



ECFS

Independent Financial Advisers

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INHERITANCE TAX

NO LONGER SOMETHING THAT ONLY
AFFECTS THE VERY WEALTHY

NEW TAX YEAR

The key changes
you need to know

WHY SILENCE ISN'T NECESSARILY BLISS

Over six million adults refuse to
discuss their Will with loved ones

BUILDING A DIVERSE PORTFOLIO

Time, patience and making
informed decisions

TRACING A LOST PENSION

Nearly £20 billion unclaimed
money and growing

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INSIDE THIS ISSUE

At the time of writing this issue, the uncertainty around the terms of Brexit have been extended to a new deadline set for 31 October. All we can do is expect the best, prepare for the worst and capitalise on what comes.

Inheritance Tax is no longer something that only affects the very wealthy, but the good news is that there are ways to limit the amount of Inheritance Tax your family may potentially face. You worked hard to earn your wealth, so let us work hard preserving it. On page 06, we look at how you can help your family maintain its financial strength from one generation to the next.

You want to pay the minimum amount of tax legally possible. We want that for you, too. The 2019/20 tax year started on 6 April and, in general, taxpayers will have more money in their pocket after increases to allowances came into force. However, there are a few losers, in particular those selling shares and buy-to-let landlords. To find out more, turn to page 03.

Making a Will is very important if you care what happens to your money and your belongings after you die, and most of us do. On page 11, we consider why discussing your Will with beneficiaries means they are better prepared when the time comes, even though you may be nervous about raising the topic.

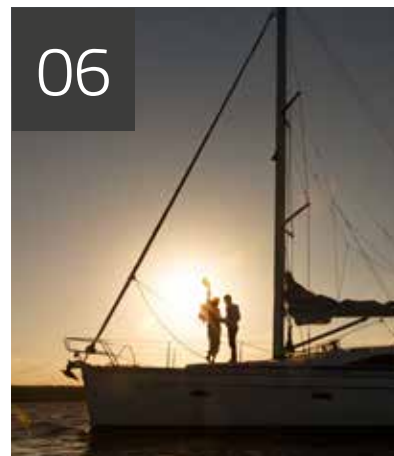
A full list of the articles featured in this issue appears opposite.

ACHIEVE YOUR FINANCIAL GOALS

We hope you find this issue useful. Whatever your goals in life are, careful planning and successful investing of your wealth can help you get there. If you would like to speak to us about your financial goals, please contact us – we look forward to hearing from you.



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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.

NEW TAX YEAR

THE KEY CHANGES YOU NEED TO KNOW

You want to pay the minimum amount of tax legally possible. We want that for you, too. The 2019/20 tax year started on 6 April and, in general, taxpayers will have more money in their pocket after increases to allowances came into force. However, there are a few losers, in particular those selling shares and buy-to-let landlords.

Increases to the tax-free personal allowance

announced in last year's Budget have now also come into effect, alongside a number of other proposals. We've provided our summary of the key changes.

INCOME TAX

The tax-free personal allowance increased from £11,850 to £12,500, after Chancellor Philip Hammond announced in the 2018 Budget that he was bringing the rise forward by a year. The higher-rate tax band increased from £46,350 to £50,000 in England, Wales and Northern Ireland. But in Scotland, where Income Tax rates are devolved, the higher-rate tax band remains at £43,430 – £6,570 lower than the rest of the UK.

The National Insurance upper earnings limit has increased from £46,350 to £50,000, and all of the UK is now on the same level of 12% between the threshold of £8,632 and the upper earnings limit of £50,000 before this reduces to 2% on earnings above this level.

INHERITANCE

The threshold at which the 40% Inheritance Tax rate applies on an estate remains at £325,000. However, the Residence Nil-Rate Band increased to £150,000. This is an allowance that can be added to the basic tax-free £325,000 to allow people to leave property to direct descendants such as children and grandchildren, taking the combined tax-free allowance to £475,000 in the current tax year. However, the allowance is reduced by £1 for every £2 that the value of the estate exceeds £2 million.

When you pass on assets to your spouse, they are Inheritance Tax-free, and your spouse can then make use of both allowances. This means the amount which can be passed on by a married couple is currently £950,000.

PENSIONS

The State Pension increased by 2.6%, with the old basic State Pension rising to £129.20 a week, and the new State Pension rising to £168.60 a week.

The minimum contributions under the Government's auto enrolment scheme have also increased to 8%. The increase means that employers must now pay in at least 3% of an employee's salary, and the employee pays the balance.

The level of the State Pension rises every year by the highest of 2.5%, growth in earnings or Consumer Price Index (CPI) inflation. This is due to the 'triple lock' guarantee, which was first introduced in 2010.

The pension lifetime allowance increased to £1,055,000 on pension contributions, in line with CPI inflation. This is the limit on the amount retirees can amass in a pension without incurring additional taxes. Anything above this level can be taxed at a rate of 55% upon withdrawal.

The overall annual allowance has remained the same at £40,000, along with the annual allowance taper which reduces pension relief for those with a yearly income above £150,000.

INVESTORS

The Junior Individual Savings Account (JISA) limit increased to £4,368. All other JISA limits remain the same. The annual amount that can be sheltered across adult ISAs stays at £20,000 for the 2019/20 tax year.

The Capital Gains Tax annual exemption, which everyone has, increased to £12,000. Above this amount, lower rate taxpayers pay 10% on capital gains, while higher and additional rate taxpayers pay 20%. However, people selling second properties, including buy-to-let landlords, pay Capital Gains Tax at 18% if they are a basic rate taxpayer, or 28% if a higher or additional rate taxpayer.

Capital Gains Tax for non-UK residents has been extended to include all disposals of UK property.

Entrepreneurs' Relief gives a Capital Gains Tax break to those who sell shares in an

unlisted company, provided they own at least 5% of the shares and up to a lifetime value of £10 million. The holding period to qualify for the relief is 24 months.

This is also the first tax year where claims can be made for Investors' Relief which, in a similar way, gives Capital Gains Tax breaks to those who sell shares in unlisted firms. While the former is aimed at company directors, the latter is geared to encourage outside investment in firms.

There is no minimum shareholding to be eligible, but investors must have held the shares for at least three years. As the relief was introduced in 2016, this is the first tax year when it can be used.

BUY-TO-LET LANDLORDS

On 6 April, the next stage of the phased removal of mortgage interest relief came into effect. Buy-to-let landlords used to be able to claim the interest paid on their mortgages as a business expense to reduce their tax bill. Now, they will only be able to claim a quarter of this amount as tax deductible ahead of the complete removal of the relief in the 2020/21 tax year. ◀

WOULD YOU LIKE HELP WITH TAX PLANNING?



The UK tax system is very complex, but the benefits of structuring your finances tax-efficiently can be significant. We are here to ensure that you have made the best use of the reliefs and allowances available to your particular situation. There are a variety of planning ideas available for individuals, entrepreneurs and business owners. Should you need to discuss or require advice on tax planning ideas, please do not hesitate to contact us.

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BUILDING A DIVERSE PORTFOLIO

TIME, PATIENCE AND MAKING INFORMED DECISIONS

Making sense of today's market headwinds and building a diverse portfolio should be key priorities for all investors. Whether you have a lump sum to invest or want to invest regularly each month, it's important to know your money is working hard for you.

HOLDING A NUMBER OF STRUCTURED PRODUCTS IN A PORTFOLIO NOT ONLY SERVES TO SPREAD RISK, BUT CAN ALSO IMPROVE THE SHAPE OF THE POTENTIAL OUTCOMES. PORTFOLIOS SHOULD TYPICALLY INCLUDE THE MAIN ASSET CLASSES NEEDED TO PROPERLY DIVERSIFY AND SPREAD RISK, AS WELL AS GROW MONEY IN LINE WITH THE INVESTOR'S ATTITUDE AND RISK TOLERANCE.

Growing your wealth is not something that happens automatically. It takes time, patience and making informed decisions. Whatever your long-term wealth priorities are, planning and successful investing of your wealth can help you get there.

DIVERSIFY AND SPREAD RISK

Holding a number of structured products in a portfolio not only serves to spread risk, but it can also improve the shape of the potential outcomes. Portfolios should typically include the main asset classes needed to properly diversify and spread risk, as well as grow money in line with the investor's attitude and risk tolerance.

The four classes of assets are generally considered to be: stocks and shares or equities, fixed income or bonds, money market or cash equivalents, and property or other tangible assets. Depending on your attitude to risk, your portfolio may include some or all of these asset types, as they have different levels of risk and move in different ways relative to one another. There are no good or bad asset allocations; you need to find the one that's right for you based on your own situation and investment goals.

DIFFERENT GEOGRAPHICAL AREAS

Investors also need to consider holding funds invested in different geographical areas, to further spread risk and protect them from stock market corrections. But this exposes investors to foreign currency risk. This means that when sterling is weak, every pound invested will buy fewer foreign currency-denominated investments. However, if investors already have overseas investments, lower exchange rates can be beneficial, as this will boost values.

BASIC DIVERSIFIED PORTFOLIO

One of the basic building blocks of a solid portfolio is investment diversification. Put simply, this means investors shouldn't put all of their eggs in one basket. This is the basic principle behind asset allocation, which involves spreading money across different asset classes and diversifying how to allocate money within each sector.

A basic diversified portfolio might include several investment categories such as stocks, bonds and cash. The allocation to each of these broad categories should be based upon the investor's investment goals, their tolerance for investment risk, and the time horizon for needing to access their investments.

IMPACT ON FUTURE RETURNS

Investment fees are one of the most important differentiators that lead to the eventual outcome of an investor's portfolio valuation. They can eat away at even the best-performing investments and have a real impact on investment returns.

Over the long term, differences in fees, however small, can have a big impact on future returns. Even when investment returns are the same, charges corrode and eat away at an investment portfolio. Investors can't control the way markets behave, but with professional financial advice they can definitely control one thing: costs.

TIMING THE MARKET

Even Warren Buffett, one of the most famous investors in the world, doesn't try to time the stock market. There will always be reasons not to invest, and one of the main arguments against market timing is that mistakes can be costly. Even not investing because investors fear a market

correction is an attempt to time the market that rarely pays off and may lead to investors missing out on gains while they wait patiently for just that right time to make an investment.

CULTIVATE THE ART OF PATIENCE

For investors to give their investments the best chance of earning a return, they need to cultivate the art of patience. It's not a prerequisite that they need perfect timing to achieve their desired investment returns; they simply need time.

Time in the market beats timing the market – almost always. But some investors do just the opposite. It's worth remembering that trying to move money into the market before it rallies and out before it declines requires a crystal ball that just hasn't been invented. ◀

GROW THE LONG-TERM VALUE OF YOUR WEALTH

Your wealth should work in all the ways you want it to. Whether you want to grow the long-term value of your wealth to provide an income later in life or to pass it on to future generations, we can support you in different ways, depending on your requirements. Please contact us for more information.

CHANGES IN THE RATES OF EXCHANGE BETWEEN CURRENCIES MAY CAUSE YOUR INVESTMENT, AND THE INCOME FROM THEM, TO DO DOWN OR UP.

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



INHERITANCE TAX

NO LONGER SOMETHING THAT ONLY AFFECTS THE VERY WEALTHY

Inheritance Tax is no longer something that only affects the very wealthy, but the good news is that there are ways to limit the amount of Inheritance Tax your family may potentially face.

When someone dies, Inheritance Tax is charged on their estate above a certain value. A person's estate is basically everything they own, including their main property, any other properties, cars, boats, life assurance policies not written in an appropriate trust and other investments, as well as personal effects such as jewellery.

Inheritance Tax is potentially charged at a rate of 40% on the value of everything you own above the Nil-Rate Band threshold. This is the value of your estate that is not chargeable to Inheritance Tax. The amount is set by the Government and is currently £325,000, which is frozen until 2021. When you die, your estate is not liable to tax on any assets up to this amount. However, anything over this amount may be taxed at a rate of 40%.

Since 6 April 2017, if you leave your home to direct lineal descendants, which includes your children (adopted, fostered and stepchildren) and grandchildren, the value of your estate before tax is paid will increase with the addition of the Residence Nil-Rate Band, currently £150,000 in 2019/20.

Inheritance Tax is an unpopular and controversial tax, coming as it does at a time of

loss and mourning, and it can impact on families with even quite modest assets. However, there are legitimate ways to mitigate against this tax. But be aware that some of the most valuable exemptions must be used seven years before your death to be

fully effective, so it makes sense to obtain professional financial advice and consider ways to tackle this issue sooner rather than later.

MAKING PLANS TO MITIGATE AGAINST INHERITANCE TAX

MAKE A WILL

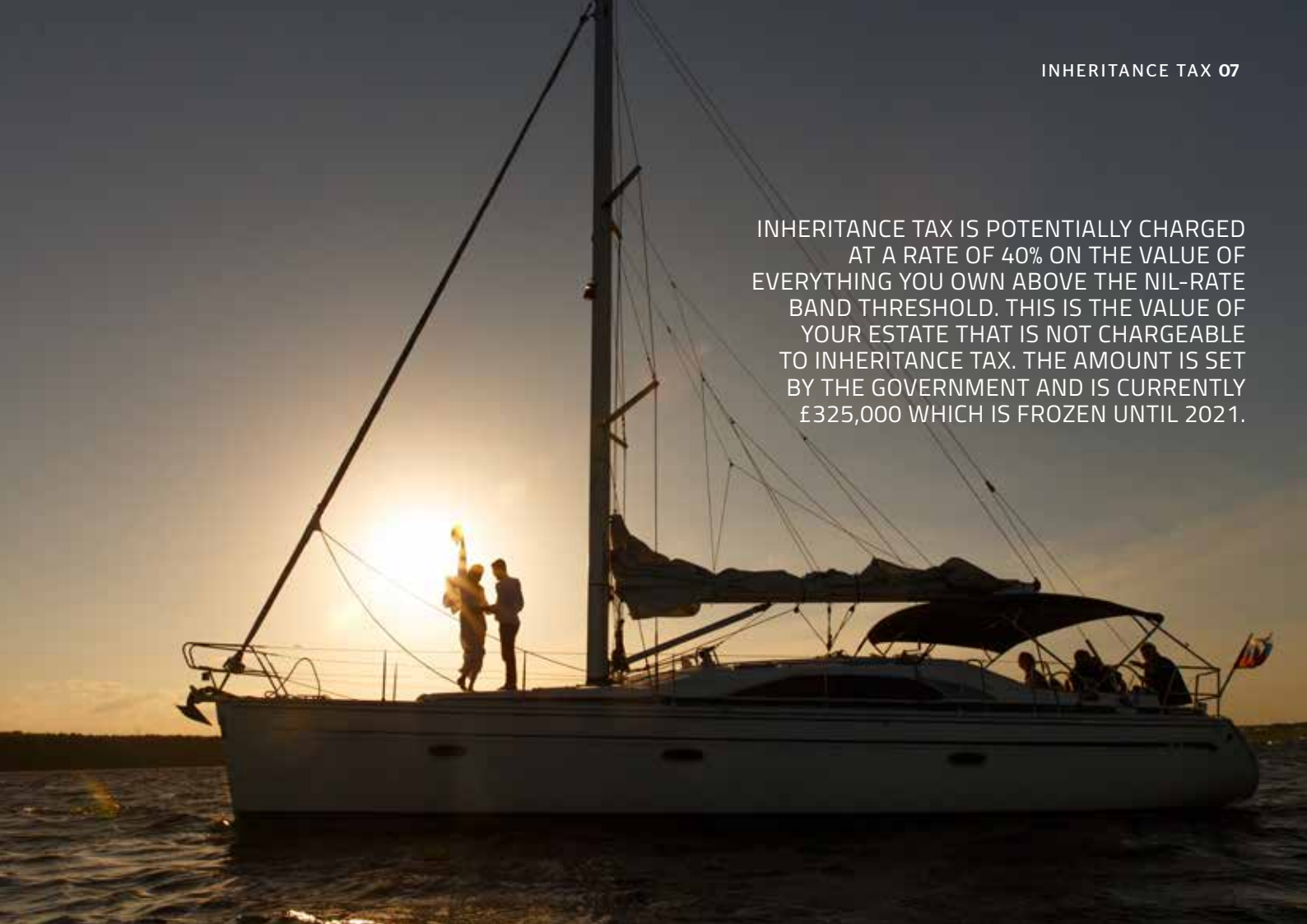
Dying intestate (without a Will) means that you may not be making the most of the Inheritance Tax exemption which exists if you wish your estate to pass to your spouse or registered civil partner.

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

THE FACTS:

- Inheritance Tax is levied at a fixed rate of 40% on all assets worth more than £325,000 per person (0% under this amount) – or £650,000 per couple if other exemptions cannot be applied

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INHERITANCE TAX IS POTENTIALLY CHARGED AT A RATE OF 40% ON THE VALUE OF EVERYTHING YOU OWN ABOVE THE NIL-RATE BAND THRESHOLD. THIS IS THE VALUE OF YOUR ESTATE THAT IS NOT CHARGEABLE TO INHERITANCE TAX. THE AMOUNT IS SET BY THE GOVERNMENT AND IS CURRENTLY £325,000 WHICH IS FROZEN UNTIL 2021.

- The Residence Nil-Rate Band is currently £150,000. This is an allowance that can be added to the basic tax-free £325,000 to allow people to leave property to direct descendants such as children and grandchildren - the allowance will be reduced by £1 for every £2 that the value of the estate exceeds £2 million

MAKE LIFETIME GIFTS

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

You can gift as much as you wish, and this is known as a 'Potentially Exempt Transfer' (PET). However, you will need to live for seven years after making such a gift for it to be exempt from Inheritance Tax. Should you be unfortunate enough to die within seven years, then it will still be counted as part of your estate if it is above the annual gift allowance.

You need to be particularly careful if you are giving away your home to your children with conditions attached to it, or if you give it away

but continue to benefit from it. This is known as a 'Gift with Reservation of Benefit'.

LEAVE A PROPORTION TO CHARITY

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

SET UP A TRUST

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

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

terms. The terms will be set out in a legal document called 'the trust deed'. ◀



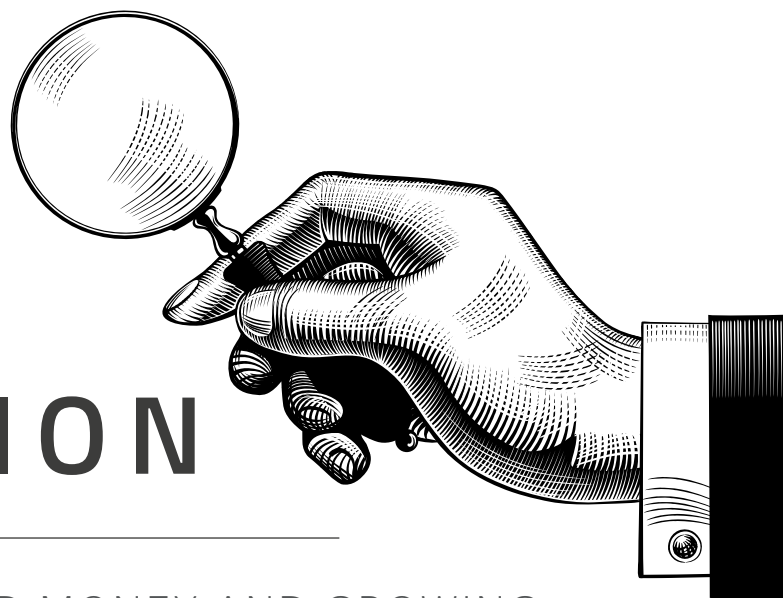
WILL YOUR LOVED ONES BE FACED WITH A LARGE TAX BILL?

Without making provision for Inheritance Tax, your loved ones could be faced with a large tax bill when you die. They may even have to sell assets, such as the family home, in order to pay the bill. With some forward planning, we can help ensure that the people you want to benefit from your estate actually do. To assess whether you need to consider making plans to mitigate a possible Inheritance Tax liability, please contact us.

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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.



TRACING A LOST PENSION

NEARLY £20 BILLION UNCLAIMED MONEY AND GROWING

The scale of the UK's lost pensions mountain has been exposed by the largest study yet on the subject^[1]. The Pensions Policy

Institute surveyed firms representing about 50% of the private defined contribution pensions market^[2].

From this, the Pensions Policy Institute found 800,000 lost pensions worth an estimated £9.7 billion. It estimates that, if scaled up to the whole market, there are collectively around 1.6 million pots worth £19.4 billion unclaimed – the equivalent of nearly £13,000 per pot.

FINDINGS HIGHLIGHT THE SCALE OF THE PROBLEM

This figure is likely to be even higher as the research did not look into lost pensions held in the public sector, or with trust-based schemes typically run by employers. These findings highlight the scale of the lost pensions problem. Unclaimed pensions can make a real difference to millions of savers who have simply lost touch with their pension providers.

Providers make considerable efforts and spend millions every year trying to reunite people with lost or forgotten pensions. In 2017, more than 375,000 attempts were made to contact clients, leading to £1 billion in assets being reunited with them. However, firms are unable to keep pace with a mobile workforce that moves jobs and homes more often than ever before. Prevention is better than cure, so be sure to keep all your pensions paperwork in one place. You should also tell your previous pension scheme administrator about any changes of address.

NUMBER OF PEOPLE WITH MULTIPLE PENSIONS TO INCREASE

Nearly two thirds of UK savers have more than one pension, and changing work patterns means that the number of people with multiple pensions will increase. People typically lose track of their pensions when changing jobs or moving home.

The average person will have around 11 different jobs over their lifetime, and move home eight times. The Government predicts that there could be as many as 50 million dormant and lost pensions by 2050.

NEARLY TWO THIRDS OF UK SAVERS HAVE MORE THAN ONE PENSION, AND CHANGING WORK PATTERNS MEANS THAT THE NUMBER OF PEOPLE WITH MULTIPLE PENSIONS WILL INCREASE.

TRACKING DOWN UNCLAIMED PERSONAL OR WORKPLACE PENSIONS

If you have lost track of a pension, it's important to write down the dates and contact details of the companies you had pensions with. If you have all the information, then you can contact the pension provider directly to find how much there is in your pension pot.

Alternatively, you can contact the Pension Tracing Service. They will help you find the addresses and details you need and can help you locate or trace any pensions that you may have lost or misplaced.

You can also contact them to track down unclaimed personal or workplace pensions for deceased relatives. It's possible that their estate or a surviving partner or relative could be eligible to claim a percentage. The Pension Tracing Service telephone number is: 0800 731 0193 (from outside the UK: +44 (0)191 215 4491; textphone: 0800 731 0176). ◀

THE SOONER YOU TRACE A LOST PENSION, THE BETTER

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It's not always easy to keep track of a pension, especially if you've been in more than one scheme or have changed employer throughout your career. But it's important that you do claim your pension, so the sooner you trace a lost pension, the better. If you would like to discuss any concerns you may have, please contact us.

Source data:

[1] The Association of British Insurers is the voice of the UK's world-leading insurance and long-term savings industry.

[2] The Lost Pensions Survey includes data from 12 large insurers, covering around half of the defined contribution pensions market.

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.

F R E E T I R E E S

PENSION FREEDOMS USHER IN A NEW GENERATION

The introduction of pension freedoms has been a huge enabler for over-55s, allowing millions to draw income from their pensions flexibly. Pension freedoms offer the opportunity to transition into retirement by continuing to work with reduced hours beyond traditional retirement age.

This emerging trend enables you to choose a middle path, allowing for reduced working hours and more flexible quality leisure time, while also receiving your retirement benefits. Taking a phased approach to retirement, new research^[1] shows, was the preference for half of UK workers over 50, or five million workers^[2].

TAILOR RETIREMENT TO YOUR OWN INDIVIDUAL REQUIREMENTS

The flexibility that pension freedoms gives means that older workers can tailor their retirement to their own individual requirements, giving rise to a new distinct and more 'free' stage of life in between work and retirement.

A quarter (26%) of over-50s could see themselves continuing to work while collecting their pension, but their motivation for doing so isn't driven solely by economics. Keeping their brain active and an enjoyment of work as well as the benefits of social interaction all play their part.

WORK-LIFE BALANCE HAS NEVER BEEN MORE IMPORTANT

Earning an income later in life also provides workers with the opportunity to continue saving, which can mean higher retirement benefits in the future. The research highlights that a work-life balance has never been more important to those over 55. Pension freedoms have allowed them to throw off the shackles of a traditional retirement and follow a plan that suits their individual needs. While historically people benefitted from generous final salary pensions, one drawback of these was that they didn't offer much flexibility to decide how and when to take benefits.

The pension freedoms have changed the way people think about retirement and are enabling the rise of a more flexible transition into retirement, including allowing people to choose to start accessing some retirement savings to support a reduced working pattern.

FREEDOM TO CONTINUE TO LIVE LIFE ON YOUR OWN TERMS

Pension freedoms have allowed older workers to be more flexible, creating a distinct phase in their later life where they can alter their working pattern to their needs. This allows them to continue working beyond traditional retirement age while also having more time for leisure, for family, for volunteering and to pursue hobbies and travel.

The research also highlights another point that older workers want to be able to continue to live life on their own terms, and pension freedoms allow an increasing number to enjoy a new life stage where they can combine reduced working hours with enjoying more leisure time. ◀

WHAT IS YOUR FINANCIAL ACTION PLAN?

For some people, it's not clear where their money will come from when they no longer receive a salary – and that can be stressful. But don't worry. With our help, you can create a plan of action you can take today to prepare for the life you want tomorrow. Speak to us to arrange a meeting.

Source data:

[1] Research conducted by Aegon in conjunction with Opinium, based on responses from 1,007 UK workers aged 50+ earning £20k+ between 30 November and 6 December 2018.

[2] Of the 10.3m people over 50 in employment in the UK, 49% want to transition – 5 million. www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentunemploymentandeconomicinactivitybyagegroupnotseasonallyadjusted 05nsa

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.

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

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

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STATE PENSION

HALF A MILLION WORKERS PAST PENSION AGE COULD BE PAYING UNNECESSARY TAX

A significant number of people working past the State Pension age could be paying unnecessary tax on their State Pension, according to new research^[1]. This is because they failed to take up the option of deferring their State Pension until they stopped work. As a result, their entire State Pension is being taxed, in some cases at 40%.

If they deferred taking their State Pension, they would also receive a higher pension when they do eventually retire, and their personal tax allowance would then cover all or most of their State Pension, dramatically reducing the amount of tax they have to pay on their pension.

Those who defer their State Pension can receive an extra 5.8% per year on their pension for the rest of their life for each year that they defer.

Comparing someone who draws their State Pension immediately while going on working, with someone who waits for a year until they have retired before drawing their State Pension, the research finds:

- A man who defers for a year and has an average life expectancy at 65 of 86 will be around £3,000 better off over retirement than someone who takes his State Pension immediately and pays more tax
- A woman who defers for a year and has an average life expectancy at 65 of 88 will be around £4,000 better off. As well as the tax advantage, she also enjoys two extra years of pension at the higher rate

All is not lost for those who have started to draw their State Pension, as they have the option of 'un-retiring' – they can tell the Department for Work and Pensions (DWP) to stop paying their State Pension and then resume receiving it at a higher rate when they stop work.

There has been a significant increase in the number of people working past the age of 65, and the research identified that most of these people are claiming their State Pension as soon as it is available. For around half

a million workers, this means every penny of their State Pension is being taxed, in some cases at the higher rate.

If an individual's earnings are enough to support them, it could make sense to consider deferring taking a State Pension so that less of their pension disappears in tax. A typical woman could be around £4,000 better off over the course of her retirement by deferring for a year until she has stopped work, and a typical man could be £3,000 better off. ◀

WANT TO DISCUSS YOUR FUTURE RETIREMENT PLANS?



Traditional retirements are a thing of the past. We're living longer and have more flexible income options to make our money work harder at retirement. If you would like to discuss any elements of your future retirement plans, please speak to us.

Source data:

[1] Royal London Policy Paper 33 – 'Are half a million people paying unnecessary tax on their state pension?' is available from www.royallondon.com/policy-papers. The analysis is based on the Family Resources Survey for 2016/17, which is a representative sample of nearly 20,000 households from across the United Kingdom.



WHY SILENCE ISN'T NECESSARILY BLISS

OVER SIX MILLION ADULTS REFUSE TO DISCUSS THEIR WILL WITH LOVED ONES

Making a Will is very important if you care what happens to your money and your belongings after you die, and most of us do. But have you tried to talk with your children about your Will? If that conversation isn't happening, you're not alone.

And it's not only parents who are uncomfortable. Adult children may also be nervous about raising the topic of their parents' finances for fear they appear greedy or nosy. Understandably, talking about dying can be seen as 'taboo' and it is not always easy to bring it up. However, discussing your Will with beneficiaries means they are better prepared when the time comes.

However, worryingly, almost six and half million adults refuse to discuss their Will with loved ones according to new research^[1]. A quarter (26%) of people with a Will say they will not discuss it as they do not want to think about dying, and one in four (27%) do not want to upset beneficiaries by discussing the contents of their Will^[2].

It is also hugely important for family members to be aware of vital decisions in your Will, such as who will look after your children. By overcoming 'death anxiety', the natural fear of talking about death and the emotions associated with it, these important conversations can ensure your beneficiaries are aware of your wishes and understand them.

Nearly half (45%) of UK parents, the research identified, with adult children

believe their Will is 'no one's business' but their own or a partner's. But sharing the contents of a Will makes the financial and practical consequences of death easier for those left behind. Losing someone can have a huge impact on finances for months or even years to come, so it is crucial for families to be prepared.

'WHEN I'M GONE' CONVERSATION WITH YOUR PARTNER OR FAMILY

- Avoid talking to someone when they're busy. Look for opportunities to broach the subject, such as when you're discussing the future or perhaps following the death of someone close to you
- Consider beginning the conversation with a question such as, 'Have you ever wondered what would happen...?'; 'Do you think we should talk about...?'
- Think about how you would manage financially should the worst happen. What impact would losing a partner or family member have on your household income and your expenses? Be aware that your financial situation may change in the future

- Make sure you know where all important documents such as Wills, bank details, insurance policies, etc. are kept, so that you have all the information you might need
- Prepare in advance – would you know how to manage the day-to-day finances? If not, consider how you could start to learn about them now so this doesn't come as a shock

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IN THE EVENT OF AN ILLNESS, LOSS OF CAPACITY OR DEATH – ARE YOUR PLANS IN PLACE?

Many of us will eventually reach a point in our lives when we require specialist assistance to ensure that our family will be able to cope better and manage their affairs in the event of an illness, loss of capacity or death. If you would like to review your particular situation, contact us to arrange an appointment

Source data:

[1] Royal London – six million figure is based on ONS adult population stats of 52.8million. Our research shows 47% of UK adults have a Will – 26% of this figure equates to 6,458,535.05

[2] Opinion on behalf of Royal London surveyed 2,006 adults between 26 and 29 October 2018. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

LIFETIME ALLOWANCE

BREACH MAY IMPACT ON MORE THAN A MILLION WORKERS

An estimated 1.25 million people are set to breach the current lifetime allowance (LTA) limit of £1.055 million for pension tax relief over the course of their working life, according to new research published^[1].

The LTA is a limit on the amount of pension benefit that can be drawn from pension schemes – whether lump sums or retirement income – and can be paid without triggering an extra tax charge. It has been cut three times since 2010, and this research estimates that around 290,000 workers already have pension rights above the limit, and well over a million more people are at risk of breaching it by the time they retire.

FACING A TAX CHARGE OF UP TO 55% ON PENSION SAVINGS

Those who exceed the LTA could face a tax charge of up to 55% of their pension savings above this level at the time of testing. Around 290,000 non-retired people have already built up pension rights in excess of the LTA. Fewer than half of these are thought to have applied for 'protection' against past reductions in the LTA and so could face significant tax bills when they draw their pension. Worryingly, many may be unaware of this.

Almost half of these people who are already over the LTA are continuing to add to their pension wealth, thereby storing up an even bigger tax charge with every passing year. And amongst non-retired people who are not currently over the LTA, an estimated 1.25 million can expect to breach the LTA by the time they retire.

GROUPS LIKELY TO BREACH THE LIFETIME ALLOWANCE

The two main groups likely to breach the LTA are relatively senior public sector workers with long service, whose Defined Benefit pension rights will exceed the LTA, especially as they now have to work to 65 or beyond rather than 60 as in the past, and relatively well-paid workers in a Defined Contribution pension arrangement where their employer makes a generous contribution into their pension pot.

HIGHEST EARNERS MAY BE LESS AFFECTED BY THE LIFETIME CAP

Typical salary levels of those affected are in the range £60,000–£90,000 per year. But ironically, the very highest earners may be less affected by the Lifetime Cap because they are now heavily limited by the amount they can put into a pension each year.

The data suggests that only a couple of thousand people exceeded the LTA in the latest year for which figures are available (2016/17). The number likely to face a tax charge could therefore increase more than a hundredfold, purely based on those who have yet to retire but who have already exceeded the LTA.

WORKERS WHO WOULD NOT REGARD THEMSELVES AS 'RICH'

The research finds that one of the reasons why so many people will exceed the LTA is that current policy is simply to increase it each year in line with price inflation (as measured by the CPI).

By contrast, wages will tend to grow faster than inflation, and the money invested in pension pots should grow faster than inflation over the long term. This means that the LTA will 'bite' progressively more severely over time and will affect hundreds of thousands of workers who would not regard themselves as 'rich.' ◀

Source data:

[1] Research conducted for Royal London is based on detailed analysis of data on more than 7,700 workers from Wave 1 and Wave 5 of the 'Wealth and Assets Survey' March 2019.

A PENSION IS A LONG-TERM INVESTMENT.

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

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. 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.

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.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

