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WEALTH
MANAGEMENT

WORKING WITH YOU, ACHIEVING YOUR GOALS

FINANCIAL PROTECTION

ENSURING A SECURE FUTURE FOR YOU AND YOUR LOVED ONES

BRITAIN'S BIGGEST PENSION TAXPAYERS
How to make sure you avoid becoming one

WAYS TO REDUCE A CAPITAL GAINS TAX LIABILITY
How will you ensure more of your money will go towards your future?

PLACING ASSETS INTO A TRUST
Ensuring your legacy is managed according to your wishes long into the future

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INSIDE **THIS ISSUE**

Welcome to our latest issue. Nobody wants to consider what would happen if they became too ill to support their family financially. Financial protection is essential to creating a secure future for your loved ones, but understanding what cover you may need can be confusing. On page 10, we discuss if you have considered the implications financially if you or someone in your family were unable to earn money, became ill or were to die prematurely. It's not something we like to think about, but if you have left regular employment and are now either retired or have become self-employed, then any previous protection you received from an employer now becomes your responsibility.

On page 07, we delve into a new analysis of FCA figures. Since 2015, individuals over the age of 55 with defined contribution (DC) pension pots have enjoyed full freedom to decide how to manage their pensions; purchasing an annuity (a guaranteed income for life) is no longer mandatory. We examine how people have utilised these newfound freedoms and the tax implications that have followed.

On page 12, we look at ways to potentially reduce a capital gains tax (CGT) liability, from using your annual exemption to saving in an Individual Savings Account (ISA). Cuts to the CGT exemption mean that arranging your investments as tax-efficiently as possible is more important than ever.

Trusts are a powerful tool for estate planning, providing flexibility and control over asset distribution. Properly structured, they can address various scenarios and requirements, ensuring that your legacy is managed according to your wishes long into the future. Read the full article on page 08.

The results of the 2024 Election had not been announced when this issue was published. Our next issue will explore how the outcome could affect personal finances.

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

WANT TO SECURE YOUR FINANCIAL FUTURE WITH OUR EXPERTISE?

Whether planning for retirement, investing your money, or protecting your wealth, we can assist with every aspect of your financial planning. Contact us today to discuss your specific needs.

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

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

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LEARNING FROM **THE RETIRED**

BALANCING FINANCIAL SECURITY WITH MENTAL WELL-BEING

The experiences of today's retirees offer a wealth of knowledge for anyone planning their retirement. By observing the paths already taken, future retirees can glean valuable lessons from the triumphs and challenges faced by those who have navigated this transition before them. This collective knowledge is crucial in shaping a retirement plan that balances financial security with mental well-being.

Financial security begins with diligent saving and investment strategies, which should be initiated as early as possible. Utilising employer-sponsored retirement plans, diversifying investments, and seeking advice from a financial professional are all essential steps toward building a successful retirement fund.

REVISITING FINANCIAL PLANS

Current retirees were asked if they would do anything differently in how they approached their retirements, and the research identified two in five (40%) said they would have done[1]. Almost one in five retirees (17%) said they would have increased pension savings while working, and one in ten (12%) would have made lifestyle adjustments while working to save more for their later years. Nearly one in ten (8%) said they wouldn't have left work when they did and should have chosen to retire later.

As the third chapter of life, retirement should be a positive experience, and for many, that is thankfully the case. However, with the benefit of hindsight, there are some valuable lessons for us all to learn from the current generation of retirees. Most regrets centre around money, wishing more was saved earlier, and often making choices around lifestyle to allow that extra cash to go into the pension.

IMPACT OF DELAYED RETIREMENT

Many also wished they'd stayed on and worked later, which can significantly positively affect both financial well-being and mental health. This research highlights the need to have a plan and seek advice at the earliest opportunity. We can advise you if you are on track and keep your plan on track as you navigate through the myriad of investments, generating replacement income, the tax system, estate planning, and inheritance.

The insights gained from current retirees underscore the importance of strategic financial planning. Individuals can secure a more stable financial future by increasing pension contributions and making conscious lifestyle choices that promote savings. Additionally, extending one's career bolsters financial reserves and contributes to a sense of purpose and mental well-being.

EVER-CHANGING FINANCIAL LANDSCAPES

Engaging with a professional financial adviser early in your career can provide invaluable guidance. We can help you stay on course amidst ever-changing financial landscapes, ensuring your investment strategies align with your long-term goals. Expert advice is crucial for a fulfilling retirement, from navigating the complexities of tax regulations to optimising inheritance plans.

Taking proactive steps today can lead to a more comfortable and rewarding retirement tomorrow. Start by assessing your current savings and consider increasing your pension contributions.

Evaluate your lifestyle choices to identify areas where you can cut costs and redirect those funds towards your future. Moreover, contemplate the benefits of a phased retirement, allowing you to continue working part-time while enjoying the leisure of retirement. ◀

READY TO GET YOUR RETIREMENT PLANS IN MOTION?

Planning for retirement can be overwhelming, and many questions must be considered. Should you invest in private or workplace pensions? Are your savings adequate? Which investments are best for you? Let us help you navigate these crucial decisions with professional financial advice. For more details, please contact us.

Source date:

[1] Research conducted by Opinium among 663 over 55s who said they were retired, with fieldwork was conducted between 19th – 22nd March 2024.

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RETIREMENT MATTERS

MAKING THE RIGHT DECISIONS TODAY COULD BOOST YOUR RETIREMENT POT AND MAKE THE FUTURE A WHOLE LOT BRIGHTER

When considering retirement planning, pension savings are a crucial component of your financial strategy and essential for a comfortable retirement. Securing the right professional advice is critical, as decisions made at this stage will significantly impact you and your family.

Saving in a pension is one of the most tax-efficient ways to invest for your future. However, to many people, it's understandable that pension rules seem like a minefield – and the most recent changes in pension legislation have made this already complex topic even more challenging. So what do the latest changes mean?

KEY PENSION QUESTIONS TO CONSIDER

How many different pension plans do you have? Do you have the details for each plan? Do you know how much is saved in each one? How well are they performing? What are the charges and levels of risk for each plan? How much income will you need in retirement to live life the way you want? Are your pension funds and other assets enough to provide that income?

REVIEWING YOUR PENSION PLANS

If you are unsure of the answers to some of these questions, this could be an ideal time to review your pension and retirement plans and make any changes to provide the future you want. Recent changes in pension legislation may offer a beneficial opportunity.

You may already know that there have been two key changes to pension rules recently. This has created opportunities to increase pension savings for some people and take stock of what they already have.

REMOVAL OF THE LIFETIME ALLOWANCE TAX CHARGE

Firstly, the Lifetime Allowance (LTA) tax charge has been removed as of 6 April 2023. Previously, anyone withdrawing benefits from their pension fund above the LTA of £1,073,100 (or the applicable fixed, enhanced, individual or primary protection amount) was subject to a tax charge. This charge could be either 55% or 25%, depending on whether they were taking a lump sum or income.

The Spring Budget in March 2023 reduced this charge to 0%. More recently, the Autumn Statement 2023 confirmed that the LTA would be removed entirely from 6 April 2024, which has now taken effect.

OPPORTUNITIES FOR PENSION CONTRIBUTIONS

As a result, you can now theoretically add to your pension (with set limits applying to tax relief) without worrying about a penal tax charge if you breach the old LTA. So, if you have had to stop paying money into your pension fund to avoid this tax, now would be a good time to discuss with us whether it would be prudent to add more.

INCREASED ANNUAL CONTRIBUTION LIMITS

Secondly, the maximum annual contribution has been increased from £40,000 to £60,000 subject to relevant earnings or those who have triggered the MPAA. It's worth noting that this legislation could change again.

These changes could benefit you if you want to pay more into your pension and have a pension fund above or near the previous LTA figure or a higher fixed protection amount. Additionally, if you stopped contributing to your pension and applied for fixed protection in 2012, 2014 or 2016, now would be a good time to discuss this with us.

A TAX-EFFICIENT WAY TO INVEST

At a glance, these changes seem to make pensions an even more tax-efficient way to invest – but pensions are complex, and these rules are not straightforward. There's no guarantee that the LTA will not be reinstated, which could create issues. It is also possible that another protection scheme may be introduced if the LTA is reinstated.

Changing your pension contributions might also affect how you draw your salary. This means it's desirable to get the right professional advice and consider your financial arrangements as a whole before making any decisions.

WHAT ARE YOUR OPTIONS?

If any of these questions apply to you, you may want to consider obtaining professional advice about your options. Do you have one or more old pension funds that might be treated differently under the new rules? Are you aiming to retire within the next couple of years, or would you like to retire earlier than you planned? Have you already made withdrawals from your pension but then returned to work?

Do you want to reduce the Inheritance Tax burden on your heirs? Might you inherit a pension soon? If any of these apply to you and you think you might be able to benefit from the recent changes, get in touch with us. ◄

TIME TO SECURE YOUR FINANCIAL FUTURE?

Investing in a well-structured pension is a smart way to secure your financial future. With the potential for tax-free growth, it's a powerful investment tool. Let us assist you in tailoring your pension plan to match your needs perfectly. Please contact us for more details or to discuss your specific pension requirements.

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

HOW MUCH DO I NEED TO **SAVE FOR RETIREMENT?**

ENSURE YOUR MONEY WORKS EFFECTIVELY TO ENJOY RETIREMENT ON YOUR OWN TERMS

How you invest in your 50s could significantly impact your quality of life in retirement. While there is still time to increase your retirement savings, a seemingly simple mistake could derail your plans. This is where obtaining professional financial advice becomes crucial.

With retirement now in sight, as you approach this milestone, ensuring your money works effectively will allow you to enjoy retirement on your own terms.

CLARIFY YOUR GOALS

'Saving enough for retirement' has likely been on your list of financial goals for some time, but now is the moment to become more specific. Knowing exactly how much you need to save will give you a concrete target. This amount will depend on factors such as your intended retirement age, your retirement plans, projected investment growth and inflation.

A financial adviser can demonstrate how long your savings may last in retirement, helping you understand if you need to adjust your goals or savings habits.

REVIEW YOUR INVESTMENT PORTFOLIO

When you are in your 50s and nearing retirement, ensuring that your investment portfolio maintains a suitable balance between risk and reward is important. The right level of investment risk depends on how you intend to fund your retirement and how far away your target retirement date is.

For those planning to buy an annuity in a few years, moving your pension fund from stocks to lower-risk assets such as cash may be wise. This strategy helps protect your pension pot from potential stock market crashes just before you need it.

MAINTAIN GROWTH POTENTIAL WITH DIVERSIFIED ASSETS

If you plan to fund your retirement through income drawdown or other savings and investments, moving into cash too early could mean your money does not last as long as required. Retaining some exposure to stocks allows your portfolio the opportunity for long-term growth. Considering that your retirement could span several decades, inflation will inevitably erode the real value of your savings and reduce your purchasing power.

One way to mitigate the impact of rising prices is to remain invested in the stock market. Historical data shows that the stock market generally outperforms cash over long periods and exceeds the inflation rate. Diversifying your investments across various asset classes can help your portfolio withstand stock market fluctuations.

FOCUS ON YOUR PENSION

Pensions are an exceptionally efficient method of saving for retirement, particularly when you're in your 50s. This is largely due to the tax relief you receive on personal pension contributions. For instance, a £1,000 pension contribution costs just £800 if you're a basic rate taxpayer, £600 if you're a higher rate taxpayer or £550 if you're an additional rate taxpayer. Tax relief is essentially free money from the government, significantly enhancing your retirement savings.

Most individuals can contribute up to 100% of their UK relevant earnings or £60,000, or £3,600 if there are no relevant earnings (whichever is lower) into pensions yearly while still benefiting from tax relief until age 75. However, it is important to remember that your pension annual allowance could be lower if you have a very high income or have triggered the MPAA.

MAXIMISING UNUSED ALLOWANCES

If you wish to save more than your annual allowance, it might be possible to maximise unused allowances from the previous three tax years under carry-forward rules. This strategy can considerably enhance your retirement savings by utilising every available tax benefit.

MAKE THE MOST OF YOUR TAX ALLOWANCES

There are numerous other tax allowances investors can utilise. For instance, you can invest up to £20,000 (tax year 2024/25) into Individual Savings Accounts (ISAs) to benefit from tax-efficient income and growth.

You can withdraw money from ISAs whenever you desire without incurring any tax; this makes ISAs a useful source of income for those retiring before age 55 (the current earliest age at which you can access your pension subject to health and certain occupations). Additionally, ISAs form an integral part of a tax-efficient retirement income portfolio.

OTHER ALLOWANCES TO CONSIDER

Other allowances include the personal savings allowance, dividend allowance and Capital Gains Tax exemption. You can earn up to £1,000 a year in interest without paying tax if you're a basic rate taxpayer. If you are a higher rate taxpayer, you can earn £500 a year without paying taxes. Additional rate taxpayers don't receive any allowance at all.

The annual Capital Gains Tax-exempt amount from 6 April 2024 is £3,000. If the total of all gains and losses in the tax year fall within this exempt amount, no tax will be payable. Gains above the annual exemption will be taxable. The exempt amount cannot be carried back or forward. The unused amount is lost if it's not used, in part or full. ◀

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TIME TO OPTIMISE YOUR PENSION AND MAKE THE MOST OF AVAILABLE TAX ALLOWANCES?

Please contact us for more detailed advice on optimising your pension and making the most of available tax allowances. We are ready to help you navigate the complexities of retirement planning and ensure you achieve a financially secure and comfortable retirement.

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THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX PLANNING.

BRITAIN'S BIGGEST **PENSION TAXPAYERS**

HOW TO MAKE SURE YOU AVOID BECOMING ONE

Since 2015, individuals over the age of 55 with defined contribution (DC) pension pots have enjoyed full freedom to decide how to manage their pensions; purchasing an annuity (a guaranteed income for life) is no longer mandatory. More than 221 people fully withdrew a pension pot of £250,000 or more between October 2022 and March 2023[1], resulting in a tax bill of at least £97,500 each[2], according to new analysis of FCA figures.

Following the reduction of the 45p rate of tax from £150,000 to £125,140 from April 2023, a pot of £250,000 withdrawn in the current tax year (2024/25) would lead to a tax bill of at least £98,700 each – over £1,000 more. In the same period, October 2022 to March 2023, 1,537 people fully encashed a pot of between £100,000 and £249,000, leading to a minimum £27,400 tax bill for each person.

Someone fully withdrawing a pot of £174,500, the middle point of that range, would have paid at least £63,500 in 2022/23 and a minimum of £64,700 now. These figures only consider the pension – people with other sources of income at the time of withdrawal would pay even more tax.

PAYING SIGNIFICANT AMOUNTS OF TAX TO ACCESS PENSIONS

This is because when people fully encash their pension, HMRC taxes anything above their 25% tax-free pension cash as income, subject to the LSA position of the individual, so it's taxed like an ongoing salary. The analysis shows there are hundreds of people out there paying significant amounts of tax to access their pensions. It's impossible to know whether their circumstances warranted them being subject to a big tax hit, but for most people, it's something you'll want to avoid.

It's important to remember that most pension income is subject to tax, like other income. Fully encashing a large pot will almost always mean a very large tax bill, sometimes taking away many years' worth of savings. Often, when people fully withdraw their pension, it is simply to move the money to their bank account. Not only does this mean their savings become eligible for tax, but they're also potentially giving up investment returns.

WITHDRAWING RETIREMENT SAVINGS MORE TAX-EFFICIENTLY

The good news is that there are ways to make withdrawing your retirement savings more tax-efficient, and it's possible to spread your withdrawals over many years, which can be more efficient. Taking just one option at retirement, such as cash or an annuity, could mean you miss out on an opportunity to maximise tax efficiency and consider your financial needs in the round.

It's worth considering a 'mix and match' approach to your retirement income, which could help you achieve the best of all worlds – you could, for example, annuitise a portion of your pension fund to cover essential outgoings and leave the rest in drawdown to access as and when you need it. Annuitising is the process of converting a lump sum of money into a stream of regular payments that are made over a specified period of time. Be sure to speak to your pension provider about your options, and we'd strongly recommend seeking advice or guidance when taking your pension.

HOW MUCH TAX WILL I PAY ON MY PENSION POTS?

First, most individuals will receive 25% of their pension pot tax-free, while the remaining 75% is taxable. The amount of tax payable on that 75% depends on factors such as your tax code, the amount you withdraw at a time and whether you have any other income sources.

It is important to remember that the total amount you can typically take tax-free across all your pension pots is now £268,275 unless you have specific protections in place. Most people cannot access their pension pots until they reach age 55 (rising to 57 on 6 April 2028).

UNDERSTANDING YOUR PERSONAL ALLOWANCE

Everyone is entitled to a tax-free Personal Allowance each tax year, just like when working. For the 2024/25 tax year, the Personal Allowance is £12,570, which has been frozen at this level for several years. Any amount above this will be taxed as earned income according to your tax band. The simplest way to avoid paying excessive tax is to ensure you do not withdraw more from a pension pot than necessary. Taking it in small, regular amounts could help keep your tax bill down.

Remember, you only pay Income Tax on anything over your Personal Allowance. Therefore, if a pension pot is your sole income source, you could withdraw £12,570 from it each tax year without paying any tax. Conversely, taking large lump sums in the same tax year (outside of your 25% tax-free entitlement) could push you into a higher tax bracket.

COMBINING TAX-FREE WITH TAXABLE WITHDRAWALS

You do not necessarily need to take all of your tax-free lump sum at once. Often, you can take it in chunks over several months or years, provided your pension plan allows this. For instance, you could withdraw from the taxable portion of your pot and top it up with some of your tax-free amount.

EXPLORING ISAS AS AN INCOME SOURCE

Unlike your pension pots, savings in your Individual Savings Accounts (ISAs) are generally not taxed upon withdrawal. You can contribute up to £20,000 in the 2024/25 tax year (across all your ISAs) and will not pay tax on withdrawals or gains. If you have savings in an ISA, consider using them to supplement your pension income to help reduce your tax burden. Alternatively, you could use your ISA to cover your entire retirement income before touching your pension.

For some, the early years of retirement can be more costly, necessitating a higher income. Hence, using tax-efficient withdrawals from your ISA to cover this period might be sensible. As you age and settle further into retirement, your expenses may decrease. Perhaps you have paid off your mortgage, enjoy less expensive hobbies or your children no longer rely on you financially. This could mean you can eventually afford to live off a more modest pension income, thus reducing your tax liability. ◀

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READY TO DISCUSS HOW TO MANAGE YOUR PENSION EFFICIENTLY?

For further information and personalised advice on managing your pension withdrawals efficiently, please contact us so we can guide you in the most appropriate way for your unique situation.

Source data:

[1] Retirement income market data 2021/22 | FCA

[2] Calculated using Which's tax calculator, Income Tax calculator and salary calculator for 2024/25, 2023/24 and 2022/23 – Which? Figures rounded to the nearest £100.

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PLACING ASSETS **INTO A TRUST**

ENSURING YOUR LEGACY IS MANAGED ACCORDING TO YOUR WISHES LONG INTO THE FUTURE

Trusts are a powerful tool for estate planning, providing flexibility and control over asset distribution. Properly structured, they can address various scenarios and requirements, ensuring that your legacy is managed according to your wishes long into the future.

Trusts separate assets' legal ownership from their beneficial ownership. The legal owner holds the title and is empowered to deal with and administer Trust assets, while the beneficial owner – as the name suggests – derives the benefit from them. This could be in terms of usage, income from those assets or sale proceeds.

GAINING CONTROL THROUGH TRUSTS

A person known as the 'settlor' places assets into a Trust, which may include money, property or other types of assets like life insurance policies and investment portfolios. This may be done during their lifetime (a Lifetime Trust) or can be triggered by death through a valid Will (a Will Trust). By placing the assets into this structure, the original owner may relinquish some of their rights and delegate responsibility to a trustee during their lifetime.

However, they can gain a lot more control in other ways. A settlor can project their wishes years into the future. Provided a Trust is set up correctly, you can determine who gets what and when with a good deal of precision. Trustees can be professionals (who work for a Trust company) or any other competent person prepared to take on these responsibilities.

VERY WIDE-RANGING POWERS AND TASKS

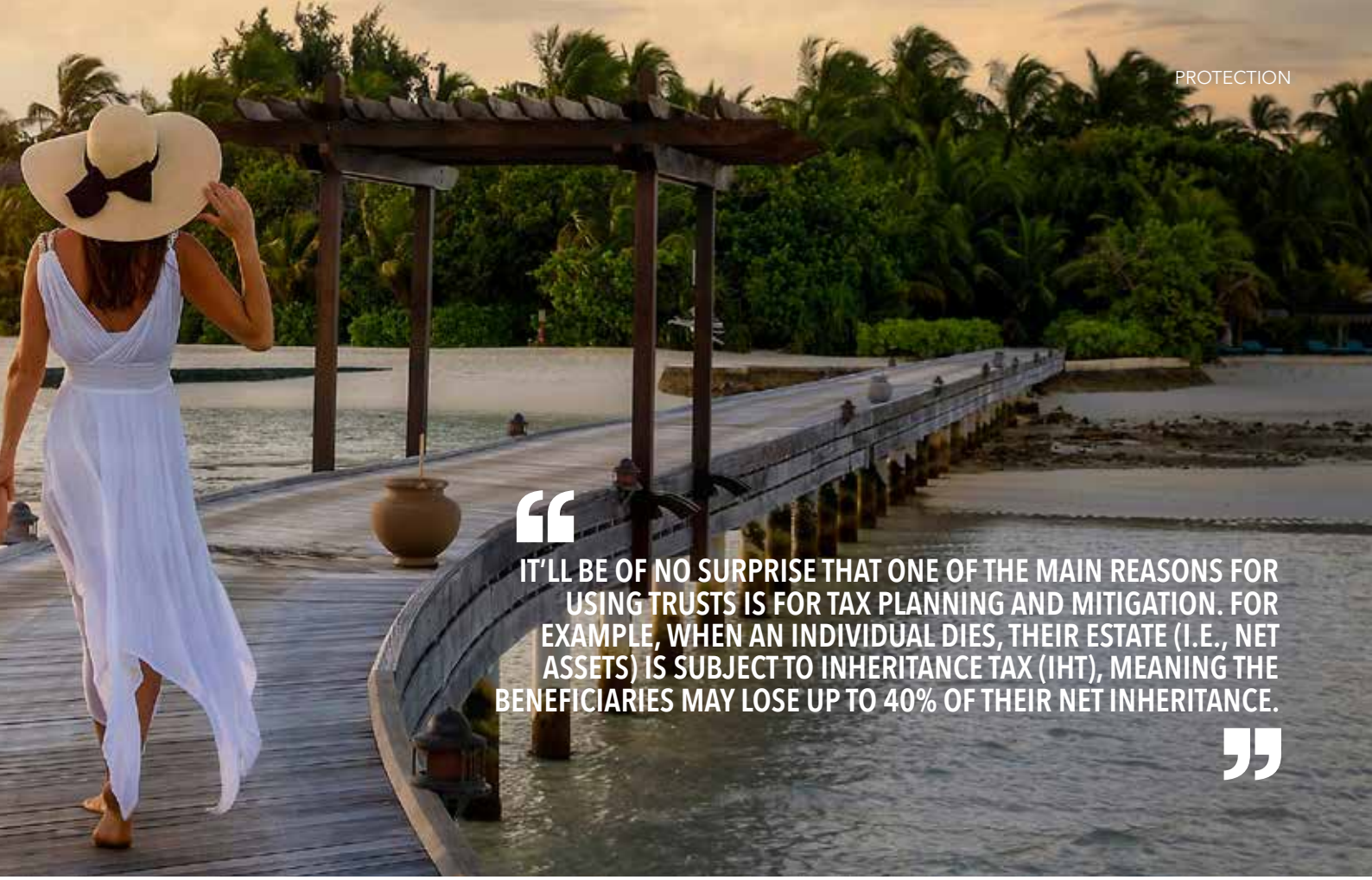
Trustees can have very wide-ranging powers and tasks, including settling tax bills and hiring investment management and legal professionals. If the Trust is discretionary, meaning they have discretion regarding the distribution of assets, they might also have to make certain decisions about how to use the Trust income and/or capital.

For these reasons, many prefer to have their Trust administered by professionals, paying them annual fees from the Trust's assets. However, others looking to structure family wealth may appoint a mixture of professional and family friend trustees to create a balance of objectivity and personal knowledge of the beneficiaries' situations and needs.

EMOTIONAL ASPECTS OF TRUST MANAGEMENT

Combining professional expertise with personal familiarity can ensure that both the technical and emotional aspects of Trust management are adequately addressed. Professional trustees bring technical know-how and impartiality, while family friends may offer deeper insight into the beneficiaries' circumstances.

By thoughtfully selecting trustees, you can achieve effective and empathetic management of your Trust, ensuring that your wishes are



> IT'LL BE OF NO SURPRISE THAT ONE OF THE MAIN REASONS FOR USING TRUSTS IS FOR TAX PLANNING AND MITIGATION. FOR EXAMPLE, WHEN AN INDIVIDUAL DIES, THEIR ESTATE (I.E., NET ASSETS) IS SUBJECT TO INHERITANCE TAX (IHT), MEANING THE BENEFICIARIES MAY LOSE UP TO 40% OF THEIR NET INHERITANCE.

fulfilled as intended. A blend of professional and personal trustees can provide a balanced approach, safeguarding the beneficiaries' financial and personal interests.

TYPES OF TRUSTS

Various types of Trust are available, and the settlor needs to decide which type is best suited for the circumstances.

A quick summary of the principal types of Trust is as follows:

Bare/Absolute Trusts – Where the settlor transfers the legal ownership of assets to the trustee for the benefit of the beneficiary absolutely.

Interest in Possession Trusts – The beneficiary (or sometimes known as 'life tenant') holds a right to the Trust fund's income or the right to use Trust assets. The remainderman's (the person who receives the property after the death of the life tenant) entitlement relates to the underlying capital.

Discretionary Trusts – This arrangement gives trustees flexibility and control over how best to use the Trust assets for the benefit of the beneficiaries. This flexibility helps in situations where children or grandchildren may not yet be born at the time the Trust is set up, as they would therefore automatically be included as a beneficiary.

Note that these are just a few examples; many other types of Trust can be used under different circumstances.

TAX PLANNING AND TRUSTS

It'll be of no surprise that one of the main reasons for using Trusts is for tax planning and mitigation. For example, when an individual dies, their estate (i.e., net assets) is subject to Inheritance Tax (IHT), meaning the beneficiaries may lose up to 40% of their net inheritance.

If assets are put into trust during a settlor's lifetime and they survive seven years, they are not part of the estate on death and may escape IHT at that time subject to the 14-year rule not being invoked. Trusts are used in certain IHT planning arrangements for the settlor's benefit, such as Gift and Loan plans, Discounted Gift Trusts and Flexible Reversionary Trusts.

TRUSTS IN WILLS

Trusts are frequently created in Wills, particularly where the beneficiaries are minor children who need someone to look after them financially. Any asset left to a minor under a Will is effectively held in trust for the minor by the executors until the minor reaches majority unless the Will allows payment to be made to a parent.

Trusts can be explicitly created in Wills to ensure that a beneficiary does not benefit until some other age is attained or a condition is fulfilled. There are many other reasons for setting up Trusts, notable examples being to provide a pension, provide for families, assist a charity, give property to those who legally cannot hold it, and gain protection from creditors and business protection. ◀

ARE YOU LOOKING TO OPTIMISE YOUR RETIREMENT PLANNING?

If you require further information or personalised advice on setting up a Trust, please contact us. We're ready to assist you in navigating the complexities of Trust administration and estate planning.

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

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

FINANCIAL **PROTECTION**

ENSURING A SECURE FUTURE FOR YOU AND YOUR LOVED ONES

Nobody wants to consider what would happen if they became too ill to support their family financially. Financial protection is essential to creating peace of mind for your loved ones, but understanding what cover you may need can be confusing.

IMPORTANCE OF FINANCIAL SECURITY

Have you considered the implications financially if someone in your family were unable to earn money, became ill or were to die prematurely? It's not something we like to think about, but if you have left regular employment and are now either retired or have become self-employed, then any previous protection you received from an employer becomes your responsibility.

Think about the regular items you and your family spend money on – holidays, socialising, club memberships, family events. Paying for these could become more difficult without the right protection in place.

COVERING ESSENTIAL COSTS FIRST

Start by covering your debts and other essential costs, such as mortgage payments, council tax, utilities and food costs. You can then consider additional protection for other priorities.

The main types of protection include:

HEALTHCARE INSURANCE

Most UK residents are entitled to free healthcare from the NHS. However, some individuals also opt for private medical insurance. Also known as 'PMI,' it pays some or all of your medical bills if you're treated privately. Basic policies typically cover the costs of most inpatient treatments, and more comprehensive policies extend their coverage to outpatient treatments.

CRITICAL ILLNESS COVER

Critical illness cover pays a tax-free lump sum or regular payments upon diagnosing a specified critical illness. A lump sum could help you to take time off, modify the house, pay for medical treatment, or give you time to recuperate or adjust to your new condition. You can also build in children's cover – a lump sum payout if they are diagnosed with a critical illness could allow you to take unpaid leave to care for them.

INCOME PROTECTION

Income protection pays out a regular income to replace income you've lost through being unable to work due to sickness or disability. You can choose to take cover for a set period of time – for example, one to three years or until age 65 – and delay the start of payments for a number of months, both of which can help keep premiums down. You can also choose your level of cover – usually somewhere between half and two-thirds of your income.

LIFE INSURANCE

Life insurance pays out on death and can provide a lump sum or regular monthly payments over a specified timeframe – say, until children reach a certain age. The payments can help pay off or cover a mortgage, pay for school fees and cover lost income.

PROTECTING YOUR INHERITANCE

In the event of your death, the size of your estate could determine whether your family or other beneficiaries become liable for

Inheritance Tax. This tax can place a significant financial burden on your loved ones if insufficient funds are readily available or if adequate plans are not in place.

IMPORTANCE OF STRATEGIC PLANNING

Without proper planning, your family may be forced to sell valuable assets, such as the family home, to cover the tax bill. Therefore, it is crucial to consider all available options to protect your estate and ensure that your beneficiaries receive their intended inheritance.

One effective strategy is to set up a Trust for your dependants. A Trust offers several advantages that can alleviate the financial strain on your family. It pays out quickly upon death, eliminating the need to wait for probate to access the funds.

SETTING UP A TRUST

A Trust also falls outside of your estate, meaning there is no Inheritance Tax liability as long as it has been in place for seven years before your death, assuming the 14-year rule isn't invoked. Additionally, some Trusts allow you to decide exactly how much money goes where and when, giving you greater control over the distribution of your assets.

Another critical component of Inheritance Tax (IHT) planning is considering pensions. Pensions generally fall outside your estate, offering a significant advantage in reducing potential IHT liabilities.

COMPLEXITIES OF PENSIONS

However, the rules governing pensions can be complex, necessitating professional advice. It is essential to inform the pension scheme of the right beneficiaries and keep your nomination forms up to date to ensure your family benefits as intended after your death. It is also important to note that a nomination form is not legally binding on the trustees. The pension trustees have discretion in order to ensure the benefits are outside the estate of the individual for IHT purposes.

Properly managed pensions can offer substantial tax advantages and financial security for your loved ones. Regularly reviewing your pension arrangements is vital to maintaining the effectiveness of your inheritance planning strategy.

REGULAR REVIEWS AND UPDATES

Reviewing and updating your financial plans regularly is crucial to protect your inheritance effectively. Life changes such as marriages and births, or changes in tax laws, can significantly impact your current strategy. Staying proactive ensures that your estate remains optimally managed and protected.

Inheritance planning is a complex field requiring careful consideration and expertise. Seeking professional advice can help you navigate the intricacies of Trusts, pensions and tax implications, ensuring your legacy is preserved for your loved ones. ◀

TAKING ACTION FOR PEACE OF MIND

Understanding and choosing the right financial protection ensures that your family remains financially secure despite unforeseen circumstances. Assess your needs and make informed decisions to safeguard your loved ones' future. If you require further information to make informed decisions about financial protection, please contact us for expert guidance.

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WAYS TO REDUCE A **CAPITAL GAINS TAX LIABILITY**

HOW WILL YOU ENSURE MORE OF YOUR MONEY WILL GO TOWARDS YOUR FUTURE?

From using your annual exemption to saving in an Individual Savings Account (ISA), we look at ways to reduce a Capital Gains Tax (CGT) liability potentially. Cuts to the CGT exemption mean that arranging your investments as tax-efficiently as possible is more important than ever.

The CGT annual exemption more than halved from £12,300 to £6,000 on 6 April 2023 and dropped again to £3,000 from 6 April 2024. This means many investors selling assets will face a higher tax bill. Any gains that exceed the CGT annual exemption are taxed at 20% for higher rate taxpayers and 10% for basic rate taxpayers. The rate is higher for gains on second properties, at 28% and 18% respectively.

MAXIMISING YOUR EXEMPTIONS

The good news is that with careful planning, there are different ways to reduce CGT, ensuring more of your money goes towards your future. However, CGT can be highly complex and without expert financial advice, there's a risk you could end up paying it unnecessarily. Here are some ways to potentially reduce a CGT liability.

USE YOUR CGT EXEMPTION

Everyone has an annual CGT exemption, which enables you to make tax-free gains of up to £3,000 in the 2024/25 tax year. This can't be carried forward into the next tax year. Despite the reduced allowance, making full use of it each year could reduce the risk of incurring a significant CGT liability in the future.

MAKE USE OF LOSSES

You might be able to minimise your CGT liability by using losses to reduce your gain. Gains and losses realised in the same tax year must be offset against each other, which can reduce the amount of gain that is subject to tax. Unused losses from previous years can be brought forward, provided they are reported to HM Revenue & Customs within four years from the end of the tax year in which the asset was disposed of.

TRANSFER ASSETS TO YOUR SPOUSE OR REGISTERED CIVIL PARTNER

Transfers between spouses and registered civil partners are exempt from CGT, which means assets can be transferred from one partner to the other to use each person's annual CGT exemption. This effectively doubles the CGT exemption for married couples and civil partners. The transfer must be a genuine, outright gift.

INVEST IN AN ISA / BED AND ISA

Gains (and losses) made on investments held within an ISA are exempt from CGT, so it makes sense to use your ISA allowance each year, particularly for higher and additional rate taxpayers. In the 2024/25 tax year, you can invest up to £20,000 in an ISA. For married couples and civil partners, the ISA allowance effectively doubles to £40,000.

CONSIDERATIONS AND PROFESSIONAL ADVICE

There is also an option called 'Bed and ISA', which involves selling investments to realise a capital gain and then immediately buying back the same investments inside an ISA. This enables all future gains on the investment to be CGT-free. Bear in mind that you may pay stamp duty and other costs when repurchasing investments in an ISA, and there is a risk that time out of the market, however small, will detrimentally impact your investments. It's important to obtain professional financial advice before taking such action.

CONTRIBUTE TO A PENSION

Making a pension contribution from relevant earnings could help you save on CGT because it effectively increases the upper limit of your Income Tax band. If, for example, you made a gross pension contribution of £10,000, the point at which higher rate tax becomes payable would rise from £50,270 to £60,270 (2024/25 tax year). If your capital gain plus other taxable income fell within this extended basic rate income tax band, CGT would be payable at 10% instead of 20%, provided the gain wasn't from residential property.

GIVE SHARES TO CHARITY

If you give land, property or qualifying shares to a charity, Income Tax relief and CGT relief are available. This strategy not only benefits the charity but also provides you with significant tax advantages. By giving assets directly to a charity, you can avoid CGT on any increase in value and claim Income Tax relief based on the market value of the assets donated.

CLAIM GIFT HOLD-OVER RELIEF

Gift Hold-Over Relief could be available if you give away certain business assets or sell them for less than they are worth to help the buyer. If you're eligible, you won't pay CGT when you give away the assets, but the person you give them to might be liable for CGT when they sell them. You must meet several eligibility conditions, so if you're unsure, speak to a professional adviser. This relief allows you to defer the CGT liability until the recipient disposes of the asset, effectively transferring the tax burden to them. This can be particularly useful when you want to support a family member or business partner.

CHATTELS THAT ESCAPE CGT

Gains on possessions such as antiques and collectables, called 'chattels', may be tax-free. For example, items with a predictable life of 50 years or fewer, known as 'wasting assets', are CGT-free, provided they were not eligible for business capital allowances. Wasting assets include antique clocks, vintage cars, pleasure boats and caravans. For non-wasting chattels, like paintings and jewellery, the CGT position depends on the sale proceeds, with those £6,000 or under usually being exempt. This exemption can provide a valuable opportunity to capitalise on the appreciation of these items without incurring a tax liability. ◀

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ARE YOU READY TO DISCUSS MAXIMISING ALL YOUR TAX RELIEFS, ALLOWANCES, AND EXEMPTIONS?

CGT is a complicated subject. We'll ensure you're maximising all your tax reliefs, allowances and exemptions, explain your options and advise on the best course of action for your individual circumstances. To learn more, contact us to structure your investments in the most tax-efficient manner possible.

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INVESTING **A LUMP SUM**

RECEIVED AN INHERITANCE, WINDFALL, OR PROCEEDS FROM A BUSINESS OR PROPERTY SALE? BUT WHAT NEXT?

Receiving a lump sum of money, whether from an inheritance, windfall, or proceeds from a business or property sale, can be exciting and overwhelming. Deciding where to invest this money is crucial, and with numerous options available, it can be challenging to determine the best course of action.

Knowing where to put a cash windfall can be difficult, particularly in times of market and economic uncertainty. We explore ways to invest your lump sum to help you make an informed decision and ensure you maximise your financial growth and security.

ASSESSING YOUR GOALS

The right decision for you will largely depend on what you want to do with your money and your needs and goals, which we can help you assess. In the meantime, here are some of the main options to consider.

CASH SAVINGS ACCOUNT

A cash savings account is a good choice if you want to use your lump sum to fund short-term goals – a holiday or new car, perhaps – or if you're not quite sure what to do with it yet. By holding your lump sum in a cash savings account instead of investing it in the stock market, you won't risk your money falling in value just before you need to access it.

If you don't need your money for several months, you may wish to consider a notice or fixed-term savings account, as these may offer higher rates than easy-access savings accounts. It's always worth shopping around to find the best rate on your savings, as a difference of only 0.5% could significantly impact large sums of money.

UK GOVERNMENT BONDS

UK government bonds ('gilts') could be an attractive choice if you want to use your windfall to fund a medium-term goal. Gilts are secure savings vehicles guaranteed by the government and listed on the London Stock Exchange.

If gilts are held inside an Individual Savings Account (ISA) or other tax-free wrapper, there is no Capital Gains or Income Tax to pay. If held outside of an ISA or similar, gilts are free from Capital Gains Tax when you profit from a trade, but any income you get is subject to Income Tax.

STOCK MARKET INVESTMENTS

For longer-term goals, such as retirement or leaving a legacy for the next generation, you may wish to invest a portion of your lump sum in the stock market. Although the stock market is volatile, history shows that it tends to outperform cash and bonds over extended periods. You should be comfortable committing your money for at least five years, ideally longer. This will hopefully give your investments time to recover from any stock market downturns.

One way to reduce risk is to spread your money across different asset classes, such as equities, bonds and cash, as well as across sectors and regions. This is because different assets, sectors and regions tend to perform differently under various market conditions. We can assist you in building a diversified portfolio that suits your needs and attitude towards risk.

INVESTMENT ISA BENEFITS

If you haven't utilised your ISA allowance this year (2024/25), investing your lump sum in an Investment ISA will potentially allow it to grow over the long term while also shielding it from Capital Gains Tax (CGT) and Income Tax. If you sell investments outside of an ISA, you could be taxed on your profits above your annual CGT exemption.

Additionally, if your investments pay dividends or interest, this could be included when calculating your overall Income Tax bill, potentially pushing you into a higher Income Tax bracket. The ISA allowance currently stands at £20,000. It is a 'use it or lose it' allowance, meaning you cannot carry it forward from one tax year to the next.

MAXIMISING PENSION CONTRIBUTIONS

Another option is to maximise your annual pension allowance. You can invest up to £60,000 or 100% of your UK relevant earnings, or £3,600 if you have no relevant earnings (whichever is lower) into pensions yearly and benefit from Income Tax relief up until age 75. Income Tax relief provides an immediate boost to your personal pension contributions, helping to increase how much money you have at retirement.

In some circumstances, you might be able to 'carry forward' unused annual allowances from the previous three tax years. Remember that your pension annual allowance might be lower than £60,000 if you earn a high income or have already flexibly accessed your defined contribution pensions. We can help you determine how much your annual allowance is and whether making a pension contribution is the right choice for you. ◀

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READY TO DISCUSS HOW TO INVEST A LUMP SUM OF MONEY?

If you come into a lump sum of money, you'll need to decide how best to use it. Please contact us for further information and personalised advice. We are here to help you make the most informed and beneficial decisions for your financial future.

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THE IMPORTANCE OF **DRAFTING A WILL**

PROTECT YOUR FAMILY FROM UNCERTAINTY AND POTENTIAL CONFLICTS

Many people still lack a properly organised estate plan despite the numerous benefits of writing a Will–such as getting our finances in order, planning our legacy, and ensuring that our loved ones are well looked after.

By taking the proactive step to draft a Will, you can protect your family from uncertainty and potential conflicts, ensuring that your legacy is preserved according to your exact intentions. If you haven't done so already, now is the time to prioritise this important task and secure the future for those you care about most.

A WAY TO GET ASSETS IN ORDER

Making a Will often prompts a financial review. It typically identifies gaps in people's financial planning–often inadequate life assurance or disability income benefit cover. If they're in an occupational pension scheme, they may need to update their nomination of beneficiaries form.

Without a Will, Intestacy laws determine who inherits your estate and in what order. If you don't have a valid Will, then effective state legislation steps in and provides a series of rules which you may not wish to apply to your assets and your family. It's also relatively inexpensive compared to the problems you can create for your family without making a Will.

SPECIFYING SENTIMENTAL GIFTS IN YOUR WILL

We dedicate much of our lives to working hard to provide for ourselves and our loved ones. As we accumulate assets and cherished possessions over time, it becomes crucial to ensure that they are distributed according to our wishes when we are no longer around. Importantly, the gifts mentioned in a Will do not need to be limited to property or cash.

They can also include sentimental items with significant emotional value but less material worth. These could be family heirlooms, personal mementoes, or any treasured possessions that we wish to pass down to future generations. By specifying these sentimental gifts in our Will, you ensure that these meaningful items are handed down to those who will appreciate them most.

LEAVE MONEY TO A GOOD CAUSE

While family and friends are likely to be the first considerations when writing a Will, many people also take the opportunity to give a helping hand to causes close to their hearts. For many charities, gifts in Wills account for a significant amount of their income.

Without these legacies, much of their work would not be possible. Leaving money to charity could also cut your Inheritance Tax bill. Some charities will even help you write a Will if you leave them a donation. By leaving 10% of the value of your estate to a charity, you could reduce Inheritance Tax payable on some of your assets from 40% to 36%.

YOU CHOOSE THE LEGAL GUARDIANS

A Will allows you to appoint one or more legal guardians for children aged under 18. Your chosen guardians will take over the role of bringing up the children on your behalf. This ensures you remain in control and entrust this significant responsibility to people you deeply trust.

In addition, having a Will grants you the peace of mind that comes with knowing your children's future is secured. By choosing guardians, you ensure they are cared for by individuals who share your values and vision for their upbringing.

YOU CHOOSE THE EXECUTORS

Choosing your own executor, the individual responsible for implementing the terms of your Will, can ensure that your estate is distributed by someone you trust. You can appoint people you know and rely on to be your executors and manage your estate. Alternatively, you can appoint professionals to serve as your executors.

An executor plays a crucial role in managing your affairs posthumously, ensuring that your wishes are carried out accurately and efficiently. This includes settling debts, distributing assets, and handling other legal matters related to your estate.

> TAKING OUT A LIFE INSURANCE POLICY CAN FURTHER ENSURE THAT YOUR FAMILY IS FINANCIALLY SECURE. LIFE INSURANCE CAN SERVE AS A SAFETY NET, PROVIDING FINANCIAL SUPPORT TO YOUR LOVED ONES IN THE EVENT OF YOUR PASSING.

YOU ENSURE PARTNERS ARE LOOKED AFTER

There's a common misconception that the rules provide for a 'common-law' husband or wife. If you're unmarried or in a registered civil partnership and don't have a Will, your partner won't inherit anything under the laws of intestacy. A Will ensures that couples who live together but aren't married or in a registered civil partnership can leave their assets to each other.

Taking out a life insurance policy can further ensure that your family is financially secure. Life insurance can serve as a safety net, providing financial support to your loved ones in the event of your passing.

A WILL SHOULD BE UPDATED

A Will should be reviewed at least every three years and whenever there's a significant life event, such as the birth of a child or when children become adults. Keeping your Will up to date ensures that it reflects your current wishes and circumstances.

Amending a Will is straightforward – you can rewrite parts of it with something called a codicil. This allows you to make minor adjustments without drafting a completely new document.

PEACE OF MIND

Making a Will can relieve a considerable burden on your mind. Completing a properly-arranged Will provides peace of mind, knowing that your assets will be distributed according to your wishes. Writing a Will places you in the driver's seat for many important decisions, impacting not just your life but also those of your family and friends.

Once written, many people feel great relief, especially when they can cross it off their 'to-do' list. However, remember to update it as needed to ensure it remains relevant. ◀

LOOKING TO DRAFT OR UPDATE AN EXISTING WILL?

Please contact us for further information on drafting a comprehensive Will and safeguarding your legacy for future generations. Whether you're just beginning the process or looking to update an existing Will, we'll help you navigate every step confidently and easily.

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QUARTER OF RETIREES FINANCIALLY STRUGGLING DESPITE **PAYING OFF MORTGAGE**

URGENT NEED FOR EFFECTIVE FINANCIAL STRATEGIES AND SUPPORT SYSTEMS TO ENSURE A DIGNIFIED AND SECURE RETIREMENT

According to a new study[1], around 21% of retirees say that, after paying off their mortgage, they are "unable to live fulfilling lives" due to insufficient retirement funds. This situation underscores the financial challenges many retirees face, even after achieving what many consider the major milestone of homeownership.

Over a fifth—22%—of retirees surveyed were already reducing or stopping medication spending. Additionally, 15% were skipping meals due to their financial situation, according to data from Senior Capital, which surveyed around 2,070 respondents.

FINANCIAL INSECURITY AMONG BRITISH RETIREES

The figures also showed that 11% of British retirees have no savings at all. Almost one in five retirees across the UK will be on the poverty line as they do not have sufficient money in their pension pots, reflecting a concerning trend of financial insecurity among the older population.

One in seven retirees said that worrying about funding their retirement was the largest strain on their mental health. This highlights the urgent need for effective financial strategies and support systems to ensure a dignified and secure retirement.

UNLOCKING THE VALUE OF PROPERTY

Equity release is an alternative way to help some pensioners access capital to fund their retirement if appropriate. Equity release allows homeowners to unlock the value of their property without selling their home or taking on additional monthly repayments.

Equity release allows homeowners to access the equity built up in their property, providing a tax-free lump sum to supplement regular income whilst still retaining ownership and the right to live in their home for life or until they move into long-term care. This can be particularly advantageous for retired or with limited income, offering financial flexibility and stability without the burden of servicing higher mortgage repayments.

THERE ARE TWO EQUITY RELEASE OPTIONS

The two main types of equity release are the lifetime mortgage and home reversion. Each offers unique benefits tailored to different needs.

LIFETIME MORTGAGE

With a lifetime mortgage, you take out a mortgage secured against your property, provided it's your main residence while retaining ownership. This product allows you to continue living in your home as usual. One notable feature is the ability to ring-fence some of the property's value as an inheritance for your family. This ensures that a portion of the home's value is preserved for your loved ones.

You can decide whether to make regular repayments or allow the interest to roll up. The loan amount, along with any accumulated interest, is repaid through the sale of the property when the last borrower either dies or moves into long-term care. This option provides a way to access funds without selling your home immediately.

A lifetime mortgage can significantly enhance financial stability during retirement by providing a tax-free lump sum or regular payments. This can be especially advantageous for individuals with limited income or savings,

> EQUITY RELEASE IS AN ALTERNATIVE WAY TO HELP SOME PENSIONERS ACCESS CAPITAL TO FUND THEIR RETIREMENT IF APPROPRIATE. EQUITY RELEASE ALLOWS HOMEOWNERS TO UNLOCK THE VALUE OF THEIR PROPERTY WITHOUT SELLING THEIR HOME OR TAKING ON ADDITIONAL MONTHLY REPAYMENTS.

offering additional funds without the necessity of monthly repayments. The flexibility of choosing between making repayments or letting the interest accumulate can be tailored to individual financial circumstances.

Moreover, modern equity release products now come with increased flexibility and protections, ensuring retirees can select the best option for their needs. These features make lifetime mortgages a viable solution for many looking to supplement their retirement income while remaining in their homes.

HOME REVERSION SCHEME

Home reversion involves selling part or all of your home to a home reversion provider in return for a lump sum or regular payments. You retain the right to live in the property until your death, but you must agree to maintain and insure it. This option also allows you to ring-fence a percentage of your home for later use, which could be earmarked for inheritance purposes.

The percentage of the property retained remains constant, irrespective of fluctuations in property values, unless further cash releases are taken. Upon the last borrower's death or move into long-term care, the property is sold, and the proceeds are divided according to the ownership proportions agreed upon at the outset.

Home reversion plans allow you to remain in your familiar surroundings while accessing a portion of your home's value. This can offer financial security without affecting your current living arrangements. However, it is essential to maintain and insure the property as per the agreement with the home reversion provider.

When the time comes to sell the property, the sale proceeds are shared based on the predetermined ownership percentages. This structure ensures that you benefit from your home's value while still planning for future needs or inheritance.

INVESTIGATE A MULTITUDE OF OPTIONS

However, it's vital to investigate a multitude of options that could help ease financial obligations, as remortgaging may not always be the right option. The right equity release mortgage product, particularly those that offer the greatest flexibility through limited prepayment penalties, may be an appropriate option versus a more traditional mortgage when you want to unlock the value in your home.

A recent Equity Release Council (ERC) study found that a fifth of people do not expect to retire mortgage-free. This further illustrates future retirees' financial challenges and the potential benefits of innovative financial products like equity release. ◄

WILL YOU HAVE A FINANCIALLY SECURE AND FULFILLING RETIREMENT?

Please contact us if you require further information or personalised advice on securing a financially stable retirement. Let us help you navigate your path towards a financially secure and fulfilling retirement.

Source data:

[1] Senior Capital surveyed 2,070 respondents - 05.06.24

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FINANCIAL PLANNING **CONVERSATIONS YOU NEED TO HAVE**

PROTECTING YOUR LEGACY AND BOOSTING YOUR CHILDREN'S FINANCIAL SECURITY

Discussing finances can evoke anxiety or discomfort, and this tension doesn't ease when family members are involved. Nevertheless, parents of adult children are responsible for discussing their financial future–particularly retirement and estate planning. Doing so ensures their children can provide support or fulfil their wishes as needed.

Open conversations can provide financial planning opportunities and improve your loved one's future finances. The sooner you talk about money, the better your chances are of protecting your legacy and boosting your children's financial security.

HOW CAN YOU MAKE FINANCIAL PLANNING CONVERSATIONS GO SMOOTHLY?

YOUR ESTATE

Let's begin with inheritance, which is a hugely emotive subject. While discussing who will inherit a portion of your estate after you have passed away might seem difficult, doing so could prevent future difficulties or disagreements. You can explain your plans and why you have made certain decisions.

This could also provide an opportunity to consider if your will needs updating. For example, you might need to amend your will to ensure your estate can benefit from the residence nil-rate band, which could reduce your estate's Inheritance Tax (IHT) bill.

LIFETIME GIFTING

Although you'll want to avoid giving away money that you might need in the future – towards care costs, for example – you might wish to consider passing on some wealth to future generations within your lifetime. Using pensions, Trusts, and life assurance are just some ways you can do this. This can be complicated, but we can work with you to give you peace of mind that you've laid the firmest foundation for your family's future.

It's possible to gift tax-efficiently during your lifetime using various allowances and exemptions. For instance, you can give away up to £3,000 per year free from IHT. Additionally, you can make small gifts of up to £250 per person per tax year. Further, tax-free gifts, such as potentially exempt transfers (PETs), become exempt from IHT if you live for at least a further seven years after making the gift.

POWER OF ATTORNEY

Dealing with a deterioration in mental capacity can be particularly tough on your family. If you can no longer make decisions for yourself, you'll want to ensure someone you trust is legally in this position. You can put in place a power of attorney, a legal document enabling you to name one or more people to look after your affairs if you lose capacity.

Without this document, an application must be made to the Court of Protection (the sheriff court in Scotland), which can be a complex, costly, and lengthy process for your loved ones.

"WHEN I'M GONE" INFORMATION

Discuss where you'll safely leave basic details of your bank accounts, savings, investments, and utility providers. Compiling a list of this information is time well spent and could be invaluable to your family if you lose capacity or pass away. Talking to your family about inheritance might seem difficult, but we can help start the conversation and guide you through what may be an emotional process.

SUCCESSION PLANNING

Building a succession plan that suits your needs ensures you have laid the firm foundations for your family's future. It's crucial to regularly review and update this plan to adapt to any changes in your personal circumstances or legislation.

The planning process leads to understanding each family member's motivations and personal drivers. This will enable you to assess the direction of your vision and the options available to your family to create a plan for your family's future. ◀

ARE YOU READY TO MANAGE YOUR FAMILY'S FINANCIAL FUTURE?

Please contact us for more comprehensive advice on managing your family's financial future, including estate planning, lifetime gifting, and setting up a power of attorney. We'll assist you in navigating these challenging discussions and ensuring your financial legacy is secure.

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

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

RETIREMENT EXPERIENCE **AMONG OVER 55s**

MONEY, OR LACK THEREOF, A SIGNIFICANT DRIVER OF OVERALL RETIREMENT SATISFACTION

Given the ongoing economic pressures of rising living costs, over 55s were asked how they find the overall retirement experience. The research found that four in five (79%) of over 55s who have retired did so without the help of financial guidance or advice, preferring to opt for a DIY approach to managing their finances[1].

This comes as nearly one in three (29%) of the same group admit they are not experiencing the retirement they dreamed of. Two in five (39%) are enjoying their retirement more positively.

UNMET FINANCIAL EXPECTATIONS

One in ten retirees (11%) did not anticipate how much money they would need in retirement and found life after work more difficult than expected. They wished they had planned properly. More than a third (36%) of retirees said they had experienced unexpected health challenges; however, 27% mentioned that although they weren't living the retirement they'd planned, they were still very happy.

ECONOMIC PRESSURES AFFECTING RETIREES

Money, or lack thereof, is a significant driver of overall retirement satisfaction for the over 55s. Inflation and the cost-of-living crisis are hurting retirees, with one in five (21%) saying they hadn't factored rising costs into their plans. Additionally, preparing for unexpected costs has caught retirees off guard, with 13% receiving bills they weren't expecting.

SAVINGS AND RETIREMENT PLANNING

One in ten retirees (12%) cited a relative lack of savings, saying they didn't have enough money to live the retirement they had planned. Similarly, some people over 55 (11%) did not anticipate how much money was needed to fund retirement. This insight clearly shows that people's retirement experiences vary widely. Later life varies for each individual, but generally, people go through four key financial stages: beginning retirement savings, assessing their progress, utilising their savings, and planning their legacy.

NAVIGATING RETIREMENT CHALLENGES

While a lack of retirement funds and the impact of rising costs are clearly issues facing the current generation of retirees, unexpected health issues often trump both, leading to the dreams of many being shattered due to these unforeseen circumstances. Planning your retirement and ensuring it is flexible enough to navigate the many challenges you will face is vital to feeling in control and enjoying your later years. ◀

ARE YOU CONCERNED ABOUT WHETHER YOU CAN HANDLE YOUR RETIREMENT FUNDS PROPERLY?

Our personalised financial advice is here to help. We create a tailored plan, support you in following it, and provide guidance through life's various stages. This way, you can have peace of mind. Contact us for further information and personalised financial advice to discuss your requirements.

Source data:

[1] Research conducted by Opinium among 663 over 55s who said they were retired, with fieldwork conducted between 19th – 22nd March 2024.

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YOUNG WOMEN **AND RETIREMENT**

HOW MUCH INCOME WILL YOU NEED FOR A COMFORTABLE RETIREMENT?

Almost a quarter (23%) of women in their 20s (aged 22-29 years) would be frustrated if they couldn't retire by the age of 60, according to new research[1]. Despite this, 10% of this group have opted out of their employer's pension scheme, further risking their chances of retiring when they plan to.

Additionally, 35% don't know how much income they would need for a comfortable retirement, and nearly two in three (62%) young women are concerned about completely running out of money in retirement.

MISSED OPPORTUNITIES FOR EARLY SAVINGS

Despite the clear uncertainty about their futures, the research highlights that younger women are missing out on making a significant early difference. While 19% of men start paying into their pension by age 22, just 14% of women do so, signalling a clear opportunity for more young women to start saving for a pension from an early age.

Of those who opted out of being automatically enrolled into their employer's pension scheme, 29% said it was because they couldn't afford to keep up regular pension contributions, and 14% said they would prefer to spend the money now. In fact, women are saving less than men towards an employer pension at nearly every point in their lives.

THE GROWING PENSION GAP

Acting early is key, given that the pension gap also grows with age. The difference between the pension values of men and women is 10% at the age of 25 and 50% by age 50. The research shows a significant gap between women's expectations and the actions taken to meet those expectations.

Alarmingly, 10% have opted out of their workplace pension, meaning they are missing out on compound interest gains and, crucially, the 'free money' that comes with employer pension contributions.

CONSEQUENCES OF OPTING OUT

Opting out of your employer's pension scheme is tantamount to taking a pay cut. When these women reach the end of their working lives, they may face a much harder retirement than those who have consistently contributed. This situation is compounded further by often having to take enforced career breaks.

The good news for anyone in their twenties is that time is on their side. Fortunately for younger women, there are steps that can robustly improve retirement outcomes if taken during their careers in their 20s. They can maximise compound gains by starting early and maximising available employer contributions.

BRIDGING THE RETIREMENT EXPECTATIONS GAP

It's alarming to witness the contrast between retirement expectations and the reality that many women in their 20s will face, but it is not surprising. The cost of living crisis has made prioritising their pensions more difficult than ever. The challenge lies in the necessity of paying into a pension regularly from the start of one's career, which is essential given the boost provided by a workplace pension.

THE GENDER PENSION GAP

Addressing the gender pension gap, which can expand to £100k, is crucial. By raising awareness of the importance of a pension and the impact of compounding over time on your pension pot, there's hope that more young women can take control of their future savings today.

However, the struggle to balance immediate financial needs with long-term planning is very real. Many young women are compelled to make tough decisions about allocating their

> THE REALITY IS THAT EARLY CONTRIBUTIONS TO A PENSION SCHEME CAN SIGNIFICANTLY IMPACT YOUR FINANCIAL FUTURE. THE BENEFITS OF COMPOUND INTEREST MEAN THAT THE EARLIER YOU START SAVING, THE MORE YOUR MONEY CAN GROW OVER TIME.

limited resources, often foregoing pension contributions to meet daily expenses.

MAXIMISING EARLY CONTRIBUTIONS

The reality is that early contributions to a pension scheme can significantly impact your financial future. The benefits of compound interest mean that the earlier you start saving, the more your money can grow over time. This is particularly important for women, who historically tend to live longer than men and, therefore, require more substantial retirement savings.

Despite these advantages, many young women remain reluctant to commit to regular pension contributions. The fear of inadequate disposable income now often overshadows the potential security in the future. Education and awareness are pivotal in altering this mindset.

LEVERAGING WORKPLACE PENSIONS

Utilising workplace pensions effectively can substantially increase retirement savings. Employers frequently match contributions, essentially providing 'free money' towards your pension. Opting out of such schemes could be likened to a voluntary pay cut, forfeiting employer contributions and tax reliefs.

Offering comprehensive education on the subject is essential to motivating more young women to invest in their pensions. Understanding how pensions operate, the advantages of early investment, and the long-term effects of compounding interest can empower young women to make more informed decisions about their financial futures. ◀

ARE YOU TAKING CONTROL OF YOUR FINANCIAL FUTURE?

The disparity between retirement expectations and reality for young women is concerning. Commencing pension contributions early, even with modest amounts, can make a significant difference in closing the gender pension gap and ensuring a more secure financial future. For further information or personalised advice on enhancing your retirement planning, please contact us for expert guidance tailored to your individual needs.

Source data:

[1] The research was conducted online by YouGov on 5,072 nationally representative respondents in the UK between 21/03/2023 – 05/04/2023. A further survey of 1,352 ethnic minorities in the UK took place between 21/03/2023 – 06/04/2023.

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STATE PENSION **AWARENESS**

WHAT PAYMENTS CAN YOU EXPECT TO RECEIVE FROM THE GOVERNMENT LATER IN LIFE?

In April 2024, the state pension rose by 8.5% to £11,502.40 a year for post-2016 retirees. However, according to new research[1], one in seven (14%) retirees receive less money from the state pension than expected. This highlights the need for more information about the payments people can expect to receive from the government later in life.

Over a fifth (22%) of retirees also said they entered retirement unaware of how much they'd receive from the state pension, while a quarter (26%) didn't know how to calculate their entitlement. One in ten (10%) retirees also said they didn't realise that their National Insurance contributions determine the level of state pension paid in retirement. Another 10% of retirees said it wasn't easy to determine how much state pension they'd receive in later life.

GAPS IN PRE-RETIREMENT KNOWLEDGE

The research also shows there is a wide knowledge gap among those in the key pre-retirement age group[2]. Over a fifth (22%) of over 55s who are not yet retired do not know their state pension age, and just three in ten (29%) of this age group know how much the state pension is worth. Additionally, the research found that the understanding of the state pension system is poor across all ages, with participants struggling to explain basic aspects of how the system works.

The study revealed that knowledge gaps have led to several misconceptions, the most prominent being that each person's National Insurance contributions are kept in a personal pot to be accessed when they reach state pension age when, in reality, it is funded on a pay-as-you-go system by current taxpayers[3]. This was a strongly held belief that impacted people's views about the fairness of the system.

RECENT PENSION INCREASES AND FUTURE CONCERNS

The state pension remains a hot topic. Under the triple lock, while the increase in pensioners payments in April is a welcome boost for millions, concerns about its sustainability for future generations have been raised.

It's worrying that many UK adults lack knowledge about specific state pension details, such as the value of their entitlements and when they qualify for payment. However, the state pension is a significant part of most people's retirement income, and it's clear that greater prominence and more accessible information are needed so people feel confident and can plan for their financial future.

WHAT IS THE STATE PENSION?

The state pension is an amount paid to you every four weeks by the government once you reach state pension age. However, not everyone can get the full state pension, which might not be enough to live on alone. Therefore, it's important to know what yours might be when you can claim it and how it will stack up with your other retirement savings.

WHAT IS THE CURRENT STATE PENSION AMOUNT?

The current full state pension amount is £221.20 a week for the 2024/2025 tax year, totalling £11,502.40 for the year, an increase of 8.5% from the previous tax year. Remember that the amount you'll get depends on your National Insurance record and how many qualifying years you have. You'll usually need at least ten qualifying years on your National Insurance record to get any state pension.

You'll need 35 qualifying years to get the new full state pension if you don't have a National Insurance record before 6 April 2016. In some circumstances, it's possible to top up your National Insurance record, and your state pension forecast will highlight when this is an option.

WHAT IS PENSION CREDIT ELIGIBILITY?

If you've reached state pension age and you're on a low income, it's worth checking if you're eligible for pension credit. This tax year (2024/25), pension credit usually tops up your weekly income to £218.15 if you're single or your joint weekly income to £332.95 if you have a partner. Arming yourself with accurate information about your state pension is essential for effective retirement planning. Understanding how your National Insurance contributions affect your entitlement can help you make informed decisions about topping up your record or exploring additional retirement savings options.

Government resources such as the state pension forecast are invaluable tools that can provide a clearer picture of what you might receive. Engaging with these resources

> UK ADULTS CAN CURRENTLY RECEIVE THE STATE PENSION FROM AGE 66, BUT THIS IS SET TO RISE TO 67 BY 2028 AND AGAIN TO 68 BETWEEN 2037 AND 2039.

early and regularly can prevent unwelcome surprises. Given the state pension's central role in retirement income for many, it is critical to ensure you have all the relevant details. This proactive approach not only aids in better financial management but also offers peace of mind as you approach retirement age.

WHEN CAN I RECEIVE THE STATE PENSION?

UK adults can currently receive the state pension from age 66, but this is set to rise to 67 by 2028 and again to 68 between 2037 and 2039. You can use the Government's calculator to check when you'll reach state pension age.

If you don't want to take your state pension immediately, you can also choose to defer it. This means you could get larger payments when you do start claiming it, which might suit you depending on your circumstances.

HOW DO I CLAIM MY STATE PENSION?

You won't get your new state pension automatically - you must claim it. You should get a letter no later than two months before you reach state pension age outlining what you need to do. If you have not received an invitation letter but are within three months of reaching your state pension age, you can still make a claim, and the quickest way to do this is online.

WHEN WILL THE STATE PENSION BE PAID?

After you've made a claim, you will receive a letter about your payments. These are usually paid every four weeks into an account of your choice, and you are paid in arrears. The payment day depends on your National Insurance number, although you might be paid earlier if your normal payment day falls on a bank holiday.

WILL THE STATE PENSION BE ENOUGH?

There's a significant gap between what you receive from the state pension and what you may need or want in retirement. The state pension alone falls short of even a minimum standard of living in retirement, according to the Pensions and Lifetime Savings Association (PLSA).

Because it only starts in your late 60s, it won't help to support you if you want to retire earlier. It should, therefore, only form part of your overall retirement plan, and so it's important to fully understand how much you might need to save in your personal or workplace pension plan to be able to afford the retirement you want. ◀

TIME TO CONSIDER RETIREMENT PLANNING AT WHATEVER STAGE OF LIFE YOU'RE AT?

Please contact us for professional guidance if you require further information or assistance with your state pension.

Source data:

[1] Boxclever conducted research among 6,350 UK adults for Standard Life. Fieldwork was conducted 26th July – 9th August 2023. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics.

[2] Phoenix Group research, January 2024. Survey conducted by Opinium among 2,000 UK adults.

[3] Phoenix Insights (2023) An intergenerational contract: Policy Recommendations for the future of the State Pension

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CHANGING **RETIREMENT TRENDS**

WHY THE CONCEPT OF A 'HARD STOP' RETIREMENT IS BECOMING LESS PREVALENT

New research reveals that more than a quarter (28%) of individuals aged 25 to 54 do not foresee a complete retirement in their future[1]. This suggests the concept of a 'hard stop' retirement is becoming less prevalent among those considered to be in their prime working years. This emerging trend reflects a significant shift in how modern workers approach their career trajectories and financial planning.

With evolving economic conditions, increasing life expectancy, and a growing desire for personal fulfilment, many individuals are rethinking when and how they will retire. Instead of aiming for a traditional endpoint to their professional lives, they are exploring flexible work arrangements, part-time opportunities, and phased retirement plans that allow them to gradually reduce their workload while maintaining an active role in their careers.

GEN X FACES UNIQUE CHALLENGES

Among Gen X, those aged between 45 and 54, one in three (31%) believe it is unlikely they will ever fully retire. This highlights the pressures the 'sandwich generation' faces in their 40s and 50s, who may be caring for both elderly parents and their own children while also needing to manage their own expenses.

This group falls between those who benefit from final salary pensions and younger generations who benefit from auto-enrolment. Similarly, more than a quarter (27%) of millennials do not think they will ever completely retire, with 28% of 25–to 34-year-olds and 26% of 35–to 44-year-olds sharing this sentiment.

MILLENNIALS AND RETIREMENT

Older millennials are likely to face similar pressures to those encountered by Gen X, with auto-enrolment being introduced while they were already in their 20s. A gender disparity also emerges among the survey respondents.

Just one in three women (33%) believe they are likely to completely retire, compared to almost half (47%) of men. A quarter (25%) of Britons also say they do not envisage retiring before the age of 70, and almost a third (30%) want to continue earning to maintain their existing lifestyle.

CONTINUING BEYOND RETIREMENT AGE

Over a fifth of the total survey respondents, including 13% of those aged 55 or above, do not think they will ever completely retire. However, not all respondents cite constraints on their retirement ability as reasons for staying in the workforce.

One in six (16%) of those who do not think they will ever completely retire say they enjoy working and aim to continue beyond retirement age. This suggests a changing attitude among those in employment towards the notion of reaching an endpoint in their working lives.

GROWING IMPORTANCE OF FAMILY FINANCES

Almost 10% of those surveyed express a desire to allocate part of their pension pot for their next of kin or relatives. This is cited as a reason to remain in the workforce, aiming to build up their savings further.

Additionally, attitudes towards retirement are noticeably changing. The once prevalent idea that retirement is a fixed event occurring on a predetermined date is increasingly becoming outdated. Significant numbers of individuals are now questioning whether they will ever fully retire.

UNCERTAINTY AMONG GEN X

Uncertainty seems most pronounced among the mid-life Generation X cohort. For this group, retirement is close enough to be a consideration but too far away to be a certainty.

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This demographic is uniquely positioned, balancing immediate financial responsibilities with long-term retirement planning.

The encouraging news for retirement savers is that they now have more control over their futures than ever before. They can choose when to utilise their retirement savings, and modern technology enables them to manage their money conveniently and efficiently.

TECHNOLOGICAL ADVANCEMENTS

Technology has revolutionised the way individuals handle their retirement funds. Savers can now monitor and adjust their investments in real time, ensuring their money always works effectively for them. This flexibility allows for a more personalised and responsive approach to retirement planning.

Record numbers of people are proactively saving for their retirement. By taking control of our savings, we position ourselves more favourably to control our retirement, ultimately creating a more secure financial future. ◀

READY TO DISCUSS SECURING YOUR FINANCIAL FUTURE?

As more individuals recognise the importance of early and consistent saving, they can better prepare for a comfortable and fulfilling retirement. This proactive approach reduces financial stress and provides greater peace of mind. Please contact us to discuss how we can ensure your retirement is a time to look forward to.

Source data:

[1] Research was conducted by Censuswide between 25th – 27th March 2024 of 2000 general consumers, aged 16+, national representative sample. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles and are members of the British Polling Council.

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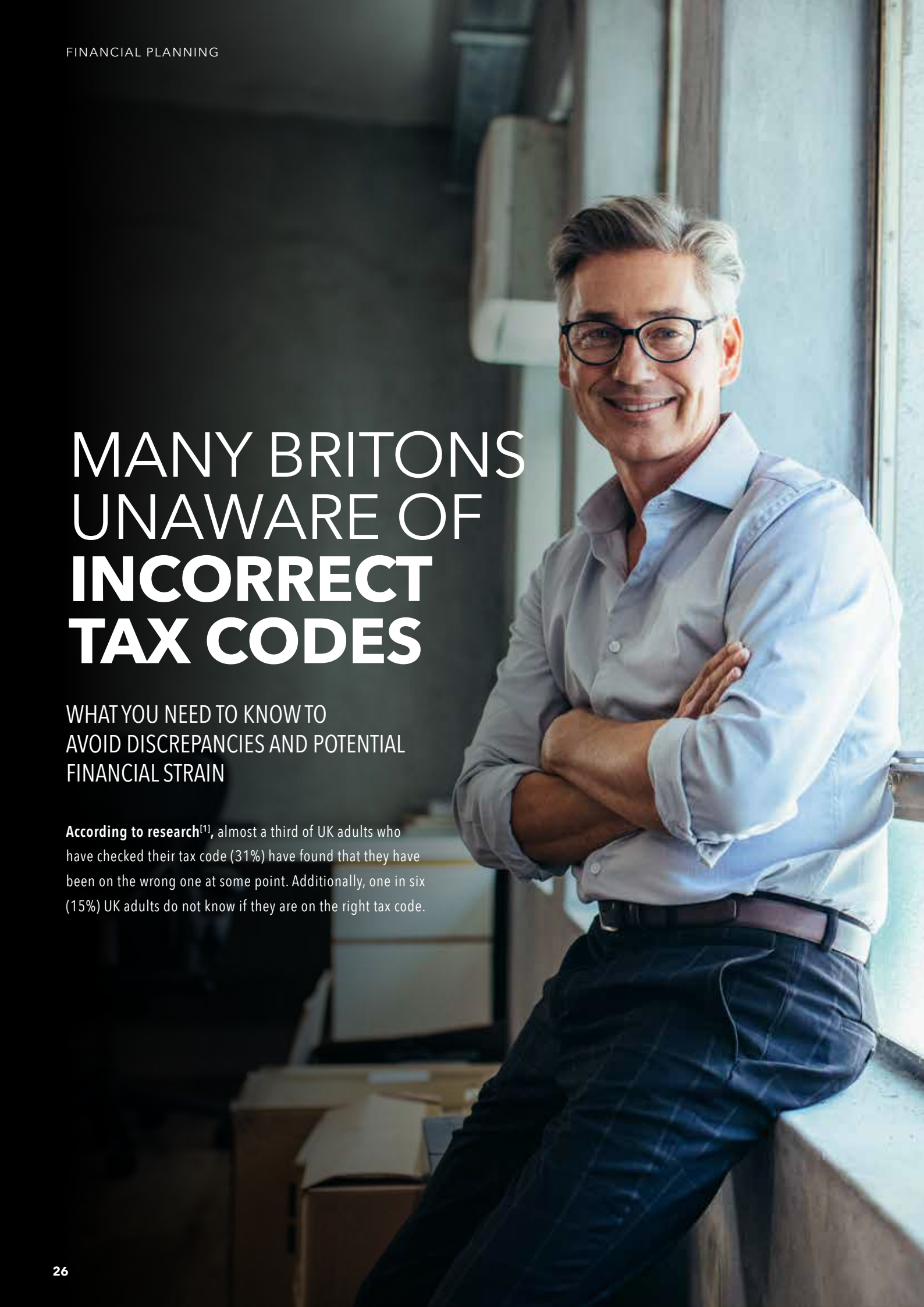

MANY BRITONS UNAWARE OF **INCORRECT TAX CODES**

WHAT YOU NEED TO KNOW TO AVOID DISCREPANCIES AND POTENTIAL FINANCIAL STRAIN

According to research[1]**,** almost a third of UK adults who have checked their tax code (31%) have found that they have been on the wrong one at some point. Additionally, one in six (15%) UK adults do not know if they are on the right tax code.

The findings also reveal that nearly a third (31%) of UK adults who have examined their tax code discovered errors at some stage, with 6% realising they were on the incorrect tax code within the last year[1].

SIGNIFICANT OVERPAYMENTS TO HMRC

Three-quarters (75%) of those who found they were on the wrong tax code have overpaid HMRC by an average of £689, amounting to a staggering £5.8 billion as a nation[2]. The findings also highlight that nearly one in five UK adults (18%) have never checked their tax code. Those who check their tax code typically do so once every 16 months.

COMMON REASONS FOR CHECKING TAX CODES

Britons most commonly check their tax code for no specific reason (19%) or out of habit (17%). Others check due to a job change (12%) or because they have previously been on the wrong tax code (8%). Among all UK adults, less than half (42%) are confident that their current tax code is correct.

WIDESPREAD CONFUSION ABOUT TAX CODES

Moreover, almost four in ten (39%) do not understand their tax code, which puts them at a disadvantage from the start. Over two-thirds (69%) admit they do not know the rules around claiming back overpaid tax. Less than one-fifth have employed professional services to manage their personal taxes (18%), down from three in ten in 2023's study (29%).

UNDERSTANDING YOUR TAX CODE

Your tax code is composed of a series of numbers and letters, which HMRC uses to determine how much income tax you owe. For example, 1257L is commonly used when you have a single source of income through a job or pension and allows you to earn £12,570 a year (your personal allowance 2024/25) before paying income tax.

DIFFERENT TAX CODE FOR EACH INCOME STREAM

You should have a different tax code for each income stream you receive, whether that is through work or via a pension. Your tax code can vary from the standard if you receive benefits from your job, such as a company car or healthcare. HMRC can also apply a different tax code if it wants to claim back the tax you've underpaid.

PAYING THE RIGHT AMOUNT OF INCOME TAX

Understanding your tax code is vital to ensure you're paying the right amount of income tax. Those who are not on the correct code may find themselves out of pocket. If it's wrong, you may contribute more or less than you're supposed to. So, if you haven't checked your tax code(s) recently, now is a good time.

CHECKING AND CORRECTING YOUR TAX CODE

If you think your tax code is wrong, you need to contact HMRC directly. Your employer (if relevant) won't be able to do this for you. You can check if HMRC has your correct, up-to-date information online. If you're on the wrong code, you might need to update your employment details, or whether you've had a recent change in income.

HOW TO PAY HMRC OR RECLAIM OVERPAID TAX

If you have found you have been on the wrong tax code, you may be owed a rebate, or you may owe money to HMRC. HMRC may already know this, so you should be sent a tax calculation letter (a P800 form) or a Simple Assessment letter by the end of the tax year (April 5th). These letters will tell you how to pay HMRC or reclaim overpaid tax.

TIME LIMITS AND PROACTIVE MEASURES

You will only be sent one of these forms if you are employed or receive a pension. Remember, there are time limits to reclaim overpaid income tax, which is four years from the end of the tax year in which you are trying to claim. If you are in doubt, the earlier you contact HMRC, the better.

STAYING INFORMED AND TAKING ACTION

Understanding and managing your tax code is essential. Ensure that all your details are current, and promptly inform HMRC of any changes in your circumstances. This will avoid discrepancies and potential financial strain. ◀

NEED HELP TO NAVIGATE EVERY ASPECT OF YOUR FINANCIAL JOURNEY?

If you need professional expert guidance on planning for your future, please do not hesitate to contact us. We're dedicated to helping you navigate every aspect of your financial journey. Whether you want to create a comprehensive retirement plan, invest wisely, or manage your wealth, we offer personalised strategies tailored to your unique needs and goals.

Source data:

[1] Research conducted by Opinium among 2,000 UK adults, with fieldwork conducted between 19th and 22nd March 2024. On a nat rep survey of 2000 UK adults, 317 know how much money they overpaid when on the wrong tax code. 317 / 2000 - 52890000 (UK adult population) = 8383065 (shorthand 8.4 million). £689 - 8383065 = 5775931785 (shorthand £5.8 billion).

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BUILDING FINANCIAL **CONFIDENCE IN CHILDREN**

SHARING VALUES AND ENCOURAGING CHILDREN TO FORMULATE THEIR OWN

Having a conversation with children about money early on helps them to build financial confidence and learn foundational principles that will be useful for years to come. It also allows parents to share their financial values and wishes. We look at some practical ways this can be done at different stages of childhood.

Some parents dread talking to their children about money. Others simply struggle to know how or at what age to begin. This is understandable: money is both a complex and emotive topic. But beginning the conversation early on helps children to form the foundations for a healthy relationship with money and enables them to learn important financial principles that will help them to successfully steward future wealth.

CREATING OPPORTUNITIES FOR FINANCIAL DISCUSSIONS

Having open conversations from a child's early years allows parents to share their values and encourages children to formulate their own. It's not all about numbers. A common misconception is that talking to children about money involves disclosing amounts or elements of the family's financial life and position that may not be appropriate to share with children or young adults. Instead, the conversation should centre around communicating values and principles for managing money effectively.

The goal is to share with them what's important to you about money and to equip them with the skills and confidence to manage their own wealth effectively. Identify any pitfalls that you wish for your child to avoid. This could be anything from entitlement to lack of confidence. Think carefully about this and find ways to discuss your views with your child.

PROMOTING FINANCIAL CONFIDENCE THROUGH PRACTICAL ACTIVITIES

To reinforce the concepts discussed, consider incorporating practical activities into your routine. For example, you could start with simple budgeting exercises, setting savings goals for specific items, or even discussing the basics of investing in a child-friendly manner. These hands-on experiences can make abstract concepts more tangible and relatable for children.

Remember, the aim is for your child to feel comfortable and knowledgeable about financial matters. By encouraging an open dialogue, you are setting a foundation for their future financial well-being. Creating an environment where money can be discussed openly ensures that children feel confident seeking advice and making informed decisions about their finances.

AGES 3-6

Label three jam jars: "Spend," "Save," and "Give." Give your child a regular amount of pocket money and divide it between the three jars. As they age, grant them greater autonomy in allocating their funds to each jar. Allow your children to make their own spending decisions for the spend jar. Resist the urge to give them more money once they have spent all their funds until they have replenished the jar.

The saving jar is ideal for storing tooth fairy money or small monetary gifts from friends and family. As your child matures, introduce the concept of interest rates by occasionally adding a small amount to the pot. You can further incentivise saving by matching their contributions.

For the give jar, involve your child in choosing a charity or beneficiary. Create memorable experiences around their gift, such as volunteering or visiting the charity to see the impact. This often sparks joy and leaves a lasting impression on children.

From an early age, involve children in shopping decisions. For instance, ask them to choose between a branded product and a white-label good, show them the price difference, and prompt them to choose.

As they age, give them money to allocate to a specific category, like fruit. This grants them autonomy over small financial decisions for the family, fostering a sense of pride in their contribution.

AGES 7-10

Introducing the concept of "needs" versus "wants" is a powerful way to help children decide how to spend their money. Start by having your child list their "needs" and "wants" on a back-to-school shopping list, then discuss how to allocate the budget.

Working for "wants" sets goals that children can feel proud of achieving. Ask your child to draw a picture or write down their want, then give them specific jobs to earn money towards their goal. Celebrate their achievement when they reach it!

Give your child a budget for a family event, such as a birthday dinner. Allow them complete autonomy in allocating the budget, including designing the menu, buying ingredients, and deciding whether to have decorations and cake. This activity is a fun way for children to learn about budgeting and making spending decisions on behalf of the family.

AGES 10-15

In our increasingly digital world, visiting a bank can still be a memorable experience for children. It provides an opportunity to understand the concept of choosing a place to store and manage money. Consider opening a minor or joint account, which will give you full visibility over transactions. Select a bank with an intuitive, easy-to-use app to explore with your child.

Help your child deposit gifts and pocket money, allowing them to watch their balance grow over time. Review monthly statements together, discussing interest rates and payments. This hands-on approach can make financial management more tangible and engaging for young minds.

Engage your child in the world of investments by organising a family stock-picking competition. Each family member selects a company they are familiar with—perhaps one that produces a favourite food or toy—and track its performance over several months. Teach your child how to look up share prices using a stocks app on an iPad or similar device.

You don't need actually to purchase the stocks. Instead, offer to pay dividends or gains made during this period or award a prize to the winning stock picker. This activity introduces essential investment concepts in a fun and accessible manner.

AGES 15-21

Assist your older child in building a budget for school or university. Show them how to anticipate income or allowance, plan for spending needs, and distinguish between fixed and discretionary costs. Transitioning to a less frequent allowance helps them practice budgeting independently.

Encourage them to allocate funds for an emergency fund to cover unexpected expenses. This preparation builds a solid foundation for financial independence and responsible money management.

Involving a young adult in the family's charitable giving offers a valuable learning experience about investments and family values without revealing the entire financial picture. If there's a charitable structure or account within the family, involve your child in deciding which charities to support and how much to donate.

Invite them to attend investment meetings or review investment reports, which will provide insight into asset management. This exposure will foster a deeper understanding of financial stewardship and philanthropy, preparing them for future responsibilities.

Empower your child to build their investment portfolio by giving them money or granting control over their Junior ISA (JISA) at age 16 if applicable. Establish ground rules for accessing capital and income to guide their investment decisions. This practical experience equips them with essential skills for managing personal investments and fostering long-term financial competence and confidence. ◀

READY TO DISCUSS FINANCIAL MATTERS FOR THE NEXT GENERATION?

If you require further information or need assistance in initiating these important conversations, please do not hesitate to contact us. We are here to support you in fostering a financially literate and confident next generation. To discuss how we can help you, please contact us.

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

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.

RETIREES SUPPORTING **FAMILY AND FRIENDS FINANCIALLY**

NEARLY 40% SUPPORT GROWN-UP CHILDREN, A SPOUSE OR PARTNER, A PARENT, AN ELDERLY RELATIVE, OR A FRIEND

When times are hard, it makes sense that families will look for ways to support each other emotionally and financially. And if you're one of the many retirees supporting family and friends financially, you're not alone.

With financial pressures such as day-to-day living costs fuelled by inflation, expensive property, and education fees, retirees are increasingly expected to give their grown-up children, family members, and friends some financial help.

A GROWING TREND AMONG RETIREES

Although most retirees will be in their 50s, 60s, and 70s or more and less likely to have dependent children, research shows that nearly 40%[1] of those surveyed support grown-up children, a spouse or partner, a parent, an elderly relative, or a friend. It is fair to say that many people have been struggling with rising costs over the last few years, and it's perhaps not surprising that most of that support has gone towards day-to-day living costs.

Following this, helping with house buying, wedding costs, education, or university fees are common reasons for offering financial assistance. Advancing an inheritance and covering care or medical costs were other major motivations for providing support, too.

FINANCES AND SETTING REALISTIC BOUNDARIES

Thankfully, helping their children is something many retirees are happy about, with almost half (47%) saying it's very important or essential to be able to do that throughout their lives. If helping your children and other loved ones throughout your lifetime is important to you, there are some things to consider carefully. Your money has to last as long as you do to support yourself throughout your retirement, however long that might be. If the money you're giving to loved ones was an unexpected outgoing, do you know the impact that might have on your financial goals?

Balancing the desire to help with the need to maintain your financial stability is crucial. Having a clear understanding of your finances and setting realistic boundaries for how much you can afford to give will ensure your and your family's needs are met. Additionally, transparent communication with your loved ones about your financial limits can prevent misunderstandings and ensure everyone is on the same page.

MAKING YOUR MONEY WORK HARDER

We can help you devise plans to make your money work harder and recommend the best ways to use tax allowances to minimise the amount of tax you may incur. This could be achieved through estate planning, which aims to reduce or, where possible, avoid Inheritance Tax (IHT). Another approach includes reviewing your pension and other savings to ensure they are being utilised in the most tax-efficient manner.

We'll also consider your individual needs and circumstances to prepare a recommendation that helps you plan for a financially secure future. This personalised strategy ensures that your financial goals are met effectively.

PLANNING FOR YOUR LEGACY

Around three-quarters (76%) of those surveyed expect to leave an inheritance of some kind to their children. They want the next generation

> **THANKFULLY, HELPING THEIR CHILDREN IS SOMETHING MANY RETIREES ARE HAPPY ABOUT, WITH ALMOST HALF (47%) SAYING IT'S VERY IMPORTANT OR ESSENTIAL TO BE ABLE TO DO THAT THROUGHOUT THEIR LIVES.**

– and sometimes a wider family – to benefit from financial support after they've gone and during their lifetime. This necessitates having a plan to ensure you have sufficient funds left.

Ensuring you have an up-to-date Will that reflects your wishes is crucial. It's equally important to consider any pension you may leave behind and whether you have a beneficiary who will receive some or all of your pension after you die.

PENSION MANAGEMENT AND BENEFICIARIES

Pensions aren't normally covered by a Will, so you'll need to complete a 'Nomination of Beneficiary' form with your pension provider – or providers if you have more than one pension – to guarantee any pension savings go to the individuals you intend them for. This process can usually be done online for convenience.

Regularly reviewing your beneficiaries and ensuring all address details are current is vital, especially if circumstances change, such as having more children or getting divorced. This ensures that your wishes are accurately executed.

TAX IMPLICATIONS AND EFFICIENT TRANSFERS

Those who inherit your pension savings typically pay income tax, so what they withdraw and when they do it can significantly impact the actual amount they receive. We provide guidance on passing your money and pension savings on in the most tax-efficient way, including managing any IHT liabilities.

Our expert advice aims to minimise tax implications and maximise the benefit for your loved ones. By navigating these complexities, we help preserve your financial legacy effectively. ◀

WANT TO ENSURE A STABLE FUTURE FOR YOU AND YOUR FAMILY?

For further information or personalised advice, please contact us. We're here to assist you in navigating the journey of financial planning and ensure a stable future for you and your family.

Source data:

[1] Data from the Great Retirement report by the Wisdom Council, in association with M&G - 17/05/24

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DOWNSIZING IN LATER LIFE

RESEARCH HIGHLIGHTS WHAT PEOPLE CONSIDER BEFORE MAKING THE DECISION

Data has revealed that while a third of over-45s (29%) say they have plans to downsize in the next five years, just 13% of over-75s have actually made the move[1]. As people assess their retirement finances, the research highlights the ideal age to downsize is 66. However, ties to the community, their homes, and the security it brings mean that most people choose not to proceed.

The research also examined attitudes towards downsizing to a smaller home, considering potential financial benefits such as releasing property wealth and reducing bills. It also explored concerns about falling house prices and losing touch with cherished memories.

COMMUNITY TIES AND FINANCIAL CONCERNS

While 29% of over-45s are considering downsizing, a significant 70% are keen to stay in their current homes for the rest of their lives. A third (31%) believe that their house is the right size for their needs and a smaller house would not work for them. Furthermore, 25% are already in their "forever home" and have no desire to move.

A notable 23% of respondents feel attached to their community and do not want to leave, while 22% find the mere thought of moving exhausting. Additionally, almost one in five (16%) say that they wouldn't see any financial benefit from downsizing once the estimated £9,611 costs are considered.

GROWING ATTACHMENT TO HOME WITH AGE

Homeowners' attachment to their property intensifies with age. Among those aged 75-84, 52% said their home provides reassurance because they know how everything works, twice the number of 45-54-year-olds (26%) who felt this way.

Community plays a crucial role as well, with 57% stating that their home boosts their confidence due to familiarity with their neighbours and surroundings. This figure is significantly higher than the 31% of younger respondents (45-54 years old) who shared this sentiment.

ECONOMIC DRIVERS BEHIND DOWNSIZING DECISIONS

Interestingly, economic factors often drive downsizing decisions more than wanting to live in an age-appropriate property. Almost half (43%) of those looking to downsize or who have already done so cite easier property upkeep as a reason. Meanwhile, 38% aim to reduce the cost of running their home, and 27% seek to improve their retirement finances.

One in five (17%) mentioned that the cost of living had pushed them to consider downsizing, 8% did it to release cash to support their families, and 5% saw the proceeds as a means to repay debt.

BALANCING ECONOMICS AND EMOTIONAL ATTACHMENTS

As people age, downsizing is often suggested to release some of the value tied up in their homes and find a more suitable property. However, this research indicates that their home, along with the community they live in, offers confidence, reassurance, and security. The primary driver behind any potential move tends to be economic necessity.

For some, downsizing is the right answer. For others, finding ways to boost their retirement finances while staying in the home they love–and can afford to adapt–and the community they know is a better option. A home is much more than a roof over your head; it provides security, confidence, and reassurance as people age. ◀

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LOOKING TO TAKE CONTROL OF YOUR LATER LIFE FINANCES?

If you require further information or want to discuss your retirement planning options, please contact us to explore the best solutions for your needs.

Source data:

[1] Key Retirement Solutions Ltd - research conducted with 1,000 homeowners aged 45-plus - 27.03.24

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ONLY TWO-FIFTHS OF BRITONS **KNOW HOW TO BOOST THEIR PENSION**

HOW MUCH MONEY WILL YOU HAVE FOR RETIREMENT, WHERE IT'S INVESTED, AND WHAT ARE YOU BEING CHARGED?

According to new research[1], just two-fifths (42%) of the UK population know how to contribute more to their pension. The study also found that a quarter of those with multiple pots would not know where to start consolidating multiple pension pots accrued throughout their working life.

The Financial Conduct Authority (FCA) Financial Lives Survey reported that 47% have not reviewed how much their pension pot is worth in the last 12 months. Pension saving can seem complicated and inaccessible for many people, but we should all be doing it as soon as we start working.

UNDERSTANDING PENSION CONSOLIDATION

Pension consolidation is a process that can gather up your previous pensions and bring them together. As you move from job to job and change addresses, it can be tricky to manage pensions. With every new one, there's more admin to deal with.

By combining them, you can have a clearer view of how much money you have for retirement, where it's invested, and what you're being charged. This consolidation can simplify your financial landscape. It's important to remember that a pension is an investment. Its value can go down as well as up and could be worth less than what was paid in. Pension consolidation won't be right for everyone.

MANAGING YOUR RETIREMENT SAVINGS

Gathering up your pensions could give you a better idea of your overall pension pot and what it could be worth when it's time to retire. Lower charges are another benefit; you could potentially save on management fees, which can help your pension pot grow faster.

The more pensions you have, the harder it can be to track them and how they're performing for you. With just one pension, managing your retirement savings becomes much easier.

SIMPLIFYING YOUR FINANCIAL FUTURE

Consolidating your pensions can provide peace of mind by offering a straightforward overview of your retirement funds. This reduces the administrative burden and makes making informed decisions about your financial future easier.

It's crucial to stay informed about the value of your pension pot and the different options available to boost your retirement savings. Taking proactive steps now can ensure a more secure and comfortable retirement.

ROLE OF PROFESSIONAL FINANCIAL ADVICE

Obtaining professional financial advice is invaluable when considering pension consolidation. We can provide tailored recommendations based on your unique circumstances and long-term goals. We'll help you navigate the complexities of pension schemes and select the right options for consolidating your pensions effectively.

Engaging with us also ensures that you are making well-informed decisions, maximising the potential of your pension savings, and preparing for a financially stable retirement. ◀

READY TO DISCUSS YOUR OPTIONS?

At any stage in your career, you may want to determine precisely how much you have saved in your pension and begin managing these funds more effectively. If you require further information on consolidating your pensions or need assistance understanding your options, please contact us for more detailed guidance.

Source data:

[1] Lloyds Bank research 09.05.24

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

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

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

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX PLANNING.

MINIMISE **INHERITANCE TAX**

ALLOW YOUR LOVED ONES TO BENEFIT MORE FROM YOUR ACCUMULATED WEALTH

Effective planning minimises the burden of Inheritance Tax (IHT), allowing your loved ones to benefit more from your accumulated wealth. If the value of your estate is above the £325,000 threshold (2024/25 tax year), the part of your estate above it could be liable for tax at the rate of 40%.

Fortunately, various strategies can help manage this liability. These approaches range from straightforward methods, such as utilising IHT allowances, to more sophisticated methods, like establishing a company to hold your wealth and making your heirs the shareholders.

COUNTING TOWARDS YOUR ESTATE'S VALUE

You can pass a home to your spouse or registered civil partner when you die, and there's no IHT to pay. Leaving the home to another person in your Will counts towards the estate's value. However, the Residence Nil Rate Band (RNRB) can increase your tax-free threshold if you leave your home to your children or grandchildren. This includes stepchildren, adopted children and foster children, but not nieces, nephews or siblings. There is tapered withdrawal of the home allowance if your estate's overall value exceeds £2 million.

One of the most common strategies involves giving away assets. By gifting money or assets, you enable your children, grandchildren, or others to benefit from your wealth during your lifetime, which can also reduce the portion of your estate subject to IHT. However, rules are in place to prevent you from entirely avoiding IHT through asset transfers.

PLANNING AHEAD FOR INHERITANCE TAX, WHERE TO BEGIN?

Start by utilising the IHT exemptions and allowances available to individuals with substantial and modest wealth. This foundational step can set the stage for more advanced planning strategies. You can significantly reduce IHT liabilities by understanding and utilising various exemptions and allowances.

You can give away up to £3,000 each year, carrying forward any unused allowance from the previous year. Additionally, you can gift £5,000 to a child on their marriage or £2,500 to a grandchild. These routine gifts are an effective way of reducing your estate's value without incurring IHT.

GIFTS FOR MAINTENANCE AND EDUCATION

Certain gifts are exempt from IHT entirely. These include gifts to a former spouse, registered civil partner, or a dependent relative for their maintenance and payments towards a child's education or training.

This exemption allows you to support your loved ones without increasing their tax burden.

Gifts to qualifying charities, political parties, or gifts for national benefit—such as donations to museums, universities, libraries, or the National Trust—are also free from IHT. Furthermore, if you leave 10% or more of your net estate to charity, you may qualify for a reduced IHT rate of 36%.

USING EXCESS INCOME FOR GIFTING

Another valuable strategy is to give away "excess" income. Once you have determined how much of your income qualifies as excess, this method can prevent your inheritance tax liability from growing. Gifts must fall within your after-tax income and not jeopardise your lifestyle to qualify.

Additionally, there must be an intent for the gift to form part of your regular expenditure.

You can increase the available excess income by switching investments from those that target growth to others that pay a higher income. This approach allows you to generate a steady stream of income that can then be gifted to your beneficiaries without affecting your financial stability.

SEVEN-YEAR RULE FOR LARGER GIFTS

When considering larger gifts, the "seven-year rule" applies. If you give away assets and survive for seven years, those assets are removed from your estate and are no longer subject to IHT. This principle encourages early and strategic gifting.

If you die within seven years, however, the assets you have given away may still be considered part of your estate and subject to IHT. The impact of this will depend on the size of the gift. If the gift is worth less than the IHT-free allowance, it will use up the allowance but not be subject to IHT. Gifts exceeding this threshold could result in additional IHT charges. Therefore, it is important to carefully plan your gifts' timing and size carefully.

REPEATED AND FREQUENT GIFTING

Strategically, you can make repeated gifts of up to £325,000 without triggering an IHT liability, provided they are made at least seven years apart. This allows for substantial portions of your estate to be transferred over time, reducing the overall IHT burden.

Of course, you can also give away larger amounts or make more frequent gifts. However, be aware that if you die, assets exceeding £325,000 gifted over the prior seven years will still be included in your estate calculations, although they might benefit from a lower IHT rate.

USING TRUSTS FOR GIFTS

You can also make gifts to trusts. Trusts can allow you to exert a degree of control over the assets you give away and may be useful in a wide range

of scenarios, such as providing for very young grandchildren. Gifts into a trust are subject to slightly different rules than outright gifts.

An IHT "downpayment" of 20% is required on the value of gifts above the nil-rate band. If you die within seven years, additional IHT may be payable. People often ask whether they can give their children their house to avoid paying IHT on it.

FAMILY INVESTMENT COMPANIES

A family investment company can be a useful planning tool for those with larger amounts. Assets are transferred into a company, and shares are then granted to family members – or others – in accordance with how much control you want them to have.

Any growth in the assets is outside your estate immediately, although the seven-year rule applies to the assets gifted into the company. This method can help manage significant assets while keeping future tax liabilities in check.

BUSINESS RELIEF OPPORTUNITIES

How can I benefit from business relief? Another set of IHT exemptions was introduced to promote entrepreneurial activity. If you establish or own a business and pass it on to your children, an exemption known as "business relief" means it will sit outside your estate.

Selling the business could result in cash returning to your estate unless it is replaced with other business relief-qualifying investments within three years. However, not everyone can tie up a significant amount of their wealth in business ventures, and raising cash may be a requirement at some point.

TRANSFERRING SHARES AND AIM INVESTMENTS

There are ways to plan for this. One approach is to transfer shares in a business into a trust. In the case of business relief assets, there is no limit on how much can be transferred, and there is no immediate 20% tax charge. The shares can then be sold, and if the business owner survives seven years, the proceeds remain outside the estate.

Investing in certain shares quoted on London's junior stock market, the Alternative Investment Market (AIM), is another way that investors can benefit from business relief. If held for two years before death, no IHT is due on these investments. This allows you to build a reasonably diversified portfolio without concentrating your assets on a few smaller businesses.

IMPORTANCE OF SPECIALIST PROFESSIONAL ADVICE

However, the portfolio may be very volatile, and you need to ensure that your investments maintain their IHT-exempt status after purchase, as businesses can evolve and may no longer meet the relevant criteria. Given the complexity of IHT, it is advisable to seek professional advice from a specialist.

IHT planning can take time to become effective, and you may want to consider insurance to complement your approach. Policies can be tailored to meet your IHT tax bill, either on death or until seven years after a gift expires. If the policy is "written in trust," the proceeds will be outside your estate.

KEEPING THOROUGH RECORDS

Whatever estate planning methods you use, be sure to keep thorough records and pass them on to your executors. Your will should also be drawn up to complement your IHT planning and kept up to date.

If you want to reduce your IHT bill without falling foul of the law, our experts can help. We'll explain how you can ensure that your loved ones receive the maximum possible benefit from your estate while remaining compliant with legal requirements. We'll guide you through the rules around making gifts and highlight common pitfalls and misconceptions around IHT liability. ◀

LOOKING FOR ADVICE ON INHERITANCE TAX PLANNING?

Please contact us to learn more about effective Inheritance Tax planning and secure your legacy for tomorrow.

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

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

CARING FOR **GRANDCHILDREN**

HOW IT CAN HELP YOU BOOST YOUR STATE PENSION

Around one in five grandparents over the age of 50 in the UK provide childcare help for their grandchildren, but thousands may be missing out on a valuable scheme that could increase their State Pension entitlement[1]. Soaring childcare costs mean many parents turn to grandparents to look after their children when they return to work.

This helps them and has important financial benefits for grandparents, even if they aren't paid for the childcare they provide. Grandparents who care for grandchildren may be able to claim National Insurance (NI) credits to potentially increase their State Pension by thousands of pounds over the course of retirement.

The charity Age UK has highlighted around five million people currently provide regular care for their grandchildren. According to the latest figures from HM Revenue & Customs revealed by a Freedom of Information request, around 21,000 people applied for Specified Adult Childcare credits last year, and 17,000 qualified.

HOW TO APPLY FOR SPECIFIED ADULT CHILDCARE CREDITS

The process of claiming these credits involves transferring them from the child's parent to the grandparent providing the care. This can ensure that grandparents do not miss out on valuable State Pension entitlements.

It's essential for grandparents to be aware of this opportunity and to take the necessary steps to apply for these credits. The application process is straightforward but requires understanding the specific eligibility criteria and documentation needed.

POTENTIAL IMPACT ON RETIREMENT INCOME

By claiming these NI credits, grandparents can see a significant boost in their State Pension over time, which can provide greater financial security in retirement. The increase in pension can make a substantial difference, especially given the rising cost of living and other financial pressures retirees face.

Understanding the long-term benefits and taking action to claim these credits can ensure that grandparents are adequately compensated for the vital support they provide to their families.

CLAIMING SPECIFIED ADULT CHILDCARE CREDITS

Grandparents or relatives who assist with childcare must complete a form to claim Specified Adult Childcare credits. The child's parent must also sign the document to confirm that you provided care during a specific period and agree to transfer their credits to you.

Please note that only one credit can be claimed per household. Therefore, you can only claim once if you care for two children in the same household. However, if you look after children from different families, you can make multiple claims.

HOW THE SCHEME WORKS

Once you have completed the relevant form, the Specified Adult Childcare scheme transfers NI credits from a parent who does not need them to a grandparent or family member providing the care. These credits can help fill gaps in your NI records. However, it's important to note that this scheme cannot be used if you are over State Pension age.

If you are a working grandparent, you will not require NI credits as you should already receive 'qualifying years' on your NI record, which is subject to earnings. Additionally, there is no minimum number of hours you need to have looked after your grandchildren to be eligible for credits. You could benefit from the scheme if you cared for them all week or just one day a week.

During the coronavirus lockdowns, if you cared for your grandchildren via video or telephone, you can still apply for credits for the tax years 2019/20 and 2020/21 despite being unable to do so in person due to government restrictions. ◀

LOOKING FOR FINANCIAL PLANNING FOR THE LIFE YOU WANT TO LIVE?

If you require further information, we'll help you put the right pieces together for your future. Please contact us for more detailed guidance.

Source data:

[1] Age UK 08/05/24.

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