well qualified and “treat customers fairly”. Sometimes things may seem cheaper but when you lift the bonnet and get inside, figures are often not always what they seem. In Israel there is no ombudsman or complaints adjudicator, thus, if you are unhappy with the advice you have received, aside from going through the Israeli court system there is not much you can do about it.

If you are investing and you come from the UK, I would strongly advise you to work with a UK regulated adviser (even if it is not us!). You will have peace of mind knowing your investments would be strictly controlled. You will understand the system and if something goes wrong there is a simple and transparent complaints procedure that every firm will explain to you.



## Simon Benarroch Chartered FCSI

Simon is a Chartered Wealth Manager and a Chartered Fellow of the Chartered Institute for Securities and Investment (CISI). Simon has continually taken exams throughout his career and is qualified at the highest level for private client wealth management. Being a 'Chartered Fellow' puts Simon in a select minority of investment professionals in the UK.

Simon has over 20 years' experience helping private clients with their savings and investments. He began working with the financial needs of Olim over 17 years ago. This part of the business has been so successful that Simon and his highly qualified team devote most of their time to the financial requirements of Olim. The majority of our clients are retired people living in Israel. We know exactly what issues they face and tailor our advice and portfolios to address those issues. The other advisers in our team are also qualified at "Chartered" level. This means that all our advisers are qualified to the highest level and maintain the highest technical and ethical standards. This sets us apart from our competitors and the majority of UK adviser firms.

## Raymond James Investment Services

Raymond James Investment Services Limited is the UK private client investment management arm of Raymond James Financial, Inc., ('RJF') one of the ten leading investment services companies in the United States, an S&P 500 company. Established in 1962, RJF is listed on the New York Stock Exchange. RJF currently has over 8,000 wealth managers located in 3,000 offices in the US, Canada, the UK and elsewhere overseas. These wealth managers service more than 3 million client accounts representing total assets of approximately \$1.26 trillion (as of 31st December 2021).

## Why choose us?

Our knowledge, expertise, service and backing of one of the world's largest financial firms makes us unique. Nearly all of our clients are retirees living in Israel, thus you are unlikely to find another team that understands the financial needs of Olim as well as we do.

We offer a highly personalised face-to-face service, with an excellent investment track record. The majority of our business comes from recommendations, be it happy individual clients or other professionals such as lawyers and accountants. We are extremely proud of our reputation and good standing in the market.

We can help you organise your finances so they are structured in a tax efficient manner. In addition, we continue the investment management of your funds once you are in Israel. We regularly come to Israel to discuss our clients investments and conduct important reviews. These face-to-face meetings in Israel are extremely valuable; they allow us to gather the most up to date information on our clients' circumstances to ensure that we continue managing their investments in the optimal way.

Our unique approach ensures that you are dealing with the highest qualified UK advisers who thoroughly understand your needs in Israel. Importantly you still have all the protection and benefits of working with a UK (FCA) regulated firm even though you live in Israel.



**RAYMOND JAMES®**

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**Important information**

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