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MAXIMISING THE END OF THE UK TAX YEAR 2024/25

TIME IS RUNNING OUT TO FULLY CAPITALISE ON TAX-SAVING OPPORTUNITIES

WEALTH TRANSFERS OF FINANCIAL LEGACIES
Are you among the many families unprepared and lacking structured plans?

EMPOWERING YOUR RETIREMENT SAVINGS
Understanding how SIPPs can help you maximise your retirement investments

DO YOU FALL INTO THE 60% TAX TRAP?
Making additional pension contributions could mean lowering your effective tax rate

INSIDE **THIS ISSUE**

Welcome to our latest issue. The UK tax year is a well-structured framework governing tax assessment and collection. It begins on 6 April and runs until 5 April the following year. As we approach the end of the 2024/25 tax year, maximising available opportunities is essential to make the most of your finances. Time is running out to review your plans and fully capitalise on tax-saving options. On page 10, this article explores some key strategies to ensure you finish the tax year in a strong position and make your money work harder for you.

The world is on the verge of an unprecedented intergenerational wealth transfer. Despite this monumental shift, many families remain unprepared, lacking structured plans to ensure their financial legacies are preserved or distributed according to their wishes. On page 03, we look at why wealth transfer planning involves much more than merely arranging for Inheritance Tax. This process requires asking crucial questions concerning your legacy, your beneficiaries and your long-term financial aims.

When planning for retirement, utilising a pension is one of the most effective ways to secure your financial future. The generous tax relief offered on pension contributions makes options like SIPPs (Self-Invested Personal Pensions) particularly advantageous. On page 06, we consider how to maximise investment opportunities, which could make SIPPs an appealing choice for appropriate investors.

For many earners in England, Wales or Northern Ireland, the highest Income Tax rate is 45%. However, while 45% is the highest 'official' rate, some individuals effectively pay a tax rate of 60% on part of their income. This phenomenon, commonly called the '60% tax trap', affects those earning between £100,000 and £125,140. Turn to page 12 to find out more.

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

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TIME TO CHART A CLEAR, STEP-BY-STEP PATH TOWARD SUCCESS?

Whether you're planning for a secure retirement, aiming to grow your investments or safeguarding your wealth, there's no better moment to take action. We're here to help turn your financial aspirations into real achievements. No matter your destination, we'll work with you to chart a clear, step-by-step path toward success. Ready to begin? Contact us today – we look forward to hearing from you!

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WEALTH TRANSFERS OF **FINANCIAL LEGACIES**

ARE YOU AMONG THE MANY FAMILIES UNPREPARED AND LACKING STRUCTURED PLANS?

The world is on the verge of an unprecedented intergenerational wealth transfer, with projections estimating that by 2047, an astonishing £5.5 trillion will change hands[1]. Despite this monumental shift, many families remain unprepared, lacking structured plans to ensure their financial legacies are preserved or distributed according to their wishes.

Wealth transfer planning involves much more than merely arranging for Inheritance Tax. It focuses on ensuring that the fruits of your hard work are not squandered after you have gone. This process requires asking crucial questions concerning your legacy, your beneficiaries and your long-term financial aims.

KEY QUESTIONS EVERY INDIVIDUAL SHOULD ASK

Before deciding how to transfer your wealth, start by reflecting on these pivotal questions:

- How much money will I need for the rest of my life, including provisions for later-life care?
- What assets am I likely to leave behind? This encompasses cash, savings, investments, properties, vehicles, business interests and belongings such as art or jewellery.
- Who do I want to provide for, and are there individuals or entities I wish to exclude?
- How much would I like each beneficiary to receive?
- Should I place restrictions on how my legacy is used?
- Do I want to gift some wealth during my lifetime?
- How can I ensure that my assets are managed according to my wishes after I have passed away?

Failing to address these fundamental questions could lead to unintended outcomes. For example, without proper planning, the inheritance you leave may be insufficient to secure your loved ones' financial futures, or worse, it could dissolve due to poor management and lack of preparation.

ENCOURAGING FAMILY CONVERSATIONS ABOUT WEALTH

Transparency and open communication can be the backbone of successful wealth transfer planning. Unfortunately, many parents have never discussed financial matters with their heirs, leaving adult children unaware of their future inheritance. If you suspect that your parents possess considerable wealth but have not addressed planning, it may be worthwhile to initiate a conversation about it. Consider suggesting that they seek professional advice to gain clarity and structure.

Encouraging family discussions about wealth fosters a sense of responsibility in younger generations. By sharing your experiences, explaining how you amassed your wealth and outlining your investment motivations, you can cultivate an appreciation for prudent financial planning and management. This understanding may help ensure your heirs make informed choices regarding their inheritance.

PROACTIVE PLANNING AND PERSONALISED SOLUTIONS

If you're ready to implement wealth transfer plans, it's vital to work with skilled professionals. Collaborating with us and your solicitor is paramount to ensure that your Will is updated, legal arrangements are properly structured and your instructions are clear.

For instance, trust structures can be highly effective tools. They enable the settlor to maintain control over their assets by specifying who benefits, when, and by how much. Additionally, trusts serve as an effective means of Inheritance Tax planning, aiding in the preservation of wealth within the family.

EXPLORING FLEXIBLE OPTIONS FOR THE UNEXPECTED

Sometimes, life circumstances require flexibility in wealth transfer strategies. For example, if a beneficiary decides to skip inheritance and pass assets along to the next generation, this can be achieved through a Deed of Variation.

Family dynamics, including potential fallouts or divorces, also require strategic planning. You may wish to exclude certain individuals, such as a son-in-law or daughter-in-law, to safeguard your legacy while ensuring that funds remain accessible to your children or grandchildren. Tackling these complexities in advance can prevent future disputes and protect your family's financial security. ◀

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ARE YOU READY TO TAKE THE FIRST STEP IN ENSURING THAT YOUR FINANCIAL LEGACY IS PROTECTED?

If you are contemplating transferring your wealth and would value professional advice, don't leave it to chance. Contact us to discuss your options. Together, we can help you build and secure a future that lasts for years to come.

Source data:

[1] M&G Wealth – Family Wealth Unlocked Report 2022. Available at: https://www.mandg.com/dam/pru/shared/documents/en/fwu-report-final-version-20-april-2022.pdf October 2024

“GREY DIVORCE”

UNDERSTANDING THE FINANCIAL IMPACTS OF DIVORCE OVER 50

Divorce later in life can be a complex and emotionally taxing process, particularly for couples over the age of 50. Wealth derived from property often takes centre stage in these discussions, as it typically represents the most significant financial asset that couples possess. According to recent research, 11% of couples experiencing a ‘grey divorce’ utilise funds from their property, whether by selling it or accessing equity release, to cover the costs of separation[1]. This statistic highlights the crucial role that property plays, not merely as a home, but as an essential financial resource.

With individuals over 55 collectively owning more than £3.5 trillion in property wealth, it is no surprise that this asset becomes a key focus for many over-50s during separation[2]. More than half of all divorcing couples in this age group (60%) deliberate over the value of their jointly owned home as they plan to part ways. For some, this entails selling their property, while others may seek alternative solutions to retain their cherished home.

EXPLORING PROPERTY WEALTH DURING DIVORCE

For many individuals over the age of 50, property represents far more than just a financial investment; it holds significant sentimental value and often serves as the cornerstone of their financial security. For this reason, dividing this asset can be overwhelming. Some couples tackle this issue by having one party purchase the other’s share using personal savings, a strategy reportedly employed by 18% of divorcing couples. Nevertheless, not everyone has access to such liquid capital.

Equity release can provide an alternative solution, enabling homeowners to access funds tied up in their property without the need to sell outright. Approximately 1 in 20 couples choose this route to maintain their connection to their family home. Statistics indicate that homeowners in England and Wales could unlock an average of £69,600 through equity release – a figure that has risen by 20% over the past five years[3].

FINANCIAL OVERSIGHTS AND MISSED OPPORTUNITIES

Despite the financial complexities involved in divorcing later in life, few individuals seek professional advice. Alarmingly, only 8% of couples over 50 consult a financial adviser during their separation. This statistic is concerning, especially considering that property and pensions – often the two largest financial assets for this age group – are subject to negotiation.

Without expert guidance, couples may overlook critical considerations that could dramatically reshape their futures. Divorce at this stage of life often coincides with retirement planning, meaning that decisions made during this period could dictate financial security in later years. It is essential to assess all available options and customise solutions to unique circumstances rather than rush into costly mistakes.

CONSIDERING SENTIMENTALITY AND PRACTICALITY

The emotional connection to a home should not be underestimated. After years of creating memories, parting with a property may feel heart-wrenching for some. Balancing sentimentality with practicality becomes essential as homeowners assess whether remaining in their home is feasible and aligns with their financial future.

It is often during these discussions that difficult truths come to light. For example, while releasing equity may allow one person to remain in the home, this decision could restrict their future retirement income or reduce their financial flexibility. Conversely, selling the home might enable both parties to embark on a new chapter with a more stable financial foundation.

MAKING DECISIONS THAT SHAPE THE FUTURE

Divorce after 50 is not just about dividing assets; it involves shaping the next chapter of life. Ensuring a smooth and equitable transition requires careful decision-making, especially regarding property. A thorough understanding of housing markets, available financial resources and the emotional connections involved must all be considered.

During such transitions, it is essential to seek expert financial advice. Property-related decisions, particularly, carry considerable importance. The family home can serve as both a financial asset and a cornerstone of emotional ties. Choosing whether to sell, divide or keep the property can have profound consequences that extend well into retirement years. ◀

LOOKING FOR GUIDANCE?

If you require further information, have any questions or seek personalised advice regarding divorce and financial decision-making, please do not hesitate to contact us to discuss the best way forward for your circumstances. You need not face this alone – support is available to help you make confident and informed choices.

> “FOR MANY INDIVIDUALS OVER THE AGE OF 50, PROPERTY REPRESENTS FAR MORE THAN JUST A FINANCIAL INVESTMENT; IT HOLDS SIGNIFICANT SENTIMENTAL VALUE AND OFTEN SERVES AS THE CORNERSTONE OF THEIR FINANCIAL SECURITY. FOR THIS REASON, DIVIDING THIS ASSET CAN BE OVERWHELMING.”

Source data:

[1] Opinium Research conducted 2,945 online interviews of UK adults who are divorced. The research was conducted between 25 October and 12 November 2024.

[2] Office for National Statistics, Household net property wealth by household representative person (HRP) age band: Great Britain, April 2016 to March 2020, January 2022 (most recently available).

[3] Legal & General analysis of Office for National Statistics, Median house prices for administrative geographies, September 2024.

HOW WOULD YOU COVER SOME OR ALL OF THE COST OF **AN INHERITANCE TAX LIABILITY?**

ESPECIALLY WHEN YOUR PRIMARY ASPIRATION IS TO PASS ON AS MUCH WEALTH AS POSSIBLE TO LOVED ONES

Inheritance Tax (IHT) planning is essential for managing your estate effectively and ensuring the wellbeing of your loved ones. Changes highlighted in last year's Autumn Budget Statement 2024 have further emphasised this concern, with significant amendments to Business Property Relief (BPR) and Agricultural Property Relief (APR) from April 2026. Moreover, pensions previously exempted from IHT will now be subject to a 40% charge from April 2027.

Faced with these developments, the first question you should consider is, 'What is my primary motivation?' For many, the aim is clear – to avoid paying more tax after a lifetime of financial contributions towards building their wealth. However, the true driving force often goes deeper than mere tax avoidance. The primary aspiration is usually to pass on as much wealth as possible to loved ones.

UNDERSTANDING WHOLE OF LIFE ASSURANCE

One effective, though often overlooked, solution for minimising IHT is Whole of Life Assurance, also referred to as Whole of Life cover or insurance. This type of life assurance policy is designed to pay out a guaranteed sum to your chosen beneficiaries upon your death. What sets it apart from term life insurance is its lifelong duration. While term insurance expires at the end of a specified term if the individual survives, Whole of Life policies do not have such a time limit.

It is often advisable to establish this policy within an appropriate trust. Why? By placing the policy in a trust, you ensure that the payout is excluded from your taxable estate, enabling your beneficiaries to utilise this money to cover some or all of the IHT liability. This arrangement streamlines the inheritance process while preserving the value of your estate.

WHAT SETS WHOLE OF LIFE ASSURANCE COVER APART?

As you would expect, Whole of Life cover does come at a cost, typically carrying higher premiums than term-based policies. This is because it is guaranteed to pay out so long as premiums are met, unlike term policies that only pay out under specific conditions. Whether the policy is right for you depends on several factors, including your personal circumstances, the value of your estate and your estimated IHT liability.

A crucial factor to consider is your life expectancy. These policies usually provide the greatest value to individuals who live well beyond the average life expectancy, so it is essential to evaluate this aspect. This will ensure that the premiums paid over time are justified by the eventual payout your beneficiaries will receive.

STAYING PROTECTED AMID CHANGING TAX RULES

One key advantage of Whole of Life Assurance is its independence from changing tax laws. As a standalone contract with your provider, this type of policy remains unaffected by future government budget changes. Unlike other strategies that may require selling off assets or opting for higher-risk investments, Whole of Life cover permits you to maintain control of your estate.

Another advantage is its immediate effectiveness. Aside from rare exceptions during the initial 12-month period due to factors such as suicide or self-injury, a payout is guaranteed. With other IHT strategies, achieving the same level of effectiveness may take years.

PREMIUM CONSIDERATIONS AND TAX EFFICIENCY

While premiums for Whole of Life cover may be higher, they could still fall within the annual IHT gifting exemption of £3,000 or qualify as 'normal expenditure out of income' if structured correctly. Indexation can also be included to adjust the sum assured for inflation, helping to keep up with the increasing value of your estate. However, it's important to note that premiums may rise if your medical history presents certain risks.

It is crucial to approach this with a clear understanding of your options. Policies with guaranteed premiums offer the reassurance of cost stability throughout your lifetime, whereas those with adjustable premiums could lead to unforeseen expenses in the future.

COMMON RISKS AND HOW TO MITIGATE THEM

There are several matters to consider when contemplating Whole of Life cover. For instance, if the premium payments become unaffordable, you may have to cancel the policy, which does not refund any unused value. Thoughtful planning, including our comprehensive cash flow forecasting, ensures that you can assess affordability across various scenarios before committing.

Regular estate planning reviews can also help mitigate risks. As your estate's value may grow over time, it's essential to ensure that the Whole of Life policy aligns with your evolving goals and IHT liability. ◀

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READY TO CONTACT US TO START MAKING YOUR PLANS?

Taking steps to plan your estate effectively can make all the difference to your heirs. Together, we can craft a strategy that meets your goals and safeguards your estate for future generations.

EMPOWERING YOUR **RETIREMENT SAVINGS**

UNDERSTANDING HOW SIPPS CAN HELP YOU MAXIMISE YOUR RETIREMENT INVESTMENTS

When planning for retirement, utilising a pension is one of the most effective ways to secure your financial future. The generous tax relief offered on pension contributions makes options like SIPPs (Self-Invested Personal Pensions) particularly advantageous. Understanding how they work, if appropriate, can help you maximise your retirement investments.

WHAT IS A SIPP?

A SIPP, or Self-Invested Personal Pension, operates similarly to a standard personal pension by aiding you in saving and growing a fund for retirement. However, what distinguishes SIPPs is their flexibility. They provide a much broader range of investment options, allowing you to customise your pension investments to meet your preferences.

Tax relief can greatly diminish the effective cost of your contributions. For instance, a £1,000 pension contribution might only cost you £550 if paying tax at 45% due to the government's top-up of 20% basic rate tax relief, with higher rate and additional rate taxpayers able to claim even more.

IS A SIPP THE RIGHT CHOICE FOR YOU?

While some pensions provide limited investment options, making them suitable for less hands-on savers, a SIPP allows for more extensive exploration of financial markets. If you're eager to maximise investment opportunities, this could make SIPPs an appealing choice for you. However, with greater flexibility comes greater responsibility, as you must manage your investments effectively.

Fortunately, there are solutions for those new to investing, such as multi-asset funds. These funds house professionally managed portfolios within a single product, providing convenience without compromising diversification. Alternatively, you may engage us to assist in managing your investments, enabling you to benefit from our professional guidance.

KEY CONTRIBUTIONS TO KEEP IN MIND

Your pension contributions are subject to specific limits in terms of overall tax efficiency, including an annual allowance of £60,000 for the 2024/25 tax year. Additionally, you cannot obtain tax relief on your own contributions of more than 100% of your relevant UK earnings. For very high earners, the regulations become more complex, featuring a tapered annual allowance that may reduce the tax-efficient contribution limit to as little as £10,000.

If you have already claimed flexible retirement benefits, such as taking income from a pension drawdown plan, or have taken more than your tax-free lump sum, a reduced annual allowance of £10,000 will apply (the Money Purchase Annual Allowance or MPAA).

However, you may still be able to carry forward unused allowances from the previous three years, allowing for larger contributions if you meet the eligibility requirements (carry forward can't be used to increase the MPAA though).

SECRET TO TAX-EFFICIENT INVESTMENT GROWTH

Pensions provide certain tax advantages; however, it is crucial to be aware that tax regulations may change in the future. Additionally, the funds in your SIPP will remain inaccessible until you reach the official retirement age – currently set at 55, which will rise to 57 on 6 April 2028. Once you reach retirement age, you will have several options for accessing your funds.

One advantage is that some withdrawals are tax-free, as normally up to 25% of your pension pot can be accessed without any tax consequences (either as one lump sum or in stages). The remaining balance, however, is liable for Income Tax. On the other hand, you might opt to invest in an annuity, which offers a guaranteed income for life. These annuities can be customised to suit your circumstances, potentially providing higher payouts for individuals with health conditions or lifestyle risks.

CONSOLIDATING AND SIMPLIFYING YOUR PENSION PLANS

Many individuals accumulate several pension pots from various employers over the years. If appropriate, consolidating these pensions into a single, modern SIPP can streamline the management of retirement savings. Transfers generally apply to personal pensions, retirement

annuity contracts, stakeholder pensions and other defined contribution schemes.

However, caution is essential when transferring schemes with safeguarded benefits, such as final salary pensions or guarantees. These transactions necessitate the advice of a regulated financial adviser before any transfer can be processed, and are often best left undisturbed. Likewise, be aware of exit penalties when contemplating pension transfers.

PRACTICAL TIPS FOR MAXIMISING YOUR PENSION SAVINGS

When planning for your retirement, always prioritise contributing to a workplace pension first. Employer contributions can provide a significant boost to your overall pension pot and should not be overlooked. Once you've maximised the benefits from your employer, you can consider making additional contributions to a SIPP for greater flexibility and growth potential.

Timing your contributions wisely is crucial for maximising tax relief. Reducing your taxable income through pension contributions can also lower the amount of tax owed, whilst allowing you to remain eligible for benefits such as the Child Benefit. If you're a considerable way from retirement, primarily investing in the stock market may offer higher long-term growth, particularly when paired with regular contributions.

ADJUSTING YOUR APPROACH AS RETIREMENT APPROACHES

If retirement is approaching, it's wise to reconsider your approach to risk. Will you take lump sums or purchase an annuity in the next few years? Focusing on lower-risk investments can help protect the value of your pension. Reducing exposure to volatility ensures your plans remain secure as you transition into retirement.

Managing your SIPP effectively necessitates a clear understanding of pensions and the regulations that govern them. Whether you are exploring advanced investment options or consolidating existing pensions into a single scheme, SIPPs can serve as an invaluable tool for fostering your future financial independence. ◀

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READY TO TAKE CONTROL OF YOUR RETIREMENT SAVINGS AND START PLANNING FOR THE FUTURE YOU DESERVE?

If you'd like to learn more about how a SIPP could work for you or wish to discuss your pension planning needs, contact us today to connect with an expert. Take control of your retirement savings and start planning for the future you deserve!

"WHEN PLANNING FOR YOUR RETIREMENT, ALWAYS PRIORITISE CONTRIBUTING TO A WORKPLACE PENSION FIRST. EMPLOYER CONTRIBUTIONS CAN PROVIDE A SIGNIFICANT BOOST TO YOUR OVERALL PENSION POT AND SHOULD NOT BE OVERLOOKED."

TRUST IN YOUR FUTURE

IS NOW THE TIME TO CONSIDER PROTECTING AND MANAGING YOUR WEALTH FOR FUTURE GENERATIONS?

A trust can be an effective solution for many individuals and families aiming to protect and manage their wealth. Trusts provide a structured method for transferring assets to beneficiaries, especially across generations, while ensuring the funds are utilised for their intended purposes. However, trusts are not universally suitable, and their complexity necessitates careful consideration and planning.

A trust can provide reassurance regarding concerns about how wealth may impact beneficiaries. For example, if you wish to leave your estate to your grandchildren, who are all young adults, suddenly inheriting a substantial sum could lead to poor financial decisions or mismanagement of the funds. On the other hand, if you do not have children, the decision between nieces and nephews – or whether any of them should inherit – can create uncertainty in estate planning. If you are unsure about how to structure your legacy, trusts can offer flexibility and control.

WHY TRUSTS ARE VALUABLE FOR FUTURE PLANNING

Trusts have been utilised for centuries to address various needs, from funding education to managing wealth for beneficiaries who may not yet, or may never, have the capacity to do so themselves. A trust can be particularly beneficial in phasing out inheritance to avoid overwhelming young beneficiaries or in ensuring that funds are available for specific milestones, such as purchasing a home or paying for university.

Beyond personal benefits, trusts can serve as an essential tool for addressing family dynamics. Complex relationships, such as when a family member struggles with managing money, substance abuse issues or challenging partnerships, may require a protective financial arrangement. Trusts can also help preserve assets for charitable causes, ensuring that organisations dear to you can benefit in the long term.

WHAT EXACTLY IS A TRUST?

Although there isn't a single definition, a trust is most simply understood as a legal relationship among three parties. The settlor, or creator of the trust, transfers assets into it. Trustees are then appointed to manage the trust, ensuring that the specified beneficiaries receive benefits at appropriate times. Trusts can flexibly align with your intentions, whether providing immediate financial support, delaying the distribution until certain conditions are met or ensuring that funds are managed responsibly.

The role of the trustee is vital. Trustees are not just administrators; they have a duty to act in the best interests of the beneficiaries. This responsibility underscores the importance of selecting the appropriate individual or professional entity for the role.

OVERCOMING COMMON CONCERNS ABOUT TRUSTS

One of the main challenges in trust planning is ensuring that your wishes are honoured long after you have transferred your assets. Trusts allow you to retain a certain level of control by setting guidelines or phased distributions to meet long-term objectives. For example, you might specify that funds can only be used for education, house deposits or other purposeful living expenses.

Additionally, trusts alleviate beneficiaries' concerns regarding financial mismanagement. Some individuals may not be prepared to manage an inheritance directly due to youth, inexperience or particular vulnerabilities. With trusts, one can structure the transfer of wealth to maximise its benefits while safeguarding it from exploitative or careless behaviours.

RISING USE OF TRUSTS FOR CHARITABLE GIVING

Establishing a charitable trust can be a significant means of extending your legacy. Whether you choose to support ongoing causes or make periodic contributions, a trust can ensure that your philanthropic objectives are consistently met over time. Unlike one-off donations, charitable trusts offer reliable, long-term support to organisations or projects that reflect your values.

This feature of trusts enables you to create a lasting impact while retaining control over how and when the funds support chosen charities. For individuals with considerable wealth, philanthropic trusts can also coincide with tax planning considerations in some jurisdictions, enhancing their appeal.

TRUSTS AS A TAILORED SOLUTION FOR ESTATE PLANNING

If you're grappling with uncertainties about how to pass on your wealth or how best to ensure it serves your intended purpose, a trust could be the answer you seek. From managing family complexities to supporting charitable causes and preparing younger generations for financial independence, trusts can fulfil a diverse range of objectives.

Although their complexity may seem daunting, seeking expert assistance makes the process significantly more manageable. Working alongside our highly professional experts will provide customised strategies specifically tailored to your needs. ◀

IS IT TIME TO TAKE THE NEXT STEP TOWARDS MAKING THE RIGHT DECISIONS FOR YOUR CIRCUMSTANCES?
Contact us to explore your options and ensure you make the right decisions for your situation. A well-structured trust can safeguard your legacy and offer invaluable peace of mind.

IT'S GOOD TO TALK

HOW TO APPROACH FINANCIAL CONVERSATIONS WITH OLDER FAMILY MEMBERS

Discussing finances is not always easy, particularly with older family members. Nevertheless, these conversations are essential for alleviating stress and ensuring everyone's long-term wellbeing. Whether it involves managing unexpected expenses, such as medical bills, or addressing insufficient savings, financial challenges can weigh heavily on ageing relatives. Families can work towards smoother transitions as circumstances evolve by engaging in open discussions and planning ahead.

WHY FINANCIAL DISCUSSIONS ARE CRUCIAL

Many people shy away from discussing money, even though it's vital. Research reveals that nearly half of parents (49%) have never shared their Will's instructions or details with their adult children, often assuming their estate is too small to justify a conversation. Equally concerning, only 34% of parents have informed their children where their Will is stored.

Avoiding such discussions creates unnecessary stress and a lack of preparation. For example, recent research notes that 55% of adults either provide financial support or expect they will need to help their parents in retirement[1]. Yet, confidence in older relatives' financial stability remains low, especially among younger adults. Only 2% of 18 to 24-year-olds feel optimistic about their parents' financial health. Initiating these conversations early helps families plan for key issues such as estate distribution, retirement needs and long-term care.

PROFESSIONAL ADVICE CAN PROVIDE A HELPFUL FRAMEWORK

Initiating financial discussions with older relatives might feel uncomfortable, but it is essential to break the ice. Seeking professional advice can offer a valuable framework for ensuring these conversations are successful. Below are important questions to consider, which will help prepare your family for the future.

HAVE LIVING COSTS BEEN ASSESSED RECENTLY?

Understanding and managing everyday costs is key to maintaining financial independence for older relatives. You can create a budget for essentials, leisure expenses, savings and one-off costs. Reviewing outgoings such as utility bills, insurance plans and subscriptions ensures these are necessary and competitively priced.

Younger family members can help older generations identify online deals and discounts, which they may be less familiar with. Additionally, consider whether all potential tax reliefs, such as the marriage allowance, are being used to ease financial pressures further and optimise savings.

HAVE YOU TACKLED THE INCREASING CONCERNS REGARDING INHERITANCE TAX?

Rising house prices and frozen tax thresholds have significantly increased Inheritance Tax (IHT) bills. Legislation set to bring pensions into the IHT framework from April 2027 will further complicate this issue, potentially impacting even more families.

Families should consider strategies such as setting up trusts – including gift trusts or loan trusts – or gifting assets. Thoughtful planning can alleviate IHT liabilities. Exploring tailored advice on these solutions can help ensure your family is prepared for this financial challenge.

THE IMPORTANCE OF UPDATING A WILL

Having a Will ensures that a person's assets are distributed according to their wishes, preventing disputes among family members. Regular updates are equally vital, especially following significant life events like births, marriages, divorces or deaths. For example, a marriage automatically invalidates an earlier Will, requiring a new document.

DO YOU NEED A LASTING POWER OF ATTORNEY?

Another critical consideration is establishing a Lasting Power of Attorney (LPA). An LPA allows a trusted individual to make financial or medical decisions if the person becomes unable to do so themselves. Setting up an LPA alongside a Will can save time, reduce costs and eliminate potential distress in unforeseen circumstances.

PLANNING FOR LONG-TERM CARE COSTS

The rising care costs in later years can severely deplete savings if not planned for in advance. While these costs can feel daunting, there are financial tools that may help. For instance, an immediate needs annuity can provide tax-free income to cover care services directly.

ARE FINANCIAL AND LEGAL DOCUMENTS WELL ORGANISED?

The proper organisation of key documents is crucial. Encourage loved ones to maintain updated and easily accessible records of their Wills, trust documents, pensions and financial commitments. It is equally important to inform family members where these documents are stored.

Tracking gifts and expenditures over time also simplifies matters in the future, especially if exemptions from IHT become necessary. Clear, well-organised records make a difficult time more manageable and ensure critical information is readily available when needed. ◀

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READY TO TAKE THE FIRST STEP TOWARDS FINANCIAL WELLBEING?

If you're ready to embark on these important discussions or require guidance, don't delay. For professional advice or to make use of available resources to clarify your next steps and safeguard what matters most, please reach out to us. We look forward to hearing from you.

Source data:

[1] Second 50 report – survey of 900 UK workers and 100 retired UK residents is the foundation of this second edition of our Second 50 report, complementing 12 years of research in the UK. Unless otherwise stated, the research referred to throughout this guide was conducted by Aegon in July 2024 in a study nationally representative of UK age, gender and regions.

MAXIMISING THE END OF THE UK **TAX YEAR 2024/25**

TIME IS RUNNING OUT TO FULLY CAPITALISE ON TAX-SAVING OPPORTUNITIES

The UK tax year is a well-structured framework governing tax assessment and collection. It begins on 6 April and runs until 5 April the following year. As we approach the end of the 2024/25 tax year, maximising available opportunities is essential to make the most of your finances.

Time is running out to review your plans and fully capitalise on tax-saving options. This article explores some key strategies to ensure you finish the tax year in a strong position and make your money work harder for you.

One of the most significant aspects of the UK tax year is the resetting of tax allowances. Each tax year, allowances for Income Tax, Capital Gains Tax, ISAs, pensions and various other financial benefits begin anew, offering valuable opportunities for strategic planning.

THINK ABOUT YOUR PERSONAL INCOME TAX ALLOWANCE

Everyone has a personal allowance, which is the amount of money they can earn each tax year without being liable for tax. The personal allowance for the current tax year is £12,570. If you are married or in a registered civil partnership, you might consider transferring some of your assets to the name of the individual who is a lower rate taxpayer or who is not employed, in order to minimise your tax liability.

If your income falls below the personal allowance (or you're a non-taxpayer due to other allowances), the marriage allowance may permit you to transfer up to £1,260 to your partner (and this can be backdated for up to four previous tax years if eligible). You cannot carry any unused personal allowance into the next tax year.

UNDERSTAND THE IMPORTANCE OF ISAS AND SIPPS AND OTHER PENSION TYPES

If appropriate, individuals should consider Individual Savings Accounts (ISAs) and Self-Invested Personal Pensions (SIPPs) to maximise their financial allowances. An ISA enables your savings to grow efficiently, as the gains within an ISA are exempt from Capital Gains Tax (CGT). This makes it financially sensible to utilise this allowance, especially for higher or additional rate taxpayers. Furthermore, no Income Tax is owed on the interest or dividends received within an ISA.

Additionally, pensions, including SIPPS, offer significant tax advantages. Contributions to a SIPP grow tax-efficiently and benefit from government top-ups through tax relief. The remaining months before the end of the tax year provide an excellent opportunity to maximise these benefits. By taking strategic action, individuals can enhance their financial position for the future.

TOPPING UP YOUR ISA BEFORE THE DEADLINE

If you haven't utilised your £20,000 ISA allowance for the 2024/25 tax year yet, now is the perfect opportunity to take advantage of it. Even if you're unsure about where to invest the funds, adding cash to your ISA before 6 April is a wise decision. Your allowance resets once the tax year ends, and any unused portion is forfeited. By contributing now, you keep your options open while maximising the benefits of this year's allowance. If you're married or in a registered civil partnership, you could save more as a couple, effectively doubling your combined allowance to £40,000.

You might consider following the so-called 'bed and ISA' process, which involves selling non-ISA investments to realise a capital gain and then immediately repurchasing them within an ISA. This approach allows future gains to remain exempt from CGT. However, you should seek professional financial advice before employing this tactic. Engaging in a bed and ISA strategy could result in a brief period out of the market, potentially affecting your investment gains.

If you're a parent, don't forget about Junior ISAs. With a contribution limit of £9,000 per child, these accounts are an excellent way to save for a child's future. Whether it's for university tuition, purchasing their first car or another significant milestone, starting this savings plan early can provide them with a financial safety net.

REASSESSING AND EXPANDING YOUR PENSION CONTRIBUTIONS

The end of the tax year is an excellent opportunity to reassess your pension contributions. Unlike ISAs, SIPPs and other pensions allow you to carry forward any unused annual allowances from the previous three years if eligible. This presents a unique chance to catch up on contributions and claim tax relief on a larger portion of your income than usual. However, unused allowances don't last indefinitely – ensure you take advantage of them before they expire.

A well-funded pension is not just a retirement strategy, but also a protection against excessive taxation. Reviewing how much you've contributed to your pension so far this tax year could highlight an opportunity to boost your retirement savings. The maximum tax efficient amount you can personally contribute to a pension each tax year is £60,000 (less any employer contributions and plus any carry forward) or 100% of your earnings in 2024/25, whichever is lower. However, your annual pension allowance may be reduced if you are a high earner. For every £2 that your 'adjusted income' exceeds £260,000 annually (and if your 'threshold income' exceeds £200,000 a year), your annual allowance decreases by £1.

REDUCED ANNUAL ALLOWANCE

Please note that the minimum reduced annual allowance for the current tax year is £10,000. This pension annual allowance applies to both your personal and workplace pension contributions. If you exceed the allowance, you will be liable for tax charges.

It's important to note that if you're not working but are under age 75, you are still able to contribute to a pension and receive Income Tax relief. You can pay up to £2,880 each tax year into a pension, boosted by tax relief to £3,600.

CAPITAL GAINS TAX ALLOWANCE AND THE IMPORTANCE OF TIMING

When it comes to CGT, timing is essential. For the 2024/25 tax year, the CGT allowance stands at £3,000. If you intend to sell an asset, it may be prudent to do so before 6 April to fully utilise this allowance. Any unused portion does not carry over, which means that a missed opportunity cannot be reclaimed.

As the allowance diminishes compared to previous years, careful planning becomes more crucial. Selling assets before the tax year deadline ensures you minimise your tax burden and maximise your returns.

BE SMART WITH DIVIDENDS OUTSIDE OF ISAS AND SIPPS

If you hold investments outside of ISAs or SIPPs, such as in a Trading Account, your allowable tax-free dividend income is capped at £500 per tax year. Once you exceed this limit, additional Income Tax will apply. To improve your investments, consider transferring them into your ISA. Within an ISA, there is no restriction on the tax-free dividends you can earn.

This minor adjustment could have a significant impact on maximising the long-term efficiency of your investments. The diminished risk of incurring undesired taxes enables you to grow your portfolio with increased ease and confidence.

UTILISE YOUR CAPITAL GAINS TAX (CGT) ALLOWANCE.

You can make tax-free gains of up to £3,000 in the current tax year. This allowance cannot be carried forward into the next tax year, and it's important to make the most of it to reduce future CGT liabilities. A financial adviser can help you use this allowance. Transferring assets between spouses enables you to use both annual CGT exemptions as long as the transfer is genuine and outright. Make sure you are using other available allowances, too, such as your ISA allowance, as gains are exempt from CGT. You may have unused losses from previous tax years that could also be offset against gains to reduce your CGT bill.

For gains made before 30 October 2024, basic rate taxpayers pay CGT at 10% on gains within the basic rate band when added on top of income, rising to 18% if the gains are from residential property. Higher and additional rate taxpayers (or basic rate taxpayers where any gain crosses over into the higher rate bands) will pay CGT at 20% and 24%, respectively. For gains made after 30 October 2024, gains falling in the basic rate band are subject to CGT at 18%, while gains falling in the higher and additional rate bands are subject to CGT at 24%.

PROVIDE FINANCIAL GIFTS

If you have a sum of money you want to gift each year without incurring Inheritance Tax (IHT), you can give away up to £3,000 each tax year without this money being included in the value of your estate for IHT purposes. This allowance might also be something you wish to utilise before the tax year concludes.

You can also gift as many £250 gifts per person as you want during each tax year, provided you haven't already given a gift to the same person of more than £250. If you want to give your children a larger lump sum, for example, to put towards a property deposit or for any other purpose, the money may be exempt from IHT provided you live for at least seven years after making the gift.

START PLANNING FOR FUTURE TAX YEARS TODAY

Focusing on the current tax year is essential, but it's also prudent to begin planning for the next. As your allowances and contributions reset each year, adopting a proactive financial strategy ensures you can fully capitalise on every opportunity presented by the UK tax system. Regularly reviewing your ISAs, SIPPs and other investments will allow you to keep up with regulatory changes and achieve your financial objectives.

By following these steps and adopting a systematic approach, you can maximise the benefits of the current tax year while preparing for future success. From investing in ISAs to planning for capital gains, these strategies can assist you in minimising your tax liabilities and securing your financial future. ◀

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NEED ASSISTANCE? WE'RE HERE TO HELP

Navigating tax year deadlines and allowances can feel daunting, but you don't have to do it alone. If you have any questions or need personalised advice, contact us today. Effective planning now can make a significant difference, so don't hesitate to seek support.

DO YOU FALL INTO **THE 60% TAX TRAP?**

MAKING ADDITIONAL PENSION CONTRIBUTIONS COULD MEAN LOWERING YOUR EFFECTIVE TAX RATE

For many earners in England, Wales or Northern Ireland, the highest Income Tax rate is 45%. However, while 45% is the highest 'official' rate, some individuals effectively pay a tax rate of 60% on part of their income. This phenomenon, commonly called the '60% tax trap,' affects those earning over £100,000 and applies to their income between £100,000 and £125,140.

To understand why this is the case, it is essential to grasp how Income Tax is structured and why the treatment of tax-free personal allowances is so significant. In this discussion, we will break down the mechanics of this trap and explore how pension contributions can effectively manage it.

HOW IS INCOME TAX CALCULATED?

Most individuals in the UK are entitled to a standard personal allowance of £12,570 each year, which represents the portion of their annual income that is exempt from tax. However, for higher earners, this allowance gradually decreases once their income surpasses £100,000.

For every £2 earned over the £100,000 threshold, the personal allowance decreases by £1. Once your income reaches £125,140 or more, the personal allowance is entirely eliminated. This tapering mechanism imposes a significant financial burden by subjecting income within this range to an effective tax rate of 60%.

IMPACT ON HIGHER EARNERS

For those earning between £100,000 and £125,140, the tapering of the personal allowance leads to an effective tax rate that is considerably higher than the standard rates. For instance, consider an individual earning £110,000 – £10,000 above the £100,000 threshhold. They would incur £4,000 in tax on this portion of income (at 40%), in addition to an extra £2,000 due to the loss of the personal allowance. The total tax of £6,000 on £10,000 equates to a 60% effective tax rate.

The situation is even more pronounced in Scotland, where the Advanced tax rate applies. Here, taxpayers within this band face an effective rate of 67.5% due to the increased tax rates on the lost personal allowance.

ROLE OF PENSION CONTRIBUTIONS

Fortunately, there is a fairly straightforward strategy to alleviate the effects of the 60% tax trap: making pension contributions. This method enables individuals to reduce their adjusted net income, restore their personal allowance and thereby lower their effective rate of tax.

For example, a taxpayer earning £110,000 could make a gross pension contribution of £10,000. This would bring their adjusted net income down to £100,000, thus restoring the full personal allowance and resulting in a potential tax relief of 60% (or 67.5% in Scotland). In addition to the immediate tax benefits, this strategy boosts an individual's pension pot, which could lead to compounded investment growth over time.

THINGS TO CONSIDER WHEN CONTRIBUTING TO YOUR PENSION

It's important to note that tax-efficient pension contributions are capped each financial year by the pension annual allowance. For most individuals, the tax-efficient limit is the lower of £60,000 (less any employer contributions and plus any carry forward) or 100% of their relevant UK earnings. However, for high earners with an adjusted income exceeding £260,000, the pension annual allowance may be reduced.

If your contributions exceed the annual allowance, you may incur an annual allowance charge that effectively cancels out the tax relief on the excess contribution. There can be some variation on this. For example, if the 'scheme pays' system is used, the tax is paid out of the pension plan, or if they are employer contributions, corporation tax relief would still be kept. If you're uncertain about your allowance or worried about surpassing the limit, obtaining expert financial advice is crucial. ◀

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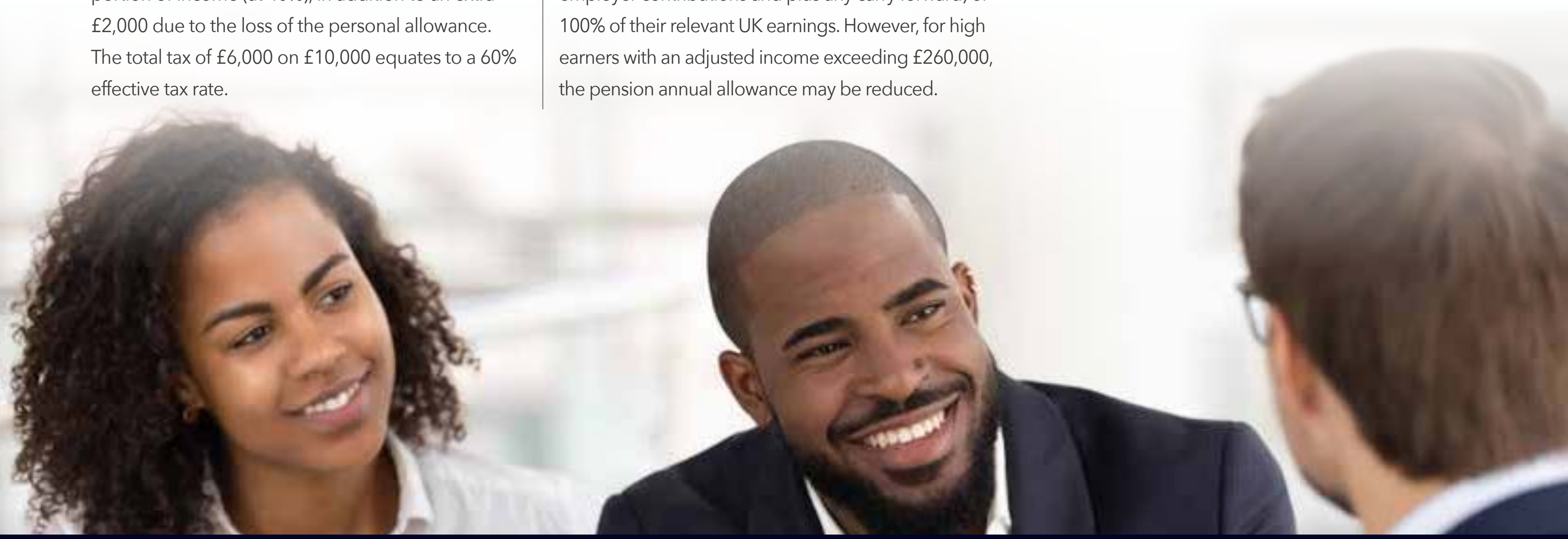
ARE YOU READY TO REFINE YOUR TAX PLANNING STRATEGY?

Understanding tax regulations, such as the 60% tax trap, can be overwhelming. The complexities of these rules, coupled with frequent changes to tax policies, make managing your financial planning challenging. We can assist you in staying informed, streamlining your tax strategy and designing a long-term plan that aligns with your financial goals. So, if you're worried about falling into the 60% tax trap or require professional advice to optimise your financial planning, please contact us.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.



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