independent financial advisers
moneyweb

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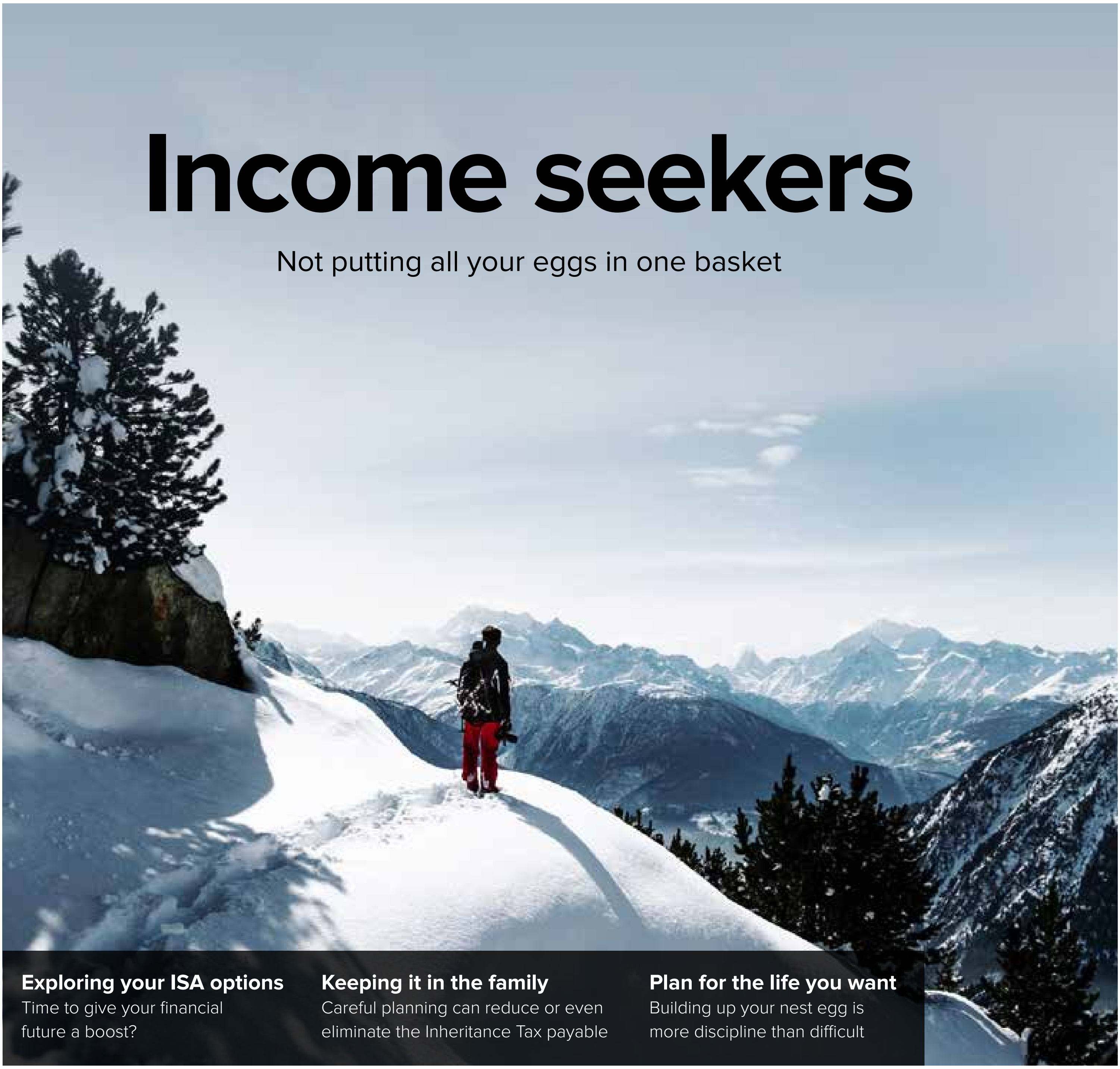
evolve



Income seekers

Not putting all your eggs in one basket

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Keeping it in the family
Careful planning can reduce or even eliminate the Inheritance Tax payable

Plan for the life you want
Building up your nest egg is more discipline than difficult

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welcome

Happy New Year, and welcome to the Winter 2019 issue of *Evolve*.

As part of our continuing look at tax-efficient saving and investing, on page 04, we shine a spotlight on some of the different options available. Whether you consider yourself a savvy investor or a financial novice – and no matter what, why or how you want to save and invest – an Individual Savings Account (ISA) could help make your money work harder for you.

You may want to keep an element of control when passing on your assets. You may want your money to be used for a particular reason, such as paying for school or university fees or for a first property deposit. Or you may just want to make sure your money stays within the family. On page 14, we explain how intergenerational planning will help.

For today's retirees, retirement has changed almost beyond recognition since their parents' day. Building a retirement fund requires saving enough money to pay your bills and continue living comfortably when you are no longer drawing an income. The thought of it may be daunting; it can feel like an impossible mission. But, on page 08, we look at why with early planning, building up your nest egg is more discipline than difficult.

We hope you enjoy this latest edition and find it valuable. A full list of the articles featured in this issue appears opposite.

A financial plan can help you balance your everyday needs against your long-term goals and enhance the probability of a secure retirement. What's more, it can introduce you to a means to help achieve a retirement income you cannot outlive, as well as help you plan to create a lasting legacy. If you would like to start off the New Year by reviewing your financial plans, please contact us.

contents

In brief

Self-employed ‘want government pension saving help’

Self-employed workers want government help to save for retirement and would back new laws to expand auto-enrolment or to make saving for retirement compulsory, new research shows[1].

More than half of self-employed workers questioned want the law changed to encourage them to save for retirement – 27% would support the expansion of auto-enrolment to cover the self-employed, while 27% would back compulsory pension saving.

The study highlighted the growing pension crisis among the self-employed, with more than two fifths (43%) – the equivalent[2] of more than two million workers – admitting to having no form of pension. More than a quarter (28%) say they will be reliant on the State Pension as their main source of retirement income, worth just £8,546 a year.

The research shows nearly one in five (18%) self-employed people do not believe pensions apply to them, while 20% say they find the rules very confusing, and 15% worry they cannot immediately access their funds if out of work.

Workplace auto-enrolment has been a success[3] for the employed with membership of occupational schemes at a record high of 41.1 million and up by 49% over five years.

Various options to encourage and support the self-employed to save via auto-enrolment have been put forward in recent years. ■

Source data

[1] Consumer Intelligence conducted an independent online survey for Prudential between 20 and 21 June 2018 among 1,178 UK adults

[2] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2018#summary-of-latest-labour-market-statistics

[3] https://www.gov.uk/government/news/automatic-enrolment-breathing-new-life-into-britains-retirement-prospects

Options for retirement

Wherever you sit in your retirement journey, we’re here to support you, whether it’s starting a pension, saving more into your plan or to help with your options for retirement. Please contact us if you want to review your options.

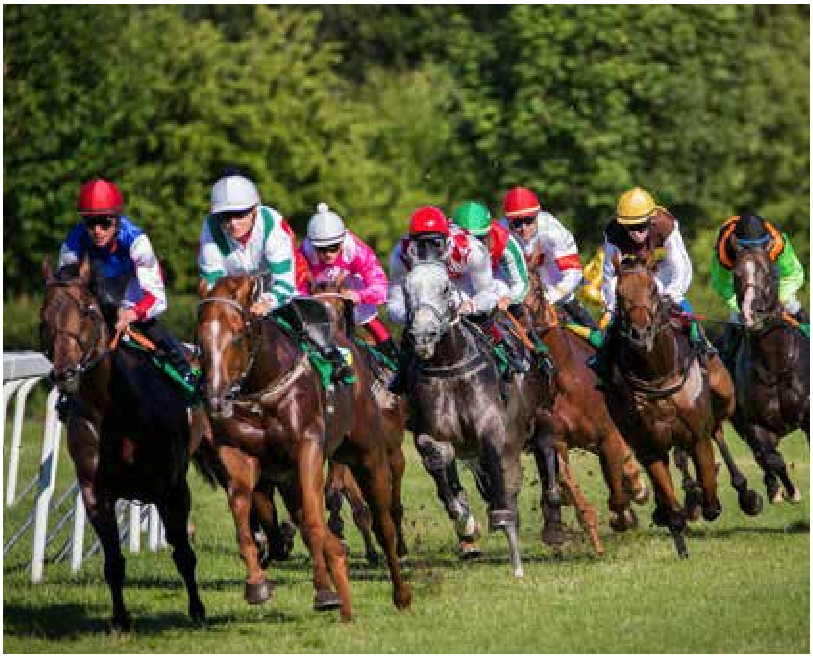
Point to Point Sponsorship

Investing in the local community

The Point to Point season is upon us. The festive season seems like a distant memory, and as we gear up for what promises to be an exciting season, the Moneyweb team will be watching the thrills and spills with heightened interest as our ‘Invest in the Future’ jockey Aaron Anderson races to the winning post!

Our sponsorship of our local Point to Points remains in place, and we are happy to confirm we will be sponsoring the following Point to Points in 2019:

February 10th – Sinnington
March 3rd – Derwent
March 31st – Middleton
April 6th – Staintondale



It’s important to us to invest in the local community and once more in the interests of the Moneyweb Community. It’s a great day out to enjoy with family or friends, so get wrapped up warm and enjoy – we hope to see you there! ■

Exploring your ISA options

Time to give your financial future a boost?

The end of the tax year on 5 April is fast approaching, so make sure you've made the most of your annual allowances before it's too late. No matter what, why or how you want to save and invest, an Individual Savings Account (ISA) could help make your money work harder for you.

ISAs are tax-efficient wrappers. Every tax year, we each have an annual ISA allowance. If you don't take full advantage of using all or part of it in one tax year, you cannot carry it over to the next.

There are various tax advantages to saving or investing through an ISA: you don't pay Capital Gains Tax on any capital growth nor Income Tax on any income received, either as interest or dividends, from the investment or cash savings. Another advantage is that you don't have to declare ISAs on your tax return.

Types of ISAs and their allowances

There are currently six different types of ISA.

Cash ISA

Anyone over the age of 16 can put their cash savings into a Cash ISA. Accounts can be either instant access, have notice periods or have fixed terms.

The annual allowance for a Cash ISA is £20,000 (tax year 2018/19). You can invest up to this full amount in your Cash ISA, or you can share this allowance between the different types of ISA, with the exception of the Help to Buy ISA.

Stocks & Shares ISA

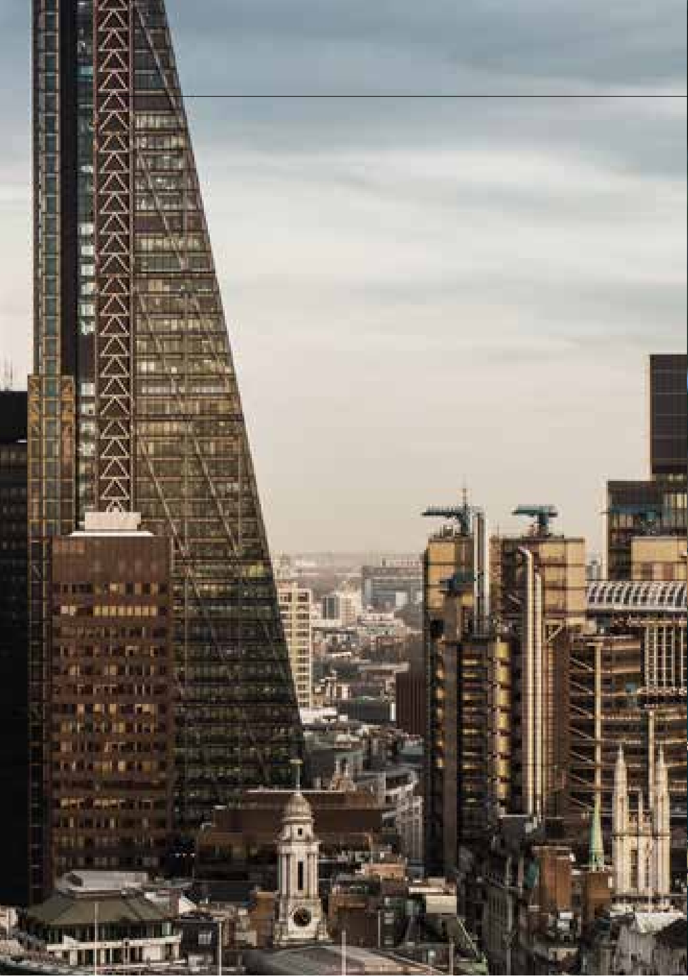
A Stocks & Shares ISA is a medium-to-long-term investment (five years or more). Anyone over the age of 18 can put individual shares or managed funds into a Stocks & Shares ISA. It enables you to decide how much risk you are prepared to take when investing, offering access to a range of funds and the potential for better returns than a Cash ISA over the long term.

The annual allowance for a Stocks & Shares ISA is £20,000 (tax year 2018/19). Again, you can invest up to this full amount in your Stocks & Shares ISA, or you can share it between the other types of ISA.

Innovative Finance ISA

This ISA is for investments in peer-to-peer lending platforms. You must be over the age of 18 to invest.

The annual allowance for an Innovative Finance ISA is £20,000 (tax year 2018/19). Once again, you can invest up to this full



amount in your Innovative Finance ISA, or you can spread it out between various types of ISA.

Help to Buy ISA

Help to Buy ISAs are available to each first-time buyer, not each home. This ISA has been introduced to help first-time buyers over the age of 18 get on the property ladder. You have to choose between either a Cash ISA or a Help to Buy ISA, but you can have a Help to Buy and a Stocks & Shares ISA in the same tax year.

The Government will top up any contributions you make by 25%, up to the contribution limit of £12,000. So, for every £200 you save, the Government will contribute £50. This means you can earn a maximum of £3,000 from the Government. So, if you're buying a property with your partner, for example, you'll be able to get up to £6,000 towards your deposit.

The minimum amount you need to save to qualify for a government bonus is £1,600 (which gives you a £400 bonus). You can start off your ISA with an initial deposit of up to £1,000, which also qualifies for the 25% boost from the Government.

Another important factor is that the proceeds can only be used to buy a property worth up to £250,000 outside of London, and up to £450,000 within London.

Lifetime ISA

The Lifetime ISA is similar to the Help to Buy ISA. It is designed to help investors between the ages of 18 and 39 save for either a first house purchase or their retirement. Once you have a Lifetime ISA, you can continue to contribute until the age of 50.

You can put a maximum of £4,000 into a Lifetime ISA each tax year and are paid a 25% bonus from the Government. The bonus is paid in monthly instalments, and the maximum bonus you can earn in a tax year is £1,000.

The amount you pay in is linked to your annual ISA allowance (£20,000 for 2018/19). For example, if you pay £1,000 into your Lifetime ISA, you can still pay £19,000 into other ISA products. It is possible to hold both a Help to Buy ISA and a Lifetime ISA, but you will not be able to use both bonuses for a first-time house purchase.

Another differentiator between this type of ISA and the Help to Buy ISA is that the proceeds can be used to purchase a property worth up to £450,000 regardless of its location.

Junior ISA

Cash or investments can be wrapped in this ISA on behalf of children under the age of 18. Anyone can invest in the Junior ISA – parents, grandparents or friends. The money belongs to the child, and they can access it when they reach 18 years of age. The Junior ISA has an annual allowance of £4,260 (tax year 2018/19). You must be a UK resident or crown employee to invest in any type of ISA. ■

What are your savings and investment goals?

Saving and investing is not just about what you know but also who you are. Whether you consider yourself a savvy investor or a financial novice, if you would like to discuss the options available to you, please contact us.

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 AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

Income seekers

Not putting all your eggs in one basket

Everybody has investment goals in their life, from the old adage of saving for a rainy day to planning a comfortable retirement. There are many reasons why investors might seek an income stream from their investments, for example, to pay for a dependant's education, supplement a pension or fund the cost of care, yet achieving it can be hard.

A 'do-it-yourself' approach may often seem attractive to some investors who buy a handful of dividend-paying stocks and receive the income from these. There are many companies that have long track records of consistent dividend payments, and these are often household name firms. However, it's important to diversify – it's the age-old cliché of not putting all your eggs in one basket.

Consistent dividend payer

Just because a company has been a consistent dividend payer in the past does not mean it always will be in the future. Investors need to be sure that they have properly assessed the risks around a company (and its industry) in order to be confident that dividend payments can continue.

Conducting all the necessary research is a complex and time-consuming undertaking, so it's no surprise that many income investors prefer to leave the heavy lifting to a professional fund manager. Funds focused on equity income will invest in a range of stocks and will have a target income yield that they aim to deliver each year.

Different types of fund choice

The theory is that holding a range of stocks leaves the overall portfolio less reliant on each individual company. If a few firms cut their dividends or see their share prices fall, hopefully others in the portfolio will offset this by raising their dividends or otherwise performing better than expected.

While there are many different types of fund to choose from, investors need to be wary of the limitations of focusing on a single region. A second reason in favour of diversification is that some regions have higher dividends than others.

Greater depth of sector opportunities

Some investors may prefer funds that invest in their home market. This has the advantage of eliminating currency volatility. But, it can mean missing out on the higher income or more diverse range of opportunities offered by other regions.

It's not just a wider group of individual companies that is available to global investors, but a greater depth of sector opportunities too. Therefore, by diversifying, you can hold a global equity income portfolio that avoids the sector skews of any one particular region. It can also help to mitigate potential currency volatility, as the various different currencies will rise and fall against each other at different times in the economic cycle.

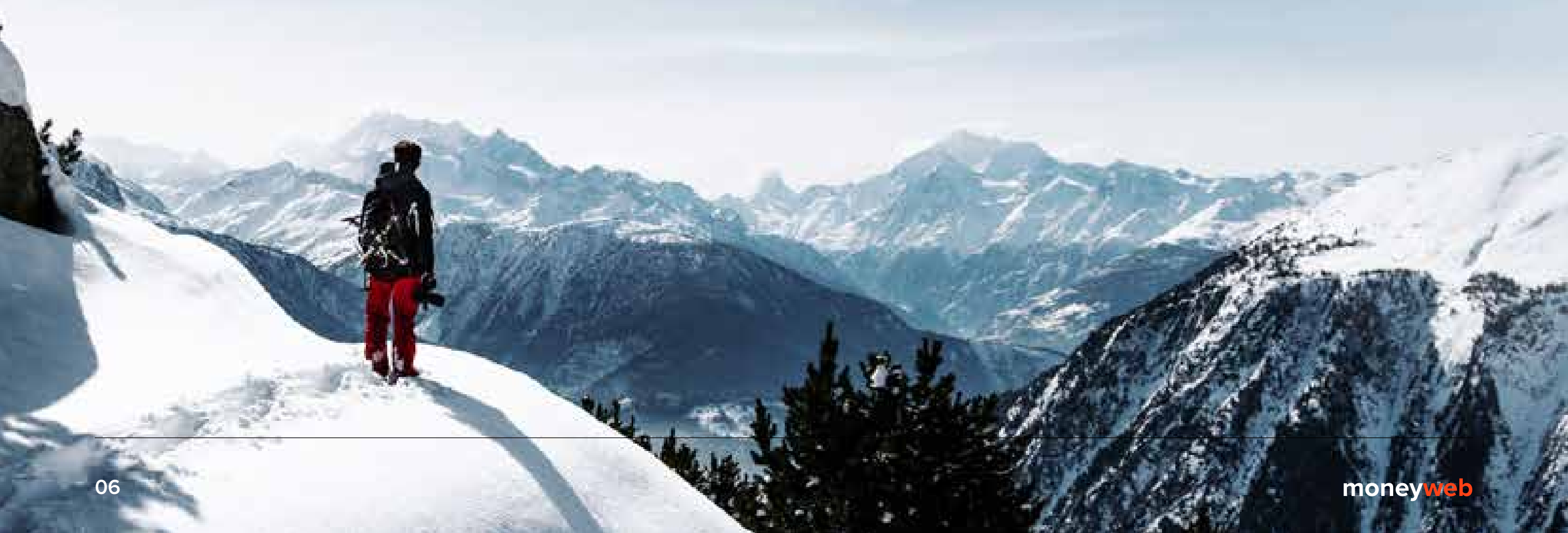
Maintaining a balanced approach

Investment strategies should often include a combination of various fund types in order to obtain a balanced approach to risk and reward. Maintaining a balanced approach is usually key to the chances of achieving your investment goals, while bearing in mind that at some point you will want access to your money. This makes it important to allow for flexibility in your planning.

Whatever your personal investment goals may be, it is important to consider the time horizon at the outset, as this will impact the type of investments you should consider to help achieve your goals. ■

Expert professional advice

For investors seeking to build a diverse portfolio, it's essential to receive expert professional advice on the best plans and funds to choose. To assess your investment goals, please contact us.



Who wants to be a millionaire?

Getting there could be easier than you think – but you'll need to start young

Parents could make their baby an adult millionaire by starting a pension pot when they are born. Children born this year could become millionaires by their 43rd birthday if their families contribute to a pension for the first 18 years of their lives[1].

The analysis found that parents or grandparents contributing £2,880 per year (£3,600 after tax relief) until their children turn 18 years old could create a pot of £1,021,837 by 2061. The figure assumes a total contribution of £51,840, a growth rate of 8% per annum, and is net of product charges.

Substantial pot of cash

This assumed growth rate may seem high, but data from Moneyfacts, the comparison website, showed that average returns from pension funds were 10.5% in 2017 and have seen double-digit growth for six consecutive years.

While lower growth rates reduce the return, they would still leave children with a substantial pot of cash to help them retire. Average growth rates of 2% and 5% mean that, by the time the child reaches its 55th birthday (2073), they would have a pot of £171,086 and £668,592 respectively.

Loved one's pension

On an average 5% growth rate, the child would be a millionaire by the time they retire in 2083 (65 years old), with a pension pot of £1,089,067. By the same milestone, a growth rate of 8% would create a pension pot of £5,555,260.

Previous research found that very few people would consider contributing to a loved one's pension – only 2% of over-55s said they would support a relative by putting money into a pension fund. By contrast, 68% said they would leave their family an estate when they pass away, compared with 34% who would help their family with ongoing gifts of any kind.

Compounding interest

Despite its obvious advantages, contributing to a family member's pension is one of the last thoughts to cross the majority of people's minds. Yet, provided growth rates remain at current levels, it could make a millionaire of a child born today by the time they hit middle age from a relatively modest £51,840 over 18 years. It's the power of compounding interest in action.

One of the biggest obstacles to passing on wealth tends to be the parents or grandparents worrying that their younger family members will 'waste' the money on frivolous purchases. But pension contributions guarantee that their children won't be able to use the proceeds until they are of pensionable age.

Tax-efficient savings

If they don't want to exert that amount of control, they can look at other ways too. Junior ISAs offer tax-efficient savings until a child is 18, albeit with no tax relief. However, if they want to be very specific about what their money pays for, discretionary trusts are another option, keeping it vague about who benefits and in what capacity.

For most parents, saving regularly is an integral part of securing their child's financial future. Making regular contributions to a child's pension may not seem like the obvious choice. However, given the flexible nature of pensions and the tax relief offered by the Government, they can provide a very simple way of securing children's financial future in retirement. ■

Making the most of retirement savings

Saving for a child today is a wonderful gift for their future. There's no time like the present to take steps towards making the most of retirement savings for your children. To discuss your options, please contact us.

Source data

[1] Figures taken from Brewin Dolphin's 'Mind the generation gap' research, which included a detailed survey of 11,000 people.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

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Plan for the life you want

Building up your nest egg is more discipline than difficult

For today's retirees, retirement has changed almost beyond recognition since their parents' day. Building a retirement fund requires saving enough money to pay your bills and continue living comfortably when you are no longer drawing an income.

The thought of it may be daunting; it can feel like an impossible mission. But with early planning, building up your nest egg is more discipline than difficult. The process of building a retirement fund typically involves a combination of consistent saving and long-term investments. But first, you have to figure out how much you need in order to set a goal.

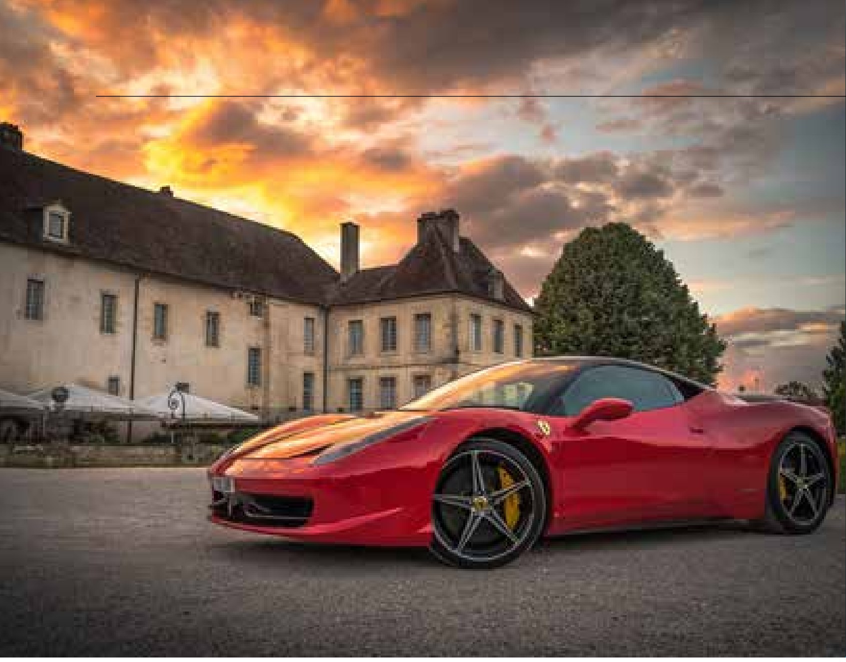
Funds to live life to the full in retirement

Retirement is an exciting period in life. You might be looking forward to taking a trip to somewhere you've always wanted to go, dedicating more time to a favourite hobby or spending more time with family and friends. However, many people feel concerned about not having the funds to live life to the full in retirement.

Making sure you have enough money to enjoy your retirement is a matter of sensible planning and being proactive. Ask yourself, what decisions can I make today to start preparing for retirement? Investing even small amounts of money on a regular basis in preparation for retirement could leave you with a larger nest egg.

Head start on a retirement nest egg

Investing for growth is suited to those who want to get a head start on a retirement nest egg but won't be retiring until further into the future. If your goal is to invest for growth, this means that you are more focused on growing your initial investment over a medium-to-long period of time (five years plus) and do not intend to use the investment to boost your current monthly income. For those investing for growth, investing as far in advance as possible from when they plan to start withdrawing the investment should give their funds the best chance of maximum growth.



Investing for income

This investment goal is designed to generate a bit of extra money now and in the future by providing a boost to your monthly income. This goal could be suitable for those closer to retirement who are looking for their investment to help with paying regular bills and outgoings in retirement. When investing for income, selecting investment trusts focused on asset classes including equities and commercial property can provide a reliable and attractive income boost.

A time when you have stopped working

Setting up a retirement goal requires you to find out how much income you'll need when you have stopped working. As part of the planning process, you'll need to consider answers to questions such as: 'At what age do you plan to retire?', 'How many years should you plan to be in retirement?' and 'What is your desired monthly income during retirement?'

Your retirement fund needs certainty – you can't risk losing your savings because you need it as a stable income. So how can one balance the need for growth with certainty of returns when building a retirement fund?

The key lies in considering a number of different factors:

Risk appetite

Are you a 'conservative' investor who cannot afford to lose the initial capital you put up? Can you sacrifice the certainty of having your investment protected in order to gain higher potential earnings?

If you do not already have a large sum of retirement savings, you probably shouldn't take too much risk when you invest since you may not have the luxury of time to recoup the losses should your investment turn awry.

Time horizon

Generally, a bigger portion of your retirement portfolio can be apportioned to higher-risk investments if you start in your twenties. As you progress nearer towards the retirement years, your portfolio should increasingly focus on investments that are a lower risk and provide more stable returns.

You can consider allocating your investments into products suitable for different investment horizons (short, medium and longer term) depending on your risk appetite. For example, a short-term investment can include some risker assets such as single equities or investing in a fast-growing speciality fund. You should always be reminded that with higher expected returns come higher risks.

Inflation

If you choose to save your way to retirement by putting cash in a savings account, the value of your money may be eroded due to inflation. In order to ensure that the money you have now preserves its purchasing power during your retirement years, you need to choose savings or investments that give you higher returns above inflation.

Diversification

The key to growing your retirement fund includes having different asset classes in your portfolio, which is otherwise known as 'diversification'. Diversification not only helps you manage the risk of your investments, but it also involves re-balancing your portfolio to maintain the risk levels over time. ■

Build your retirement funds

Planning for your retirement can seem like a daunting process. Keep in mind that there are no hard and fast formulas to how you build your retirement funds, but keeping the above factors in mind will definitely help you work towards achieving your retirement goals. Want to review how to enhance your retirement plans? Please contact us.

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Age Partnership

Six reasons to choose equity release

We are excited to announce that Moneyweb have teamed up with Age Partnership, the UK's No.1 Equity Release Broker[1]. By releasing equity through Age Partnership, all Moneyweb clients will receive £100 off their advice fee[2]. To find out how much tax-free money you could access, call 0844 4770 277, or have a read of the six reasons why to consider equity release below.

Six reasons to consider equity release

Equity release involves unlocking cash from your home, which can make it a useful option in retirement.

You can spend some of your property's value while still living in the home you love. That's provided you're a UK homeowner, and at least age 55.

Here are some reasons you might consider equity release.

1. To pay off your mortgage

Around one in three (32%) use equity release to clear their existing standard mortgage, according to equity release broker Age Partnership. Wiping out your standard mortgage means you're not required to make repayments in your retirement years.

With a lifetime mortgage, the most popular form of equity release, you keep full ownership of your home whilst accessing a tax-free lump sum of cash.

You can live in the property for life. The lifetime mortgage and accrued interest is then re-paid when the house is sold, usually when you die or move into long-term care.

As a lifetime mortgage is secured against your home, it is a condition of releasing equity that you have to pay off any existing mortgage or secured loan that you may have.

2. To fund home improvements

Perhaps you're longing for a loft conversion, or to give your home a makeover for retirement. One in five (20%) homeowners choose equity release to fund home improvements, according to Age Partnership.

You can use equity release to unlock your property wealth and do up your home. If you decide to sell up later down the line, you may be able to take a lifetime mortgage with you, subject to the lender's criteria, or you can settle the debt.

3. Help out family

You might have kids who are struggling to get onto the property ladder. You could pass on a chunk of cash using equity release to give them a leg-up.

This way, you get to help out family with a part of your property's value while you're still around.

4. Consolidate your debts

Equity release can be used to clear existing debts. According to Age Partnership, about one in ten use equity release for this reason,

Yet bear in mind that the minimum loan you can usually take is £10,000. Interest rates are higher than for standard mortgages, but there's nothing to pay during your lifetime, unless you choose to make repayments. You should, however, think carefully about securing debt against your home, as it could increase the cost of the overall borrowing.

5. Fund your lifestyle

You want to enjoy retirement. That could mean taking the holidays you've always dreamed of, spending more time on your hobbies, or buying a new car. Equity release can provide a tax-free lump sum to help you enjoy life when you have more spare time.

6. Boost cash flow

Equity release can provide a valuable cash injection when you need it most. For many people as they approach retirement, this is the time of year that they need a boost of cash.

Speak to us today to find out if you could benefit from equity release on 0844 4770 277.

Remember that equity release isn't suitable for everyone; it may involve a home reversion plan or lifetime mortgage which is secured against your property. A whole-of-market broker, such as Age Partnership, will provide you with a personalised illustration and will search the whole of market to ensure that the plan they recommend is the most suitable for your needs.

You should be aware that money taken out of your home will reduce the value of your estate, or how much you have to pass on after death, and could impact on your benefit entitlements, such as pension and universal credit now or in the future ■

Source data

[1] Touchstone data number of equity release plans Jan-Sep 2018

[2] For a copy of the terms and conditions, please email marketing@agepartnership.com

Moneyweb Personal Finance Portal

Going digital

We are excited to announce we have launched a Personal Finance Portal (PFP) online service to clients. We want to 'go digital', introduce efficiencies and offer our clients greater choice on how they engage with their adviser, and so we welcome PFP.

Whilst we acknowledge there will always be an element of paper-based documentation and understand that this will be the preference of some, we are confident that those of you who operate online accounts will highly benefit from this service.

Benefits of PFP

- Offers 24/7 online access to your information

Accessible online 24/7 across desktops, laptops and mobile devices, Personal Finance Portal gives you access to your long-term savings and investment information in an easy-to-use, online format; you get to see a complete picture of where you stand financially.

- Mitigate risk, providing a secure messaging portal for transferring your data

With email and post increasingly vulnerable to interception, your client portal account provides you with a secure messaging service, so you can quickly get in touch with us and have the peace of mind of knowing that any information you share is fully encrypted and private.

- Allows you to aggregate your financial information in place, with one single point of access

You can house your financial documents online in a document vault, where they are secure and fully backed up – much safer and more convenient than the bottom of the filing cabinet.

Accounts, transactions and balances are displayed in a visually engaging way that's easy to understand. And because your Personal Finance Portal is cloud-based, getting up-to-date valuations becomes a breeze, so you can always see how your investments are performing.

We have started the process of enrolling clients, and your adviser will discuss the options available to you at your next review. However, there's no need to wait if you would like to take advantage of this service earlier. As valued clients, we are offering this service to our Evolution clients at no additional cost.

Looking at the big retirement picture

Considering making contributions ahead of the tax year end?

Investing for the future is vital if you want to enjoy a financially secure retirement, and it requires you to look at the big picture. Although pensions can be complicated, we will help you get to grips with the rules if you are considering making contributions ahead of the tax year end. Here are our top pension tax tips.

Annual and lifetime limits

Getting tax relief on pensions means some of your money that would have gone to the Government as tax goes into your pension instead. You can put as much as you want into your pension, but there are annual and lifetime limits on how much tax relief you receive on your pension contributions. Please note that if you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of Income Tax, which may differ from the rest of the UK.

Provided that you stay within your pension allowances, all pensions give you tax relief at the rate that you have paid on your contributions. For personal pensions, you receive tax relief at the basic rate of 20% inside the pension. That means for every £800 you pay in, HM Revenue & Customs (HMRC) will top it up to £1,000. If you're a higher or additional rate taxpayer, you can claim back up to an additional 20% or 25% on top of the 20% basic rate tax relief through your self-assessment tax return.

Benefit from tax relief

For workplace pensions, your employer normally takes your pension contribution directly from your salary before Income Tax so that the contribution is not taxed at source like the rest of your employment income, and therefore the full benefit is received inside your pension immediately. If your employer does not handle your contributions before tax, then these would benefit from tax relief in the same way as for a personal pension contribution.

You're still entitled to receive basic rate tax relief on pension contributions even if you don't pay tax. The maximum you can pay into your pension as a non-taxpayer is £2,880 a year, which is equivalent to a £3,600 contribution once you factor in tax relief.

Total amount of contributions

The Annual Allowance is a limit to the total amount of contributions that can be paid in to defined contribution pension schemes and the total amount of benefits that you can build up in a defined benefit pension scheme each year for tax relief purposes.

Taxpayers can pay in up to 100% of their income, up to an Annual Allowance of £40,000. Any contributions you make over this limit won't attract tax relief and will be added to your other income, being subject to Income Tax at the rate(s) that applies to you.

Your Annual Allowance will reduce from £40,000 if your income plus your pension contributions totals £150,000 or more. For every £2 in excess of £150,000, your allowance will reduce by £1, until it reaches a minimum allowance of £10,000.

You can also carry forward unused allowances from the previous three years, as long as you were a member

of a registered pension scheme during this period to carry forward unused allowances. You cannot make withdrawals from a pension before you're 55, moving to 56 in 2019 and 57 by 2028.

Carry forward unused allowances

You can also carry forward unused allowances from the previous three years, as long as you were a member of a registered pension scheme during this period to carry forward unused allowances.

If you choose to take a taxable income from a personal pension other than via an annuity, your Annual Allowance will be reduced to £4,000 or 100% of earnings, whichever is lower, and you won't be able to carry forward previous unused allowances.

Paying tax on the excess

As well as the Annual Allowance, there's also a maximum total amount you can hold within all your pension funds without having to pay extra tax when you withdraw money from them, known as the 'lifetime allowance'. The standard lifetime allowance is £1,030,000 (2018/19), but some people have a higher allowance. The standard lifetime allowance is inflation linked, so it's likely to increase each year.

If the value of your pension savings is higher than this, and you have not secured protection from HMRC against the changes in the lifetime allowance at the point that they reduced, you will pay tax on the excess. So, if you're approaching this limit, be careful about contributing too much.

There's no immediate tax charge once your pension fund grows beyond your lifetime allowance. It's only when you choose to take your pension benefits over your lifetime allowance that you pay a tax charge, and the charge only applies to the benefits taken over your allowance.

Freedoms give greater flexibility

Commencing 6 April 2015, under the new 'pension freedoms' rules, you can now access your savings from your defined contributions pension scheme once you reach age 55. If you're due to reach retirement this year, you could take up to 25% of your pension fund as a tax-free lump sum if you want to, but the remaining 75% will be liable to Income Tax.

Previously, most pensioners purchased an annuity with their pot, which paid a guaranteed income for life. The pension freedoms give greater flexibility over retirement funding. But you'll need to plan any withdrawals you make carefully, as taking large sums from your pension can boost your income in a particular tax year, pushing you into a higher rate of tax so that you pay more tax than you need to. ■

What lifestyle are you aiming for?

There never seems to be a right time or enough time to plan for your retirement. But when you do, you can enjoy the present even more. It's never too early to begin, or too late. To find out more, contact us for more information.

Keeping it in the family

Careful planning can reduce or even eliminate the Inheritance Tax payable

Intergenerational planning helps you put financial measures in place to benefit your children later in life, and possibly even your future grandchildren, so it's important to start planning early. You may want to keep an element of control when passing on your assets. You may want your money to be used for a particular reason, such as paying for school or university fees or for a first property deposit. Or you may just want to make sure your money stays within the family.

Without appropriate provision, Inheritance Tax could become payable on your taxable estate that you leave behind when you pass away. Your taxable estate is made up of all the assets that you owned, the share of any assets that are jointly owned, and the share of any assets that pass automatically by survivorship. Careful planning can reduce or even eliminate the Inheritance Tax payable.

Inheritance Tax is not payable on the first part of the value of your estate – the 'nil-rate band'. The nil-rate band is currently £325,000. If the total value of your estate does not exceed the nil-rate band, no Inheritance Tax is payable. Outstanding debts and funeral expenses can be deducted from the value of your estate.

Leave your interest in the family home

Commencing 6 April 2017, an additional 'residence nil-rate band' (RNRB) allowance was introduced if you leave your interest in the family home to direct descendants (such as children, step-children and/or grandchildren). This only applies to your main home but can be available even if that home had been sold after July 2016.

The RNRB is being phased in gradually. For the 2018/19 tax year, the maximum additional allowance is £125,000, increasing your total Inheritance Tax allowance to £450,000 (£900,000 for a married couple). The maximum allowance will rise by £25,000 each tax year until it reaches £175,000 in 2020. This will give you a potential total Inheritance Tax allowance of £500,000 or £1 million for a married couple. For estates worth more than £2 million, the tax relief is tapered away.

There are legitimate ways to plan to reduce the amount of Inheritance Tax you may have to pay. We can advise you on the ways that you may mitigate any exposure, including these:

Make a Will

Dying intestate, or dying without a Will, means that you may not be making the most of the Inheritance Tax exemption

that exists if you wish your estate to pass to your spouse or registered civil partner. For example, if you don't make a Will, then relatives other than your spouse or registered civil partner may be entitled to a share of your estate, and this might trigger an Inheritance Tax liability.

Make lifetime gifts

Gifts made more than seven years before the donor dies, to an individual or to a bare trust, are free of Inheritance Tax. So, it might be appropriate to pass on some of your wealth while you are still alive. This will reduce the value of your estate when it is assessed for Inheritance Tax purposes, and there is no limit on the sums you can pass on.

You can gift as much as you wish, and this is known as a 'Potentially Exempt Transfer' (PET). If you live for seven years after making such a gift, then it will be exempt from Inheritance Tax, but should you be unfortunate enough to die within seven years, then it will still be counted as part of your estate if it is above the annual gift allowance. However, the longer you survive after making the gift (subject to surviving at least three years), the lower the Inheritance Tax charge:

- If you survive between three to four years from the date of the gift, the Inheritance Tax charge on the gift is reduced by 20%
- If you survive between four to five years from the date of the gift, the Inheritance Tax charge on the gift is reduced by 40%
- If you survive between five to six years from the date of the gift, the Inheritance Tax charge on the gift is reduced by 60%
- If you survive between six to seven years from the date of the gift, the Inheritance Tax charge on the gift is reduced by 80%

You need to be careful if you are giving away your home to your children with conditions attached to it, or if you give it away but continue to benefit from it. This is known as a 'Gift with Reservation of Benefit'.

Leave a proportion to charity

Being generous to your favourite charity can reduce your tax bill. If you leave at least 10% of your estate to a charity or number of charities, then your IHT liability on the taxable portion of the estate is reduced to 36% rather than 40%.

Set up a trust

As part of your Inheritance Tax planning, you may want to consider putting assets in trust – either during your lifetime or under the terms of your Will. Putting assets in trust – rather than making a direct gift to a beneficiary – can be a more flexible way of achieving your objectives.

Family trusts can be useful as a way of reducing Inheritance Tax, making provision for your children and spouse, and potentially protecting family businesses. Trusts enable the donor to control who benefits (the beneficiaries) and under what circumstances, sometimes long after the donor's death.

Compare this with making a direct gift (for example, to a child), which offers no control to the donor once given. When you set up a trust, it is a legal arrangement and you will need to appoint 'trustees' who are responsible for holding and managing the assets. Trustees have a responsibility to manage the trust on behalf of and in the best interest of the beneficiaries, in accordance with the trust terms. The terms will be set out in a legal document called 'the trust deed'. ■

Passing on our assets to our loved ones

Being wealthy can have its benefits, and its challenges too. When we die, we like to imagine that we can pass on our assets to our loved ones so that they can benefit from them. In order for them to benefit fully from our assets, it is important to consider the impact of Inheritance Tax. If you would like to review the potential impact on your estate, please contact us.

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.

Autumn Budget 2018

Business matters

What should private businesses take away from this Autumn Budget 2018? The headline measures and the concentration of the Chancellor of the Exchequer were very much on other areas, although he did mention enterprise.

He announced extending off-payroll rules, which will affect all who use contractors and they will need to look at their arrangements. Only the smallest private business clients are excluded.

There will be a temporary increase in the annual investment allowance for two years up to a million pounds, and a change to entrepreneur's relief to more narrowly target this at employee shareholders who have got 5% interest in profits and assets.

Summary of how the Autumn Budget 2018 announcements could impact on businesses:

- From April 2020, the Government to introduce a new 2% Digital Services Tax on the revenues of certain digital businesses to ensure that the amount of tax paid in the UK is reflective of the value they derive from their UK users
- Abolition of Private Finance Initiative (PFI) contracts, with the Chancellor announcing he will not sign any future contracts
- VAT threshold frozen at £85,000 – reconfirmed for two years
- To manage existing deals 'in the taxpayer's interest', new centre of excellence introduced
- From public sector to medium and large private companies, commencing 2020, changes introduced to extend the way self-employment status is taxed
- Increase from £200,000 to £1m for two years to annual investment allowance
- The capital allowances special rate for qualifying plant and machinery assets will be reduced from 8% to 6% (from 6 April 2019), while a new 2% non-residential Structures and Buildings Allowance (SBA) is available where contracts for physical construction works were entered into on or after 29 October 2018
- Apprenticeship levy contribution of small companies to be reduced from 10% to 5%
- Business rates bill for companies with a rateable value of £51,000 or less to be cut by a third over two years (a saving for 90% for independent companies)
- £900m in business rates relief for small businesses and £650m to rejuvenate high streets
- Corporate capital loss restriction from 1 April 2020 – the proportion of annual capital gains over a £5m allowance that can be relieved by brought-forward capital losses will be limited to 50%
- Only employers with an employer National Insurance contributions (NICs) bill below £100,000 in their previous tax year will be eligible for Employment Allowance, which provides businesses and charities with up to £3,000 relief from April 2020