

Available bi-monthly  
in print and online

# TIPS

The Truly Independent magazine  
is full of news, articles and  
guidance on financial matters.



Pensions | Investments | Protection | Mortgages

JANUARY/FEBRUARY 2020

2020

## FINANCIAL RESOLUTIONS

WHAT DOES WEALTH LOOK LIKE TO YOU?

### ESTATE PROTECTION

Preserving your  
wealth and transferring  
it effectively

### RETIRING ABROAD

Prior preparation is key for a  
smooth transition into your  
new life

### ISA RETURNS OF THE YEAR

Time to explore your  
ISA options?

#### Truly Independent Ltd®

Atlantic House, Parkhouse, Carlisle, Cumbria CA3 0LJ

Tel: 0344 41 42 744 Email: [info@trulyonline.co.uk](mailto:info@trulyonline.co.uk) Web: [www.trulyifa.co.uk](http://www.trulyifa.co.uk)

Truly Independent Ltd® is authorised and regulated by the Financial Conduct Authority to provide investment advice and is bound by its rules. FCA register no: 513655  
Registered Address: Forsyth House, 93 George Street, Edinburgh, EH2 3ES Company Reg no and place of registration: SC367442 registered in Scotland



## INSIDE THIS ISSUE

**Welcome to our first edition for 2020.** Inside this issue, we feature articles covering a number of different topics to help you successfully grow and protect your wealth.

Whether it's stopping smoking, losing weight, eating more healthily or getting fitter, most of us have probably made at least one New Year's resolution, but how many of us will actually go on to achieve it? We all have different financial goals and aspirations in life, yet these goals can often seem out of reach. On page 04, if your New Year's resolutions include giving your financial plans an overhaul, we've provided our financial planning tips to help you create a robust financial plan for 2020 and beyond.

Estate planning is an important part of wealth management, no matter how much wealth you have built up. It's the process of making a plan for how your assets will be distributed upon your death or incapitation. On page 08, we consider why having an effective estate plan in place will not only help to ensure that those you care about the most will be taken care of when you're no longer around, but it can also help minimise Inheritance Tax (IHT) liabilities and ensure that assets are transferred in an orderly manner.

It's a dream for many that after years of hard work, it's finally time to travel to far-off lands and enjoy retirement without worrying about finances. With milder winters, warmer summers and the potential to get more from your pension pot, it's not surprising that some people decide to retire abroad. On page 12, read about how, with some planning beforehand, the dream of retiring abroad can become a reality.

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



## Contents

**03**

### ISA RETURNS OF THE YEAR

Time to explore your ISA options?

**04**

### 2020 FINANCIAL RESOLUTIONS

What does wealth look like to you?

**06**

### LIFE IS FULL OF UNCERTAINTIES

If the worst were to happen, would your bills still get paid?

**07**

### TAX-EFFICIENT INVESTING

Legitimate ways for higher earners to reduce a tax bill

**08**

### ESTATE PROTECTION

Preserving your wealth and transferring it effectively

**10**

### PENSION FREEDOMS

Retirees now have a whole host of new options

**12**

### RETIRING ABROAD

Prior preparation is key for a smooth transition into your new life

### FINANCIAL PLANNING ADVICE THAT IS TAILORED TO YOUR NEEDS



Everyone has unique goals in life, and with professional financial advice and guidance tailored to your needs, we can help you get there. The start of a new year is the perfect time to discuss your financial plans. Please contact us - we look forward to hearing from you.

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.

# ISA RETURNS OF THE YEAR

## TIME TO EXPLORE YOUR ISA OPTIONS?

**An Individual Savings Account (ISA) enables you to save in a simple, tax-efficient way, while generally giving you instant access to your money.** This gives you short, medium and long-term saving options, and with the end of the current tax year not too far away, it's important to make the most of your annual tax-free ISA allowance.

**U**K residents aged 16 or over can save up to £20,000 a year (for the 2019/20 tax year) into a Cash ISA. Those aged 18 or over can save in a Cash or Stocks & Shares ISA, or combination of ISAs.

### TAX-EFFICIENT WRAPPER

ISAs are a very tax-efficient wrapper in which you can buy, hold and sell investments. For any ISA contributions to count for the current tax year, you must save or invest by 5 April.

Also, don't forget that any unused ISA allowance can't be rolled over into a subsequent tax year, so if you don't use it, you've lost it forever. Even though you'll receive a new allowance for the next tax year, you are not permitted to contribute anything towards a previous ISA.

### TYPES OF ISA OPTIONS

- **Cash ISAs** - these are savings accounts that are tax-free, with the maximum allowable contribution set at £20,000 in the current tax year
- **Junior ISAs** - these are tax-free savings accounts in which under-18s can save or invest maximum contributions up to £4,368 in the current tax year
- **Stocks & Shares ISAs** - these are investments that are classed as tax-efficient, with the maximum allowable contribution set at £20,000 in the current tax year
- **Innovative Finance ISAs** - these are peer-to-peer lending investments that are classed as tax-efficient, with the maximum allowable contribution set at £20,000 in the current tax year. However, they are considered high risk, and it may not be possible to get your money out quickly. Some may not be protected by the Financial Services Compensation Scheme
- **Lifetime ISAs** - these can be either classed as savings (tax-free) or investments (tax-efficient). You must be aged between 18 to 39, and the maximum allowable contribution is set at £4,000 in the current tax year
- **Help to Buy: ISAs** - these were set up to help those saving for their first home and were only available to new savers until 30 November 2019. Existing savers can continue saving, although they must claim their government bonus by 1 December 2030.



### KEY ELEMENTS

Goals, time horizon, risk and diversification are key elements to consider when saving and investing. You could put all the £20,000 into a Cash ISA, or invest it in a Stocks & Shares ISA or an Innovative Finance ISA. Alternatively, you could split your allowance between Cash ISAs, Stocks & Shares ISAs, Lifetime ISAs or Innovative Finance ISAs, depending on your specific situation and requirements.

If you are not sure what to invest in, you could temporarily hold your annual ISA allowance in cash in the short term and invest thereafter. However, cash is not good for the long term because inflation has the potential to erode its value.

### TRANSFER INVESTMENTS

If you don't have £20,000 in new money to invest, you could transfer investments outside a tax-efficient wrapper into an ISA.

ISAs can also be passed on death to a surviving spouse or registered civil partner. The surviving spouse is entitled to an additional, one-off ISA allowance, equal to the value of the deceased's ISA holdings. This enables the surviving spouse to effectively re-shelter assets which were in a spouse's ISA into an ISA in their own name. ◀

### WANT TO GET THE MOST FROM YOUR ISA ALLOWANCE?



ISAs enable savers and investors to build up the sums they need to meet financial goals, whether to supplement a retirement pot or a deposit for a home. However, if you don't know how ISAs work and how to use them to manage your wealth, you won't be able to take full advantage of their benefits. To find out more, or to discuss your options before the end of the current tax year, please contact us.

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

THE TAX BENEFITS RELATING TO ISA INVESTMENTS MAY NOT BE MAINTAINED. THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.



2020

# FINANCIAL RESOLUTIONS

## WHAT DOES WEALTH LOOK LIKE TO YOU?

**Whether it's stopping smoking, losing weight, eating more healthily or getting fitter, most of us have probably made at least one New Year's resolution, but how many of us will actually go on to achieve it?** We all have different financial goals and aspirations in life, yet these goals can often seem out of reach. In today's complex financial environment, achieving your financial goals may not be that straightforward.

**T**his is where financial planning is essential. Designed to help secure your financial future, a financial plan seeks to identify your financial goals, prioritise them and then outline the exact steps that you need to take to achieve your goals.

If your New Year's resolutions include giving your financial plans an overhaul, here are our tips to help you create a robust financial plan for 2020 and beyond.

### **BE SPECIFIC ABOUT YOUR OBJECTIVES**

Any goal (let alone financial) without a clear objective is nothing more than a pipe dream, and this couldn't be more true when setting financial goals.

It is often said that saving and investing are nothing more than deferred consumption. Therefore, you need to be crystal clear about why you are doing what you're doing. This

could be planning for your children's education, your retirement, that dream holiday or a property purchase.

Once the objective is clear, it's important to put a monetary value to that goal and the time frame you want to achieve it by. The important point is to list all of your goal objectives, however small they may be, that you foresee in the future and put a value to them.

### **KEEP THEM REALISTIC**

It's good to be an optimistic person, but being a Pollyanna is not desirable. Similarly, while it might be a good thing to keep your financial goals a bit aggressive, being overly unrealistic can definitely impact on your chances of achieving them.

It's important to keep your goals realistic, as it will help you stay the course and keep you motivated throughout your journey until you get to your destination.

### **SHORT, MEDIUM AND LONG-TERM**

Now you need to plan for where you want to get to, which will likely involve looking at how much you need to save and invest to achieve your goals. The approach towards achieving every financial goal will not be the same, which is why you need to divide your goals into short, medium and long-term time horizons.

As a rule of thumb, any financial goal which is due within a five-year period should be considered short-term. Medium-term goals are typically based on a five-year to ten-year time horizon, and over ten years these goals are classed as long-term.

This division of goals into short, medium and long-term will help in choosing the right savings and investments approach to help you achieve them, and it will also make them crystal clear. This will involve looking at what large purchases you expect to make, such as purchasing property

---

IN BOTH **2008** AND **2011**, INFLATION CLIMBED TO OVER **5%** - NOT GOOD NEWS FOR SAVERS. SO ALWAYS ACCOUNT FOR INFLATION.

---

or renovating your home, as well as considering the later stages of your life and when you'll eventually retire.

#### **ALWAYS ACCOUNT FOR INFLATION**

It's often said that inflation is taxation without legislation. Therefore, you need to account for inflation whenever you are putting a monetary value to a financial goal that is far away in the future. It's important to know the inflation rate when you're thinking about saving and investing, since it will make a big difference to whether or not you make a profit in real terms (after inflation).

In both 2008 and 2011, inflation climbed to over 5% - not good news for savers. So always account for inflation. You could use the 'Rule of 72' to determine, at a given inflation rate, how long it will take for your money to buy half of what it can buy today. The 'Rule of 72' is a method used in finance to quickly estimate the doubling or halving time through compound interest or inflation respectively. Simply divide 72 by the given interest rate, or inflation rate, to find the number of years in which you would double or halve your money.

#### **RISK PROTECTION PLAYS A VITAL ROLE**

It's best to discuss your goals with those you're closest to and make plans together so that you are well aligned. An evaluation of your assets, liabilities, incomings and outgoings will provide you with a starting point. You'll be able to see clearly how you're doing and may find areas you can improve on.

Risk protection plays a vital role in any financial plan as it helps protect you and your family from unexpected events.

#### **CHECK YOU'RE USING ALL OF YOUR TAX ALLOWANCES**

With tax rules subject to constant change, it's essential that you regularly review your own and your family's tax affairs and plan accordingly. Tax planning affects all facets of your financial affairs. You may be worried about the impact that rises in property values are having on gifts or Inheritance Tax, how best to dispose of shares in

a business, or the most efficient way to pass on your estate.

Utilising your tax allowances and reliefs is an effective way of reducing your tax liability and making considerable savings over a lifetime. When it comes to taxes, there's one certainty - you'll pay more tax than you need to unless you plan. The UK tax system is complex, and its legislation often changes. So it's more important than ever to be tax-efficient, particularly if you are in the top tax bracket, making sure you don't pay any more tax than necessary.

#### **CREATING YOUR COMPREHENSIVE FINANCIAL PLAN**

Creating and implementing a comprehensive financial plan will help you develop a clear picture of your current financial situation by reviewing your income, assets and liabilities. Other elements to consider will typically include putting in place a Will to protect your family, thinking about how your family will manage without your income should you fall ill or die prematurely, or creating a more efficient tax strategy.

#### **IDENTIFYING YOUR RETIREMENT FREEDOM OPTIONS**

Retirement is a time that many look forward to, where your hard-earned money should support you as you transition to the next stage of life. The number of options available at retirement has increased with changes to legislation, which have brought about pension freedoms over the years. The decisions you make regarding how you take your benefits may include tax-free cash, buying an annuity, drawing an income from your savings rather than pension fund, or a combination.

Beginning your retirement planning early gives you the best chance of making sure you have adequate funds to support your lifestyle. You may have several pension pots with different employers, as well as your own savings to withdraw from.

#### **MONITORING AND REVIEWING YOUR FINANCIAL PLAN**

There is little point in setting goals and never

returning to them. You should expect to make alterations as life changes. Set a formal yearly review at the very least to check you are on track to meeting your goals.

We will help you to monitor your plan, making adjustments as your goals, time frames or circumstances change. Discussing your goals with us will be highly beneficial, as we can provide an objective third-party view, as well as the expertise to help advise you with financial planning issues. ◀

#### **ADVICE EVERY STEP OF THE WAY**



Setting goals marks the beginning of financial planning to help you achieve the objectives at various life stages. Goal-setting gives meaning and direction to the various financial decisions you will take during your lifetime. The start of a new year is the perfect time to review your financial strength, pore over your budget and make big plans for next year. To arrange a meeting, or for further information, please contact us.

---

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

CRITICAL ILLNESS PLANS MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. THE DEFINITIONS VARY BETWEEN PRODUCT PROVIDERS AND WILL BE DESCRIBED IN THE KEY FEATURES AND POLICY DOCUMENT IF YOU GO AHEAD WITH A PLAN.

THE PLAN WILL HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE.



# LIFE IS FULL OF UNCERTAINTIES

IF THE WORST WERE TO HAPPEN, WOULD YOUR BILLS STILL GET PAID?

**Everyone should consider protection, even those who don't have a family or a mortgage! Unless they have substantial savings or inherited wealth, most people rely on their salary to pay for everything.** Over the years, you may have taken out a number of different insurance policies to give you and your family financial security. Perhaps this may have been when you started a family, took out a mortgage or became self-employed.

**T**hese policies are designed to give your loved ones peace of mind by helping make sure there will be enough money in place to cover bills and other expenses should you become critically ill, be unable to work or even die.

Although state benefits provide some support, few families want to rely on the state to maintain their standard of living. It is therefore crucial to keep abreast of the level of your cover.

## TIME TO REVIEW

Your personal circumstances and needs will almost certainly have changed over time. Perhaps you have children who have since flown the nest, or you've paid off your mortgage.

You may also be entitled to benefits with your current employer that either overlap with policies you already have or leave things now important to you not covered.

It could be time to review these policies, and the level of cover they provide, to make sure they are still suitable.

## LIFE COVER PROTECTION

Life cover protection is designed to protect your family and other people who may depend on you for financial support. It pays a death benefit to the beneficiary of the life assurance policy.

If you have dependents or outstanding debts such as a mortgage, at the very least it should ensure your family can keep their home, but ideally it would also provide an additional sum as a financial buffer at a difficult time.

There are different types of policy available, from 'whole of life assurance' which covers you for your entire lifetime, to 'term assurance' policies which provide life cover for a fixed period of time - 10 or 20 years, for example - and are often used in conjunction with a mortgage.

## INCOME PROTECTION COVER

If something happened to you, would you be able to survive on your savings or on sick pay provided by your employer? If not, you'll need some other way to keep paying the bills.

Income protection cover is designed to give you protection if you can't earn an income due to ill health, a sickness or disability. These policies protect a portion of your salary, typically paying out between 50-70% of your income. You receive monthly, tax-free payments that cover some of your lost earnings if you are unable to work.

They are vital policies for those with dependents and liabilities, paying out until you can start working again, or until you retire, die or the end of the policy term - whichever is sooner. They cover most illnesses that leave you unable to work, and you can claim as many times as you need to while the policy lasts.

## CRITICAL ILLNESS COVER

If you are diagnosed with a critical illness, it can have a severe impact on your finances, as you may need to take time off work for your treatment and recovery. Critical illness cover pays out a tax-free lump sum if you're diagnosed with, or undergo surgery for, a specified critical illness that meets the policy definition.

It's designed to help support you and your family financially while you deal with your diagnosis, so you can focus on your recovery without worrying about how the bills will be paid.

Each policy will have its own list of specified conditions it covers, and it is vital to familiarise yourself with the full list and when you can claim for these illnesses before you apply.

## FAMILY INCOME BENEFIT COVER

Family income benefit is a term insurance which lasts for a set period of time. If something were to happen to you, you would want to be sure your family is taken care of when you're gone.

The policy will pay out a monthly, tax-free income to your family if you die during the term, until the policy ends. So, if you take a 20-year family income benefit policy and die after five years, it will continue to pay out for another 15 years.

There is no cash in value, so if you stop making premium payments, your cover will end.

## PRIVATE MEDICAL INSURANCE

Private medical insurance will pay for the cost of private healthcare treatment if you are sick or injured. If you don't already have it as part of your employee benefits package, and you can afford to pay the premiums, you might decide it's worth paying extra to have more choice over your care.

It gives you a choice in the level of care you get and how and when it is provided. Basic private medical insurance usually picks up the costs of most in-patient treatments (tests and surgery) and day-care surgery.

Some policies extend to out-patient treatments (such as specialists and consultants) and might pay you a small fixed amount for each night you spend in an NHS hospital. Premiums are paid monthly or annually, but most policies do not cover pre-existing conditions. ◀

## PROTECTING YOURSELF AND YOUR LOVED ONES

*i*

Some families would have to cut their living costs in order to survive financially in the event of the main breadwinner falling ill or dying prematurely. If your income were to stop due to an illness or death, this could mean mortgage repayments are missed, savings depleted, your home being sold and your family's standard of living eroded, with stress and worry all too evident. Putting in place sufficient protection will give you peace of mind that if the worst does happen, the bills will still get paid. Please call us to discuss your situation.

THE PLAN WILL HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE.

CRITICAL ILLNESS PLANS MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. THE DEFINITIONS VARY BETWEEN PRODUCT PROVIDERS AND WILL BE DESCRIBED IN THE KEY FEATURES AND POLICY DOCUMENT IF YOU GO AHEAD WITH A PLAN.

# TAX-EFFICIENT INVESTING

## LEGITIMATE WAYS FOR HIGHER EARNERS TO REDUCE A TAX BILL

**Without a carefully developed tax planning strategy, higher-rate taxpayers run the risk of missing out on key tax benefits and paying more in taxes than necessary.** A higher tax liability can diminish the value of your investment earnings over the long term.

**T**o start with, it's important to look at how you might be able to minimise tax along the way. In other words, reduce tax where you can, but don't allow it to be your sole driver when making investing decisions or steer you away from achieving your core financial goals.

The more tax wrappers and annual allowances you use, the more money you'll be able to save and invest for your future.

### WHERE CAN YOU TURN IF YOU WANT TO INVEST TAX-EFFICIENTLY?

#### INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

One of the most straightforward ways to invest tax-efficiently in the UK is to invest within a Stocks & Shares ISA. They are very flexible and allow you to access your money at any time, and all of the proceeds taken are free from tax on capital gains, dividend income and interest.

The current annual ISA allowance is £20,000 per person. This means that a couple can now save £40,000 per tax year between them into two Stocks & Shares ISAs, sheltering a significant sum from tax.

Once higher-rate taxpayers have used up their own ISA allowances, they could also consider investing for their children or grandchildren by putting money into a Junior ISA. Currently, the annual allowance for Junior ISAs is £4,368, and each child can own one as long as they are under 18, living in the UK and they don't have a Child Trust Fund. Bear in mind, however, that on the child's 18th birthday, money in a Junior ISA becomes theirs.

#### PENSIONS

Contributing into a pension is another tax-efficient strategy that those on higher incomes may wish to consider. Not only are capital gains and investment income tax-free within pension accounts, but when you contribute into a pension, the Government provides tax relief.

This is paid on your pension contributions at the highest rate of Income Tax you pay, meaning that higher-rate taxpayers receive 40% tax relief, while additional-rate taxpayers receive 45% tax relief.

For 2019/20, the annual pension contribution limit for tax relief purposes is 100% of your salary or £40,000, whichever is lower. If you are considered to be a high-income individual and have an adjusted income of more than £150,000 per year,

and a threshold income of more than £110,000 per year, your annual allowance will be tapered.

You may be able to make use of any annual allowance that you have not used in the three previous tax years under pension carry forward rules.

Higher earners should also be aware of the Lifetime Allowance - the total amount of money you can build up in your pension accounts while still enjoying the full tax benefits.

#### VENTURE CAPITAL SCHEMES

The purpose of the venture capital schemes is to provide funding for companies that are in the relatively early stage of the business cycle. Experienced investors who are comfortable with high levels of risk may want to consider venture capital schemes.

There are three investment schemes that have been set up by the UK Government and offer very generous tax breaks.

#### THE ENTERPRISE INVESTMENT SCHEME (EIS)

This scheme is designed to encourage investment into early-stage companies that are not listed on a stock exchange. It offers investors a range of tax breaks, including Income Tax relief of 30%, no Capital Gains Tax on gains realised on the disposal of EIS investments provided the investments are held for three years, Capital Gains Tax deferrals if proceeds are invested in qualifying EIS investments, and Inheritance Tax relief if the investments are held for two years.

#### THE SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

This scheme is designed to promote investment into start-up companies that are raising their first £150,000 in external equity capital. Like the EIS, it offers a range of generous tax breaks, including Income Tax relief of 50%, no Capital Gains Tax on gains realised on the disposal of SEIS investments provided the shares are held for three years, reinvestment tax relief, and Inheritance Tax relief if investments are held for two years.

#### VENTURE CAPITAL TRUSTS (VCTS)

VCTs are investment companies that are listed on the London Stock Exchange and invest in smaller companies that meet certain criteria. VCTs offer investors a range of tax breaks including 30% Income Tax relief, tax-free dividends and tax-free growth. While all of these schemes offer generous tax

breaks, it's important to be aware that due to the high-risk nature of investing in small, early-stage companies, they will not be suitable for everyone. Only those who can afford to take the risk should consider these tax-efficient investment schemes. ◀

### TAX-EFFICIENT INVESTING STRATEGIES TO CONSIDER



Whether it is through sophisticated tax planning, pension planning or investment advice, we can help you to take a close look at your financial situation and recommend solutions tailored entirely to your needs. To discuss your requirements, please contact us.

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

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

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

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

THE TAX BENEFITS RELATING TO ISA INVESTMENTS MAY NOT BE MAINTAINED.

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

# ESTATE PROTECTION

PRESERVING YOUR WEALTH AND TRANSFERRING IT EFFECTIVELY

**Estate planning is an important part of wealth management, no matter how much wealth you have built up.**

It's the process of making a plan for how your assets will be distributed upon your death or incapacitation.

**A**s a nation, we are reluctant to talk about inheritance. Through estate planning, however, you can ensure your assets are given to the people and organisations you care about, and you can also take steps to minimise the impact of taxes and other costs on your estate.

In order to establish the value of your estate, it is first necessary to calculate the total worth of all your assets. No matter how large or how modest, your estate is comprised of everything you own, including your home, cars, other properties, savings and investments, life insurance (if not written in an appropriate trust), furniture, jewellery, works of art, and any other personal possessions.

Having an effective estate plan in place will not only help to ensure that those you care about the most will be taken care of when you're no longer around, but it can also help minimise Inheritance Tax (IHT) liabilities and ensure that assets are transferred in an orderly manner.

## WRITE A WILL

The reason to make a Will is to control how your estate is divided – but it isn't just about money. Your Will is also the document in which you appoint guardians to look after your children or your dependents. Almost half (44%) of over-55s have not made a Will<sup>1</sup>, and as such, they will not have any say in what happens to their assets when they die.

Should you die without a valid Will, you will have died intestate. In these cases, your assets are distributed according to the Intestacy Rules in a set order laid down by law. This order may not reflect your wishes.

Even for those who are married or in a registered civil partnership, dying without leaving a Will may mean that your spouse or registered civil partner does not inherit the whole of your estate. Remember: life and circumstances change over time, and your Will should reflect those changes – so keep it updated.

## THE REASON TO MAKE A WILL IS TO CONTROL HOW YOUR ESTATE IS DIVIDED – BUT IT ISN'T JUST ABOUT MONEY.

### MAKE A LASTING POWER OF ATTORNEY

Increasingly, more people in the UK are using legal instruments that ensure their affairs are looked after when they become incapable of looking after their finances or making decisions about their health and welfare.

By arranging a Lasting Power of Attorney, you are officially naming someone to have the power to take care of your property, your financial affairs, and your health and welfare if you suffer an incapacitating illness or injury.

### PLAN FOR INHERITANCE TAX

IHT is calculated based on the value of the property, money and possessions of someone

who has died if the total value of their assets exceeds £325,000, or £650,000 if they're married or widowed. If you plan ahead, it is usually possible to pass on more of your wealth to your chosen beneficiaries and to pay less IHT.

Since April 2017, an additional main residence nil-rate band allowance was phased in. It is currently worth £150,000, but it will rise to £175,000 per person by April this year. However, not everyone will be able to benefit from the new allowance, as you can only use it if you are passing your home to your children, grandchildren or any other lineal descendant. If you don't have any direct descendants, you won't qualify for the allowance.

The headline rate of IHT is 40%, though there are various exemptions, allowances and reliefs that mean that the effective rate paid on estates is usually lower. Those leaving some of their estate to registered charities can qualify for a reduced headline rate of 36% on the part of the estate they leave to family and friends.

### GIFT ASSETS WHILE YOU'RE ALIVE

One thing that's important to remember when developing an estate plan is that the process isn't just about passing on your assets when you die. It's also about analysing your finances now and potentially making the most of your assets while you are still alive. By gifting assets to younger generations while you're still around, you could enjoy seeing the assets put to good use, while simultaneously reducing your IHT bill.





### MAKE USE OF GIFT ALLOWANCES

One way to pass on wealth tax-efficiently is to take advantage of gift allowances that are in place. Every person is allowed to make an IHT-free gift of up to £3,000 in any tax year, and this allowance can be carried forward one year if you don't use up all your allowance.

This means you and your partner could gift your children or grandchildren £6,000 this year (or £12,000 if your previous year's allowances weren't used up) and that gift won't incur IHT. You can continue to make this gift annually.

You are able to make small gifts of up to £250 per year to anyone you like. There is no limit to the number of recipients in one tax year, and these small gifts will also be IHT-free provided you have made no other gifts to that person during the tax year.

A Potentially Exempt Transfer (PET) enables you to make gifts of unlimited value which will become exempt from Inheritance Tax if you survive for a period of seven years.

Gifts that are made out of surplus income can also be free of IHT, as long as detailed records are maintained.

### IHT-EXEMPT ASSETS

There are a number of specialist asset classes that are exempt to IHT. Several of these exemptions stem from government efforts over the years to protect farms and businesses from large Inheritance Tax bills that could result in assets having to be sold off when they were passed down to the next generation.

Business relief (BR) acts to protect business owners from IHT on their business assets. It extends to include the ownership of shares in any unlisted company. It also offers partial relief for

those who own majority rights in listed companies, land, buildings or business machinery, or have such assets held in a trust.

### LIFE INSURANCE WITHIN A TRUST

A life insurance policy in trust is a legal arrangement that keeps a life insurance pay-out separate from the valuation of your estate after you die. By ring-fencing the proceeds from a life insurance policy by putting it in an appropriate trust, you could protect it from IHT.

The proceeds of a trust are typically overseen by a trustee(s) whom you appoint. These proceeds go to the people you've chosen, known as your 'beneficiaries'. It's the responsibility of the trustee(s) to make sure the money you've set aside goes to whom you want it to after you pass away.

### KEEP WEALTH WITHIN A PENSION

When you die, your pension funds may be inherited by your loved ones. But who inherits, and how much, is governed by complex rules. Money left in your pensions can be passed on to anyone you choose more tax-efficiently than ever, depending on the type of pension you have, by you nominating to whom you would like to leave your pension savings (your Will won't do this for you) and your age when you die, before or after the age of 75.

Your pension is normally free of IHT, unlike many other investments. It is not part of your taxable estate. Keeping your pension wealth within your pension fund and passing it down to future generations can be very tax-efficient estate planning.

It combines IHT-free investment returns and potentially, for some beneficiaries, tax-free withdrawals. Remember that any money you take

out of your pension becomes part of your estate and could be subject to IHT. This includes any of your tax-free cash allowance which you might not have spent. Also, older style pensions may be inside your estate for IHT. ◀

### MAKE SURE WEALTH STAYS IN THE RIGHT HANDS

Estate planning is a complex area that is subject to regular regulatory change. Whatever you wish for your wealth, we can tailor a plan that reflects your priorities and particular circumstances. To find out more, or if you have any questions relating to estate planning, don't hesitate to contact us.

#### Source data:

[1] *Brewin Dolphin research: Opinium surveyed 5,000 UK adults online between 30 August and 5 September 2018.*

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 RULES AROUND TRUSTS ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

THE VALUE OF INVESTMENTS AND THE INCOME THEY PRODUCE CAN FALL AS WELL AS RISE. YOU MAY GET BACK LESS THAN YOU INVESTED.

# PENSION FREEDOMS

RETIREES NOW HAVE A WHOLE HOST OF NEW OPTIONS

**The pension freedoms, introduced on 6 April 2015, have given retirees a whole host of new options.**

There is no longer a compulsory requirement to purchase an annuity (a guaranteed income for life) when you retire. The introduction of pension freedoms brought about fundamental changes to the way we can access our pension savings.





There is now much greater flexibility around how you take your benefits from Money Purchase Pension (Defined Contribution) schemes, which include Self-Invested Personal Pensions (SIPPs).

### HOW PENSIONS CAN BE TAKEN HAS BECOME DRAMATICALLY RELAXED

Since the rules governing how pensions can be taken have been dramatically relaxed, more people are using pension freedoms to access their retirement savings, but the amount they are individually withdrawing has continued to fall, according to the latest data from HM Revenue & Customs (HMRC).

Pension freedoms have given retirees considerable flexibility over how they draw an income or withdraw lump sums from their accumulated retirement savings. There is no doubt the pension freedoms have been hugely popular. Figures published on 30 October last year show that £30 billion<sup>[1]</sup> has been withdrawn by savers since the pension freedoms were introduced in 2015.

### AVERAGE WITHDRAWALS HAVE BEEN FALLING STEADILY AND CONSISTENTLY

The quarterly numbers from HMRC cover money that has been withdrawn flexibly from pensions. Members of defined contribution pension schemes can access their pension savings early, provided they have reached the normal minimum pension age (currently 55). The figures for the third quarter last year show that £2.4 billion was withdrawn from pensions flexibly – a 21% increase from £2 billion in the third quarter of 2018.

The average amount withdrawn per individual in the third quarter of 2019 was £7,250, falling by 5% from £7,600 in the third quarter of 2018. The Government says that since reporting became mandatory in 2016, average withdrawals have been falling steadily and consistently, with peaks in the second quarter of each year.

### WHAT ARE YOUR RETIREMENT OPTIONS TO CONSIDER?

#### LEAVE YOUR PENSION POT UNTOUCHED FOR NOW AND TAKE THE MONEY LATER

It's up to you when you take your money. You might have reached the normal retirement date under the scheme or received a pack from your pension provider, but that doesn't mean you have to take the money now. If you delay taking your pension until a later date, your pot continues to grow tax-free, potentially providing more income once you access it. If you do not take

your money, we can check the investments and charges under the contract.

#### RECEIVE A GUARANTEED INCOME (ANNUITY)

You can use your whole pension pot, or part of it, to buy an annuity. It typically gives you a regular and guaranteed income. You can normally withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into an annuity, providing a taxable income for life. Some older policies may allow you to take more than 25% as tax-free cash – we can review this with your pension provider. There are different lifetime annuity options and features to choose from that affect how much income you would get.

#### RECEIVE AN ADJUSTABLE INCOME (FLEXI-ACCESS DRAWDOWN)

With this option, you can normally take up to 25% (a quarter) of your pension pot, or the amount you allocate for drawdown, as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income. You set the income you want, though this might be adjusted periodically depending on the performance of your investments. Unlike with a lifetime annuity, your income isn't guaranteed for life – so you need to manage your investments carefully.

#### TAKE CASH IN LUMP SUMS (DRAWDOWN)

How much of your money you take and when is up to you. You can use your existing pension pot to take cash as and when you need it and leave the rest untouched, where it can continue to grow tax-free. For each cash withdrawal, normally the first 25% (quarter) is tax-free, and the rest counts as taxable income. There might be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. There are also tax implications to consider that we can discuss with you.

#### CASH IN YOUR WHOLE POT IN ONE GO

You can do this, but there are important things you need to think about. There are clear tax implications if you withdraw all of your money from a pension. Taking your whole pot as cash could mean you end up with a large tax bill – for most people, it will be more tax-efficient to use one of the other options. Cashing in your pension pot will also not give you a secure retirement income.

#### MIX YOUR OPTIONS

You don't have to choose one option. Instead, you can mix them over time or over your total

pot when deciding how to access your pension. You can mix and match as you like, and take cash and income at different times to suit your needs. You can also keep saving into a pension if you wish, and get tax relief up to age 75. ◀

### THINK CAREFULLY BEFORE MAKING ANY CHOICES

i

The pension flexibilities may have given retirees more options, but they're also very complicated, and it's important to think carefully before making any choices that you can't undo in the future. Withdrawing unsustainable sums from your pensions could also dramatically increase the risk of running out of money in your retirement. To discuss your options, talk to us at a time that suits you.

#### Source data:

[1] [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/841958/Pension\\_Flexibility\\_Statistics\\_Oct\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841958/Pension_Flexibility_Statistics_Oct_2019.pdf)

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.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

# RETIRING ABROAD

## PRIOR PREPARATION IS KEY FOR A SMOOTH TRANSITION INTO YOUR NEW LIFE

**It's a dream for many that after years of hard work, it's finally time to travel to far-off lands and enjoy your retirement without worrying about finances.** With some planning beforehand, the dream of retiring abroad can become a reality.

**W**ith milder winters, warmer summers and the potential to get more from your pension pot, it's not surprising that some people decide to retire abroad. With so many places in the world inspiring dreams of a more relaxed lifestyle, the population of expat retirees keeps growing.

If you're planning to retire abroad, it's important to look into the effect this could have on your finances before you make the move.

### PERSONAL AND WORKPLACE PENSIONS

If you have an occupational or personal pension, it's usually paid into your UK bank account.

As long as you've paid enough National Insurance, you can claim your State Pension while living abroad. Your State Pension can be paid anywhere, so long as you inform the Department for Work and Pensions (currently, the State Pension increases each year by the greater of the increase in earnings, inflation or 2.5%. However, you're not entitled to the annual increase in every country, so you should also check this before you move).

You might also have the option to transfer your UK pension to a Qualified Recognised Overseas Pension Scheme (QROPS). Transferring could give you more control, but there are various tax and regulatory implications that you'll need to consider. It's important to obtain professional financial advice to ensure you will not

lose valuable guarantees and benefits, or have to pay excessive exit fees.

Your income will be affected by fluctuations in the exchange rate, as well as local inflation, and there may be charges for currency conversion and transferring money to a foreign bank.

### HEALTHCARE

As you get older, healthcare is an increasingly important consideration. It's important to look into your rights to access healthcare in your country of choice and what costs may be involved.

Currently, most pensioners retiring abroad choose European Economic Area countries. These have a special relationship with the UK that allows our citizens access to free healthcare.

Pensioners already living in these countries should continue to benefit from this agreement beyond Brexit. However, for those considering a move in future, it's still unknown if the relationship will continue, which might put your plans on hold for now.

In most other countries, you will have to pay some or all of the cost of treatments, which can get expensive in later life. Find out which medical treatments are free and which you will need to pay for. Will you need medical insurance too, and what is the quality of healthcare available?

### PROPERTY

Buying a home in a foreign country can be more difficult than here in the UK, and the land titles, rights, consents, regulations, taxes and charges are almost certain to be different.

Make sure you're aware of how much it will cost to buy, and seek advice from solicitors, architects and surveyors with local experience.

Remember that not only may the cost of buying be higher, but that you might need to budget for adaptations to keep your home accessible as you get older.

### TAXES

Moving abroad will almost certainly have many tax implications. Unless your new country of residence has a double-tax agreement in place, you could end up paying tax both there and in the UK. Also, taxes such as Capital Gains Tax vary from country to country.

Make sure you understand the effects of tax on your income and your own tax responsibilities. These tax burdens can be frustrating for many retirees. Complicated tax issues can also make it difficult to buy property abroad, and understanding all the local laws and implications can be a daunting task. ◀

### READY TO RETIRE ABROAD IN 2020?



A move abroad and the lifestyle change that comes with it may be the final result of years of dreaming and planning. Whether you're moving abroad to be closer to friends and family, to experience a different culture or just for a better quality of life, planning ahead is key. If you would like further information, please contact us.

