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PRE-YEAR-END TAX PLANNING

TAX-SAVING ACTIONS TO TAKE BEFORE THE DEADLINE

WEALTH ACCUMULATION
Valuable insights that can impact an investment strategy

WHAT WILL YOUR LEGACY LOOK LIKE?
Effective Inheritance Tax planning is a careful balancing act

PROTECTING YOURSELF FROM INVESTMENT SCAMS
If something sounds too good to be true, it probably is

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INSIDE **THIS ISSUE**

Welcome to our latest issue. As we approach the end of the current tax year on 5 April 2024, it's an opportune moment to examine both your personal and business finances to ensure they are structured to optimise your tax efficiency. Despite the ongoing freeze on many tax rates and thresholds, numerous strategies remain for efficiently organising your financial matters. Read the full article on page 08.

Investment scams are a rising concern, promising potential investors the allure of making a significant amount of money swiftly and effortlessly. These scams often involve minimal to no risk investments in various areas such as financial markets, property, cryptocurrencies, and precious metals and coins. On page 12, we see how these schemes often masquerade as legitimate investments.

Once a concern only for the very affluent, Inheritance Tax (IHT) is now an issue for many ordinary families, who may find themselves handing over an unprecedented portion of their estates to the taxman. The Office for Budget Responsibility anticipates that IHT will bring in £7.2 billion in the fiscal year 2023/24. Read the article on page 06.

On page 05, we consider the ever-evolving landscape of investment and why it might appear daunting. Market conditions are like shifting sands, unpredictable and often beyond control. They can be impacted by many factors, such as political events, economic indicators, corporate earnings reports and even natural disasters.

A complete list of the articles featured in this issue appears opposite.

WE DON'T JUST LOOK AT THE NUMBERS
Your goals are unique to you and important to us. We don't just look at the numbers; we create a plan tailored to your unique needs and ambitions and focus on what's important to you and your loved ones. Please contact us for more information or to discuss your requirements.

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INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results. The Financial Conduct Authority does not regulate tax advice, Inheritance Tax planning, estate planning, Will writing or Cashflow Modelling.

MANAGING YOUR FINANCES **AS A COUPLE**

DISCUSSING FINANCES MAY FEEL UNCOMFORTABLE, BUT IT IS CRUCIAL TO MAINTAIN A HEALTHY RELATIONSHIP

Transparency is the foundation of any strong relationship, which holds true regarding financial matters. It is easy to fall into the trap of assuming that you and your partner have similar financial habits and attitudes.

STAY ON TRACK AND WORK TOGETHER

Open conversations about finance can help set expectations, resolve issues, formulate a budgeting plan that suits both partners and construct a robust financial plan. Aim to establish mutual goals. Having individual life objectives is commendable, but it might be easier to stay on track if you feel you're working together. Setting one or two shared goals provides a tangible target for you as a couple.

The significance of setting goals cannot be overstated. It helps determine how much money needs to be saved and where it should be invested. For instance, placing this fund in a low-risk cash savings account would be prudent if the goal is to upgrade to a larger property in three years. This strategy eliminates the risk of the savings plummeting in value right before they are needed.

However, if appropriate, consider investing funds in the stock market for long-term goals spanning ten or more years. This approach allows your money to grow over time, helping you achieve your goals faster.

TAX-EFFICIENT INCOME AND GROWTH

Tax planning might not be the most appealing topic, but it offers several opportunities that could help your money stretch further. For example, Individual Savings Accounts (ISAs) allow each partner to invest up to £20,000 a year (2023/24), offering the advantage of tax-efficient income and growth. If both partners open an ISA, a combined £40,000 is shielded annually from Income and Capital Gains Tax (CGT).

If your ISA allowances are exhausted, the CGT exemption permits each partner to realise tax-free investment gains of up to £6,000 in the 2023/24 tax year. Married couples or those in a registered civil partnership can transfer investments between one another tax-free, effectively doubling the CGT exemption to £12,000. Remember that the CGT exemption will be reduced to £3,000 from 6 April 2024.

The personal savings allowance provides an amount of interest that can be earned without tax. This is £1,000 for basic rate taxpayers, £500 for higher rate taxpayers and nil for additional rate taxpayers. Married couples or those in a registered civil partnership could consider transferring savings between each other to maximise each partner's personal savings allowance.

AVOIDING SUBSTANTIAL FINANCIAL HARDSHIP

Discussing life's darker aspects, such as death and illness, may not seem ideal for a romantic evening, but it's crucial to ponder how your finances would fare if the worst were to happen. As partners, your financial lives are likely deeply entwined; a serious illness or demise of one could lead to substantial financial hardship for the other.

We're here to help you navigate these difficult conversations and decisions. We can assist you in selecting the right protection policies and levels of cover tailored to your unique circumstances.

WEALTH AND ASSETS ALLOCATED ACCORDING TO YOUR WISHES

This is also an opportune time to consider drafting a Will. Creating a Will ensures that your wealth and assets are allocated according to your wishes. This vital document guarantees that your money and other possessions go to the intended recipients, fulfilling your wishes.

Having a Will becomes even more crucial if you're not married or in a registered civil partnership. Even after living together for years, without a Will you have no legal rights to your partner's estate if they pass away. ◀

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READY TO TAKE THE FIRST STEP TOWARDS A SECURE FINANCIAL FUTURE?

Whether it's deciding on the right insurance cover, drafting a Will or simply creating a budget, we are here to assist. If you need further information or have any questions, please do not hesitate to contact us. Your secure financial future is our priority.

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PLANNING FOR **AN EARLY RETIREMENT**

LIVING LIFE TO THE FULLEST AND ACCOMPLISHING LONG-HELD DREAMS

Early retirement typically signifies reaching financial autonomy before the statutory pension age, usually in the mid-60s. In the United Kingdom, retirees can begin drawing their State Pension at age 66. However, this retirement benchmark is set to increase to age 67 by 6 April 2028.

Consequently, the early retirement age could be anywhere in your early 60s. Yet, for most, the concept of early retirement begins at age 55, when individuals can start drawing on their personal or workplace pension savings. However, this age is also due to increase to 57 from 6 April 2028.

ASPECTS OF LIFE

During the early retirement phase, the focus tends to be on living life to the fullest and accomplishing long-held dreams. One's spending might then reduce as activity levels decline, only to surge again later, possibly due to rising care needs.

It's common for individuals to either overestimate their health or underestimate their lifespan. As average life expectancy gets longer, some people may spend over 20 years or more in retirement – over twice our grandparents' duration. Yet, as with many aspects of life, this depends on luck.

COMPLEX CALCULATION

In fundamental terms, full retirement implies that your lifetime expenses should not surpass your income plus any remaining assets, such as savings and investments. This can be a complex calculation in many instances. It will require you to weigh your pension and other income sources against your expenditure and evolving needs as you age.

Simultaneously, it's crucial to consider investment returns and inflation, which refers to the rising cost of living. As we have recently witnessed, everyday prices can escalate rapidly, significantly diminishing the purchasing power of a fixed income or cash savings.

MULTIPLE FACTORS

Embracing early retirement doesn't necessarily translate to a full-stop on professional life. Instead, many individuals transition into more flexible, part-time roles or switch toward volunteering. This shift allows retirees to sidestep less appealing aspects of working life, such as long commutes or stressful work environments while reaping employment benefits.

Unfortunately, early retirement due to ill health isn't a choice but a necessity, creating unique challenges for some. Time constraints limit opportunities to plan and build retirement finances. Additionally, careful planning for care and support becomes a priority. Making the decision to retire early is significant and requires thorough consideration of multiple factors.

To determine whether you can retire early, you will need to assess your financial standing. This means calculating your total pension pots, tracking lost ones and considering other possible income sources or debts. Additionally, you need to envision your ideal early retirement lifestyle and estimate its costs. ◀

READY TO DISCUSS NAVIGATING YOUR RETIREMENT JOURNEY?

To retire early, starting to plan sooner rather than later is essential. The earlier you start saving, the harder your money can work for you. Please contact us for further information or assistance in navigating your retirement journey. We're here to help you plan for a secure and fulfilling future.

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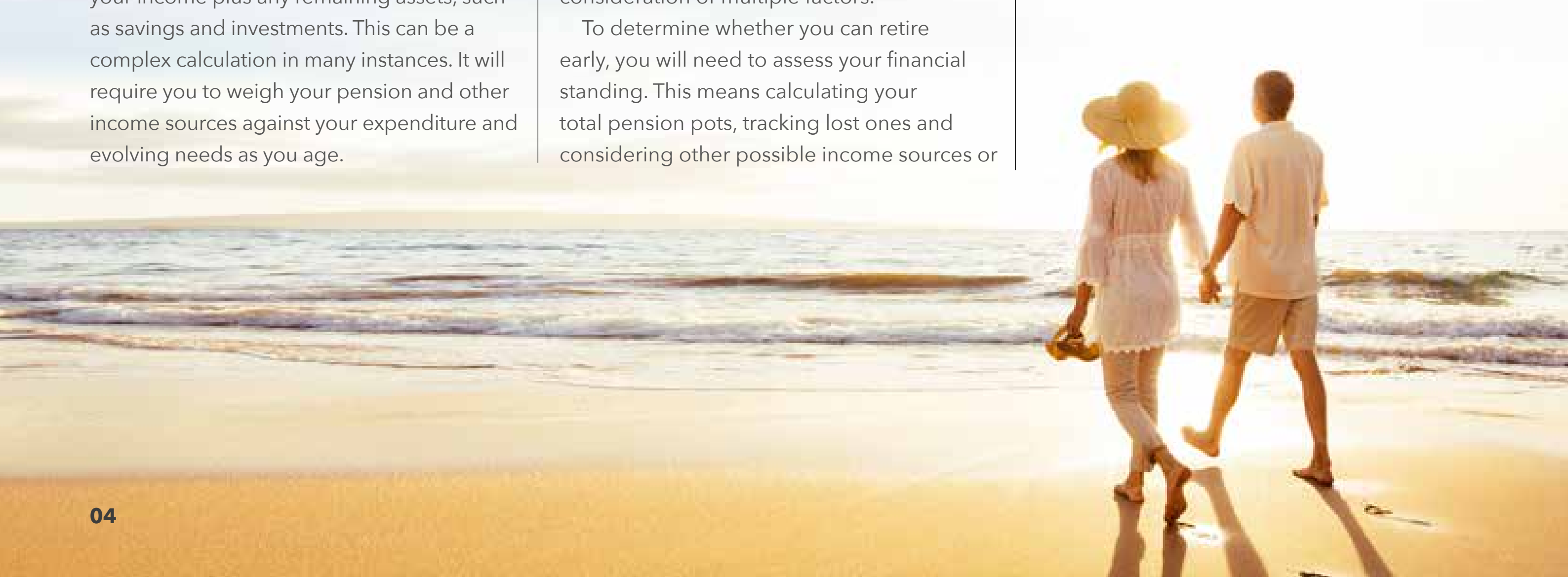
A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.



WEALTH ACCUMULATION

VALUABLE INSIGHTS THAT CAN IMPACT AN INVESTMENT STRATEGY

With the ever-evolving landscape of investment, it's not hard to see why it might appear daunting. The investment world is equivalent to a living, breathing entity constantly evolving and changing. It's a landscape that never remains static, mirroring the dynamic nature of global economies and financial markets.

Market conditions are like shifting sands, unpredictable and often beyond control. They can be impacted by many factors, such as political events, economic indicators, corporate earnings reports and even natural disasters.

SIFTING THROUGH THE NOISE AND IDENTIFYING VALUABLE INSIGHTS

In addition to the ever-changing market conditions, investors are inundated with a ceaseless news stream. Breaking news, financial analysis, expert opinions and economic forecasts are examples of the information barrage investors face.

While beneficial for making informed decisions, this constant flow of information can also lead to information overload. Sifting through the noise and identifying valuable insights that can genuinely impact one's investment strategy can be challenging.

GROWING YOUR INITIAL INVESTMENT VIA COMPOUNDING

One of the most effective ways to accumulate wealth is to start investing early. It's not about waiting until you've amassed a significant sum of cash or savings; it's about leveraging the power of compounding.

Compounding is equivalent to a snowball effect, where the money you earn through investments generates more earnings. You're growing your initial investment and any accumulated interest, dividends and capital gains. The longer you stay invested, the more time there is for your returns to compound.

REGULARITY IS A KEY INVESTMENT DISCIPLINE

Investing regularly is as important as starting early. Doing so ensures that investing remains a priority throughout the year rather than a task confined to specific deadlines like year-end tax planning. This disciplined approach can aid in wealth accumulation over time. Regular investments also allow you to easily navigate different market conditions (rising, falling, flat), eliminating the need to time your investments perfectly.

By consistently investing a fixed amount, you can buy more when prices are low and less when they're high, potentially reducing your long-term investment cost. Moreover, investing small amounts continuously can help balance returns over time and decrease overall portfolio volatility.

EXPANDING INVESTMENT HORIZONS

The investment world offers a simple yet powerful mantra to manage risk and enhance the likelihood of success – diversify your portfolio. This strategy involves spreading your investments across various asset classes, geographical markets and industries. But what makes this approach so crucial?

Financial markets are not uniform entities; they do not move in sync. Different types of investments or asset classes, such as cash, fixed income and equities, will lead or lag at different stages in the market cycle. They may also react differently to environmental factors such as inflation, corporate earnings forecasts and interest rate changes.

HARNESSING MARKET MOVEMENTS

Diversifying your portfolio places you in an advantageous position to seize opportunities across various investments as they emerge. This strategy usually results in a smoother investment journey. But how? The answer lies in the balancing act that diversification encourages. Investments that appreciate in value can offset those that are underperforming.

Applying these principles of successful investing can help ensure that your portfolio is poised for long-term growth, equipped to navigate temporary market volatility and ready to capitalise on opportunities as market conditions evolve. ◀

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WILL YOUR INVESTMENTS ENABLE YOU TO ACHIEVE YOUR FINANCIAL AND LIFE GOALS?

Despite these challenges, it's crucial not to let this deter you from embarking on your investment journey. While investing may seem daunting at first glance, it's a journey that can lead to substantial financial growth and security when undertaken with due diligence and strategic planning. If you require further information or want to discuss your investment journey, we're here to help you navigate the complex investing world and achieve your financial and life goals.

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WHAT WILL **YOUR LEGACY LOOK LIKE?**

EFFECTIVE INHERITANCE TAX PLANNING IS A CAREFUL BALANCING ACT

Once a concern only for the very affluent, Inheritance Tax (IHT) is now an issue for many ordinary families, who may find themselves handing over an unprecedented portion of their estates to the taxman. This shift results from years of house price growth, inflation and stagnant tax thresholds. The Office for Budget Responsibility anticipates that IHT will bring in £7.2 billion in the fiscal year 2023/24[1].

Effective IHT planning is a careful balancing act. It's about ensuring you can live comfortably and meet your care needs while also considering how to pass on your wealth in the most tax-efficient way. Navigating these complexities can be challenging, but it's entirely manageable with open communication and careful planning.

Typically, IHT applies at a rate of 40% on the value of an estate above the 'nil rate' allowance of £325,000 (which has been frozen until April 2028). This figure escalates to £500,000 if a primary residence is bequeathed to a direct descendant. Assets passed to a spouse or registered civil partner are exempt from this tax.

VALUABLE RELIEFS AND THE SEVEN-YEAR RULE

A variety of reliefs exist that enable families to protect more of their estate from IHT. The most significant of these is arguably the seven-year rule. This provision allows certain gifts to be tax-free, provided the giver survives for seven years after making the gift. However, this seemingly straightforward rule is fraught with potential pitfalls that could result in an unexpected bill from His Majesty's Revenue & Customs (HMRC).

Estate planning is a complex endeavour. Prudent giving requires sufficient funds to support a long life and cover care costs. Here, we explore the main tax traps that could cost you thousands and provide guidance on avoiding them.

COMPLICATIONS OF GIFTING PROPERTY

Often, the most valuable asset in an estate is the family home. However, the rules regarding property transfers are stringent. It is a widespread misunderstanding that transferring the legal ownership of a property to children while the parents continue to reside there will sidestep IHT. Such a transfer would be considered a 'gift with reservation' by the HMRC, as the original owner continues to benefit from the asset.

AVOIDING THE 'GIFT WITH RESERVATION' PITFALL

A parent wishing to transfer ownership but continue living in the family home would need to pay market rent to the new owner to avoid this situation. The HMRC would require a signed rental agreement specifying an annual rent review and evidence of payments.

Transferring ownership of your home while you continue to reside in it carries inherent risks, as you depend on the new owners not selling the property. Placing the property into

IF YOU DIE AFTER AGE 75, YOUR BENEFICIARIES WILL PAY INCOME TAX ON MONEY TAKEN OUT OF THE PENSION AT THEIR USUAL RATE. BENEFICIARIES CAN REDUCE INCOME TAX ON INHERITED PENSIONS BY WITHDRAWING MONEY GRADUALLY.

a trust can help manage this risk, though this approach has its own costs and complexities.

BESTOWING GIFTS AND UNDERSTANDING THE TAX IMPLICATIONS

Giving gifts can be a joyous act, but it's crucial to understand the context when it comes to IHT. If you pass away within seven years of giving a gift, IHT may be charged on the amount exceeding the £325,000 allowance. This is based on a sliding scale and if death occurs within three years, the usual 40% rate applies on amounts above this allowance.

For gifts that potentially violate the seven-year rule, if the gift exceeds the available Nil Rate Band Allowance, there would be tax on the recipient. If this isn't addressed, the deceased's estate typically handles the tax, which can become complicated with multiple beneficiaries.

TAX-FREE ALLOWANCES AND THEIR EXCEPTIONS

Certain allowances are exempt from the seven-year rule. You can give up to £3,000 each tax year without it being considered part of your estate later. However, this allowance hasn't changed for over four decades, and inflation has significantly diminished its value.

The annual allowance can be divided among several people or given to one individual, and unused allowance can be carried forward by one tax year. You can also give a tax-free gift £5,000 to a child or stepchild for their wedding or registered civil partnership. For a grandchild or great-grandchild, it's £2,500, and £1,000 for any other person.

REGULAR GIFTS FROM EXCESS INCOME

Regular gifts from your surplus income are exempt from tax, provided they don't impact your standard of living. These gifts must come from your regular income rather than the sale proceeds of a property. They might include payments into a child's savings account or to cover your child's rent. HMRC closely monitors this relief, so it's important to maintain detailed records of the amounts given.

MAXIMISING YOUR PENSION BENEFITS

Pensions are one of the most tax-efficient benefits in life and after death. They usually don't form part of your estate for IHT purposes, though this doesn't apply to money already drawn from a retirement pot. However, there may be Income Tax to pay depending on when the donor dies and how the benefits are taken.

If you die after age 75, your beneficiaries will pay Income Tax on money taken out of the pension at their usual rate. Beneficiaries can potentially reduce Income Tax on inherited pensions by withdrawing money gradually, and this also depends on their overall level of income

ROLE OF TRUSTS IN PLANNING

Trusts are versatile tools that play a significant role in estate planning. Individuals often opt to transfer gifts through trusts, which allows them to control the timing and purpose of the money's accessibility. This method ensures that the beneficiary can only access the funds under specific conditions, at a predetermined time, or at the trustee's discretion.

Moreover, life insurance policies can be integrated into an appropriate trust. This strategy ensures immediate access to funds for settling an IHT bill. Establishing a trust for your life insurance policy can provide a quick solution to potential IHT duties, preventing delays in the disbursement of the estate.

POWER OF ATTORNEY IS AN ESSENTIAL TOOL IN ESTATE PLANNING

Having a Power of Attorney in place is another crucial element of IHT planning and may require Court of Protection approval. It allows you to appoint someone you trust to make decisions on your behalf if you cannot do so. Knowing that your wishes will be respected even if you cannot express them personally can provide peace of mind.

DEPRIVATION OF ASSETS AND AVOIDING POTENTIAL PITFALLS

The term 'deprivation of assets' refers to deliberately disposing of property, assets or income to avoid care fees. If a local authority believes you've intentionally given away assets to evade these fees, they can charge you as if those assets were still part of your estate. Unlike the seven-year rule for gifts and IHT, there's no time limit here – a local authority can investigate the disposal of assets going back decades. ◀

NEED HELP WITH INHERITANCE TAX PLANNING?

Inheritance Tax planning is complex, but with our advice, we could help you mitigate or reduce a potential tax bill with careful consideration and planning. You've worked hard to build up your wealth. So, it could be a good time to plan so your loved ones can get the most from the estate you intend to leave behind. For more information or guidance, please contact us.

Source data:

[1] https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/inheritance-tax/

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THE FINANCIAL CONDUCT AUTHORITY DOESN'T REGULATE TRUST PLANNING AND MOST FORMS OF INHERITANCE TAX (IHT) PLANNING. SOME IHT PLANNING SOLUTIONS PUT YOUR MONEY AT RISK, AND YOU MAY GET BACK LESS THAN YOU INVESTED. IHT THRESHOLDS DEPEND ON INDIVIDUAL CIRCUMSTANCES AND THE LAW. TAX AND IHT RULES MAY CHANGE IN THE FUTURE.

PRE-YEAR-END **TAX PLANNING**

TAX-SAVING ACTIONS TO TAKE BEFORE THE DEADLINE

As we approach the end of the current tax year on 5 April 2024, it's an opportune moment to examine both your personal and business finances to ensure they are structured to optimise your tax efficiency. Despite the ongoing freeze on many tax rates and thresholds, numerous strategies remain for organising your financial matters tax-efficiently.

BALANCING INCOME FOR TAX EFFICIENCY

When it comes to managing your finances, one aspect that often goes overlooked is the balance of income between partners. Individuals and their spouses or registered civil partners may have differing income levels. This disparity can sometimes result in a higher tax rate being applied unnecessarily. For instance, if the person earning more and taxed at a higher rate holds the investment income instead of their spouse or registered civil partner.

In such scenarios, and if appropriate, it can be more beneficial for the lower-earning spouse to receive the investment income. This way, it's taxed at a lower rate, thereby maximising the couple's net income. Therefore, it's important to review who owns what and consider balancing assets between each other. It should be possible to equalise income-producing assets between spouses and registered civil partners tax-efficiently. However, careful structuring is required to ensure no unexpected tax liabilities arise from this.

LEVERAGING INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

Another key aspect of financial management is making the most of your Individual Savings Account (ISA) allowance. ISAs offer both income and gains growth in a tax-efficient manner. Moreover, withdrawing funds from an ISA is also tax-efficient, making it an attractive option, particularly when used alongside pensions for retirement planning.

MAXIMISING YOUR ISA ALLOWANCE

Each adult can invest up to £20,000 in the current tax year into an ISA. This means a couple could double up to put £40,000 into ISAs each tax year, sheltering the growth in these funds from Income/Capital Gains Tax. This allowance is a 'use it, or lose it' scheme, as it's not possible to roll over any unused amounts to another tax year.

UNDERSTANDING DIFFERENT TYPES OF ISAS

ISAs come in four different types, each catering to different types of investments: Cash ISAs, Stocks & Shares ISAs, Innovative Finance ISAs, and Lifetime or Help to Buy ISAs. The latter comes with a 25% tax-free bonus of up to £1,000 per year. You can distribute your £20,000 ISA allowance across these four types of accounts as you see fit. You can also make multiple subscriptions to the same type of ISA account with one provider of each type. However, a limit of £4,000 per year can be invested in a Lifetime ISA.

CONSIDERING ISAS FOR CHILDREN

If you have minor children, you or a relative can invest up to £9,000 per child in the current tax year into a Junior ISA. This allows the funds/investments to grow tax efficiently, which could help with their further education or house deposit, as they will gain access and control of the funds when they turn 18 years old. Adult children could use gifts you make to them to invest in a Lifetime ISA and maximise the tax-efficient bonus available to them.

CAPITALISING ON DIVIDEND INCOME

When it comes to diversifying your investment income, have you considered the potential of dividends? This type of income can be particularly appealing as it's taxed at a lower rate compared to other sources. Reviewing your anticipated tax exposure is essential to understand whether holding these investments within an Individual Savings Account (ISA), equalising your holdings with your spouse or registered civil partner, or opting for an alternative investment would be more beneficial.

For those who own companies, evaluating if the low-salary/high-dividends strategy still offers the most tax-efficient approach is imperative. This strategy may not always be the most beneficial, and regular reviews are necessary to determine if there are more effective ways to draw funds from the company.

MITIGATING THE IMPACT OF INCOME TAX THRESHOLDS

Income Tax thresholds can significantly impact you, especially if your income level is just above the basic or higher rate Income Tax band thresholds. In such cases, mitigating the impact by claiming Income Tax relief on Gift Aid donations, pension contributions or tax-efficient investments could be wise.

EXAMINING TAPERING THRESHOLDS

The value of Income Tax relief becomes even more apparent if you find yourself within the tapering thresholds. These include the High Income Child Benefit Charge (£50,000 – £60,000), where Child Benefit is clawed back; the tax-free childcare threshold of £100,000 a year (where you lose the 25% government top-up if at least one parent earns more than £100,000); or the Personal Allowance threshold

(£100,000 – £125,140), where the Personal Allowance is reduced by £1 for every £2 over that threshold. If you exceed these thresholds, you could be subject to an effective tax rate of 60% or more.

BOOSTING YOUR INCOME WITH PERSONAL PENSION CONTRIBUTIONS

Adding to your personal pension contributions can significantly boost your Income Tax relief. The gross contribution is what benefits your pension policy. However, it's essential to tread carefully and avoid breaching the annual allowance, as this could invalidate the Income Tax relief on your excess pension contribution. As a reminder, reviewing any unused annual allowance for the 2020/21 tax year by 5 April 2024 is crucial, as any unutilised allowance will be lost after three tax years.

CAPITALISING ON YOUR CAPITAL GAINS ANNUAL EXEMPTION

The annual exempt amount for Capital Gains Tax (CGT) will significantly reduce from £6,000 to £3,000 from 6 April 2024. If you're contemplating selling any assets in the near term, expediting the sale before 6 April 2024 may be worthwhile. This action could potentially save up to £840 of CGT per person. Remember, the annual Capital Gains exemption cannot be carried forward if it's unused, so ensure you utilise it each tax year.

Now is an opportune time to understand your current potential exposure to CGT on your assets. This understanding can help you gauge the impact of selling or gifting them to a family member, especially if you're considering succession planning. It's also crucial to review if you are utilising or maximising all available reliefs, such as the Business Asset Disposal Relief (formerly Entrepreneurs' Relief).

LEVERAGING YOUR INHERITANCE TAX (IHT) ALLOWANCES

As part of your review of assets, projected income levels and needs, it's important to consider whether gifting funds or assets to your children or grandchildren is appropriate. This could serve several purposes, such as supporting their education, helping them get on the property ladder or even reducing your own IHT exposure. Currently, IHT is payable at 40%, where a person's assets on death and any gifts made during the seven preceding years total more than the nil rate band (NRB) and the residence nil rate band (RNRB).

The NRB is currently £325,000, and the RNRB is up to £175,000; these are fixed at this level until April 2028. Ensure you use the allowances available each year, such as the small gifts allowance of £250 or the annual IHT allowance of £3,000. Don't forget about gifts on consideration of marriage (£5,000 to children, £2,500 to grandchildren and £1,000 to anyone else).

REVIEW YOUR WILLS

Lastly, reviewing your Wills to ensure they are still valid and provide the protection and benefits you want for your loved ones is crucial. ◀

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READY TO DISCUSS HOW TO MAKE THE MOST OF THESE PLANNING OPPORTUNITIES?

Don't hesitate to contact us for further information or assistance navigating these complex financial matters. We're here to help guide you through these decisions and to ensure you're making the most of your financial opportunities before 5 April.

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THE FINANCIAL CONDUCT AUTHORITY DOESN'T REGULATE TRUST PLANNING AND MOST FORMS OF INHERITANCE TAX (IHT) PLANNING. SOME IHT PLANNING SOLUTIONS PUT YOUR MONEY AT RISK, AND YOU MAY GET BACK LESS THAN YOU INVESTED. IHT THRESHOLDS DEPEND ON INDIVIDUAL CIRCUMSTANCES AND THE LAW. TAX AND IHT RULES MAY CHANGE IN THE FUTURE.

ADJUSTING YOUR **PENSION PLANS**

HOW COULD THE NORMAL MINIMUM PENSION AGE CHANGE AFFECT YOUR PLANS?

In the ever-evolving landscape of retirement planning, a significant shift is on the horizon that could potentially impact when you can access your pension funds. The normal minimum pension age (NMPA), or the age at which you can start withdrawing from your pension savings, is currently set at 55.

There are a few exceptions to this rule – for instance, in cases of ill health or if you have a lower protected pension age. However, this standard generally applies across the board.

UPCOMING SHIFT IN NMPA

But from the 6 April 2028, the NMPA will rise to 57. Depending on your birth date, this shift could affect you in various ways. If your birthday falls after 5 April 1973, it's advisable to reassess any pre-existing plans to see whether this change could impact them.

For instance, you might need to factor in an additional couple of years of saving, which could alter the retirement income available to you when the time comes. On the other hand, if you hadn't planned on touching your pension savings until you turned 57, there's no need for any immediate action.

REGULARLY REVIEW YOUR RETIREMENT PLANS

Although the change is still four years away, regularly reviewing your retirement plans is a beneficial habit to cultivate. This is especially true as you approach the age at which you wish to start withdrawing your pension savings.

BORN BETWEEN 6 APRIL 1971 AND 6 APRIL 1973?

If your birthday falls between these dates, you have two choices. Think carefully about which option best aligns with your circumstances.

ACCESS YOUR PENSION SAVINGS BEFORE THE WINDOW CLOSES

If you'd prefer not to wait until 57 to start withdrawing your pension savings, you'll need to begin accessing your funds after you turn 55 but before 6 April 2028. Accessing your pension savings doesn't necessarily mean withdrawing large or regular amounts. You have the freedom to determine the withdrawal size that suits your needs. However, seeking professional financial advice is crucial if you choose to access your savings during this window.

Also, remember that leaving your pension savings invested for longer could allow them to grow. Furthermore, for most people, withdrawing taxable money from your plan could reduce the amount you can contribute to your plan. This is known as the 'money purchase annual allowance'.

WAIT UNTIL YOU TURN 57

Alternatively, you can choose to wait. If you weren't planning on accessing your pension savings before age 57, there's no need for action. You can access your pension savings from age 57 onwards at a time that suits you. Just remember, if you don't withdraw anything before 6 April 2028, you'll lose the opportunity to access your pension before age 57.

BORN ON OR BEFORE 6 APRIL 1971?

If you were born on or before 6 April 1971, rest easy. The upcoming change won't affect you or your retirement plans, as you'll already be 57 by the time it takes effect.

REVIEW YOUR RETIREMENT DATE

Reviewing your retirement date is crucial if you're on your journey towards retirement but haven't reached the finish line yet. Surprisingly, your plan might still indicate your 55th birthday as the day of retirement, even if current regulations prevent you from accessing your funds at that age. This discrepancy could affect your financial plans, making examining and adjusting your retirement date critical.

It's worth noting that your retirement date isn't rigid. You're free to alter it whenever you feel the need. However, the date you select can significantly impact your pension plan and, subsequently, your financial stability during retirement.

INFLUENCE OF YOUR RETIREMENT DATE ON PENSION INVESTMENTS

If your retirement date is pegged at your 55th birthday, and you don't plan to access your funds until you're 65, there's a clear misalignment between your investment strategy and your actual retirement plans. This discrepancy could affect your pension savings' value when it's time for withdrawal.

A mismatch between your retirement date and actual retirement plans can lead to unplanned financial outcomes. For instance, if your investments shift towards lower-risk areas prematurely due to an inaccurately set retirement date, you may miss out on potential growth in your pension pot's value. Conversely, if your retirement date is later than when you plan to retire, your investments may remain in high-risk areas for too long, exposing your savings to unnecessary market volatility. ◀

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WANT TO DISCUSS YOUR RETIREMENT DATE AND ITS IMPACT ON YOUR RETIREMENT PLANS?

The reality is your retirement date matters. It's more than just a day on the calendar; it's a crucial factor affecting your financial future. So, don't let an outdated or inaccurate retirement date throw off your investment strategy and jeopardise your hard-earned savings. Please contact us if you need more information or assistance adjusting your retirement date or understanding its impact on your pension plan.

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THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

HARNESSING THE POWER OF **GREEN PENSIONS**

ONE OF OUR MOST POTENT TOOLS IN MAKING SUBSTANTIAL STRIDES TOWARDS NET ZERO

Over recent years, our comprehension of the climate crisis has significantly transformed. Countries and organisations are becoming increasingly ambitious with their net zero targets, while many individuals are making lifestyle alterations to reduce their household carbon emissions. However, some remain oblivious that pensions represent one of our most potent tools for making substantial strides towards net zero.

A recent Green Pensions Report[1] reveals that whilst most Britons understand how to lessen their carbon footprint through behavioural changes, two-thirds (67%) are unsure how to transition to a 'green pension'.

Addressing this knowledge gap could empower UK consumers collectively to save up to 386 million tonnes of carbon emissions annually through their pensions[2] – the equivalent of 11 return flights from London to New York per person[3]. Despite this, savings and pensions are often overlooked in the conversation around individual impact on climate change.

GROWING APPETITE FOR RESPONSIBLE RETIREMENT SAVINGS

A green pension is a fund designed to produce returns for savers through environmentally beneficial investments. These funds typically have explicit environmental objectives, such as avoiding or reducing investments in industries like fossil fuels that generate substantial carbon emissions or focusing on investments that support carbon emission reductions.

The report delves into the rising interest in responsible retirement savings options among employers and employees. Key findings include:

- Three-quarters of UK consumers (74%) are interested in learning more about sustainable options for retirement savings.
- Yet, only 10% of the UK population has fully transitioned to green pensions, primarily due to a lack of information and access.
- Nearly a quarter (23%) of UK companies do not offer green or ethical pensions to their employees.

THE NEED FOR GREATER AWARENESS AND ACCESSIBILITY

The potential for green pensions to contribute significantly to our net zero goals is vast. However, there is a pressing need for increased awareness and accessibility to these sustainable retirement savings options. By bridging the information gap, individuals can make informed decisions about their pensions, contributing significantly to the fight against climate change. ◀

WANT TO KNOW MORE ABOUT SUSTAINABLE PENSIONS?

Together, we can leverage the power of pensions to create a more sustainable future. We'll help you navigate your retirement journey confidently and safely. Please contact us for further information or guidance on discussing your green pension options.

Source data:

[1] The research was conducted online by Opinium for Scottish Widows, polling 3,000 UK adults (18 and over) working, self-employed or looking for work and 1,000 HR DMs in companies of 1+ employees. Fieldwork was carried out between 25/08/2023 – 06/09/2023.

[2] 368 million tonnes of carbon saved by switching to a green pension was calculated as follows: 19 tonnes [Total carbon savings secured per person by switching pension to an equity-focused sustainable fund (Source: Make My Money Matter, 2021)] x 20,340,000 people [Number of people with a workplace pension who do not have a green pension (Source: ONS 2021 states that 22.6 million people have a workplace pension, SW Green Pensions Report 2023 found that 10% of respondents have a green pension (20,340,000 = 90% of 22,600,00)]

[3] The equivalent of 11 return flights from London to New York was calculated as follows: 19 tonnes [Total carbon savings secured per person by switching pension to an equity-focused sustainable fund (Source: Make My Money Matter, 2021)] ÷ 1.7 tonnes [Average amount of carbon dioxide emitted per person by a return trip from London to New York (Source: Wired 2021)]

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PROTECTING YOURSELF FROM **INVESTMENT SCAMS**

IF SOMETHING SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS

Investment scams are a rising concern, promising potential investors the allure of making a significant amount of money swiftly and effortlessly. These scams often involve minimal to no risk investments in various areas such as financial markets, property, cryptocurrencies, and precious metals and coins.

These schemes often masquerade as legitimate investments, with convincing websites, glowing testimonials and persuasive marketing material. However, it's crucial to remember that if something sounds too good to be true, it probably is.

One of the most notorious forms of investment fraud is the Ponzi Scheme. This method involves collecting money from new investors to pay off earlier ones. Eventually, the scheme crumbles when the debts exceed the incoming funds, leaving many investors penniless.

'PROVEN' INVESTMENT STRATEGIES

Additionally, some scams start with offering complimentary investing seminars or training sessions. These free offerings usually serve as bait, leading to substantial charges for additional lessons or coaching that claim to enhance your chances of success.

The scammers may assert that their programme provides you with an easy-to-use system, complete with a team of experts who handle everything on your behalf. They may also give you the opportunity to learn about 'proven' investment strategies.

EVOLUTION OF SCAMS IN THE DIGITAL AGE

In today's digital age, investment scams have evolved into intricate webs of deceit. Some are so convincingly crafted that even seasoned investors fall prey to them. Scammers employ various tactics, such as cloning legitimate firms' websites or luring potential victims into unregulated investments, promising returns far superior to savings accounts.

The introduction of pension freedoms in April 2015 has made individuals aged 55 and over particularly susceptible to these scams. These individuals can now access lump sum payments from their pension pots, making them attractive targets for scammers.

IDENTIFYING THE RED FLAGS

All investment scams share one common trait – they promise high returns with minimal risk. If an opportunity appears too good to be true, it likely is.

Stay vigilant and be aware of the warning signs that may indicate a scam:

- Unsolicited contact via phone call, text, email or door-to-door visit.
- The firm refuses to allow a callback.
- Pressure to make quick decisions.
- Only mobile numbers or PO box addresses are provided as contact details.
- Promises of high returns with low risk.

SAFEGUARDING AGAINST SCAMS

To avoid falling victim to a scam, adhere to the following precautions:

- Dismiss any unsolicited calls, emails, texts or visitors. Legitimate investment companies will not cold call you or contact you unexpectedly.
- Verify the legitimacy of a company by checking the FCA register or the FCA warning list.
- If considering an investment opportunity, seek professional financial advice from an FCA-regulated firm.
- Always pay full attention to fraud warnings when making a payment: they are there for your safety.

MARKETING FAKE INVESTMENT PRODUCTS

Fraudsters are going to great lengths to market fake investment products, often impersonating known brands and appearing perfectly professional. With the prospect of high returns and financial protection, many people are losing most of their savings to this scam. ◀

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NEED MORE INFORMATION?

Please contact us if you require further information or have questions about investment scams. Don't let scammers take advantage of your hard-earned money. Stay informed, stay safe.

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