

# oyster



Financial Planning

BECAUSE THE WORLD IS...

GUIDE TO

## FINANCIAL PLANNING FOR THE NEW YEAR

*Take stock of your financial situation and plot  
a course for your future wealth and security*

JANUARY 2024



**Oyster Financial Planning Limited**

52 Pylewell Road Hythe Southampton SO45 6AQ

**Tel:** 023 80848410 **Email:** [enquiries@oysterfinancialplanning.co.uk](mailto:enquiries@oysterfinancialplanning.co.uk) **Web:** [www.oysterfinancialplanning.co.uk](http://www.oysterfinancialplanning.co.uk)

*Oyster Financial Planning Limited is authorised and regulated by the Financial Conduct Authority*

GUIDE TO

# FINANCIAL PLANNING FOR THE NEW YEAR

*Take stock of your financial situation and plot  
a course for your future wealth and security*

Welcome to our *Guide to  
Financial Planning for  
the New Year*.

The start of a new year is an excellent time to take stock of your financial situation and plot a course for your future wealth and security. This guide is designed to help you do just that.

For many, the new year brings a list of resolutions aimed at self-improvement. If you haven't already done so this year, why not change your routine and focus on improving your financial health? Adding monetary objectives to your list gives you a clear direction for your financial journey, making it easier to plan and make informed decisions about your money.

Before you can move forward, it's crucial to understand where you've been. Reflecting on your budgeting from the previous year can help you identify areas of strength and weakness. Understanding your past financial behaviours lets you decide where to direct your efforts in the upcoming year.

This guide will provide strategies and information to help you set financial goals and create a plan that will lead you

toward financial success. So, let's usher in the new year with a commitment to financial prosperity and security. Here's to a year of achievement and progress towards your financial goals! ●

## LET'S SHAPE YOUR FINANCIAL FUTURE TOGETHER!

The new year brings fresh opportunities and is the perfect time to reassess your financial goals. Whether you're planning for retirement, looking to grow your wealth or save tax, or want to understand your finances better, we're here to help.

Don't hesitate to contact us if you have any concerns about your current financial situation or wish to review it. Leaving your financial future to chance is not an option. We look forward to hearing from you.

THIS GUIDE IS FOR YOUR GENERAL INFORMATION AND USE ONLY AND IS NOT INTENDED TO ADDRESS YOUR PARTICULAR REQUIREMENTS. IT SHOULD NOT BE RELIED UPON IN ITS ENTIRETY AND SHALL NOT BE DEEMED TO BE, OR CONSTITUTE, ADVICE. ALTHOUGH ENDEAVOURS HAVE BEEN MADE TO PROVIDE ACCURATE AND TIMELY INFORMATION, THERE CAN BE NO GUARANTEE THAT SUCH INFORMATION IS ACCURATE AS OF THE DATE IT IS RECEIVED OR THAT IT WILL CONTINUE TO BE ACCURATE IN THE FUTURE. NO INDIVIDUAL OR COMPANY SHOULD ACT UPON SUCH INFORMATION WITHOUT RECEIVING APPROPRIATE PROFESSIONAL ADVICE AFTER A THOROUGH EXAMINATION OF THEIR PARTICULAR SITUATION. WE CANNOT ACCEPT RESPONSIBILITY FOR ANY LOSS AS A RESULT OF ACTS OR OMISSIONS TAKEN IN RESPECT OF ANY ARTICLES. THRESHOLDS, PERCENTAGE RATES AND TAX LEGISLATION MAY CHANGE IN SUBSEQUENT FINANCE ACTS.



**02 WELCOME**

Guide to Financial Planning for the New Year

**04 TIME TO CONSIDER YOUR FINANCIAL RESOLUTIONS?**

Plan your financial blueprint for 2024 and beyond

**06 FINANCIAL GOALS ARE NOT ONE-SIZE-FITS-ALL**

Shaping your future financial security and independence

**08 MONEY MANAGEMENT**

One of the most critical challenges many families grapple with today

**10 PERSONAL TAX PLANNING**

Understanding the system and taking proactive steps to minimise liabilities

**14 WEALTH CREATION**

Are you aiming for income, growth or a combination of both?

**18 FINANCIAL ASPIRATIONS**

10 fundamental principles every investor should adhere to

**20 FIVE-YEAR RETIREMENT COUNTDOWN**

A period of reflection and meticulous planning

**22 CULTIVATING AND SAFEGUARDING YOUR PENSION**

How to utilise your pension pot doesn't have just one 'correct' approach

**24 FINANCIAL PROTECTION**

'What if' is vital to financial planning and your future security

**26 LONG-TERM CARE**

Inevitability of ageing and what to consider

**28 ESTATE MANAGEMENT**

Curating a plan for the tax-efficient allocation of your assets

**29 SMOOTH TRANSITION OF ASSETS TO THE NEXT GENERATION**

When is the opportune time to transfer my wealth?

**30 FINANCIALLY EMPOWERING YOUR GRANDCHILDREN**

How to give them a start in life to carve out their own path

**32 EARLY PLANNING FOR INHERITANCE TAX**

Safeguarding as much of your wealth as possible for when you're no longer around

**34 MAKING A WILL**

Safeguard your intentions and offer a clear guide for allocating your assets

**36 LASTING POWER OF ATTORNEY**

Giving someone you trust authority to help you make decisions



# TIME TO CONSIDER YOUR FINANCIAL RESOLUTIONS?

*Plan your financial blueprint for 2024 and beyond*

**A**s we usher in 2024, it's time to consider our financial resolutions. Many of us set New Year's objectives, yet how many of us actually attain these goals? We all harbour unique financial dreams and aspirations, which may sometimes feel unattainable. In the intricate world of finance, the path to your financial objectives might not be as straightforward as you'd like. This is where the essence of financial planning comes into play.

Financial planning is a tool designed to secure your financial future. It seeks to pinpoint your financial objectives, prioritise them and then map out the precise steps

required to reach them. If revamping your financial plans is part of your New Year's resolutions, here are some considerations to help you plan your financial blueprint for 2024 and beyond.

## **SETTING REALISTIC PERSONAL AND FINANCIAL GOALS**

Any goal, especially a financial one, without a clear aim, is merely a wish. This holds true when setting financial targets. It's often mentioned that saving and investing are postponed consumption. Thus, you need to understand why you're taking your actions clearly. This could range from planning for your children's education, your retirement,

a dream vacation or buying a property. Once the objective is crystallised, it's vital to assign a monetary value to that goal and establish a timeline for its achievement. The key is to enumerate all your future objectives and assign them a value, no matter how trivial they seem.

Keeping your goals realistic is crucial, as it will help you stay on track and keep you motivated throughout your journey until you reach your destination. You need to strategise for your desired outcomes, which will likely involve determining how much you need to save and invest to fulfil your objectives. The strategy for reaching each financial objective won't be identical, hence

“

**TYPICALLY, ANY FINANCIAL GOAL DUE WITHIN A FIVE-YEAR PERIOD IS CONSIDERED SHORT-TERM. MEDIUM-TERM GOALS SPAN A TIME HORIZON OF FIVE TO TEN YEARS; ANY GOALS EXTENDING BEYOND TEN YEARS ARE CATEGORISED AS LONG-TERM.**

”

the need to categorise your goals into short, medium and long-term time frames.

### **SAVINGS AND INVESTMENT STRATEGY**

Typically, any financial goal due within a five-year period is considered short-term. Medium-term goals span a time horizon of five to ten years; any goals extending beyond ten years are categorised as long-term. This classification will assist in selecting the appropriate savings and investment strategy for each goal, making them more tangible. This process will involve considering significant future expenditures, like buying a property, home renovations or planning for later life stages, including retirement.

It's often stated that inflation is akin to tax without legislation. Therefore, when setting a financial goal for the distant future, it's crucial to factor in inflation. Knowing the inflation rate is essential when contemplating savings and investments, as it significantly impacts your real-term profits (after inflation).

### **UNDERSTANDING THE 'RULE OF 72'**

The 'Rule of 72' is a financial tool that can help you estimate how long it will take for your money to lose half its purchasing power at a given inflation rate. Divide 72 by the number of years to get the estimated interest rate needed for your money to double during that time. This rule offers

a quick way to understand the impact of compound interest or inflation on your financial situation. It's important to discuss your financial goals with your loved ones.

By planning together, you ensure alignment in your financial journey. Start by evaluating your assets, liabilities, income and expenditures. This provides a clear snapshot of your current financial health and may highlight areas for improvement.

### **IMPORTANCE OF RISK PROTECTION AND TAX PLANNING**

Risk protection is a crucial component of any financial plan. It shields you and your family from unexpected events, offering much-needed peace of mind. Another key aspect of your financial planning should be regular reviews of your tax affairs, especially considering the frequent changes in tax legislation.

Tax planning influences all aspects of your financial life. You might have concerns about the rising property values impacting gifts or Inheritance Tax, or you might be pondering the best way to dispose of business shares. Utilising your tax allowances and reliefs effectively can significantly reduce your tax liability, leading to substantial savings over time.

### **NAVIGATING THE COMPLEXITY OF THE UK TAX SYSTEM**

The UK tax system is notoriously complex, and its rules often change. Therefore,

tax efficiency becomes paramount, particularly if you fall into the top tax bracket. Without careful planning, you risk paying more tax than necessary.

Implementing a comprehensive financial plan allows you to understand your current financial situation better. It includes reviewing your income, assets and liabilities and considering elements such as Wills and income protection.

### **SIGNIFICANCE OF EARLY RETIREMENT PLANNING**

Early retirement planning increases your chances of having sufficient funds to maintain your lifestyle in the future. You might have multiple pension pots from different employers and your personal savings. The legislation changes over the years have increased the options available at retirement, including tax-free cash, annuities and drawing income from your savings.

Setting goals and regularly reviewing them is a critical aspect of financial planning. Conducting at least an annual formal review is advisable to ensure you're on track to meet your objectives. Goal-setting provides direction to the financial decisions you make throughout your life. As the new year begins, it's the perfect time to review your finances, reassess your budget and plan for the upcoming year. ●

# FINANCIAL GOALS ARE NOT ONE-SIZE-FITS-ALL

*Shaping your future financial security and independence*

---

**W**e make countless choices on our unique journeys through life that shape our future financial security and independence. Some of our most significant decisions involve finances – planning for early retirement, purchasing a property or saving for your child's education. These financial goals represent our personal priorities and targets for spending, saving and investing our money.

Just as no two people are the same, financial goals are not one-size-fits-all; they reflect our individual needs, desires and ambitions. Without this financial compass, you might be puzzled about where your hard-earned money has gone.

## **ESTABLISHING YOUR FINANCIAL GOALS**

Taking the step to set financial goals is pivotal in steering towards financial stability. By crafting clear, measurable objectives and breaking them down into digestible steps, you pave a roadmap for success. The following guide will help you form achievable targets and progress towards their attainment.

## **ASSESSING YOUR CURRENT FINANCIAL SITUATION**

Start by evaluating your existing financial status. Take note of your income, the level

of debt you're carrying and any expenses that might be sapping your resources. An honest scrutiny of your current situation offers a foundation for progress. Once you have a clear picture of your baseline situation, it's time to set practical goals and commence your journey towards achieving them.

## **TAILORING YOUR FINANCIAL GOALS**

Think about the milestones you'd like to reach in the short term (one month or six months) and in the long term (a year or more). Customising your goal-setting to fit your individual circumstances is crucial, and your goals should mirror both immediate aspirations, such as paying off minor debts or creating an emergency fund, and long-term objectives, like saving for retirement.

## **BREAKING DOWN LARGER OBJECTIVES**

To ensure you stay on track, breaking down larger goals into manageable segments is essential. Celebrating small victories along the way can keep you motivated and focused on the bigger picture. This involves crafting an action plan outlining what you want to achieve and how to get there.

## **FOUR STAGES OF FINANCIAL GOAL SETTING**

The process can be segmented into four key stages: identifying goals, assessing your resources, implementing a plan, and monitoring progress. Identifying your goals is the first step in financial goal setting. Define what you aim to achieve and why it's important to you.

## **IMPLEMENTING YOUR PLAN AND MONITORING PROGRESS**

The next stage involves assessing your resources, including examining your current financial situation and understanding what resources you have at your disposal to reach your goals. Then, you'll need to create and implement a budget, devise strategies for managing debt and plan your investments. The final stage is to monitor your progress regularly to ensure you're on track towards achieving your goals.

By setting your financial goals and remaining committed to reaching them, you will create a secure financial future for yourself. If you set achievable objectives and work towards them one step at a time, you'll be amazed at how quickly you can make progress. ●









“

**DRAWING FROM YOUR PENSION OR SELLING INVESTMENTS COULD LEAVE YOU WORSE OFF IN THE FUTURE.**

”

# MONEY MANAGEMENT

*One of the most critical challenges many families grapple with today*

**T**he escalating cost of living is one of the most critical challenges many families grapple with today. A significant surge in the prices of food, energy, fuel and other necessities has struck in recent months. Consequently, households are wrestling to balance their budgets, with the mounting expenses putting considerable strain on their finances.

Planning for this steep rise in living costs can feel like an uphill battle, especially when your income isn't keeping pace with inflation. With the continuous rise in the cost of essential items, it's crucial to consider several factors to preserve your financial health. More importantly, keeping a long-term perspective on your finances is vital. Short-term decisions, while seemingly helpful, could jeopardise your future financial security.

## REVIEW YOUR SPENDING

The spiralling cost of living can be a formidable adversary if you're not vigilant about your spending. A detailed review of your expenditure might unveil areas ripe for cutbacks, potentially saving money over time. It's important

to monitor your budget consistently and make necessary adjustments to stay abreast of your outgoing costs and adapt your spending accordingly.

Knowing exactly where your money is funnelled will help pinpoint areas for potential savings and cuts. Ask yourself: What's my income and expenditure? Can I find a cheaper alternative? And often the toughest question: Do I genuinely need this? Evaluate every penny entering and exiting your home; you might discover more outgoings than you initially thought.

## MAINTAINING EMERGENCY SAVINGS

In the realm of financial security, maintaining emergency savings is paramount. Having a fallback fund for times of need can help you weather financial storms. Consider setting up a dedicated savings account solely for emergencies. This way, you can access funds when needed, yet they remain untouched for everyday expenditure.

Strive to accumulate enough to cover three to six months' expenses or as much as you can comfortably afford. Making

room for savings in your budget as a fixed outgoing will help prioritise it as a necessity rather than a later consideration. Consider setting up an automated transfer from your regular bank account to your savings account, ensuring you don't have to give it a second thought.

## SAFEGUARDING THE FUTURE

Maintaining financial health is more critical than ever in the face of a cost-of-living crisis. One way to achieve this is by leaving your pension or investments untouched. While it might be tempting to dip into these funds for short-term relief, consider the long-term implications on your retirement plans.

Drawing from your pension or selling investments could leave you worse off in the future. Therefore, it's important to consider all options before making any decisions. Consolidating old pensions into one could help reduce management fees and provide a clearer view of your financial standing. However, always seek professional financial advice before transferring pensions. ●

# PERSONAL TAX PLANNING

*Understanding the system and taking proactive steps to minimise liabilities*

---



Our hard-earned money is precious to us, and understandably, no one relishes the thought of parting with it in the form of taxes. Yet, the complexities of the UK tax system often escape the understanding of many. As we're now well into the current tax year starting from 6 April 2023, time is of the essence. Leveraging all available tax reliefs and allowances before 5 April 2024 is vital to minimise potential liabilities.

Personal tax planning should be at the forefront of your priorities as the end of the current tax year is fast approaching. Proactive measures taken now could allow you to capitalise on any remaining reliefs, allowances and exemptions.

## PLANNING OPPORTUNITIES TO CONSIDER

Navigating the complexities of the tax system can be challenging. Still, with careful planning and timely action, you can ensure you're making the most of the allowances and reliefs available to you. Remember, the key to successful personal tax planning is understanding the system and taking proactive steps to minimise liabilities.

Simultaneously, it's worth pondering over any planning opportunities that may need your attention for this tax year or

securing your long-term future. We have identified some areas of planning that are worth considering for inclusion in your 2023/24 tax health check to-do list.

## TAKE ADVANTAGE OF POTENTIAL RELIEFS OR ALLOWANCES

However, the tax landscape has witnessed considerable changes, making the situation more challenging for taxpayers and investors alike. As we near the end of the 2023/24 tax year, every taxpayer should understand the importance of this date and consider their tax position.

Furthermore, 5 April 2024 marks the end of your personal earnings year. Knowing your yearly income will help you understand your tax band and ensure you take advantage of potential reliefs or allowances. The current tax year officially ends on 5 April 2024. The following day, 6 April 2024, ushers in the 2024/25 tax year.

## MARRIAGE ALLOWANCE

This allowance provides a unique opportunity for couples where one partner is a basic rate taxpayer, and the other partner's income falls below the personal allowance threshold, or they are a non-taxpayer due to other bands or allowances. With the Marriage Allowance, you can

transfer up to £1,260, which equates to 10% of the personal allowance, from the lower-income partner to the higher-income partner.

This transfer can significantly reduce the tax liability for the basic rate taxpayer, potentially saving up to £252 in the current year. It's important to note that this allowance is specifically designed for married couples or registered civil partners. By efficiently utilising this allowance, couples can optimise their combined tax liabilities and make the most of their financial situation.

## EMPLOYEE TAX RELIEFS

In the course of your employment, there are several tax reliefs you may be eligible to claim. These provisions are designed to offer financial respite for certain expenses related to your job. One such relief is for professional subscriptions. If you must maintain membership in a professional body as part of your job, you can claim tax relief on these fees.

Another provision is the 'working from home' allowance. This relief is aimed at employees who incur additional costs due to working from home. It's designed to alleviate some financial pressure from maintaining a



home office. You may also be entitled to claim relief for business miles travelled in your personal vehicle. If you use your own car for work-related travel, this relief can offer significant savings.

#### **SALARY SACRIFICE**

Salary sacrifice is a highly tax-efficient method for making pension contributions, saving money and reducing your Income Tax and National Insurance obligations. This strategy involves exchanging part of your salary for payments into an approved

share scheme or additional pension contributions. Contact us to explore the benefits if you are employed and haven't considered this.

#### **TRADING AND PROPERTY ALLOWANCES**

These allowances are aimed at individuals who earn small amounts of income from activities like selling items on eBay or Amazon or renting out spaces on Airbnb. Each of these allowances offers up to £1,000 of tax-free income.

Furthermore, if you rent out a portion of your home, you may be eligible for the Rent-a-Room relief. This relief allows you to receive up to £7,500 tax-free from letting out a room in your home.

#### **INDIVIDUAL SAVINGS ACCOUNT (ISA) ALLOWANCE**

You receive an ISA allowance of £20,000 in the current tax year. Contributions can be allocated to a Cash ISA, Stocks & Shares ISA, Lifetime ISA or Innovative Finance ISA. ISAs are a 'tax-efficient wrapper' which can make a big difference to your money over time. You can both use your ISA allowances for married couples, enabling you to put up to £40,000 in ISAs between you.

Investors who have yet to use up their full ISA allowance should discuss with us the potential to sell shares yielding dividends outside their ISA and buying them back

“

**WITH CAREFUL PLANNING AND TIMELY ACTION, YOU CAN ENSURE YOU'RE MAKING THE MOST OF THE ALLOWANCES AND RELIEFS AVAILABLE TO YOU.**

”



within this tax-exempt wrapper. However, care should be taken as this could trigger a Capital Gains Tax charge.

### **JUNIOR ISA (JISA) ALLOWANCE**

In the same vein as the ISA suggestions, children are entitled to a Junior ISA (JISA) allowance of £9,000 per annum. Consider funding a JISA to give your children a nest egg when they turn 18. A child with a Child Trust Fund (CTF) must first transfer the funds to a JISA and close the CTF in order to be able to fund a JISA.

### **THE LIFETIME ISA**

A Lifetime ISA (LISA) applies to individuals aged 18 to 40 who are either planning to purchase their first home

or preparing for retirement. With the ability to invest up to £4,000 annually, the government bolsters your efforts with a 25% bonus, up to a maximum of £1,000 per year. This money can be used to buy a new property (subject to certain restrictions) or accessed when you turn 60 to supplement your retirement income.

### **PENSION CONTRIBUTIONS**

Pension contributions should be a key consideration at the end of each tax year. Contributions to pension schemes can be made on behalf of your minor and adult children and your grandchildren. There are several advantages to doing so. For example, the pension scheme can reclaim basic rate tax from HM Revenue & Customs (HMRC). You'll receive additional

tax relief if you're subject to a higher tax rate exceeding 20%. You're establishing a pension fund for your retirement or to pass on to future generations.

In the current tax year of 2023/24, contribution limits have been augmented. The annual tax-efficient pension contribution limit is now the lesser of your relevant earnings or an annual allowance of £60,000 gross (less employer contributions and plus any carry forward), corresponding to a net payment of £48,000.

All UK residents under the age of 75 can contribute up to £3,600 gross (£2,880 net) per year, irrespective of income level. However, suppose your adjusted income (typically your total taxable income plus employer pension contributions) exceeds £260,000. In that case, the annual

“

**WEDDING GIFTS FROM A PARENT TO THEIR CHILD  
UP TO £5,000, FROM GRANDPARENT TO GRANDCHILD  
UP TO £2,500, OR UP TO £1,000 TO ANYONE ELSE.**

”

allowance is progressively reduced by £1 for every £2 of income over this threshold, down to a minimum of £10,000 gross (£8,000 net) for those with an adjusted income above £360,000.

For individuals aged over 75, no tax relief is provided on personal contributions made but can be on employer contributions. If you can make additional contributions, you can use any unused allowances carried forward from the previous three years if eligible. Reviewing your pension status and that of your family members is crucial for effective financial planning.

#### **'CARRY FORWARD' RULES**

The 'Carry Forward' rules allow you to carry forward unused allowances from the previous three tax years. As we reach this tax year end, you'll lose any unused allowance for the 2020/21 tax year if it remains untapped. Considering these rules when planning your pension contributions would be best.

#### **CAPITAL GAINS TAX ALLOWANCE**

In light of the changing landscape for Capital Gains Tax (CGT), it's essential to understand how you can optimise your financial strategy. Before 6 April 2024, you have an opportunity to solidify your capital gains and make the most of the annual CGT exemption, which is capped at £6,000. However, please note that this benefit is not extended to individuals who are taxed on a remittance basis with income and capital gains exceeding £2,000.

One effective method to crystallise capital gains involves strategically selling and repurchasing stocks and shares. This approach enables you to maximise the annual CGT exemption. It offers an opportunity to elevate the base cost for future sales, potentially reducing your tax liability in the long run.

However, knowing the timing and the party involved in the repurchase is crucial. To derive the maximum benefit from this strategy, the repurchase should ideally occur after a gap of more than 30 days. Alternatively, the buyback can be executed by your spouse, registered civil partner or through an Individual Savings Account (ISA) or pension.

#### **DIVIDEND ALLOWANCE**

For those with invested assets, the dividend allowance can offer substantial benefits. You can receive up to £1,000 per year tax-free, with dividend tax rates applied to amounts over £1,000. The dividend allowance will be reduced to £500 per annum in the 2024/25 tax year.

#### **INHERITANCE TAX RELIEF**

Inheritance Tax is levied on the value of any estate above £325,000, or up to £1 million for married couples, including the residence nil-rate band. However, certain business assets, such as shares in private trading companies and farmland, may qualify for 100% relief from Inheritance Tax. With the government freezing the Inheritance Tax thresholds until April 2028, it's crucial to consider whether you're fully utilising the reliefs available to you.

#### **RESIDENCE NIL-RATE BAND (RNRB)**

The residence nil-rate band (RNRB) is an allowance introduced during the 2017/18 tax year. It applies when a main residence is passed on death to a direct descendant. Currently, the allowance stands at £175,000. When combined with the nil-rate band of £325,000, this provides a total Inheritance Tax exemption of £500,000 per person or £1 million per married couple. If you plan to pass on your home to your children or grandchildren (including adopted, foster

and stepchildren), RNRB doesn't have to be claimed, but the transferable RNRB or downsizing addition do. Speak to us about claiming the RNRB.

#### **GIFTING FOR ESTATE PLANNING**

Certain gifts are exempt from Inheritance Tax, immediately leaving your estate upon gifting. These are commonly referred to as exempt gifts and include gifts presented to your spouse or registered civil partner. In addition, contributions to charities or political parties are exempt, as well as gifts valued up to £250, provided each gift is given to a different recipient and is the only tax-exempt gift they've received from you within that tax year. This often encompasses birthday and Christmas gifts derived from your regular income.

Also exempt are wedding gifts from a parent to their child up to £5,000, from grandparent to grandchild up to £2,500, or up to £1,000 to anyone else. Additionally, you're allocated an annual exemption each tax year, allowing you to gift cash or property up to the value of £3,000. This can be given to a single individual or divided among several recipients. If the previous year's exemption wasn't utilised, it can be carried forward to the current tax year, effectively doubling the exemption to £6,000. Understanding these exemptions can help in efficient tax planning and potentially reduce your Inheritance Tax liability.

#### **OTHER AVAILABLE ALLOWANCES**

Your Personal Savings Allowance (PSA) refers to the amount of savings interest income/growth you can earn tax-free. Current levels are set at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers. Additional rate taxpayers, however, are not entitled to this allowance.

Future legislation could result in changes to tax law, which may require adjustments to your plans. ●

# WEALTH CREATION

*Are you aiming for income, growth  
or a combination of both?*

---



“

**THE 2023/24 ISA ALLOWANCE CURRENTLY STANDS  
AT £20,000. YOU CAN SPLIT THIS ALLOWANCE HOWEVER  
YOU WISH, SO LONG AS YOU DON'T EXCEED IT.**

”

“

**MOVING YOUR ISA TO A NEW PROVIDER, OR EVEN A DIFFERENT TYPE OF ISA, IS AN OPTION AVAILABLE TO YOU AT ANY TIME.**

”

Creating the right investment strategy is paramount to safeguarding your future financial security and independence. Whether you're aiming for income, growth or a combination of both, the right plan can make all the difference. Life is always moving forward, and your financial blueprint should, too.

Often, we view investment objectives through the lens of a single strategy. However, they require a range of tactics, each uniquely designed based on your specific aspirations. It's important to note that not all financial targets can be achieved with one solitary investment approach.

### **SHORT-TERM GOALS LEAD TO LONG-TERM SUCCESS**

Investment goals are frequently perceived as long-term endeavours. Yet, it's more accurate to say that most are short-term. After all, long-term financial objectives are often best achieved by fulfilling a series of smaller, short-term goals along the journey.

The method you employ to invest your money to achieve these short-term objectives will greatly differ from how you would approach medium- and long-term goals.

### **TAX-EFFICIENT, FLEXIBLE METHOD FOR FUTURE PLANNING**

Investing in an Individual Savings Account (ISA) is a tax-efficient, flexible method for future planning. One of the most attractive features of an ISA is its tax benefits – it's immune to both Income Tax and Capital Gains Tax on any growth within the fund or on income you withdraw. This makes contributing to an ISA an intelligent decision for those looking to grow their wealth while minimising tax liabilities.

Moreover, if you utilise your annual ISA allowance before the end of this tax year on

5 April 2024, it will be recovered and reset on 6 April. Maximising your ISA allowance is crucial to reap the full benefits of this savings tool.

### **THE DIFFERENT TYPES OF ISA**

There are four types of ISA available for adults:

- Cash ISAs
- Stocks & Shares ISAs
- Lifetime ISAs
- Innovative Finance ISAs

#### **CASH ISAS**

The Cash ISA is arguably the most straightforward form of ISA. It offers a tax-efficient avenue for your cash savings to earn interest. You generally have the choice between a variable or fixed interest rate.

With a variable rate Cash ISA, you'll likely get a lower interest rate but can withdraw funds when needed. On the other hand, a fixed rate Cash ISA might provide a slightly higher interest rate but typically requires you to leave your money untouched for a predetermined duration.

#### **STOCKS & SHARES ISAS**

Unlike a Cash ISA, a Stocks & Shares ISA involves investing your contributions in the stock market rather than keeping them as cash. Some ISAs allow you to decide where your investments go, while others are invested in managed funds on your behalf. This type of ISA could potentially amplify your savings faster than a Cash ISA, and any returns from your investments are tax-efficient.

However, it's important to remember that all investments carry a certain degree of risk, meaning you might end up with less than what you initially put in. With a Stocks & Shares ISA, leaving your funds untouched for at least five years is

recommended to allow sufficient time for potential growth.

#### **LIFETIME ISAS**

These are aimed at assisting young adults in saving for their first home or retirement. These accounts, available only to individuals aged 18 to 39 with subscriptions possible up to age 50, offer an annual savings limit of £4,000, which forms part of the total £20,000 ISA allowance. The government enhances these contributions by 25%, translating into a potential annual bonus of £1,000.

Funds are specifically earmarked for the two purposes mentioned and are subject to conditions. If used towards purchasing a home, the property's value must not exceed £450,000, a stipulation that might pose challenges in certain UK regions. Alternatively, if the savings are intended for retirement, they remain inaccessible until the age of 60. Early withdrawal or usage for other purposes incurs a 25% charge on the withdrawn amount. Thus, withdrawing the entire amount, including the bonus, may result in receiving less than the initial contribution.

#### **INNOVATIVE FINANCE ISAS**

These represent another savings vehicle. This type of ISA enables you to allocate your tax-efficient ISA allowance towards peer-to-peer (P2P) lending. In this arrangement, your funds are loaned to individuals or businesses via a lending platform, and the interest paid by the borrower constitutes your return on investment.

Although Innovative Finance ISAs potentially offer high-interest returns, they also carry the risk of the borrower defaulting. Additionally, it's important to remember that the Financial Services Compensation Scheme does not cover all investments made through this scheme.



## SPREADING YOUR ISA ALLOWANCE

During the 2023/24 tax year, you can distribute your ISA allowance between multiple ISAs, such as a Cash ISA and a Stocks & Shares ISA. They can be with different providers, but your total payments into them can't be more than your £20,000 annual ISA allowance. This allows you to diversify your investments and potentially spread the risk.

Alternatively, you can currently choose to invest the entire £20,000 ISA allowance into one type of ISA, depending on your financial goals and risk tolerance. For married couples, there's an additional advantage. You can both use your ISA allowances, enabling you to put up to £40,000 in ISAs between you. This effectively doubles the amount you can save tax-efficiently annually, significantly boosting your joint financial planning.

## JUNIOR ISA

A Junior ISA (JISA) is another option for parents wishing to secure their children's financial future. However, it's important to note that contributions to a Junior ISA won't affect your personal ISA allowance. This type of savings account is established and managed in the child's name, ensuring a professional, customer-focused approach.

There are two types of JISAs: Junior Stocks & Shares ISA and Junior Cash ISA, allowing a total yearly deposit limit of £9,000. Similar to an adult ISA,

a JISA enjoys tax benefits. The growth from a Stocks & Shares JISA or interest earned from a Cash JISA within the annual allowance is exempted from tax. Parents, grandparents or friends can make contributions. In contrast, contributions to an adult ISA are usually exclusive to the account holder.

Funds deposited into a Junior ISA are locked until the child turns 18, and the tax-efficient status remains intact as long as the funds remain in the ISA.

## ISA TRANSFERS

Moving your ISA to a new provider, or even a different type of ISA, is an option available to you at any time. Moving funds accumulated in past tax years will not affect your current year's allowance. You have the flexibility to transfer any amount you choose.

For example, you could relocate £15,000 relating to previous year subscriptions from a previous Cash ISA into a new Stocks & Shares ISA and still have room to contribute an additional £20,000 within the same tax year. However, transferring the full amount of current-year contributions and any related growth is mandatory. Once the transfer process is completed, you'll have a modified allowance.

When considering an ISA transfer, remember two key points. First, avoid withdrawing the money yourself to facilitate the transfer. Instead, contact your new provider and let them handle the

transfer process. Second, be prepared to incur an initial setup fee or advice charge with your new provider.

If you're a Lifetime ISA holder, transferring to a different type of ISA (before the age of 60) is considered a withdrawal. Consequently, you may be liable for a withdrawal charge.

## INHERITING AN ISA

It's important to distinguish between ISA allowance and ISA funds. If your spouse or registered civil partner passed away on or after 3 December 2014, you can receive an additional ISA allowance equivalent to their ISA savings.

This provision enables you to augment your ISA savings. Whether your spouse or registered civil partner bequeathed their ISA funds to a different individual, you'll still inherit the ISA allowance they've accumulated over time.

## AUTUMN STATEMENT 2023 ISA RULE CHANGES

Significant changes are coming to ISA rules. From 6 April 2024, savers and investors will have more freedom to pay into more than one of each type of ISA annually. Announced during the Autumn Statement 2023, this is considered one of the most considerable shake-ups of ISA rules for many years.

The new rules are designed to provide further flexibility, enabling savers and investors to move between

“

**FROM 6 APRIL 2024, SAVERS AND INVESTORS WILL HAVE MORE FREEDOM TO PAY INTO MORE THAN ONE OF EACH TYPE OF ISA ANNUALLY.**

”



“

**FOR MARRIED COUPLES, YOU CAN BOTH USE YOUR ISA ALLOWANCES, ENABLING YOU TO PUT UP TO £40,000 IN ISAS TAX-EFFICIENTLY BETWEEN YOU.**

”

different providers. By allowing multiple subscriptions to ISAs of the same type every year, the government aims to stimulate competition among providers. This will increase flexibility and choice and support the development of long-term investment products.

#### **UTILISE YOUR CURRENT CAPITAL GAINS TAX ALLOWANCE**

If you're considering selling an asset, such as a second home, a piece of art or shares in a company, it's important to be aware of the implications of Capital Gains Tax (CGT). CGT is tax on the

profit when you sell or dispose of an asset that's increased in value.

In the tax year 2023/24, the annual tax-free allowance is £6,000, meaning you can make gains up to this amount and pay no CGT. After that, the rate is dependent on whether the gain, when added to your income, falls wholly or partly above the basic rate band or not. Losses can be offset against gains, but unused allowances cannot be carried forward.

If you're married or in a registered civil partnership, you can each currently use your own CGT allowance. This means that a couple could potentially exempt up to £12,000 of gains from tax in the tax year 2023/24.

This exemption will be cut to £3,000 in 2024/25; now is the time to take action if you want to protect your tax-free allowance. ●

# FINANCIAL ASPIRATIONS

*10 fundamental principles every investor should adhere to*

---

Investing in today's global geopolitical economic climate can appear daunting due to the constant flood of market news, many investment options and continuously fluctuating market conditions. However, there exist several fundamental principles that every investor should adhere to.

These principles aim at building an effective long-term strategy to meet your financial aspirations.

**LET'S CONSIDER 10 PRINCIPLES THAT EVERY INVESTOR SHOULD BE WELL-VERSED WITH:**

## **1. PLANNING YOUR INVESTMENT GOALS**

Establishing clear investment goals is crucial. It aids in maintaining focus and ensures you stay on course towards achieving your financial targets. A well-structured plan offers the confidence to stay committed. Factors such as age, investment timeframe and risk tolerance must be considered while setting these goals.

## **2. LONGEVITY FACTOR AND ENHANCED SAVING**

Throughout our lives, we've may have seen instances where loved ones have faced financial hardships. These situations can be a powerful reminder that it's never too late to make a positive change in your financial life by stepping into the world of investing. If you find yourself regretting that you didn't start investing sooner, don't let this hold you back. The best time to start is now. The key to successful investing isn't necessarily about when you start, but rather about maintaining consistency and discipline once you do.

## **3. SUBTLE EROSION OF CASH DUE TO INFLATION**

Though a preferred asset class, cash isn't always the best option. Inflation can gradually diminish the purchasing power of your cash, making it less appealing over time. Considering inflation, cash generally falls behind other assets like stocks and bonds. This implies that, over time, cash will generally depreciate in terms of purchasing power.

## **4. BOOSTING WEALTH WITH COMPOUNDING**

Often said to be the eighth wonder, compounding can significantly boost your wealth over time if you start investing early and reinvest your income. The power of compounding is immense, to the extent that even a few years' delay in investing or opting not to reinvest income can drastically affect your final returns.

## **5. RISK AND RETURN - THE INSEPARABLE DUO**

While the ultimate goal is to achieve the highest possible return with minimal risk, in reality, there is often a trade-off. Higher potential returns come with increased risk and vice versa. Thus, if you're targeting higher returns, you must be prepared and capable of withstanding substantial fluctuations in your investment's value.

## **6. EMBRACE MARKET VOLATILITY**

Market volatility is a natural occurrence, so don't let it unsettle you. Maintain your composure when others around you are succumbing to panic. Often, the most opportune time to invest is when others retreat in fear. So, resist the urge to panic when markets take a downturn. Instead, remain serene and committed to your long-term objectives.

## **7. RESIST THE URGE TO TIME THE MARKET**

The age-old adage that 'timing the stock market is a fool's game' rings true. It's an incredibly challenging task. By staying invested, you ensure your participation in the long-term growth trajectory of the market, which helps cushion against volatility. Remaining invested in the market also positions you to seize opportunities as they present themselves. You'll be ready to purchase when prices are depressed and sell when they peak.

## **8. DIVERSIFICATION IS A PROVEN STRATEGY**

Spreading your capital across various investments can help mitigate risk and enhance your chances of success. Over time, different investments tend to balance out, with the objective of growing your wealth despite some investments underperforming due to market fluctuations.

## **9. REGULAR PORTFOLIO REVIEWS ARE ESSENTIAL**

Regular reviews of your investment portfolio allow you to track your progress and ascertain whether your investments are performing as anticipated. This offers the opportunity to make necessary adjustments to your portfolio. Regular reviews aid in maintaining discipline and focus on your long-term goals.

## **10. EXERCISING CAUTION WITH INVESTMENTS**

Promises of high returns with negligible risk are usually red flags – the investment world is rife with scams, with many unscrupulous individuals looking to exploit unsuspecting investors. Before investing, it's prudent to consult with a financial professional to comprehend the risks involved. ●





# FIVE-YEAR RETIREMENT COUNTDOWN

*A period of reflection and meticulous planning*

---

The five-year countdown to retirement heralds a period of reflection and meticulous planning. From financial considerations and health provision to housing arrangements and future aspirations, crafting a comfortable retirement requires thoughtful deliberation.

This stage is often riddled with questions: What savings do I need? What will be my income sources post-retirement? What lifestyle do I envisage? What will my healthcare requirements be? What are

my long-term care needs? How should I approach estate planning? What tax implications should I bear in mind? These are just some of the many aspects that warrant careful contemplation as you approach retirement.

## **FINANCIAL REVIEW, AN ESSENTIAL FIRST STEP**

Initiating your retirement planning with a comprehensive financial review is an astute move. This ensures that your future income

aligns with the lifestyle you seek during your retirement years. Beyond this, several other key elements must be reviewed to secure a comfortable and enjoyable retirement.

## **LET'S EXAMINE SOME OF THESE:**

### **LOCATING YOUR PENSIONS**

In the UK, there are multiple avenues to locate a pension. However, the simplest approach is to utilise the government's Pension Tracing Service. This service assists

“

**CURRENTLY, YOU CAN ACCESS YOUR UK PENSION AS EARLY AS AGE 55 (THIS WILL CHANGE TO 57 IN 2028, BARRING PROTECTED LOWER PENSION AGE IN YOUR PLAN).**

”

in finding lost pensions – visit <https://www.gov.uk/find-pension-contact-details>.

The cornerstone of pension management is maintaining accurate records and knowing where your pension funds are invested. If you've switched jobs or relocated, ensure your records are updated with your current contact details. This guarantees receipt of all pension-related correspondence.

### **ACCESSING YOUR PENSION**

Currently, you can access your UK pension as early as age 55 (this will change to 57 in 2028, barring protected lower pension age in your plan). However, this doesn't equate to automatic pension receipt at this age – it merely implies that you can commence receiving benefits if so desired. The specific amount and frequency of your pension payments hinge on the rules of your specific scheme.

### **VALUE OF YOUR PENSION**

Regularly checking your pension's value as you near retirement is essential. It ensures your pension is on track to provide the income you envisage for your retirement years. By monitoring your pension's value, you maximise your investment and stay abreast of any fluctuations in your retirement fund's value. This is crucial as it helps identify any necessary adjustments to your retirement plans.

### **STATE PENSION FORECAST**

A State Pension forecast provides an estimate of the government support you'll receive upon reaching retirement age. You can obtain this forecast online via the government's website. When requesting your forecast, you'll need to provide personal information like your date of

birth and National Insurance number. Remember, the forecasted amount is merely an estimate. The actual amount you receive could be higher or lower than the forecast, depending on many factors.

### **VALUE OF YOUR OTHER INVESTMENTS**

When plotting your retirement strategy, evaluating your other investments' worth accurately is crucial. The size and performance of these assets will dictate how much you'll need to draw from your retirement accounts annually. Should you boast a robust investment portfolio, you may have the luxury of withdrawing less each year, effectively prolonging your retirement savings.

### **NAVIGATING YOUR RETIREMENT INCOME**

The value of your other investments will likely influence the income you'll need to generate from them to meet your retirement expenses. For those with a more modest portfolio, you may need to withdraw more each year to cover your costs. Gaining insight into your investments' value will allow you to assess if you're on track to reaching your retirement goals. Should your portfolio be less substantial than you had anticipated, you might need to adjust your savings and investment strategy to realign with your retirement plans.

### **ACCESSING YOUR DEFINED CONTRIBUTION SCHEME**

For those holding a Defined Contribution pension, you can take some or all of your pension benefits as a lump sum from age 55 (rising to 57 in 2028 unless your plan has a protected lower pension age). This process,

known as 'crystallising' your pension, allows you to claim up to one-quarter of your pension pot as a tax-free lump sum. The remaining balance can then provide a lifelong income or be drawn on flexibly as needed.

### **CONSIDERATIONS BEFORE CRYSTALLISING YOUR PENSION**

However, there are important factors to consider before embarking on this path. If you opt to take all your pension benefits as a lump sum, you'll inevitably have less money for your retirement years. This is due to the lump sum exceeding the 25% tax-free amount being subject to Income Tax. While taking your pension fund as a lump sum won't affect your State Pension, it can influence certain means-tested state benefits.

### **IMPORTANCE OF A RETIREMENT BUDGET**

Retirement, with its rising inflation impacts, can be costly. Beyond the clear-cut costs like housing and healthcare, there's a multitude of other expenses that can accumulate swiftly. Retirees have numerous bills to pay from leisure and travel to groceries and utilities. This makes creating a retirement budget an essential task. By understanding where your money is going, you can identify potential areas for improvement.

### **CRAFTING YOUR RETIREMENT BUDGET**

Creating a retirement budget needn't be a complex task. However, it should encompass all your expected income sources and anticipated expenses. Once you have a transparent view of your cash flow, you can begin adjusting to ensure you can relish your retirement years. ●

# CULTIVATING AND SAFEGUARDING YOUR PENSION

*How to utilise your pension pot doesn't have just one 'correct' approach*

---



Retirement, for the majority, is primarily financed by a pension. Hence, it's paramount to establish a solid strategy that empowers you to cultivate and safeguard your pension, both at present and in the future. With its continually evolving rules and regulations, the pension system can often seem like a labyrinth, deterring many from employing it as a savings tool.

Deciding how to utilise your pension pot doesn't have just one 'correct' approach. Typically, you can commence your Defined Contribution pension when you reach age 55 – a detail best verified with your pension provider. In specific situations, such as retirement due to ill health, your pension might be accessible earlier.

## CONSIDERING YOUR OPTIONS

### UNUTILISED PENSION POT, PATIENCE COULD BE PROFITABLE

The decision regarding when to withdraw your money rests solely with you. You might have reached your scheme's normal retirement date or received a pack from your pension provider, but it doesn't necessitate immediate withdrawal. By postponing your pension to a later date, your pot can continue to grow tax-free,

offering more income once accessed. If you choose not to take your money, we can scrutinise the investments and charges under the contract.

### ASSURED INCOME VIA AN ANNUITY, AN OPTION WORTH CONSIDERING

Your entire pension pot, or a portion thereof, can be used to purchase an annuity, which typically provides a regular and guaranteed income. Generally, you can withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum and then convert the rest into an annuity, providing a taxable income for life.

Annuities in recent years have often been overlooked in the retirement planning conversation. But current heightened interest rates have increased demand for annuities, offering unparalleled peace of mind, knowing that your basic needs will be covered, irrespective of how the financial markets perform.

### TAILORING YOUR DESIRED REVENUE STREAM IS ESSENTIAL ADJUSTABLE INCOME VIA FLEXI-ACCESS DRAWDOWN

This option allows you to typically take up to 25% (one quarter) of your pension

pot, or of the amount allocated for drawdown, as a tax-free lump sum. The rest is then re-invested into funds designed to provide a regular taxable income. The income level you set may be adjusted periodically depending on the performance of your investments. Unlike with a lifetime annuity, your income isn't guaranteed for life, necessitating careful investment management.

### WITHDRAWING MONEY IS AN ABSOLUTE

Your control over how much and when you withdraw your money is absolute. You can use your existing pension pot to take cash as and when needed, leaving the rest untouched to continue growing tax-free. The first 25% (quarter) is tax-free for each cash withdrawal, with the remaining amount counted as taxable income.

Remember, there may be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. With this option, your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income, and it won't provide for a dependent after you die. It's also important to consider the accompanying tax implications, which we can discuss with you.





### **LIQUIDATING YOUR PENSION POT, THINK TWICE**

Cashing in your entire pension pot in one go is an option. However, it's important to consider all the implications before making such a decision. Withdrawing all your pension funds at once could lead to substantial tax liabilities. For most individuals, opting for this approach could result in a hefty tax bill, and considering other alternatives is usually more tax-efficient. Cashing in your pension pot doesn't guarantee a stable retirement income.

### **FLEXIBILITY TO DIVERSIFY YOUR OPTIONS**

When it comes to accessing your pension,

you're not limited to a single choice. You can blend different options over time or across your total pension pot. Mix and match according to your needs, drawing cash and income at various stages that best suit your circumstances. Plus, you can continue contributing to your pension and benefit from tax relief until the age of 75.

### **ASSESSING YOUR FINANCIAL STATUS AT RETIREMENT**

Your financial situation at retirement will largely determine your income strategy from your pension. Considerations such as whether you'll still be servicing a mortgage or dealing

with significant debts are critical. What other income sources, besides the State Pension, will you have at your disposal?

An annuity brings the security of a guaranteed regular income, while a drawdown plan offers the possibility to grow your pension and overall wealth during retirement. The latter is likely more appealing to those with a higher risk appetite, as market volatility could potentially seriously impact your pension savings. ●

# FINANCIAL PROTECTION

*‘What if’ is vital to financial planning and your future security*

---



**W**hen it comes to our money and our plans, it can be hard to balance short-term wants, long-term dreams and those unexpected events that are out of our control.

But considering ‘what if’ is vital to financial planning to ensure financial security and protection against unforeseen life-changing circumstances or events. You never know the future, so it helps prepare you for the unexpected.

## **UNEXPECTED EVENTS**

There are various complex risks in life that we all face, such as serious illness, accident or death. What would happen if something were to happen to you? Would your family be able to cope financially with the impact an unexpected event might have?

These are not easy questions to ask, but it is important to consider what would happen if an unexpected event or accident

took place and how you could protect your family from the financial effects of serious illness or death.

## **INCOME PROTECTION INSURANCE**

Income protection insurance is a safety net that steps in when you cannot work due to illness or an accident. Unlike other insurance types, it offers regular payments that substitute a part of your income during such strenuous periods. Let’s delve deeper into how this system operates.

## **PURPOSE AND PAYOUTS OF INCOME PROTECTION INSURANCE**

This insurance type is designed to offer financial aid when you’re incapacitated due to sickness or injury, thus unable to earn. It typically disburses between 50% and 65% of your income, ensuring you can

manage your living expenses even in your absence from work.

## **LONG-TERM COVERAGE AND PEACE OF MIND**

The payout continues until you can resume work, retire, die or the policy term’s conclusion – whichever occurs first. This provision implies continuous coverage throughout your work, offering you peace of mind.

## **COMPREHENSIVE COVER, A CRITICAL ASPECT**

One vital attribute of income protection insurance is its exhaustive coverage. It encompasses most illnesses that render you incapable of work, either temporarily or permanently, subject to the policy type and its incapacity definition. This extensive protection makes it a crucial element of your financial strategy.

## CLAIMING ON YOUR INCOME PROTECTION INSURANCE POLICY

Another significant feature is the ability to claim as frequently as required while the policy is active. This flexibility contrasts with other insurance types that might limit the number of claims. Income protection insurance usually comes with a 'deferred' or waiting period, during which you must wait for the commencement of payments post a claim. Typical waiting periods span 4, 13 or 26 weeks, sometimes extending to even a year.

## IMPACT OF WAITING PERIOD PREMIUMS

The duration of the waiting period influences your premium costs. The longer you're willing to wait before receiving benefits, the lower your monthly premiums will be. This correlation lets you customise the policy according to your financial circumstances and requirements.

## CRITICAL ILLNESS COVER

Critical illness cover is a type of insurance that delivers financial aid if you're diagnosed with a particularly severe specified condition under the terms of the policy. It provides a tax-free, one-time payment which can be utilised to address treatment costs, mortgage or rent payments, or even modifications to your home such as wheelchair access.

## SPECIFICS OF POLICY PAYOUTS

This form of insurance promises a payout if you're diagnosed with one of the specific medical conditions or injuries stated in the policy. The payout is a single occurrence, and the policy terminates afterwards. Obtaining professional financial advice is important to fully comprehend which conditions are covered under your policy.

## VARIATIONS IN COVERED CONDITIONS

The covered conditions can vary substantially among different insurers. Some extensive policies cover 50 or more conditions, whereas others might be more restricted.

## EXAMPLES OF TYPICALLY COVERED CONDITIONS

Generally, the specified conditions that could be covered include:

- Stroke
- Heart attack
- Certain types and stages of cancer
- Conditions like multiple sclerosis
- Major organ transplant
- Parkinson's disease
- Alzheimer's disease
- Traumatic head injury

Most policies also consider permanent disabilities resulting from an injury or illness. Some policies offer a smaller payout for less severe conditions or if one of your children has one of the stipulated conditions. However, it's important to note that critical illness insurance does not cover all conditions.

## EMPLOYER SUPPORT AND STATE BENEFITS

If a severe illness prevents you from working, you may anticipate that your employer will continue to provide some income level or that you can depend on state benefits. However, employees are typically transitioned to Statutory Sick Pay within six months, and relying solely on state benefits might not sufficiently replace your income if you're unable to work.

## LIFELINE PROVIDED BY CRITICAL ILLNESS COVER

Critical illness cover can be a valuable financial lifeline in such circumstances, enabling you to maintain your lifestyle and fulfil your financial obligations without adding further stress during an already difficult period. Always ensure you fully understand your policy's terms, including what illnesses and conditions are covered, before making a purchase.

## LIFE INSURANCE

Life insurance serves as a safety net, providing financial stability for your dependents, such as your spouse, partner and children, in the unfortunate circumstance of your untimely death.

When considering life insurance, several factors warrant careful thought, including the kind of policy you prefer, the right time to secure one and the purchasing process itself.

Life insurance policies can either provide a lump sum or regular payouts upon your departure. This monetary aid can support your dependents after your passing, enabling them to sustain themselves without your income. The amount they receive depends on your level of chosen cover.

## FLEXIBILITY TO TAILOR LIFE INSURANCE POLICY

One of the standout benefits of life insurance is its adaptability. You can dictate how the payout is structured, whether it's meant to cover specific expenses like mortgage or rent, or if you aim to leave an inheritance for your family. This flexibility allows you to tailor the policy to your family's unique requirements and circumstances. Opting for the right policy is a pivotal step in the life insurance acquisition journey.

## There are several types of life insurance policies available, including:

**Term Life Insurance:** This policy offers coverage for a specified period (the 'term'). Should you pass away during this term, the policy pays out to your dependents.

**Whole Life Insurance:** This policy provides coverage throughout your lifetime and assures a payout upon your death, provided you continue with your premium payments.

**Income Protection Life Insurance/ Family Income Benefit:** As an alternative to a lump sum, this policy furnishes a regular income to your dependents upon your death.

Life insurance should be considered if your demise would result in financial hardship for your dependents. This might be the case if you have young children, a spouse or partner dependent on your income, or a family residing in a home with a mortgage that you're servicing. ●

# LONG-TERM CARE

*Inevitability of ageing and what to consider*

---

**A**s we age, many individuals may require long-term care support or assistance with daily tasks. However, forecasting the extent or type of care required can be challenging. The necessity for long-term care can be unanticipated, as in the aftermath of a heart attack or stroke.

In most instances, though, the demand for long-term care develops progressively. As

individuals age and become more fragile or as an ongoing serious illness or health condition worsens, the level of care needed escalates.

While the prospect of an extended lifespan is undoubtedly welcome, it also presents the challenge of funding our future care needs. Who shoulders the responsibility of caring for us in our twilight years? How does one finance this inevitable need for long-term care?

## **THE AGEING POPULATION, A MODERN PHENOMENON**

Advancements in medicine coupled with lifestyle and occupational transformations have led to a significant surge in the number of people living well into their old age. In these later years, however, many will find themselves needing help with personal care, either within the confines of their own homes or possibly in residential or nursing care facilities.



“

**WHEN SOMEONE NEEDS LONG-TERM CARE,  
IT DOESN'T NECESSARILY MEAN THEIR LIFE  
EXPECTANCY DIMINISHES.**

”

Long-term care encompasses a range of needs and settings, including independent living at home, adult day programmes, community resources, assisted living facilities and skilled nursing facilities.

**FINANCIAL SUPPORT FOR LONG-TERM CARE**

Long-term care insurance serves as a financial lifeline if you or a loved one requires care assistance. It can cover the costs associated with helping those who need aid with fundamental daily activities such as getting out of bed, dressing, washing and using the toilet.

Long-term care can be provided in your own home or in a residential or nursing home. Irrespective of the care setting, financing elderly care is an escalating issue.

Government state benefits offer some support, but they may not fully cover the cost of long-term care. The level of state aid varies depending on your location, whether that's England, Wales, Scotland or Northern Ireland.

**UNDERSTANDING LONG-TERM CARE PLANS**

Immediate needs annuities provide a guaranteed income for life to help cover care fees in exchange for a single lump-sum payment if you're currently in need of care.

Pre-funded care plans provide the opportunity to insure against future care needs before they arise. However, these plans are no longer available for purchase.

**EXPLORING FINANCIAL ALTERNATIVES**

**ENHANCED ANNUITIES**

Your pension can serve as a gateway to an enhanced annuity, also known as an impaired life annuity. This option proves beneficial

if you are dealing with a health concern, chronic illness, obesity or smoking habits. Annuity providers utilise comprehensive medical underwriting to determine a more individualised price. Certain medical conditions, including Parkinson's disease and multiple sclerosis, or having undergone a significant organ transplant may pave the way for eligibility for an enhanced annuity.

**EQUITY RELEASE PLANS**

Equity release plans present another viable financial alternative. These schemes enable you to secure a cash lump sum as a loan against your home. They may prove particularly useful if you're strategising to fund a care plan presently or in the foreseeable future.

**PLANNING AHEAD WITH SAVINGS AND INVESTMENTS**

Savings and investments offer another option for forward planning, ensuring your assets are ready to cater for your future care needs. If you are on the cusp of retirement or have already retired, it's prudent to seek professional financial advice. This ensures your affairs are in order, such as arranging your Will or assigning a power of attorney.

It's equally crucial to ensure your savings, investments and other assets are organised should you, your spouse or your registered civil partner require long-term care in the future.

**FACTORS TO CONSIDER IN PLANNING FOR FUTURE CARE**

When outlining your future care needs, consider these factors:

- Who in your family is most likely to need long-term care, and for how long?
- Do you need a care plan now?
- Should you be planning ahead for yourself or a loved one?

- Do you have sufficient funds to pay for long-term care?
- How long might you need to finance a care plan?
- Is home care or a nursing home required?
- What kinds of assistance would be needed, such as help with dressing, using the toilet, feeding or mobility?
- Does your home require additional features, like a stair lift, an adjustable bath, a bath chair or home help?

**EMOTIONAL DECISIONS AND LONG-TERM CARE**

Increased life expectancy places a heavier burden on the quality of care that state support can provide. Many people overlook the matter of care entirely, leaving their families to make long-term – often costly – decisions during emotional times.

However, when someone needs long-term care, it doesn't necessarily mean their life expectancy diminishes. The required care could span 15 years, 20 years or more, incurring substantial financial costs.

**ADOPTING HEALTHY LIFESTYLE CHOICES TO MITIGATE LONG-TERM CARE NEEDS**

Healthy habits can curtail the risk of numerous diseases and may assist in delaying or even averting the need for long-term care. Consuming a balanced diet, partaking in regular physical activity, abstaining from smoking and limiting alcohol intake can all contribute to maintaining your health. An active social life, a safe home environment and consistent healthcare are integral to preserving your wellbeing. ●



# ESTATE MANAGEMENT

*Curating a plan for the tax-efficient allocation of your assets*

Regardless of the extent of your accumulated wealth, estate management is vital. This process entails curating a plan for the tax-efficient allocation of your assets in the event of your demise or incapacitation.

This subject isn't exclusive to the affluent. With escalating property values and intricate family scenarios, Inheritance Tax is increasingly becoming a concern for many. It's essential to make provisions for your loved ones as part of managing your estate and assets.

## **SIGNIFICANCE OF ESTATE PLANNING**

Estate planning and creating your Will are key components of organising your affairs later in life. Determining optimal ways to bequeath money in your Will before your demise can alleviate the lives of your loved ones when you're no longer present. It can also safeguard your estate for the beneficiaries named in your Will and mitigate the Inheritance Tax impact.

After spending a lifetime amassing

personal wealth, you'd want the assurance that upon your death, your estate will transition into the hands of your chosen beneficiaries, not the government.

## **CONSEQUENCES OF INADEQUATE PLANNING**

Without proper planning, a significant portion of your wealth could end up as Inheritance Tax paid to the government. With professional financial advice and appropriate estate preservation planning, we can help ensure your loved ones are catered for after your demise. The absence of a proper plan could leave your family with nothing but debts and expenses.

Estate planning and preservation offers peace of mind, knowing that your affairs are organised, and your loved ones will be taken care of after you're gone. This is especially crucial for those possessing significant assets.

## **IMPORTANCE OF TIMELY PLANNING**

Regrettably, some people delay this planning until it's too late. The sooner

you start, the more provisions you can establish during your lifetime. Planning can also help ensure your assets go to your desired recipients. Without a plan, your assets may be distributed according to intestacy laws, meaning your assets may not go to your preferred beneficiaries. However, with the right plan, you can specify who inherits your assets.

## **WEALTH TRANSFER AND ESTATE PRESERVATION**

Wealth transfer has emerged as a pressing issue for many families today. Most of us should be preparing for the eventual transfer of our assets, regardless of any tax or legal consequences. The estate preservation process becomes increasingly important as you age due to the heightened risk of unforeseen events.

However, estate preservation is vital at all life stages. Once you start building wealth, it's crucial to structure ownership correctly to reduce the risk of loss. It's also essential to have the right insurance coverage and an incapacity plan in place for unexpected situations. ●



# SMOOTH TRANSITION OF ASSETS TO THE NEXT GENERATION

*When is the opportune time to transfer my wealth?*

One of the most critical aspects of financial planning and wealth management is arranging for a smooth transition of assets to the next generation. The question that often lingers is, when is the opportune time to transfer wealth – during your lifetime or posthumously?

## CONCERNS OVER WEALTH TRANSFER

Transferring wealth during our lifetime brings to light many concerns. These range from depleting resources needed to maintain our current lifestyle to concerns over beneficiaries' financial prudence. There's also the worry about wealth seeping out of the family due to unforeseen circumstances like divorce.

Money-related discussions can be delicate, even within close-knit families. However, creating a well-thought-out plan for wealth transfer can ensure tax-efficient asset distribution, aligning with the expectations of all family members.

## FACTORS INFLUENCING THE TRANSFER OF WEALTH

When contemplating the appropriate time for wealth transfer, several factors need to be considered. These include the age of the benefactor and beneficiaries, the estate's value, the nature of the assets involved, tax implications and personal circumstances.

Lifetime transfers may attract Inheritance Tax, depending on the assets' value. Gifts made seven years before death typically escape Inheritance Tax. Asset value fluctuation is another crucial consideration, particularly for properties and investments. Personal situations also significantly impact the timing of wealth

transfer; if you require the funds for personal use, it might not be the right time to initiate wealth transfer.

## WEALTH TRANSFER CONSIDERATIONS

### LET'S DELVE INTO FOUR VITAL CONSIDERATIONS FOR ANY FAMILY WEALTH TRANSFER PLAN:

**Benefactor's Age:** Age plays a significant role in deciding the timing of wealth transfer. Younger individuals might have more time to amass assets and increase estate value. Older individuals might want to consider an early transfer to maximise the amount passed on to beneficiaries.

**Beneficiaries' Age:** The age of beneficiaries is equally important. Young beneficiaries might not require immediate funds, which can be allocated towards their education or property purchase. Older beneficiaries might need the funds to sustain themselves post-retirement.

**Estate Value:** The estate's value is another key factor. Larger estates might benefit from early transfers to minimise Inheritance Tax liabilities. Smaller estates might not have significant tax implications, providing leeway to delay wealth transfer.

**Asset Types:** The nature of assets involved in the transfer also matters. Liquid assets like cash or investments can be transferred instantly, while illiquid assets like properties might require more time.

### PRESERVING FAMILY VALUES THROUGH WEALTH TRANSITION

Transferring wealth to the next generation is not merely a financial transaction. It's a process steeped in the family's values

and vision, requiring delicate navigation. This article aims to help you discern the optimal time for wealth transfer, taking into account various factors that can influence your decision.

## IMPORTANCE OF OPEN DIALOGUE

It is beneficial to discuss wealth transfer with your family sooner rather than later. This openness provides an opportunity to maximise options and clarify expectations. Delaying this conversation may limit your choices and could lead to unnecessary complications, including potential tax liabilities.

## WEALTH TRANSFER AS A CONTINUATION OF LEGACY

Beyond the realm of finances, wealth transfer is an avenue to perpetuate your family's values and vision. It's not just about the transference of assets but also about ensuring the continuation of your family's legacy. This process is an integral part of preserving what matters most to your family, enabling it to thrive through generations.

## NAVIGATING CHALLENGES IN WEALTH PRESERVATION

Families often encounter numerous hurdles in their quest to protect and grow their wealth across generations. These challenges range from navigating complex tax laws to managing differing attitudes towards money within the family. Overcoming these obstacles requires careful planning, strategic decision-making and professional financial advice. ●



# FINANCIALLY EMPOWERING YOUR GRANDCHILDREN

*How to give them a start in life to carve out their own path*

---

There's a certain nobility in the desire of grandparents to support their progeny and pass wealth down the generations. This process brings several options, each with unique advantages and drawbacks.

## **BOOSTING YOUR GRANDCHILDREN'S FINANCIAL FUTURE**

Do you want to financially empower your grandchildren, giving them a start in life to carve out their own path? Whether you're considering a loan or a gift, the fulfilment derived from such generosity is profound. However, how should you best navigate this journey?

## **LUMP SUM OR MONTHLY ALLOWANCE?**

Should you provide a lump sum or establish a monthly allowance? When is the opportune time to make such decisions? These are significant queries that warrant careful consideration.

## **UNDERSTANDING INHERITANCE TAX**

The issue of Inheritance Tax is another crucial aspect that demands attention. The repercussions of your financial choices can have considerable implications. Therefore, it is essential to be well-versed and ready for these eventualities.

## **DISTRIBUTING WEALTH FROM NEST-EGGS TO FIRST HOMES**

Perhaps your thoughts revolve around sharing a nest-egg among your grandchildren or assisting a younger relative in securing their first property. Regardless of your intentions, let's delve into some feasible alternatives.

## **GIFTING MONEY AND REDUCING INHERITANCE TAX LIABILITIES**

Gifting money early on can diminish Inheritance Tax liabilities. As a grandparent, in the current 2023/24 tax year you can gift up to £3,000 annually without it adding to the value of your estate. Presently, a couple could gift £6,000 per year. If this amount,





or part thereof, is invested in a pension, it would receive tax relief.

### **FACILITATING HOME OWNERSHIP THE LIFETIME ISA (LISA)**

For grandparents keen on aiding a grandchild in saving for a home, they might contemplate saving into a Lifetime ISA (LISA). While only the child or grandchild (the account holder) can open and manage their LISA, it's feasible for grandparents to gift money to them for depositing into their LISA.

### **BENEFITS OF LIFETIME ISAS**

A LISA can be a beneficial saving tool for grandchildren aged between 18 to 40, especially if they're striving to accumulate a deposit for a first home. The government augments subscriptions of up to £4,000 annually by 25% (i.e., £20 added for every £80 subscribed).

However, a 25% tax penalty applies to withdrawals made for any purpose other than purchasing a first home, unless the individual is terminally ill or aged 60 or above. Since the tax penalty exceeds the initial bonus, it is typically not the most tax-efficient investment if the penalty is likely to be incurred.

### **CONTRIBUTING TO A PENSION**

It's common for most individuals not to consider setting up a pension until they're of working age. However, a Junior Self-Invested Personal Pension (JSIPP) can be initiated as soon as a child is born. What's more, contributions from parents or grandparents, known as 'third-party contributions', can be made directly to the plan. These contributions are treated for tax relief as if the beneficiary made them.

Contributions paid into a 'relief at source' scheme currently enjoy tax relief of 20% (£20 for every £80 net contribution), provided the total contributions do not exceed the beneficiary's relevant UK earnings for the tax year 2023/24, or £3,600 if higher.

### **BENEFITTING FROM HIGHER INCOME TAX RELIEF**

Furthermore, if a beneficiary has been subjected to Income Tax at a higher rate, they can claim the difference directly from HM Revenue & Customs through self-assessment. This could result in an additional 20% for a higher rate (40%) taxpayer on some or all of the contributions.

Even though most children under the age of 18 don't have relevant UK earnings, annual contributions up to the 'basic

amount' of £2,880 net (£3,600 gross) are still permissible and will benefit from tax relief.

### **GIFTING THROUGH PENSIONS IS A VERY TAX-EFFICIENT APPROACH**

Pension contributions present a very efficient method for gifting money to a child or grandchild due to their tax benefits. Nevertheless, it's important to note that these funds will currently likely remain inaccessible until the recipient reaches 57 years of age (the normal minimum pension age is set to increase from 55 to 57 in April 2028).

### **ESTABLISHING TRUSTS HARNESSING CONTROL OVER INVESTMENTS**

For individuals seeking more control over how their money is used, setting up an appropriate trust is an option to consider. A wide variety of trusts are available, catering to individual requirements. This is a highly complex area of financial planning and wealth management and professional advice should always be obtained.

Parents and grandparents have a plethora of options when it comes to saving for a child or grandchild. Making the right selection can make a substantial difference. ●

# EARLY PLANNING FOR INHERITANCE TAX

*Safeguarding as much of your wealth as possible for when you're no longer around*

Your hard-earned wealth is a testament to your life's work. Now, it's time to ensure that it's structured in a way that benefits your family the most once you're gone. Even if Inheritance Tax concerns you, it's easier to postpone making any plans. However, the reality is that early planning for Inheritance Tax can be far more beneficial.

## IMPORTANCE OF ESTATE PLANNING

Proactive estate planning is crucial if you want to safeguard as much of your wealth as possible from Inheritance Tax when you're no longer around. The government has frozen the Inheritance Tax thresholds until April 2028, extending the previous freeze that was set to expire in April 2026. This could result in more estates being subject to a 40% Inheritance Tax bill in the coming years.

## EXPLORING INHERITANCE TAX PLANNING OPTIONS

At the time of your death, the first £325,000 of your estate (2023/24 nil-rate band) is exempt from the 40% Inheritance Tax. However, there are also options to make financial gifts that can decrease your estate's value upon your death. The seven-year rule is particularly advantageous for those with significant wealth and children.

This popular and cost-effective Inheritance Tax planning strategy involves gifting some of your wealth to your

loved ones before your death. This allows those closest to you to benefit from their inheritance earlier.

## IMPACT OF GIFTS ON YOUR ESTATE VALUE

Gifts not only provides early benefits to loved ones, but it also decreases your estate's value. When your estate is assessed for Inheritance Tax, this could result in a lower potential liability or none at all. For larger financial gifts to be completely exempt from Inheritance Tax, you must survive for at least seven years after making the gift.

If you pass away within seven years of making the gift, it's still considered part of your estate and will be included in your Inheritance Tax assessment. If you die between three and seven years after making the gift, some tax may still be due if the gift exceeds the available nil-rate band. The tax payable on the gift decreases yearly after you've survived the gift by over three years if the gift exceeds the nil-rate band (but it uses the same amount of nil-rate band for the full seven years). Only after seven years is the full gift no longer part of your estate for Inheritance Tax purposes.

PERIOD OF YEARS BEFORE DEATH	% REDUCTION (TAPER RELIEF)
0 - 3 years	Nil
3 - 4 years	20%
4 - 5 years	40%
5 - 6 years	60%
6 - 7 years	80%
More than 7 years	No tax

## BENEFITS OF EARLY PLANNING

There are numerous ways to reduce or even eliminate a possible liability. However, the longer you wait, the more expensive some of these options are.

We can never predict when our time will come, so it's beneficial to start planning now. Doing so could maximise the inheritance you leave to your loved ones. ●



# MAKING A WILL

*Safeguard your intentions and offer a clear guide for allocating your assets*



**D**rafting a Will serves as a protective shield for your loved ones after your death, ensuring that your estate is handled precisely the way you wish. A carefully constructed Will safeguards your intentions and offers a clear guide for allocating your assets, thus mitigating potential disagreements or misunderstandings among your beneficiaries.

Additionally, a Will provides an element of security to your loved ones, ensuring they are appropriately cared for in your absence. Without a Will, the law takes over the division of your estate, which may not necessarily reflect your personal wishes.

Ensuring that your assets and possessions, also known as your 'estate', are inherited by your chosen beneficiaries is vital to planning for the future.

## Your estate can encompass various aspects, including:

- Personal belongings
- Property holdings (both domestic and international)
- Savings and investments
- Insurance funds
- Pension funds

## RISKS OF DYING INTESTATE

Without a legally valid Will, sorting out your affairs after your death could

become a challenging task for your family. In such cases, your estate is divided according to intestacy rules. These rules only permit married partners, registered civil partners and certain close relatives to inherit your estate.

If you're cohabiting with your partner without being married or registered in a civil partnership, your partner won't have any legal rights to inherit despite living together.

The intestacy rules don't cover assets that you own jointly as joint tenants – they will pass automatically to the surviving joint owner.

## It's crucial to prepare a Will if you:

- Own property or a business
- Have children
- Possess savings, investments or insurance policies

## CONSEQUENCES OF DYING WITHOUT A WILL

In England or Wales, if you die without having a valid Will, the law decides the allocation of your assets. Should you not have any living family members, all your belongings and properties are forfeited to the Crown.

Creating a Will also helps you avoid paying more Inheritance Tax than necessary, making it an integral part

of your financial planning. A Will not only expresses your wishes but also ensures that your estate isn't distributed according to the rules of intestacy, which may not align with your preferences. Without a Will, the state controls inheritance, potentially leaving your loved ones, friends and favourite charities empty-handed.

## IMPORTANCE OF A WILL FOR SAME-SEX PARTNERS

Having a Will is particularly crucial for those who aren't married or in a registered civil partnership. This is because the law doesn't automatically recognise cohabitants as having the same rights as married couples and registered civil partners. Therefore, your long-term cohabitant could be left with nothing if you haven't made a Will.

## ESTATE PLANNING FOR DEPENDENTS

A Will is also vital if you have children or dependents who cannot care for themselves. Without a Will, there could be uncertainty about who will look after or provide for them if you die.

While it's a tough subject to think about, death is inevitable. Planning ahead can provide you with peace of



“

**IN ENGLAND OR WALES, IF YOU DIE WITHOUT HAVING A VALID WILL, THE LAW DECIDES THE ALLOCATION OF YOUR ASSETS.**

”

mind, knowing that your loved ones will be financially secure without you. It also removes the stress of monetary worries during a difficult time.

#### **INHERITANCE TAX AND EXEMPT BENEFICIARIES**

If you leave everything to your spouse or registered civil partner, there'll be no Inheritance Tax to pay, as they are classed as exempt beneficiaries. Alternatively, you may use your tax-free allowance to give some of your estate to someone else or a family trust. Remember, Scottish law on inheritance differs from English law.

#### **TAKING CONTROL OF YOUR LEGACY**

**When planning your Will, consider what you want to be included:**

- Evaluate your financial situation, including money, property and possessions
- Identify who you want to benefit from your Will
- Designate guardians for any children under 18
- Choose an executor to manage your estate and carry out your wishes after your passing

#### **ROLE OF THE EXECUTOR**

Executors are individuals named in your Will

to fulfil your wishes after your demise. They handle all aspects of settling your affairs, such as arranging your funeral, notifying relevant parties of your passing, collating information about your assets and liabilities, handling tax bills, paying off debts and distributing your estate to your chosen beneficiaries.

#### **LEGACIES IN YOUR WILL**

You can include various types of gifts, known as 'legacies', in your Will. For instance, you may wish to bequeath an item of sentimental value to a specific person or a fixed cash amount to a friend or favourite charity. You can also dictate who should receive the remainder of your estate and in what proportions. Once your Will is drafted, it's crucial to store it safely and inform your executor, close friend or relative of its location.

#### **REVIEWING YOUR WILL**

It's advisable to revisit your Will every five years or after significant life changes such as separation, marriage, divorce, having a child or moving house. Any changes should be made via a Codicil (an addition or amendment to a Will) or by drafting a new Will. ●

# LASTING POWER OF ATTORNEY

*Giving someone you trust authority to help you make decisions*

As an individual when our health declines, managing financial affairs and making vital decisions about our healthcare can become increasingly challenging; this is where a Lasting Power of Attorney (LPA) comes into play.

An LPA is a legal document that empowers a selected person, referred to as the attorney, to assist in decision-making or make decisions on behalf of the individual, known as the donor. While an LPA is entirely distinct from your Will, it's common for individuals to establish both simultaneously as part of future planning. Knowing that a trusted person will make decisions on your behalf if you become too unwell provides a sense of reassurance.

## ASSURANCE DURING YOUR LIFETIME

With an LPA in place, you gain peace of mind knowing there's someone trustworthy to manage your affairs if, unfortunately, you cannot do so due to illness, old age or an accident. An LPA allows your attorney to handle your finances and property and make crucial decisions about your health and welfare. It can incorporate binding instructions and general preferences for your attorney. Your LPA should reflect your specific wishes, ensuring that what matters most to you will be taken care of.

## REQUIREMENT FOR LEGAL CAPACITY

You can only establish an LPA while you have the required legal capacity, meaning you understand the implications and effects of the document. Beyond this point, you cannot create an LPA, nor can anyone do it on your behalf.

It's worth noting that many people are unaware that their next of kin does not automatically have the legal

right to manage their spouse's affairs without an LPA. As a result, making decisions on their behalf can become a prolonged and considerably more costly process.

## TYPES OF LASTING POWER OF ATTORNEY

In England and Wales, there are two types of LPAs: Health and Welfare, and Property and Financial Affairs.

The LPA for Health and Welfare covers decisions regarding your living arrangements, medical care, diet, social interactions and participation in social activities. You can also grant special permission to your attorney to make life-saving treatment decisions.

The LPA for Property and Financial Affairs covers decisions related to buying and selling property, mortgage payments, investments, bill payments and property repairs.

## TAKING CONTROL OF YOUR AFFAIRS

Without an LPA in place, no one without the legal authority can manage your affairs – accessing your bank accounts, handling your investments or selling your property on your behalf. It's a common misconception that spouses, partners or children can step in, but the reality is far from it.

## COURT OF PROTECTION'S ROLE

In such situations, someone seeking legal authority over your affairs must apply to the Court of Protection. The court then decides who will manage your affairs, appointing them as your 'Deputy'. This appointment process is considerably more complex and expensive than being named an attorney under an LPA.

## OPTING FOR A LASTING POWER OF ATTORNEY

Professional advice about setting up an LPA should be sought to ensure peace of mind and make matters simpler and less costly for your chosen representative.

## HEALTH AND WELFARE LASTING POWER OF ATTORNEY

### MAKING DECISIONS ON YOUR BEHALF

A Health and Welfare LPA allows you to name attorneys to make decisions about your healthcare, treatments and living arrangements should you lose the ability to decide for yourself. Unlike the Property and Financial Affairs LPA, this document only becomes effective if you lack the mental capacity to make decisions.

### COMMUNICATING YOUR WISHES

If you're unable to express your preferences, you might find yourself in a care home when you'd have preferred to stay in your own house. You could also receive medical treatments or be placed in a nursing home that you would have rejected given the chance; this is where your attorney, appointed by the LPA, can advocate for your wishes.

## PROPERTY AND FINANCIAL AFFAIRS LASTING POWER OF ATTORNEY

### MANAGING YOUR ASSETS

A Property and Financial Affairs LPA enables you to name attorneys to manage all your property and financial assets in England and Wales. The LPA can be restricted to use only in the event of mental incapacity, or it can be used more broadly, such as if you suffer from illness, have mobility issues or if you spend time overseas. ●

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

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

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 TAXATION AND TRUST ADVICE. TRUSTS ARE A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING.

INFORMATION PROVIDED AND ANY OPINIONS EXPRESSED ARE FOR GENERAL GUIDANCE ONLY AND NOT PERSONAL TO YOUR CIRCUMSTANCES, NOR ARE INTENDED TO PROVIDE SPECIFIC ADVICE.

PROFESSIONAL FINANCIAL ADVICE SHOULD BE OBTAINED BEFORE TAKING ANY ACTION.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR MORTGAGE IS SECURED ON

YOUR HOME, WHICH YOU COULD LOSE IF YOU DO NOT KEEP UP YOUR MORTGAGE PAYMENTS.

EQUITY RELEASE MAY INVOLVE A HOME REVERSION PLAN OR LIFETIME MORTGAGE WHICH IS SECURED AGAINST YOUR PROPERTY. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.

EQUITY RELEASE REQUIRES PAYING OFF ANY OUTSTANDING MORTGAGE. EQUITY RELEASED, PLUS ACCRUED INTEREST, TO BE REPAID UPON DEATH OR MOVING INTO LONG-TERM CARE. EQUITY RELEASE WILL AFFECT THE AMOUNT OF INHERITANCE YOU CAN LEAVE AND MAY AFFECT YOUR ENTITLEMENT TO MEANS-TESTED BENEFITS NOW OR IN THE FUTURE.

CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT.

IF YOU ARE IN ANY DOUBT, SEEK PROFESSIONAL FINANCIAL ADVICE.

INHERITANCE TAX PLANNING IS A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE INHERITANCE TAX PLANNING.

THIS GUIDE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE

RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.



# READY TO TAKE CONTROL OF YOUR FINANCIAL FUTURE?

Don't leave your financial future to chance. Talk to us about how we can help you grow, preserve and protect your wealth.

**Contact us today to review your situation and plan for a prosperous 2024.**

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Unless otherwise stated, all figures relate to the 2023/24 tax year.