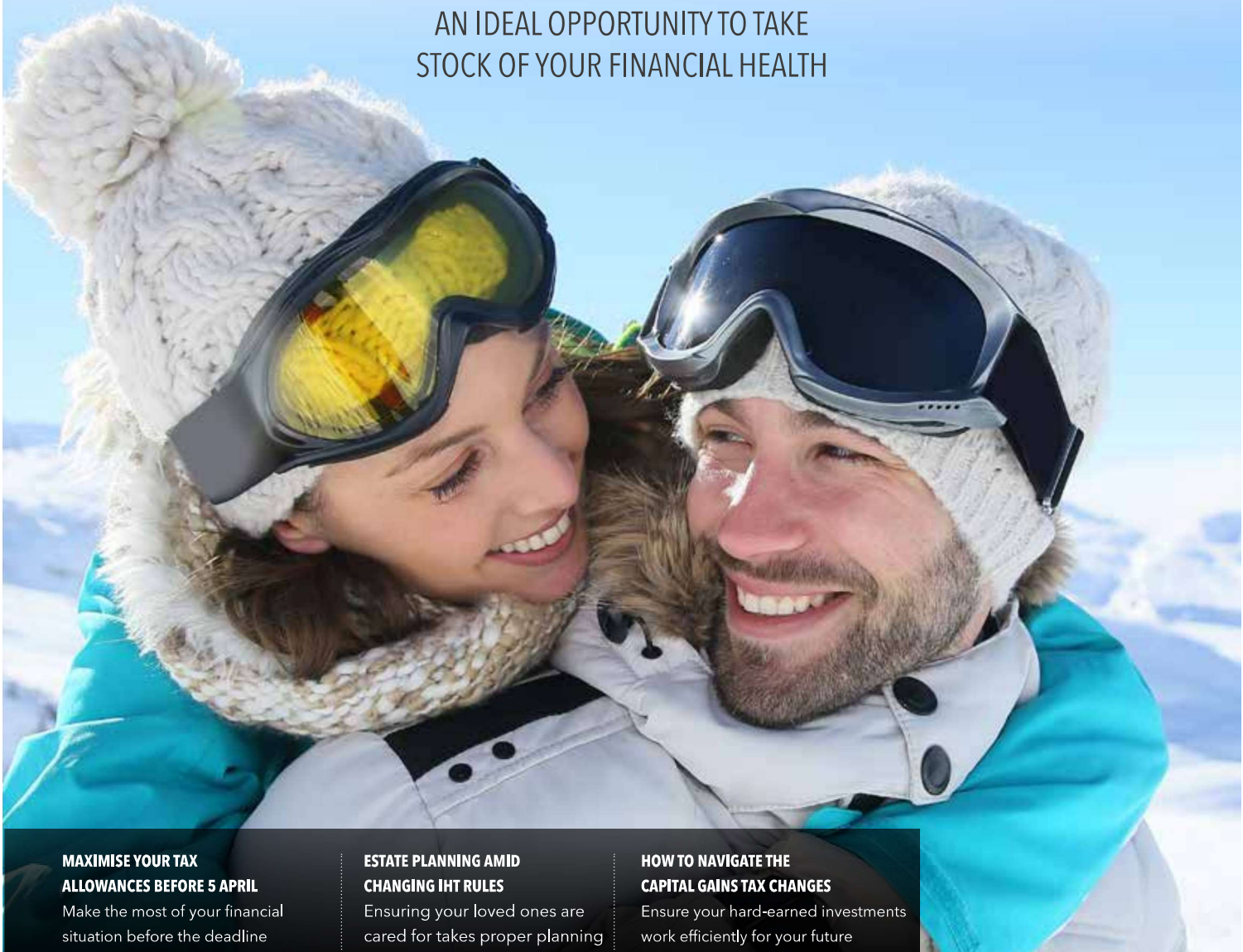




**BERRY**  
FINANCIAL PLANNING

# START 2025 WITH A NEW YEAR'S WEALTH CHECK

AN IDEAL OPPORTUNITY TO TAKE  
STOCK OF YOUR FINANCIAL HEALTH



**MAXIMISE YOUR TAX  
ALLOWANCES BEFORE 5 APRIL**

Make the most of your financial situation before the deadline

**ESTATE PLANNING AMID  
CHANGING IHT RULES**

Ensuring your loved ones are cared for takes proper planning

**HOW TO NAVIGATE THE  
CAPITAL GAINS TAX CHANGES**

Ensure your hard-earned investments work efficiently for your future

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C O N T E N T S

## INSIDE THIS ISSUE

**Welcome to our latest issue.** Like your car, your finances require consistent care and attention to keep running smoothly. Just as a regular service ensures your vehicle performs at its best and avoids costly breakdowns, a yearly financial check-up is vital to ensuring your money works as effectively as possible. On page 12, we look at why the beginning of 2025 offers an ideal opportunity to take stock of your financial health, setting the tone for a prosperous and secure year ahead.

The end of the tax year is fast approaching, ending on 5 April 2025. This is your opportunity to review your annual allowances and assess how best to make the most of them. With some significant changes to tax allowances in the 2024/25 tax year and further reductions expected in the future, planning ahead is key. On page 06, we explain how to use your allowances now to maximise your wealth by leveraging tax-efficient strategies and minimising liabilities.

Planning your estate is challenging at the best of times. Knowing how to mitigate your liabilities while ensuring your loved ones are cared for takes proper planning and the right tools. The 2024 Autumn Budget Statement announcements could create significant and lasting challenges for rural businesses of all sizes. Under the Chancellor's proposed changes, from April 2026, IHT reliefs available to farms and family businesses will be restricted. Turn to page 38.

Cuts to the Capital Gains Tax (CGT) exemption mean it is now more critical than ever to arrange your investments tax-efficiently. For the tax year 2024/25, the CGT allowance has been reduced to £3,000, allowing you to make tax-free gains up to this amount. However, any gains above this limit may be subject to CGT. Appropriate planning is essential to ensure your hard-earned investments work efficiently for your future. Turn to page 09 to find out more.

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

### TIME TO RESET AND TAKE CONTROL OF YOUR FINANCIAL FUTURE?



The start of a new year is more than just a date on the calendar – it's a chance to hit reset and take control of your financial future. Whether you envision a comfortable retirement, are ready to grow your investments or are focused on safeguarding your wealth, now is the time to act. We're here to guide you every step of the way, helping you turn today's goals into tomorrow's achievements. Contact us today for more information or to start the conversation. We look forward to hearing from you.



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

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

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Ensuring your loved ones are cared for takes proper planning



# FINANCIAL PLANNING FOR YOUR CHILDREN'S EDUCATION

EDUCATION IS ONE OF THE MOST SIGNIFICANT AND REWARDING INVESTMENTS YOU CAN MAKE FOR YOUR CHILD

For many students, starting university marks an exciting new chapter in life. It's a leap forward in education and career aspirations but also brings financial challenges. Anxiety over tuition fees and living costs is common, as many underestimate the actual price of higher education.

**It's often said that university** represents the best years of your life, but financial pressures can make this time stressful. Students can manage expenses through a combination of budgeting, student loans and part-time work. However, long-term financial planning – done years in advance – can provide a significant advantage, even enabling students to graduate debt-free.

## EDUCATION FROM AN EARLY AGE

For parents of younger children, the financial considerations of education can feel overwhelming. While private schooling is a goal for many families, it's an increasingly expensive aspiration, especially with the recent introduction of VAT on private school fees under the Labour government.

Planning early is crucial to easing this burden. The first steps involve calculating when the fees may start, estimating annual fee levels and potential increases, and considering how many children you'll need to provide for. Future family income, assets and inheritance should also influence decision-making.

## EXPLORING INVESTMENT OPPORTUNITIES

If approached wisely, investment strategies are a highly effective way to fund education costs. Historically, owning assets – particularly equities – has proved effective for long-term wealth growth, outperforming cash savings. However, a cash-based savings plan may suffice for those who are risk-averse or only saving for a short period.

A balanced approach could involve keeping five years' worth of education fees in accessible cash while investing the remaining amount. This strategy ensures liquidity for immediate needs

while benefiting from potential long-term growth. To achieve an optimal balance between risk and reward, it is wise to build a diversified portfolio containing UK and global equities, bonds and alternatives like commercial property or infrastructure.

## TAX-EFFICIENT SAVING STRATEGIES

Effective tax planning plays a pivotal role in saving for education. Making the most of tax-efficient accounts, such as Individual Savings Accounts (ISAs), can lead to significant savings. Parents can contribute up to £20,000 annually (2024/25) into a Stocks & Shares ISA (or £40,000 for couples). The annual cap for Junior ISAs in the 2024/25 tax year is £9,000, which can reduce the financial strain of university tuition when accessed at age eighteen.

One of the key advantages of Junior ISAs is their flexibility. They allow parents, grandparents and friends to contribute while benefiting from tax-efficient growth and withdrawals as the child enters adulthood.

## GRANDPARENTS' ROLE AND IHT BENEFITS

Grandparents frequently play a supportive role in education funding. Regular gifting from income – provided it does not impact the donor's lifestyle – can mitigate Inheritance Tax (IHT). Up to £3,000 in gifts annually is exempt, or larger gifts removed from IHT if the donor survives for at least seven years.

For significant contributions, grandparents may consider setting up a trust, which can offer additional safeguards. Advanced financial guidance is advisable for those wishing to explore this route.

## PROTECTING AGAINST UNEXPECTED EVENTS

Financial planning should also encompass protection against unforeseen circumstances. Life insurance, critical illness cover and income protection are essential safety nets. Without these, an illness, injury or sudden death could jeopardise a child's education savings plan. These policies provide peace of mind, ensuring your child's future remains secure even in challenging situations.

Education is one of the most significant and rewarding investments you can make for your child. By planning early and considering all available financial tools, you can position your family to meet the costs of both school and university education effectively. Whether your approach features a combination of tax wrappers, investment strategies or simply careful budgeting, every financial effort lays a foundation for your child's future. ◀

## WILL YOU SECURE A FULFILLING AND FINANCIALLY STABLE RETIREMENT?

If you're looking for professional advice tailored to your circumstances, contact us today to secure the best plan for your child's educational needs. Planning today could make all the difference for tomorrow. We look forward to hearing from you.

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

# MAXIMISE YOUR TAX ALLOWANCES BEFORE 5 APRIL

MAKE THE MOST OF YOUR FINANCIAL SITUATION BEFORE THE DEADLINE

The end of the tax year is fast approaching, ending on 5 April 2025. This is your opportunity to review your annual allowances and assess how best to make the most of them. With some significant changes to tax allowances in the 2024/25 tax year and further reductions expected in the future, planning ahead is key.

**Using your allowances now** could maximise your wealth by leveraging tax-efficient strategies and minimising liabilities. Here are practical steps to maximise your financial situation before the deadline.

## MAKE USE OF YOUR ISA ALLOWANCE

Individual Savings Accounts (ISAs) remain one of the most efficient ways to save and invest tax-efficiently. The annual ISA allowance for the 2024/25 tax year is £20,000. Any gains you make within an ISA shield you from Capital Gains Tax (CGT), making it a valuable option, especially for higher or additional rate taxpayers. Furthermore, you pay no tax on interest or dividends earned within an ISA.

If you're married or in a registered civil partnership, as a couple, you can contribute up to £40,000 into your combined ISAs, thereby increasing your overall tax-efficient saving potential. You might also consider the 'bed and ISA' technique, where you sell non-ISA investments to realise a capital gain and reinvest the proceeds within an ISA. This can be effective but may involve a temporary period out of the market, and obtaining professional advice is recommended.

## BOOST YOUR PENSION CONTRIBUTIONS

Contributing to your pension is another effective way to maximise tax relief. For most individuals, the maximum tax-relievable contribution for the 2024/25 tax year is £60,000 or 100% of your earnings, whichever is lower. However, high earners should be mindful of the tapered annual allowance, which reduces your limit by £1 for every £2 your income exceeds £260,000. The minimum annual allowance for those affected by tapering is £10,000. The money purchase annual allowance (MPAA) is also set at £10,000 per tax year. This means if you have flexibly accessed your pension, the maximum amount you can

contribute to your defined contribution pensions while still receiving tax relief is £10,000.

Even if you don't have an income but are under 75, you can still contribute up to £2,880 into a pension, with tax relief boosting this to £3,600. Pension contributions from both personal and workplace schemes count towards your annual limit. Breaching your allowance will result in tax charges, so understanding your limits is crucial to avoid unnecessary penalties.

## PLAN FOR FINANCIAL GIFTING

Another allowance worth considering is your entitlement to make tax-free financial gifts. Each tax year, you can gift up to £3,000 without it being subject to Inheritance Tax (IHT). You can carry forward one year's unused allowance if not used the previous tax year, potentially gifting £6,000 without tax consequences.

Additionally, you can give multiple gifts of up to £250 each to different individuals in the same tax year, provided you don't combine these with your £3,000 annual exemption to the same recipient. Larger gifts, such as those intended for property deposits for children, may also be exempt from IHT if you live for at least seven years after making the gift.

## MAKE THE MOST OF YOUR CGT ALLOWANCE

Capital Gains Tax regulations offer an annual exemption, allowing you to make tax-free gains of up to £3,000 in the 2024/25 tax year. This allowance doesn't roll over to subsequent years, so it's worth using before the deadline. This can help you minimise your future CGT liability.

Spouses and registered civil partners can transfer assets between themselves to utilise their annual exemptions, effectively doubling their tax-free gains. Investments held within ISAs or pensions are also protected from CGT, offering additional options to shield your wealth.

## REVIEW YOUR PERSONAL ALLOWANCE

Your Personal Allowance allows you to earn up to £12,570 tax-free annually. Couples can optimise their tax liability by transferring assets to the lower rate taxpayer in the relationship. If one partner's income falls below the personal allowance, the Marriage Allowance could allow up to £1,260 of the unused allowance to be transferred to the higher earner, resulting in a tax saving of up to £252.

This approach is particularly useful for couples with a significant disparity in income and should be part of any comprehensive financial review before the tax year ends.

## SEEK EXPERT PROFESSIONAL ADVICE

Navigating tax regulations and allowances can be complex, and getting it wrong can prove costly. Discussing your options with us will ensure you make strategic decisions tailored to your circumstances. We'll help you understand the intricacies of tax reliefs, exemptions and allowances while identifying the best opportunities for you. ◀

## ARE YOU READY TO ACT NOW TO MAXIMISE YOUR SAVINGS BEFORE 5 APRIL 2025?

If you'd like further information or need personalised advice on making the most of your tax allowances, don't hesitate to contact us. Taking action before the 5 April 2025 deadline could save you money and will provide peace of mind that your finances are in good hands.

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THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX ADVICE AND WILL WRITING THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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

# AUTUMN BUDGET STATEMENT 2024

## HOW COULD THE RANGE OF CHANGES IMPACT YOUR WEALTH PLANNING?

The **Autumn Budget Statement 2024** introduced a range of changes that could significantly impact wealth planning strategies. From pensions and tax adjustments to shifts in the treatment of business and agricultural assets, the statement calls for individuals with substantial wealth to reassess their long-term financial goals. These changes present challenges and opportunities depending on your personal and financial circumstances.

**Taking a detailed and strategic approach** to wealth planning is essential, particularly with complex tax alterations on the horizon. Here, we break down the key areas of the Autumn Budget for 2024 and explain how these changes might affect pensions, Inheritance Tax (IHT), Capital Gains Tax (CGT) and investments.

### PENSIONS AND LONG-TERM WEALTH STRATEGIES

One of the most direct and impactful changes involves the proposed inclusion of pensions within the IHT framework from 6 April 2027. This adjustment means that individuals who historically viewed pensions as an efficient IHT planning tool may need to reconsider their approach. The consultation period for this proposal ends in January 2025, leaving some time for further clarity; however, proactive planning will be crucial in the interim.

Pensions have long been subject to fluctuating tax regulations. For instance, in 2006, a 35% tax on death benefits after age 75 eligible for agricultural relief led to advice that clients preserve their pensions and draw from other assets instead.

Similarly, adjustments in subsequent years prompted shifts in planning strategies, including a shift away from pensions when a 55% tax rate was introduced. These changes highlight the importance of maintaining flexibility in wealth planning, as adapting quickly to legislative changes can mitigate potential losses.

### REVIEWING ALTERNATIVES FOR IHT PLANNING

Pensions could become less valuable tools for IHT mitigation, so it may be time to explore other strategies. Options such as gifting excess income, funding a whole-of-life insurance policy or establishing trusts could be viable alternatives. Each approach has benefits and limitations, which must be tailored to individual needs.

The changes announced to Inheritance Tax extend beyond pensions, with particular focus on business and agricultural relief. Historically, business assets were often assumed to sit outside the estate for IHT purposes, but new measures set to take effect by April 2026 could alter this dramatically. Business owners may consider transferring assets to discretionary

trusts during this planning window to minimise future IHT implications.

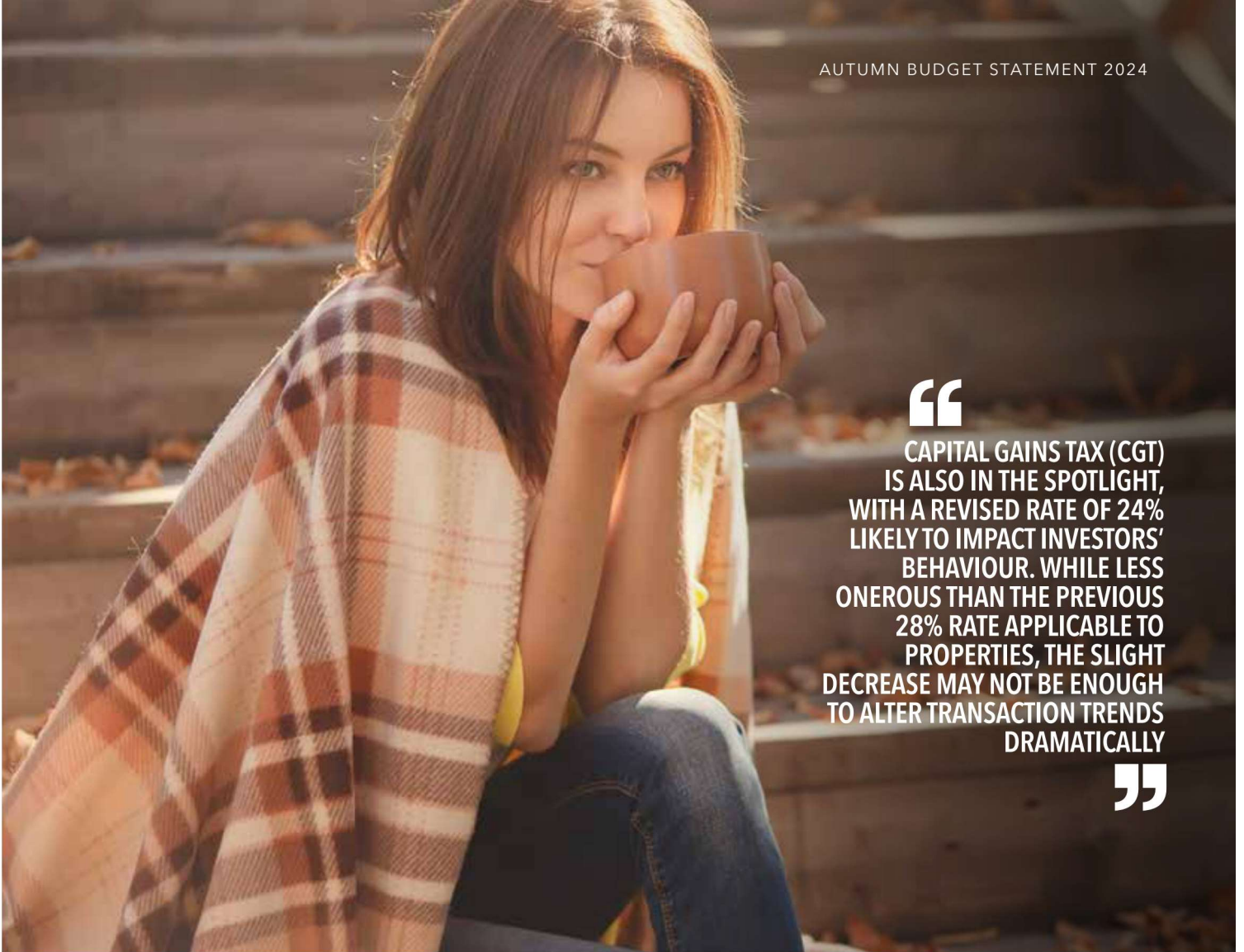
### BUSINESS ASSETS UNDER THE MICROSCOPE

Changes to business property relief could reshape estate planning strategies for entrepreneurs and investors with significant business holdings. Thanks to 100% relief, business property has historically been immune to certain forms of IHT; however, the government now proposes reducing this relief to 50% on assets exceeding £1m. While this change aims to close perceived loopholes, it could affect decisions about reinvesting in or divesting business assets.

Similar considerations now apply to the Alternative Investment Market (AIM) shares, which have traditionally benefited from the same relief. While the reduction to 50% relief is less severe than the complete removal that some had feared, it introduces new uncertainties. AIM-listed companies may see a reduced attractiveness as part of strategic IHT planning. That said, AIM shares can still play a critical role in tax efficiencies within ISAs, especially for those willing to tolerate higher market risks.

### AGRICULTURAL RELIEF AND THE IMPACT ON FARMING FAMILIES

Another substantial reform impacts agricultural relief, traditionally designed to safeguard farmers' estates from significant tax bills.



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**CAPITAL GAINS TAX (CGT) IS ALSO IN THE SPOTLIGHT, WITH A REVISED RATE OF 24% LIKELY TO IMPACT INVESTORS' BEHAVIOUR. WHILE LESS ONEROUS THAN THE PREVIOUS 28% RATE APPLICABLE TO PROPERTIES, THE SLIGHT DECREASE MAY NOT BE ENOUGH TO ALTER TRANSACTION TRENDS DRAMATICALLY**  
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Under the new measures, farmland and related assets above £1m will be eligible for only 50% relief, which could result in a 20% IHT rate for higher-value estates. While the legislation offers flexibility to spread tax payments over a decade, the immediate impact on cash flow and succession planning could be profound.

For many farmers, including the next generation inheriting these estates, this change underscores the need for careful financial planning to prevent future hardship. The complexities of combining agricultural assets with other allowances, such as the residential property nil rate band, make tailored advice essential.

#### **ADJUSTING STRATEGIES FOR CAPITAL GAINS TAX**

Capital Gains Tax (CGT) is also in the spotlight, with a revised rate of 18% and 24% likely to impact investors' behaviour. While less onerous than the previous 28% rate applicable to properties, the slight decrease may not be enough to alter transaction trends dramatically. Crucially, unlike other taxes, CGT allows for greater oversight over decisions, such as when to sell assets.

For those sitting on significant gains, deferral options like the Enterprise Investment Scheme (EIS) remain available. However, some may prefer to pay the tax now rather than risk a higher future rate in the current environment. Planning for CGT becomes even more important when balancing other tax considerations and wealth goals.

#### **CONSIDERING NON-DOM STATUS VERSUS OTHER STRATEGIES**

For individuals seeking to escape the UK tax net, non-domicile status might appear attractive theoretically but is fraught with complexities in practice. While Income Tax can often be avoided relatively quickly by moving abroad, full detachment from the IHT framework takes years. This leaves many questioning whether waiting for ten years outside the tax net is worth the effort.

Alternatively, gifting significant portions of wealth now can be a simpler and more immediate way to sidestep long-term IHT liabilities. Some clients are increasingly exploring philanthropy or intergenerational financial gifting to manage their estates while also creating a meaningful legacy. ◀

#### **HAVE YOU BEEN LEFT UNCERTAIN ABOUT THE IMPLICATIONS FOR YOUR WEALTH?**

The Autumn Budget Statement 2024 has introduced changes requiring immediate attention and long-term planning. While some measures remain under consultation or offer transitional windows, the time is now to revisit your wealth strategy and ensure flexibility in the face of this fiscal evolution. If these changes have left you uncertain about the implications for your wealth, our team of experienced professionals is here to help. Contact us today to arrange a consultation and start taking control of your financial future.

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# FINANCIAL RESOLUTIONS TO **BOOST YOUR WEALTH THIS YEAR**

## TAKING A PROACTIVE APPROACH TO CLARIFY YOUR CURRENT FINANCIAL STANDING

**The start of a new year is the perfect opportunity to take a step back and thoroughly reassess your financial situation.**

It's a natural time to evaluate and reshape your saving habits, particularly important whether you're building an emergency fund, planning for retirement or investing in long-term growth. This proactive approach clarifies your current financial standing and sets the foundation for a more secure and prosperous future.

**Even small financial adjustments made now can have a domino effect**, significantly enhancing your financial wellbeing in the years to come. Expert insights can simplify complex issues, identify opportunities you may not have considered and ensure that your plans are robust enough to weather future uncertainties. By proactively addressing your financial health at the start of the year, you set yourself up for greater financial stability and peace of mind in 2025 and beyond.

### **ASSESSING YOUR SPENDING AND SAVING PATTERNS**

With the cost of living soaring across the past year, having a robust budget has become more essential than ever. Knowing where your money goes is vital in preventing unnecessary expenses and finding opportunities to save for future goals. Even simple changes, such as cutting down on discretionary purchases, can free up money for more meaningful purposes.

It's generally recommended to have a safety net of around six months' worth of essential living costs in an accessible savings account. Once this rainy-day fund is in place, consider longer-term goals. If your objectives span five years or more, exploring stock market investments might be worth consideration.

Despite its inherent volatility, the stock market has historically outperformed cash savings over the long term.

### **REVISITING YOUR FINANCIAL GOALS**

Has anything changed in your life that might impact your financial priorities? A new year is an ideal time to assess your financial ambitions, whether short, medium or long-term. For instance, if your income has increased or your family circumstances have shifted, your financial plan may benefit from some adjustments.

Revisiting goals may also involve reassessing your investment portfolio. It is crucial to ensure that your investments align with your risk tolerance and long-term objectives. Professional financial planners can help you monitor your progress and recommend strategies to keep you on track, preserving and growing your wealth effectively.

### **CHECKING UP ON YOUR PENSION**

Your pension is a key component of your financial future, yet losing track of its growth is easy. Understandably, day-to-day expenses might often take precedence, but it's worth evaluating how much you've accumulated for your retirement. Reviewing your pension pots





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now helps determine if you're on course to meet your retirement goals or whether adjustments, such as increasing contributions, are necessary.

It's essential to look at the tax advantages pensions offer. For instance, basic rate taxpayers receive 20% tax relief on contributions. This means a £100 contribution effectively costs £80. Higher rate and additional rate taxpayers receive even greater relief, making pensions one of the most tax-efficient ways to secure your financial future.

#### MAXIMISING TAX ALLOWANCES

Tax planning is essential to any financial strategy and offers opportunities to stretch your money further. Staying proactive throughout the tax year – rather than leaving it to the last minute – can significantly affect your financial outcomes.

For example, Individual Savings Accounts (ISAs) allow you to save up to £20,000 tax-free annually. This makes ISAs particularly suitable for building wealth pre-retirement or as a source of tax-efficient income later on. Beyond ISAs, consider allowances for Capital Gains Tax and dividends, which can also play significant roles in a tax-optimised investment strategy.

#### REVIEWING YOUR PROTECTION POLICIES

Life can be unpredictable, which is why financial protection is vital. Ensuring you

have adequate insurance coverage – be it life insurance, critical illness cover or income protection – safeguards your loved ones against financial strain in the event of the unexpected. Even if you already hold policies, reviewing them annually is wise to ensure they remain relevant to your circumstances.

Over time, gaps in protection may emerge as your financial commitments evolve, such as having children or taking on a larger mortgage. Updating your policies ensures that your family's financial future is secure.

#### MAKING OR UPDATING YOUR WILL

A Will is fundamental in guaranteeing that your wishes are carried out after your death. Yet, many overlook the importance of having one in place. If you've already made a Will, consider whether it needs updating – especially if life events such as marriage, divorce or the birth of a child have occurred since it was written.

Ensuring your Will is up to date can also help to minimise disagreements and ensure assets are distributed according to your preferences. It's a small step but one with long-lasting implications for those you care about.

#### SEEKING PROFESSIONAL FINANCIAL ADVICE

Without expert advice, navigating pensions, investments and tax allowances can feel

overwhelming. We can simplify these complexities and provide strategies tailored to your individual needs and goals.

Why not make this the year you take the next step towards financial confidence? By seeking professional advice, you could gain clarity on your current position, reassurance of future stability and insight into opportunities you may not have considered. ◀

#### TIME TO TAKE CHARGE OF YOUR FINANCIAL FUTURE?

Please contact us if you need help planning your finances or addressing specific concerns. Together, we can explore solutions designed to meet your unique needs and ensure your financial plans are aligned with your goals. Make this year the one where you take charge of your financial destiny. Contact us for tailored planning solutions today!

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# ISA RETURNS OF THE YEAR

## MAKING THE MOST OF YOUR 2024/25 TAX ALLOWANCES

Investing your money wisely is more than just pursuing returns – it's also about leveraging tax allowances to make the most of it. Individual Savings Accounts, known as ISAs, remain popular thanks to their simplicity and flexibility. But are you fully aware of their range of benefits and financial planning applications? From Cash ISAs to Stocks & Shares ISAs, these tax-efficient tools are vital for long-term financial planning.

**Cash ISAs function as tax-free accounts** similar to those offered by banks or building societies. On the other hand, Stocks & Shares ISAs allow your investments to grow in the stock market or other assets. Importantly, any returns generated within an ISA – whether from interest, dividends or capital gains – are exempt from tax. While many are familiar with the basics, some may not understand the lesser-known ISA rules and flexibilities that could significantly optimise financial planning.

### FLEXIBILITY TO SWITCH BETWEEN ISAS

You can transfer funds between different ISA types without losing their tax-free benefits. If your financial objectives evolve, you can move money from a Cash ISA to a Stocks & Shares ISA or vice versa. This adaptability is particularly valuable for managing your savings against changing circumstances.

For those relying on traditional savings accounts, it's worth noting that the personal savings allowance (2024/25) permits basic rate taxpayers to earn up to £1,000 in interest annually tax-efficiently. By contrast, higher rate taxpayers can earn up to £500, whilst additional rate tax payers have no savings allowance. In some cases, this development has diminished Cash ISAs' attractiveness. Over the long term, prioritising tax-efficient allowances for potential higher-return investments often makes more sense. Stocks & Shares ISAs, supported by historical trends, generally outperform cash over time.

### USING ISAS TO BUILD LONG-TERM WEALTH

If you're new to investing, ISAs offer a starting point to establish an investment portfolio, even if on a modest scale. Alternatively, if you're experienced, they provide a means to continue building wealth tax-efficiently. Yet, pensions also play a key role in retirement planning and should not be overlooked. Contributions to a pension are bolstered by government tax relief and often

by employer contributions. However, pensions can only be accessed from age 55 (rising to 57 in 2028) unless certain protections apply.

ISAs, conversely, offer greater accessibility. Withdrawals can be made at any age, allowing them to act as a financial bridge for anyone considering early retirement or supplementary income. Having £50,000 in your ISA accumulated over previous years offers increased financial freedom for those planning for the future. By withdrawing £10,000, you can reinvest it during the same tax year, ensuring the entire £20,000 annual ISA allowance is utilised by 5 April 2025.

### IMPORTANCE OF FLEXIBLE ISA RULES

Flexible ISAs could further enhance your financial strategy. They enable you to reinvest withdrawn funds during the same tax year without affecting your annual allowance. Many providers offer flexible versions for both Cash ISAs and Stocks & Shares ISAs, though this feature isn't universal.

However, there are limitations – it's only possible to repay withdrawals into the same ISA account from which they were made. Starting 6 April 2024, you can subscribe to multiple ISAs of the same type within a single tax year. However, this change does not apply to Lifetime ISAs and Junior ISAs, where the restriction of subscribing to only one of each type per year still remains.

### REDUCING TAX WITH CAPITAL GAINS ALLOWANCES

Investors with significant gains on non-ISA investments can benefit from complementary tax planning strategies like utilising the Capital Gains Tax (CGT) allowance. For the 2024/25 tax year, this allowance is £3,000. If not used before the tax year ends on 5 April, you lose this allowance, making it imperative to plan ahead.

One practical solution is the 'Bed & ISA' approach. This involves selling an existing investment and buying it back within an ISA. The sale counts towards your CGT allowance

and wraps future investment growth inside the tax-free ISA wrapper. This strategy is especially useful for tidying up smaller or less tax-efficient investments while simplifying future tax reporting.

### PASSING ON ISAS TAX-EFFICIENTLY

If the unthinkable happens, ISA benefits don't die with the account holder. Since April 2015, surviving spouses or registered civil partners can inherit the tax benefits associated with ISAs. Through provisions called Additional Permitted Subscriptions (APS), they can make one-off contributions equal to the value of the deceased's ISA holdings and their own annual allowance. If more than one ISA were held, the APS would need to be claimed in relation to each ISA. This transforms ISAs into a more generational vehicle for wealth preservation.

Whether it's growing wealth, planning for retirement or transitioning financial assets between generations, ISAs remain among the most flexible and tax-efficient tools available to investors. With careful planning and by leveraging less common ISA rules, you can better position yourself for the present and future. ◀

### LOOKING FOR A SOLUTION THAT BEST FITS YOUR NEEDS AND ENSURES YOUR FINANCIAL SECURITY GOALS ARE MET?

If you want to take control of your financial future, understanding the nuances of ISAs is crucial. Please contact us for tailored advice if you'd like further guidance on tax allowances or how ISAs can optimise your investments. We look forward to hearing from you.

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# HOW TO NAVIGATE THE CAPITAL GAINS TAX CHANGES

## ENSURE YOUR HARD-EARNED INVESTMENTS WORK EFFICIENTLY FOR YOUR FUTURE

**Cuts to the Capital Gains Tax (CGT) exemption mean it is now more critical than ever to arrange your investments tax-efficiently. For the tax year 2024/25, the CGT allowance has been reduced to £3,000, allowing you to make tax-free gains up to this amount. However, any gains above this limit may be subject to CGT.**

**For higher and additional rate taxpayers,** the rate stands at 24%. By comparison, basic rate taxpayers face an 18% CGT liability if their gains and taxable income stay within the basic rate Income Tax limit. Any gains on top of taxable income that fall above the basic rate band threshold will also be taxed at 24%.

Appropriate planning is essential to ensure your hard-earned investments work efficiently for your future. CGT is complex, and with our professional financial advice, we can help you avoid unnecessary tax payments. Below, we explore practical strategies to reduce a potential CGT liability.

### MAKE USE OF YOUR ANNUAL ALLOWANCE

Every individual benefits from an annual CGT exemption, which permits tax-free gains of up to £3,000 in the 2024/25 tax year. Importantly, this allowance cannot be carried forward, meaning it's lost if you don't use it within the tax year. With the exemption now less generous, it may be prudent to maximise it annually to minimise potential CGT liabilities in the future.

### OFFSET GAINS WITH LOSSES

These may reduce your CGT liability if you've incurred investment losses. Gains and losses realised within the same tax year are offset against each other, reducing the taxable gain. Furthermore, unused losses from previous years can be carried forward to offset future gains, provided they've been reported to HM Revenue & Customs (HMRC) within four years of the tax year in which the loss occurred. Carefully tracking historic losses and using them effectively is valuable in cutting your CGT bill.

### LEVERAGING TAX RELIEFS THROUGH PARTNERSHIPS

One of the simplest yet often overlooked strategies is asset transfers between spouses or registered civil partners. Such transfers are entirely exempt from CGT, allowing couples to utilise both partners' annual CGT exemptions.

This effectively doubles the tax-free allowance to £6,000 for couples, reducing overall liability. However, for the transfer to qualify, it must be an outright gift with no strings attached. Spouses and registered civil partners should ensure their financial arrangements adhere to HMRC rules to take full advantage of this relief.

### USE YOUR ISA ALLOWANCE

Investments held within an Individual Savings Account (ISA) benefit from being entirely exempt from CGT. For the 2024/25 tax year, you can shelter up to £20,000 – rising to £40,000 for married couples or registered civil partners – under your annual ISA allowance. This tax-efficient wrapper enables long-term tax savings, particularly for higher and additional rate taxpayers. The 'Bed and ISA' strategy also allows investors to sell assets to realise a capital gain and immediately repurchase them within an ISA wrapper. While this ensures future gains on the investment are fully tax-exempt, be mindful of repurchasing costs such as stamp duty and potential short-term market risks.

### EXPAND YOUR TAX RELIEF OPTIONS

Contributing to a pension can help mitigate CGT exposure. Pension contributions extend the taxable income threshold for the basic Income Tax rate, ensuring gains within this extended band are taxed at just 18%, rather than 24%. This approach can also optimise your long-term financial security via retirement savings. Gifts to a registered charity present another compelling relief option. Donations of land, property or qualifying shares not only provide valuable charitable aid but may also attract both Income Tax and CGT relief for the donor. This dual benefit underscores the role philanthropy can play in tax planning.

### CONSIDERING HOLD-OVER RELIEF AND CHATELS EXEMPTIONS

If you're transferring certain business assets or selling them at a discounted rate to assist the

buyer – for example, to a family member – gift hold-over relief may apply. This defers CGT liability until the recipient disposes of the asset, provided specific eligibility criteria are met. Importantly, strict regulations govern eligibility, so seeking professional advice is essential to avoid pitfalls. Furthermore, gains from personal possessions referred to as 'chattels' can also escape CGT. Items such as antiques and jewellery are generally exempt, provided sale proceeds are £6,000 or under. Understanding the exemption criteria for such assets can prevent unnecessary tax charges.

### THE VALUE OF EXPERT ADVICE

CGT is a multifaceted area of tax, and the consequences of non-compliance or unclaimed reliefs can be costly. Professional advice tailored to your individual circumstances can identify hidden opportunities and ensure you understand allowances, reliefs and options available to you. We can provide not only guidance but also peace of mind in an increasingly complex tax landscape. Future-proofing your financial plan requires considered action today, freeing you to focus on your goals without worrying about potential tax liabilities. ◀

### TIME TO TAKE CONTROL OF YOUR FINANCIAL FUTURE?

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Navigating the intricacies of CGT doesn't have to be daunting. With so many strategies to reduce your tax liability, we can provide the professional advice that makes all the difference. Please contact us if you want to learn more about tax-efficient planning or need personalised support. Our experienced team is here to assist you in making confident, informed choices, ensuring your wealth works harder for you.

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# START 2025 WITH A NEW YEAR'S WEALTH CHECK

AN IDEAL OPPORTUNITY TO TAKE STOCK OF YOUR FINANCIAL HEALTH

**Like your car, your finances require consistent care and attention to keep running smoothly.** Just as a regular service ensures your vehicle performs at its best and avoids costly breakdowns, a yearly financial check-up is vital to ensuring your money works as effectively as possible. The beginning of 2025 offers an ideal opportunity to take stock of your financial health, setting the tone for a prosperous and secure year ahead.

**Even if you have a strong financial plan,** life rarely stands still. Changes such as a promotion, a new mortgage or a shift in family circumstances could mean your plan no longer fits your needs. Additionally, financial law and regulation updates might impact your investments or tax allowances, making it crucial to revisit your strategy. A New Year's wealth check helps you stay on top of these changes and provides clarity and confidence in your decision-making, preparing you for whatever lies ahead.

## PORTFOLIOS VULNERABLE TO MARKET FLUCTUATIONS

A great deal can change over a year, and regular reviews are necessary for your investment portfolio to maintain its balance and effectiveness. Some investments could start underperforming due to market shifts or company-specific issues, while others may outperform expectations, presenting you with opportunities to take profits and reinvest strategically. Without attentive management, you risk missing these critical moments, which could compromise your portfolio's overall performance.

Overexposure to specific companies, sectors or geographical markets can also introduce significant risks. A lack of diversification might leave your portfolio vulnerable to market fluctuations or economic downturns in focused areas. Regularly reviewing your investments ensures they remain appropriately diversified and continue to reflect your financial goals, risk tolerance and timelines for achieving them.

## REVIEWING YOUR INSURANCE POLICIES

Insurance policies are another critical area in your New Year's wealth check. These include cover for income protection, life insurance and critical illness. Regular reviews are vital, especially if your personal circumstances have changed. A pay rise, for instance, might require you to increase the income you are

protecting. Similarly, a larger or smaller mortgage could mean adjusting your life insurance cover.

Keeping these policies up to date ensures that your family is financially protected if illness or misfortune strikes. It's also worth checking whether you're overpaying for certain types of cover. A professional review can help you balance adequate protection and cost efficiency.

## PREPARING FOR A SECURE RETIREMENT

A New Year's wealth check can highlight your readiness for a fulfilling and comfortable retirement. If your pension savings are falling short, now may be the time to address this gap. By using your pension Annual Allowance, you can maximise your tax relief. In the tax year (2024/25), the standard allowance is £60,000 annually. This covers the amount you can pay into your defined contribution pensions and receive tax relief, including your contributions, your employer's and anyone else who might pay in on your behalf. The benefit of this relief, combined with the effects of compounded investment growth, can significantly increase your retirement pot over time.

Additionally, the start of 2025 is an excellent opportunity to ensure you are taking advantage of other tax-efficient options. You can invest up to £20,000 annually in Individual Savings Accounts (ISAs) for tax-efficient growth and income. Junior ISAs allow families to invest £9,000 annually per child, which could build into a substantial fund for university or a first-home deposit. Using allowances like these, Capital Gains Tax exemptions and personal savings allowances can help you manage your wealth more efficiently.

## TACKLING FAMILY AND FINANCIAL PRIORITIES

Balancing family priorities with long-term savings often feels like a juggling act. You might be saving for school fees, giving your children a financial

boost onto the property ladder or ensuring you're putting enough aside for your retirement. At the same time, you could support elderly relatives as their health declines, adding strain to your household budget.

Even with a healthy income, managing competing priorities can be challenging. That's why a carefully constructed financial plan is crucial. It should address your current needs and adapt to them as they evolve over time, helping you maintain stability through life's twists and turns.

## WHY PROFESSIONAL ADVICE MATTERS

Many individuals find the intricacies of rebalancing investments, planning tax-efficient strategies and developing a resilient retirement fund overwhelming. That's where professional financial advisers come into play. We can tailor an individual plan around your unique circumstances, reviewing it regularly to ensure it remains aligned with your personal goals, changes in legislation and the economic climate.

Our professional guidance can make the difference between simply managing your finances and genuinely mastering them. With our advice, you will gain clarity on your financial options and the confidence to make informed decisions. ◀

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## LOOKING TO TAKE CONTROL OF YOUR FINANCIAL FUTURE WITH A NEW YEAR'S WEALTH CHECK?

The start of 2025 presents the perfect opportunity to assess your financial health and put plans in motion to achieve your goals. Whether building your retirement fund, supporting your family or investing tax-efficiently, take the time to prioritise your financial wellbeing. For tailored professional advice and a personalised financial review, contact us today. Together, we can build a financial future that's secure and aligned with your aspirations.

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# TAKING THE ROAD TO A COMFORTABLE RETIREMENT

## ACHIEVING THIS VISION REQUIRES CAREFUL PLANNING AND PREPARATION

We all dream of a comfortable retirement, free from financial worries and full of opportunities to enjoy life. However, achieving this vision requires careful planning and preparation. While life's uncertainties, such as health challenges, might be beyond your control, there are concrete steps you can take to strengthen your financial resilience and prepare for the unexpected.

**Regular financial planning is the key** to ensuring your retirement aspirations remain within reach. It provides an opportunity to assess where you stand financially, identify potential gaps and develop strategies to address them before it's too late.

If managing this process feels overwhelming or outside your area of expertise, seeking professional financial advice can be immensely beneficial in helping you craft a strategy tailored to your needs.

### ANTICIPATING THE CHANGE IN LIFESTYLE

Retirement ushers in a new chapter of life, often very different from the commitments shaped by work and family. Key financial adjustments include the cessation of your regular salary and, for many, reduced commuting expenses or even paying off a mortgage. These changes can create more room in your budget, offering opportunities to focus on leisure and personal fulfilment.

Yet, it's easy to underestimate the expenses tied to an active retirement lifestyle. Whether it's holidays, hobbies or daily living costs, the reality of inflation means every pound will stretch a little less as time goes on. Recent financial challenges, such as rising energy prices and living costs, highlight how external circumstances can impact even the best-laid plans.

### CONSIDERING LONG-TERM CHALLENGES

Another critical consideration is the potential cost of long-term care. According to Age UK, the average cost of long-term care in the UK is around £600 to £800 per week (October 2023 data). Factoring these possibilities into your financial plan is essential to protecting your long-term comfort and security.

A robust financial plan considers these variables, reflecting your ambitions and the challenges that may arise. This is where cash flow planning can be an invaluable tool. By 'stress testing' your

financial plan against different factors – such as inflation, changes in interest rates and investment performance – you can prepare for the potential twists and turns of life.

### KEEPING PLANS FLEXIBLE AND DYNAMIC

No plan is set in stone, and this is especially true when it comes to financial planning for retirement. Your plan should be treated as a living, breathing document. Life changes, and so can market conditions, so periodic reviews are vital to ensure it stays relevant. Adjusting for shifts in circumstances or amending assumptions as needed helps you stay on the right path.

We provide available tools and resources to guide your retirement planning process. For example, retirement planning calculators or detailed brochures can help you visualise financial outcomes and explore a range of scenarios. However, it's important to remember that no 'one size fits all' solution exists; everyone's retirement needs and goals are as unique as their lifestyles.

### EXPLORING YOUR OPTIONS FOR INCOME

A critical part of retirement planning is deciding how to generate income when you're no longer earning a salary. If security and minimal risk are top priorities, you might consider purchasing an annuity, which guarantees a fixed income for life. On the other hand, for those comfortable with a degree of investment risk, a drawdown approach allows you to withdraw funds while keeping some investments intact. Frequently, a combination of these approaches can strike the right balance.

We can provide clarity and tailor a bespoke plan that aligns with your personal circumstances and aspirations. By working closely with you, we consider your attitude to risk, capacity for potential losses and long-term objectives. Regular

reassessments ensure your plan evolves as required, keeping you on track towards your desired retirement lifestyle.

### REVIEWING AND REFINING YOUR PLAN

Even if you already have a financial plan, its effectiveness hinges on regular reviews. Changes in your personal circumstances, new aspirations or shifts in the broader financial environment can all necessitate adjustments. Ensuring your plan is current helps it remain a reliable roadmap toward your goals.

The good news is that the financial options for retirement planning have never been more extensive. While this abundance of choice can feel overwhelming, our professional review will help determine the most suitable route for your unique situation. Retirement planning is not simply about numbers – it's about creating 'meaningful money' that works for you and supports your vision of a fulfilling retirement. ◀

### READY TO TAKE THE NEXT STEPS IN YOUR RETIREMENT PLANNING?

Retirement is one of the most significant milestones in life, and careful planning is crucial to making it everything you want it to be. Whether you're starting from scratch or revisiting an existing plan, our professional advice can ensure you make informed and confident decisions. If you're ready to discuss your retirement plans or explore how financial planning can benefit you, please don't hesitate to contact us for tailored guidance and support in shaping the future you've worked so hard to achieve.

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# PLANNING FOR THE FUTURE OF YOUR WEALTH

## HOW TO INTEGRATE EMOTIONAL, FINANCIAL AND PRACTICAL DIMENSIONS

### When it comes to your legacy, wealth transfer planning extends beyond the numbers.

It's not just about crafting a strategy for minimising taxes – although that remains vital. Today, successful intergenerational wealth planning integrates emotional, financial and practical dimensions, ensuring your wishes are fulfilled and your beneficiaries are equipped to responsibly carry forward your hard-earned wealth.

#### Historically, wealth transfer planning

has often focused on mitigating liabilities, particularly those related to Inheritance Tax. While this remains crucial in protecting the value of one's estate, modern approaches consider the bigger picture. But how can one ensure these plans succeed?

We explore some critical factors in passing on your wealth effectively, from starting family conversations to seeking professional advice.

#### THOUGHT-PROVOKING QUESTIONS FOR EFFECTIVE WEALTH TRANSFER PLANNING

You've worked hard to build wealth, so it's natural to want your assets managed responsibly after you pass away.

To do so, asking yourself these key questions is essential:

- Have I accurately assessed how much money I will require throughout the rest of my life, including potential costs for later-life care and unexpected expenses?

- What is the total value of my estate likely to be, considering all assets such as cash, investments, properties, businesses and valuables like artwork or jewellery?
- Who do I wish to support through my legacy financially, and are there specific individuals or entities?
- Who do I want to exclude?
- How should my assets be divided among my beneficiaries to reflect my values and intentions?
- Have I considered the benefits and implications of gifting portions of my wealth during my lifetime, and how might this support my broader financial and generational goals?
- What mechanisms can I implement to ensure that my wealth is preserved and passed down to benefit future generations in the way I intend?

These enhanced questions are designed to help you pause and reflect, offering a foundation

to shape a comprehensive and meaningful wealth transfer strategy.

#### PREPARING CHILDREN FOR A SIGNIFICANT WEALTH TRANSFER

For some, leaving a financial inheritance is not just about transferring assets – it's also about transferring knowledge. Without proper planning, your hard-earned assets may dwindle due to mismanagement or lack of financial education. It has long been claimed that 70% of wealth transfers fail by the second generation, and only 13% of family businesses survive through the third generation. I've certainly heard these 'facts' over time<sup>11</sup>.

If you believe your parents hold considerable wealth but haven't discussed it, it's worth investigating whether they receive professional financial advice. Similarly, preparing your children for the responsibility of inheritance is crucial.

#### ENCOURAGING FINANCIALLY SAVVY HEIRS

A meaningful starting point is turning wealth management into a family discussion. Explaining the hard work, dedication and motivation behind your investments can inspire future generations to preserve and grow your legacy.

Simultaneously, involve your children in financial conversations sooner rather than later. Introducing them to your trusted advisers or teaching them about concepts such as



budgeting, investing or philanthropy offers invaluable insights. A report highlighted that only 12% of UK adults seek professional advice when transferring their wealth to younger generations<sup>[2]</sup>. This statistic underscores the need for increased awareness and utilisation of financial advisory services in wealth transfer planning.

#### **STRUCTURING YOUR LEGACY THROUGH TRUSTS AND TAX PLANNING**

If transferring your wealth is on the horizon, be sure your Will is up to date and aligned with your wishes. This will ensure all arrangements are precise, clear and optimally structured. Trust structures, for example, can help you maintain control over how, when and who benefits from your wealth. Beyond preserving your intentions, such structures offer additional protection for beneficiaries and can assist with mitigating inheritance taxes in the UK.

It's also worth exploring options such as a Deed of Variation, which allows beneficiaries to redirect their inheritance, potentially to help a younger generation. While these tools offer flexibility, they're best implemented with advice tailored to your family's unique circumstances.

#### **NAVIGATING SENSITIVE FAMILY DYNAMICS**

Transferring wealth always involves complex emotions, which sensitive family dynamics can further heighten. For example, circumstances such as divorce or strained relationships may prompt you to protect assets from in-laws while

simultaneously ensuring your children and grandchildren remain financially secure.

Further, conversations about avoiding potential disputes help safeguard future relationships. Unfortunately, family disagreements concerning inheritance are common, and addressing such matters proactively can mitigate misunderstandings.

#### **SEEKING PROFESSIONAL HELP FOR YOUR WEALTH TRANSFER**

Planning to transfer your wealth isn't just a logistical task - it's an opportunity to solidify your legacy and empower your beneficiaries. That's why comprehensive wealth transfer plans must balance your personal values, financial goals and family dynamics.

This is where obtaining professional advice from us comes into play, receiving expertise to guide you through these considerations. Additionally, we can liaise with your legal professionals to ensure solutions - such as trusts, tax-efficient structures or lifetime gifting - are properly implemented. ◀

#### **WANT TO START PLANNING YOUR WEALTH TRANSFER WITH CONFIDENCE?**

We'll collaborate closely with you, your family and your legal advisers to ensure your legacy is carried out precisely as you intend. If you would like further information on transferring your wealth to the next generation, please don't hesitate to contact us to begin the conversation.

#### **Source data:**

[1] Study by John Ward in 1987 called 'Keeping the family business healthy'.

[2] Resolution Foundation analysis of YouGov, UK inheritances and intergenerational wealth transfers, December 2021.

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# MAKING THE MOST OF A LUMP SUM WINDFALL

MUCH WILL DEPEND SIGNIFICANTLY ON YOUR GOALS, NEEDS AND LONG-TERM ASPIRATIONS

Receiving a substantial lump sum of money - whether from the sale of a property, a business, an inheritance or a bonus - can open the door to exciting opportunities. It can potentially set you and your loved ones on a path to long-term financial wellbeing and security. However, navigating the options for effectively using or investing such a windfall can feel overwhelming, especially in uncertain economic climates.





**Understanding what to do with your money**

depends significantly on your goals, needs and long-term aspirations. This is where professional financial advice can help you chart the path forward, ensuring every decision aligns with your objectives. Below, we discuss some main options to help you start planning.

**SHORT-TERM GOALS AND FLEXIBLE SAVINGS OPTIONS**

If your lump sum is intended to support short-term goals, such as funding a holiday, buying a car or acting as a buffer while considering your next step, a cash savings account might be a sensible decision. Unlike stock market investments, cash savings guarantee the stability of your capital, allowing easy access to your funds, regardless of market fluctuations.

For instance, fixed-term savings or notice accounts could yield higher interest rates than easy-access options if you intend to avoid touching your money for several months. Shopping around for the best rates is vital, as even a small percentage difference on significant sums can translate into substantial additional returns. A diligent approach to short-term savings will ensure you maintain financial flexibility without risking capital loss.

**CONSIDERING MEDIUM-TERM OPPORTUNITIES**

For those seeking medium-term solutions, UK government bonds, commonly referred to as gilts, can represent a robust choice. These are among the safest investment vehicles, issued and guaranteed by the government, and they offer predictable returns with minimal risk. A particularly appealing feature of gilts is their exemption from Capital Gains Tax (CGT), making them an attractive option for higher and additional rate taxpayers who could otherwise face CGT rates as high as 24%.

Gilts are particularly suited to scenarios where stability and predictable returns outweigh the need for higher-growth opportunities. Investing in gilts can enhance medium-term financial planning, providing a secure foundation for funding goals such as secondary education, home renovations or comfortably bridging life's transitional phases.

**INVESTING FOR LONG-TERM GROWTH**

If your objectives are focused on longer-term ambitions, such as securing a retirement fund or

leaving a lasting legacy for future generations, investing in the stock market could allow your lump sum to achieve significant growth over time. While the stock market carries inherent risks due to volatility, historical patterns illustrate its ability to outperform cash and bonds over extended periods.

Long-term investment success requires a commitment to a horizon of at least five years, allowing sufficient time to weather market downturns. Diversification remains a fundamental principle for mitigating risk, as spreading investments across multiple asset classes, sectors and regions reduces exposure to economic fluctuations in one area. Building a diversified portfolio tailored to your risk tolerance and objectives can position your finances for steady growth over time.

**MAXIMISING YOUR ISA ALLOWANCE**

If you are yet to utilise your annual Individual Savings Account (ISA) allowance, it's worth considering this route to protect your windfall against CGT and Income Tax. Investing up to £20,000 per tax year (2024/25) in a Stocks & Shares ISA allows your money to grow tax-efficiently while avoiding costs tied to profits and income generated outside an ISA wrapper.

For example, investments outside an ISA may lead to tax liabilities if the gains exceed the CGT exemption or if dividends push you into a higher Income Tax bracket. With its use-it-or-lose-it nature, your ISA allowance represents a valuable annual opportunity to shield your investments effectively, contributing to your long-term goals without compromising tax efficiency.

**ENHANCING YOUR RETIREMENT FUND**

Your lump sum could also make a substantial impact when directed into a personal pension.

The limit is £60,000 in 2024/25 or 100% of your UK relevant earnings (whichever is lower), unlocking Income Tax relief on your contributions. Whether you are preparing for a future retirement or bolstering an existing plan, this relief can amplify the potential of your savings.

Furthermore, under certain conditions, you may carry forward unused allowances from the past three years to maximise contributions.

However, the rules governing carry forward and allowances can be complex – particularly for high earners or those who have already accessed their pension pots. Professional advice is crucial in navigating these complexities effectively.

**TAILORING YOUR STRATEGY TO FIT YOUR NEEDS**

Knowing how best to use a windfall takes a lot of work. Much depends on your personal circumstances, financial objectives and risk appetite. For instance, balancing an approach that seeks to preserve purchasing power against the need for growth requires a holistic strategy. Investing time in evaluating your options and establishing a diversified portfolio aligned with your unique goals is essential.

Seeking tailored financial advice provides the expertise you need to make informed decisions about savings and investments. Ensuring every aspect of your financial strategy complements your life stage and aspirations enables you to approach your future with clarity and confidence. ◀

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**LOOKING TO TAKE THE NEXT STEP TOWARDS FINANCIAL FREEDOM?**

A cash windfall offers a unique opening to secure stability while planning for the future. From short-term savings to long-term investments, there are multiple options to create a financial framework tailored to your needs. Get in touch today for professional advice on managing your lump sum effectively and building a strategy that best suits your goals. We'll craft a plan to help you maximise your financial opportunities.

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# PENSION FUNDS AND THE PATH TO NET ZERO

## SURVEY PINPOINTS SEVERAL BARRIERS THREATENING PENSION FUNDS' PROGRESS

**Sixty-five per cent of pension funds recently surveyed by the Pensions and Lifetime Savings Association (PLSA) have established a commitment to achieving net zero carbon emissions.**

Progress appears on the horizon for the third of funds without a current commitment, as one in five (22%) anticipate adopting a net zero target within the next five years.

### Among the schemes committed to net zero,

nearly a quarter (23%) aim to reach this ambitious goal by 2040. Meanwhile, a majority (44%) are set on achieving net zero between 2040 and 2050. While these timelines may seem promising, the road to net zero has significant obstacles.

### UNDERSTANDING THE CHALLENGES PENSION SCHEMES FACE

The survey pinpoints several barriers threatening pension funds' progress toward their net zero goals. Chief among them is the lack of high-quality data, cited by 59% of respondents as a key issue. This is compounded by uncertainty around future government policies, which concerns 55% of those surveyed.

Adding to the complexities, a third of participants identified regulatory ambiguity and limited investment opportunities in low-carbon assets (35%) as serious impediments. These roadblocks underscore the pressing need for systemic changes to enable funds to take more decisive action.

### TURNING CHALLENGES INTO OPPORTUNITIES

Despite these obstacles, many pension funds actively implement strategies to meet climate objectives. Notably, 90% of those with net zero commitments work directly with companies to reduce emissions. Investment in renewable energy is also a high priority, with 80% of respondents backing this.

Other notable initiatives include improving energy efficiency in real estate portfolios, an area pursued by 53% of respondents, and divesting from high-carbon assets, a move embraced by 41%. These actions demonstrate a willingness

across the sector to tackle the crisis head-on, albeit with challenges remaining.

### A BROADER CALL FOR STRATEGIC PLANS

An encouraging 76% of survey participants strongly supported the development of credible transition plans. These plans, aligned with the Paris Agreement's 1.5°C target, are critical to realising long-term climate goals. While progress in addressing climate issues is tangible, a new focus is emerging on biodiversity and nature-related risks.

However, awareness of biodiversity-related frameworks still needs to be improved. Only 17% of respondents reported being well-versed in the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). This knowledge gap underlines the importance of frameworks such as the Kunming-Montreal Global Biodiversity Framework and TNFD in guiding organisations forward.

### TACKLING THE LINKS BETWEEN BIODIVERSITY AND INVESTMENTS

Addressing biodiversity challenges adds another layer of complexity. The survey highlights barriers such as establishing measurable biodiversity targets, which 77% of respondents find difficult. Similarly, understanding and assessing biodiversity-related risks proves challenging for 68% of pension funds.

Nonetheless, there is optimism. Some 73% of organisations planning to adopt the TNFD's recommendations aim to do so within five years, signalling a growing commitment to integrating biodiversity into financial decision-making. This

progress mirrors the gradual but determined pace of climate action within the pensions sector.

### BRIDGING THE GAPS AHEAD

The findings emphasise the need for clearer frameworks, improved availability of actionable data and more substantial governmental support to overcome barriers. While strides have been made in tackling climate-related agendas, biodiversity efforts lag behind and require urgent attention to bridge this growing divide.

Pension funds are pivotal in driving environmental sustainability through their significant influence on investments. As the march towards net zero and broader ecological goals continues, stakeholders across the financial landscape must collaborate, innovate and align on these key issues. ◀

### READY TO SHAPE A SUSTAINABLE FUTURE?

Contact us today if you are seeking to deepen your knowledge of these issues or understand how to integrate net zero and biodiversity goals into financial strategies. Together, we can shape a sustainable future. We look forward to hearing from you.

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# PLANNING FOR YOUR DREAM RETIREMENT

WHETHER THAT'S ADVENTURE, RELAXATION OR SIMPLY A SLOWER PACE OF LIFE

Many of us eagerly await the day we can step away from work for good, envisioning a time filled with freedom and the opportunity to focus on what truly brings us joy. The dream of retirement offers a deeply personal vision – whether that's adventure, relaxation or simply a slower pace of life. However, while it's natural to focus on the excitement of retirement, the reality is that your ability to achieve these aspirations relies heavily on financial preparation.

**Retirement isn't just about reaching a certain age;** it's about ensuring you have the means to enjoy the lifestyle you've worked so hard to reach. There's often a significant gap between wanting to retire and being ready to do so. Careful planning and consideration are essential to closing this gap, allowing you to transition into retirement with both confidence and security.

To guide you on this important path, here are four key questions to help assess your retirement readiness.

## WHAT DOES YOUR IDEAL RETIREMENT LOOK LIKE?

The foundation of any retirement plan is understanding what you want it to look like. Retirement is far from one-size-fits-all; it's as unique as you are. For some, this might mean the adventure of moving abroad or travelling extensively. For others, it could centre around pursuing a cherished hobby, volunteering or savouring quiet moments with loved ones.

An increasingly popular approach is phasing into retirement gradually by reducing working hours or transitioning into consultancy roles. This method allows you to enjoy the benefits of extra time while maintaining an income stream. Whatever your vision for retirement, it must align with your long-term financial plans.

## HOW MUCH WILL YOUR RETIREMENT COST?

Once you've pictured your ideal retirement, the next question is affordability. Start by categorising your expected expenses into essentials and non-essentials. Essentials include your mortgage or rent payments, council tax, utility bills and groceries – these are the fundamentals you'll need to cover. Non-essentials, on the other hand, involve holidays, leisure activities, dining out and

other luxuries that enhance your quality of life.

It's also vital to factor in how your spending may change with time. You might begin with a higher level of spending as you tick items off your bucket list but find that expenses dip as you settle into routines. Later in life, healthcare and potential care costs may become a significant consideration. Having a balanced outlook is a key part of financial preparation.

## WHAT SIZE PENSION POT DO YOU REQUIRE?

With an understanding of your desired retirement lifestyle and costs, the next step involves determining the size of your pension pot. This complex calculation involves estimates for life expectancy, inflation, investment growth and tax implications. We can provide clarity and precise insights tailored to your situation to simplify the process.

For instance, decisions like taking a tax-free lump sum early or leaving it in your pension for growth can have far-reaching impacts. Similarly, adjusting your expected retirement age could contribute to a healthier future income. Seeing these scenarios played out can help you make well-informed choices.

## ARE YOUR EXISTING SAVINGS ADEQUATE?

Finally, compare your current savings against your target retirement income. If you're on track, excellent – you can begin to focus on how best to withdraw your funds tax-efficiently. But if there's a gap, there are proactive steps to bridge it. Consider increasing your pension contributions during the remaining years of your career. Contributions benefit from tax relief at your Income Tax rate, immediately boosting your retirement savings.

Alternatively, you might explore delaying retirement by a few years, which could allow your savings to grow through compound interest and continued contributions. Remember to account for other savings and assets, such as Individual Savings Accounts (ISAs), which offer tax-efficient withdrawals, and property investments, which might supplement your income. Don't forget about the State Pension as well. For those who qualify for the full rate, this currently provides £221.20 per week – though the rules surrounding eligibility and amounts may evolve over time.

## LOOKING AHEAD WITH CONFIDENCE

Preparing for retirement can be daunting, but you don't need to face it alone. We will analyse your current and future financial health to help you chart a course towards your dream retirement. We can identify gaps, recommend ways to close them and provide clarity on potential solutions unique to you.

Don't underestimate the value of seeking professional help. By planning in advance, you can achieve peace of mind, knowing your retirement dreams are financially within reach. ◀

## READY TO START PLANNING THE RETIREMENT YOU'VE ALWAYS DREAMED OF?

If you'd like tailored advice or have questions about your retirement planning, now is the time to act. We'll guide you through every stage of this life-changing process. Together, we'll create a roadmap that ensures your goals and ambitions become reality. Don't wait – secure your future today.

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# INVESTING ISN'T A ONE-SIZE-FITS-ALL APPROACH

## WHY TIMING THE MARKET COULD BE HOLDING YOU BACK

**Are you considering delaying your next investment until the market drops?** It's a common notion, particularly among new or even experienced investors. The strategy of 'timing the market' – buying stocks when their value is low and selling them when high – may sound like the perfect plan. But even the most successful fund managers in history have struggled to do this consistently. Predicting the market is notoriously difficult; even experts can't always call it right.

**Rather than trying to find the 'perfect' moment** to invest, it's vital to understand that the right time depends on you and your financial circumstances. Additionally, holding cash plays an important role in financial planning, but it's worth exploring where it fits into your broader strategy.

### IMPORTANCE OF HOLDING CASH

Your hard-earned money deserves to be preserved, and you might think the safest move is to keep it in cash. This way, there's no ambiguity – you know exactly what you stand to receive back. With recent rises in interest rates, cash may seem even more appealing. But is cash entirely without risk? Not quite.

From a wealth planning perspective, it's always advisable to maintain an emergency or 'rainy day' fund. This ensures you're covered for unexpected expenses or specific financial goals and allows you to keep the funds easily accessible. However, while cash makes sense for short-term needs, there are pitfalls when too much of your money is left as cash for extended periods.

### WHY HIGH CASH RATES AREN'T ALWAYS A SAFE BET

In 2020, the Bank of England (BoE) base rate plummeted to a historic low of 0.10%, a move aimed at supporting the economy during the

unprecedented challenges of the Covid-19 pandemic. This created a bleak scenario for savers, as interest rates on savings accounts became almost negligible, with some offering as little as 0.01% annually. For many, this situation meant their cash savings earned virtually nothing, even as living costs increased.

Fast-forward to 2024, and the landscape looks very different. Rising inflation pressures prompted the BoE to raise the base rate steadily over time, eventually peaking at a 15-year high of 5.25% by mid-year. This sharp climb was an effort to counter inflation, which had surged to double digits in late 2022, reaching a 41-year high of 11.1%. By August 2024, however, the BoE opted for a slight rate cut to 5.0%, signalling a potential shift in the interest rate cycle as inflation began to ease.

### STARK CONTRAST TO THE NEAR-ZERO RETURNS

For savers, the elevated rates offered a silver lining. Many high street banks and financial institutions adjusted their savings account offerings, with some providing interest rates of up to 5% or more. This marked a stark contrast to the near-zero returns of just a few years prior, creating what appeared to be a favourable environment for holding cash.

However, it's essential to approach this with caution. Cash rates tend to be short-term tools that respond to BoE rate changes, often requiring savers to shop around regularly to secure competitive returns. For example, introductory savings account rates may drop after a fixed period, leaving your cash earning less if left unmanaged.

### TIME-CONSUMING AND ADMINISTRATIVELY DEMANDING

Savers have had to remain vigilant, comparing accounts and transferring funds to keep pace with the changing rates. This ongoing effort can be time-consuming and administratively demanding, undermining the simplicity often associated with holding cash.

Yet, even with higher interest rates, the effective value of cash savings is still vulnerable. Inflation, although moderating in 2024, remains a significant factor. If inflation continues to outstrip savings rates, the purchasing power of your cash may erode over time, highlighting the importance of balancing emergency funds with long-term growth-focused investments.

### THE HIDDEN COSTS OF TOO MUCH CASH

Despite the apparent safety net cash provides, leaving funds idle can come with significant hidden costs. While cash may feel like a secure option, the opportunity cost of not investing could be substantial. When your savings sit in cash, you risk missing out on the long-term growth potential of the stock market, which historically outpaces cash returns. Over the

past four decades, the FTSE All-Share Index has delivered an average annual return of around 7.8%, including dividends – returns that cash holdings cannot match.

Investments benefit from multiple mechanisms like capital growth, dividend reinvestment and compounding interest over time. Compounding, in particular, plays a decisive role in generating wealth, as reinvested dividend income fuels exponential growth. By contrast, cash savings remain static, missing out on this growth dynamic.

#### FALLING SHORT OF PERSONAL SAVINGS ALLOWANCES

Furthermore, keeping money in cash accounts outside tax-efficient vehicles, such as ISAs or Premium Bonds, can expose you to tax liabilities. This erodes the already modest returns offered by cash deposits. Many savings accounts also fall short of personal savings allowances, meaning interest earned above yearly limits (£1,000 for basic rate taxpayers or £500 for higher rate taxpayers) could be subject to tax. This diminishes the actual value of cash savings further.

Inflation poses the most significant challenge to holding excessive cash. Over time, inflation diminishes the real buying power of money, a phenomenon that can cripple long-term financial planning. For example, in October 2022, UK inflation escalated to 11.1%, a 41-year high.

#### OVER-RELIANCE ON CASH AS A LONG-TERM FINANCIAL STRATEGY

Despite rising savings rates, which peaked at around 5% in some cases during 2024, these returns were considerably outpaced by

inflation at its peak. Even when inflation started moderating later in 2024, cash savers had already seen their purchasing power erode during the high inflation period.

This disparity highlights a key issue – headline interest rates can appear attractive but often fail to protect against the corrosive impact of inflation. Over-reliance on cash as a long-term financial strategy risks leaving savers worse off. Striking a balance between maintaining easily accessible emergency funds in cash and pursuing long-term growth through diversified investments is essential for achieving financial stability and building future wealth.

#### LONG-TERM GROWTH MAKES THE CASE FOR INVESTING

Investing is fundamentally about generating long-term benefits, with the added advantage of tax efficiencies. Regularly attempting to buy and sell based on market fluctuations, particularly given the reduction of Capital Gains Tax (CGT) annual allowances from £12,300 to just £3,000, has brought complexities. Frequent trades may expose you to unexpected tax consequences and result in missed opportunities.

What markets do today, tomorrow or over the next year should matter less if your focus is on long-term investment goals. Successful investing is not about riding every peak and valley in the market but ensuring your financial plan aligns with your life circumstances and aspirations.

#### BUILDING A STRATEGY TAILORED TO YOU

Investing isn't a one-size-fits-all approach. It requires careful planning, starting with a deep

understanding of your short, medium and long-term financial goals. We work to create bespoke strategies based on your unique circumstances and aspirations.

One of the most essential principles of investing is staying the course. Remaining invested over the long haul and diversifying your holdings across sectors and geographical areas can help cushion the impact of market volatility and better position your portfolio for growth. ◀

#### IS IT TIME TO CRAFT A TAILORED STRATEGY THAT SUITS YOUR INDIVIDUAL GOALS?

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If you're interested in learning more about long-term investing and how it can benefit your financial future, we're here to help. Get in touch today to explore how our expertise can help you craft a tailored strategy that suits your individual goals. Your financial future starts with making informed, confident decisions. Let's make those decisions together.

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A photograph of a woman with her hair in a bun, smiling warmly as she reads a book to a young child. The woman is wearing a grey top and a pearl earring. The child is wearing a brown top. They are sitting together, and the scene is lit with soft, natural light, suggesting an indoor setting with a window in the background. A green plant is visible on the left side of the frame.

# PRACTICAL FINANCIAL PLANNING FOR BUSY MUMS

THE ROAD TO ROBUST FINANCIAL HEALTH, EVEN WHEN  
YOU'RE JUGGLING THE DEMANDS OF FAMILY LIFE

**Motherhood comes with countless responsibilities**, so it's no surprise that long-term financial planning often gets pushed to the bottom of the list. Managing your finances is essential for everyone, but as a mum, there are unique challenges that might mean your money needs extra attention.

**From unexpected expenses** to future-proofing your family's financial security, a well-managed plan can make a world of difference. Here's how to get started on the road to robust financial health, even when you're juggling the demands of family life.

### **BUILD A SAFETY NET FOR LIFE'S EMERGENCIES**

Emergencies often catch us off guard, and as a parent, you're likely no stranger to life's unpredictable moments. While an emergency fund won't stop sick days, last-minute school costs or a broken washing machine, it offers a vital cushion for more significant financial surprises.

Aim to put aside at least six months' worth of essential living expenses into an easy-access savings account. This should be your safety net for unexpected costs, like a boiler breakdown or urgent car repairs. Having this buffer can help you avoid falling into debt or drawing from your savings set aside for long-term goals.

### **PROTECT YOUR INCOME AND SECURE YOUR LIFESTYLE**

If your family relies on your income to cover bills, school fees, after-school activities or childcare, an income protection policy could be a game changer. This type of insurance replaces a portion of your salary if you become too ill to work long-term, ensuring your loved ones maintain their standard of living.

Similarly, life insurance could provide a crucial financial safety net if the worst should happen to you. By paying out either a lump sum or regular income, it can help cover major costs such as the mortgage, reducing financial strain on your family during an already difficult time.

### **DON'T OVERLOOK YOUR PENSION**

If you've stepped away from the workplace to focus on raising your children, it's vital not to neglect pension contributions. Many mums prioritise their children's futures, but failing to maintain your retirement savings now could lead to tough financial challenges later.

The good news is that it's never too late to bolster your pension. Begin by ensuring

your State Pension is on track. If you've paid National Insurance (NI) for 35 years, you'll qualify for the full State Pension, currently £11,502.40 annually (2024/25). Even if you're not working, you receive NI credits automatically when you claim Child Benefit, and your child is under 12. If you've opted out of receiving Child Benefit payments, you may still be eligible for these credits – just be sure to check.

### **MAKE THE MOST OF TAX-EFFICIENT PENSION CONTRIBUTIONS**

Boosting your workplace or private pension is another important step. Pensions are an excellent savings vehicle because of the tax relief they offer. For instance, a £100 contribution actually costs just £80 for basic rate taxpayers and £60 for higher rate taxpayers. Even mums who aren't working can still contribute up to £2,880 annually and receive 20% tax relief, increasing your contribution to £3,600.

If you've recently inherited money or received a cash gift, consider saving some of it into a pension. Over the years, this could significantly boost your retirement nest egg.

### **INVEST IN YOUR CHILDREN'S FUTURE**

If your finances allow, putting money aside for your children can give them a strong foundation as they enter adulthood. Planning now could make all the difference, whether it's to help with university fees, a first home deposit or even providing for future unexpected needs.

Consider investing in the stock market to give their money growth potential. Although investing might feel risky, particularly if you're a naturally cautious mum, the stock market has historically outperformed cash savings over the long term. A Junior Individual Savings Account (JISA) is another option – it's tax efficient, and funds can't be accessed until your child turns 18.

### **SEEK PROFESSIONAL FINANCIAL ADVICE**

Planning your finances can be daunting, especially when you're already stretched thin juggling daily demands. That's why it makes

sense to delegate this task to a professional. Enlisting a professional financial adviser will relieve some pressure and give you confidence that you're making sound financial decisions.

By strategically managing your finances, you'll lay the groundwork for a secure future for yourself and your family. Whether it's through saving, investing or protecting your income, every little effort contributes to a stronger financial outlook. ◀

### **ARE YOU READY TO TAKE THE NEXT STEP?**



Financial planning doesn't have to be overwhelming. If you'd like to start the journey to lay the foundations of tailored advice or have questions about any of the topics mentioned here, please contact us to discuss your personal circumstances. Taking action today will set you and your family up for a brighter, more secure tomorrow.

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# HOW TO BOOST YOUR CHANCES OF EARLY RETIREMENT

## MAINTAINING A STRONG COMMITMENT TO YOUR LONG-TERM GOALS

**Early retirement is an ambitious but attainable goal**, provided you adopt the right and disciplined approach to your finances. At the heart of this lies establishing a tax-efficient savings plan designed to maximise both your contributions and the growth of your investments over time.

**Success in this area** often hinges on maintaining a strong commitment to your long-term goals, even when faced with competing short-term priorities. The earlier you begin and the more thoughtful your approach, the greater your likelihood of turning your early retirement dreams into reality. This process rewards diligence, foresight and a focus on financial efficiency.

### MAXIMISE YOUR EMPLOYER CONTRIBUTIONS

One of the simplest ways to accelerate your road to early retirement is by taking full advantage of your workplace pension scheme. Under current auto-enrolment rules in the UK, the minimum contribution for most employees is 8% of your qualifying earnings, of which employers must contribute at least 3%. This applies to earnings between £6,240 and £50,270 for the 2024/25 tax year.

However, by increasing your contributions beyond the minimum requirement, you could significantly enhance your retirement pot. Many employers offer a matching contribution scheme, where they match certain levels of additional contributions you make. For example, if you increase your contribution by 3%, your employer might match it, essentially doubling the amount deposited into your pension. If your workplace offers a salary sacrifice option, this can provide extra savings through reduced National Insurance payments.

### CASH IN ON UNUSED PENSION ALLOWANCES

The carry-forward rule can substantially boost your retirement savings if you haven't maximised your pension contributions in previous tax years and were a member of a UK-registered scheme. This allows you to use

any unused pension annual allowances from up to three previous tax years. For the 2024/25 tax year, the pension annual allowance is £60,000, meaning you could potentially add another £140,000 by carrying forward unused allowances, making a total gross contribution of up to £200,000.

However, the calculations can be complex, especially if your income exceeds £200,000 and is subject to the tapered annual allowance. If your total adjusted income exceeds £260,000, the allowances will be reduced incrementally, with a minimum allowance of £10,000. We can ensure that you make the most of these opportunities while avoiding errors.

### TAX-EFFICIENT SAVING WITH PENSIONS AND ISAs

To create a strong foundation for early retirement, combining pension contributions with Individual Savings Accounts (ISAs) can be highly effective. Both options offer distinct tax advantages. Pension savings grow free of Capital Gains Tax (CGT), and subject to protection being in place, your contributions benefit from tax relief within the prescribed rules. However, withdrawals



beyond the 25% tax-free lump sum may be subject to Income Tax.

On the other hand, Individual Savings Accounts (ISAs) don't provide upfront tax relief on contributions, but their withdrawals are tax-efficient. This makes ISAs an excellent tool for individuals looking to retire early, as they offer greater flexibility to supplement income during the early years of retirement. Investing in ISAs and allowing compounding to work over time can result in significant growth - your returns generate more returns, multiplying the value of long-term investments. We can explore other tax-efficient savings options once you've maximised your ISA and pension allowances.

#### EVALUATE YOUR RETIREMENT NEEDS

Early retirement means not only saving to meet basic expenses but also accounting for the kind of lifestyle you hope to enjoy. Will you travel extensively? Pursue expensive hobbies? Support children or grandchildren financially? These factors directly influence how much you'll need to save.

Your retirement income may come from various sources, such as defined contribution pensions, ISAs, shares or buy-to-let property. If you hold a defined benefit pension, you will likely have a stable income based on your salary and years of service, though it may only become

accessible at the scheme's specified retirement age. For defined contribution pensions, withdrawals can start at age 55, or 57 from April 2028, allowing flexibility to bridge the gap until pensions become available.

#### OBTAIN EXPERT PROFESSIONAL FINANCIAL GUIDANCE

No matter where you are on your financial journey, creating a clear and effective plan is key to retiring early. We can assess your current savings, estimate your long-term expenses and chart a path tailored to your unique circumstances using tools such as cash flow modelling.

This can help to ensure that your savings can provide a sustainable income for the entirety of your retirement. Additionally, we can assist you with navigating more complicated aspects like carry forward allowances, tax planning strategies and investment diversification. ◀

#### ARE YOU READY TO EXPLORE HOW YOU CAN RETIRE EARLY AND ENJOY YOUR GOLDEN YEARS TO THE FULLEST?

Contact us to start creating a personalised plan or review an existing one. Early retirement is possible with the right preparation - your future self will thank you for it. We look forward to hearing your plans and discussing your options.



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**EARLY RETIREMENT MEANS NOT ONLY SAVING TO MEET BASIC EXPENSES BUT ALSO ACCOUNTING FOR THE KIND OF LIFESTYLE YOU HOPE TO ENJOY. WILL YOU TRAVEL EXTENSIVELY? PURSUE EXPENSIVE HOBBIES? SUPPORT CHILDREN OR GRANDCHILDREN FINANCIALLY?**





# PENSIONERS SET FOR INCOME BOOST, **BUT WATCH OUT FOR THE TAX TRAP**

COULD YOU LOSE OUT ON TAX-FREE ALLOWANCES FOR OTHER INCOME?

**Many pensioners will enjoy another uplift in their State Pension income next financial year.** From 6 April 2025, the State Pension is due to rise by 4.1%, on the back of an 8.5% increase in April 2023. This growth adheres to the government's 'triple lock' policy, which ensures that the State Pension increases annually by the highest of wage growth, inflation or 2.5%. However, this rise also brings potential complications for some retirees.

**The increase will elevate the full new state pension** from £11,502 in the 2024/25 tax year to £11,976 in 2025/26. While this rise will be welcome for many, the frozen Income Tax personal allowance, held steady at £12,570 until April 2028, could be a pitfall for pensioners with additional income sources. It could result in losing out on tax-free allowances for other income, like savings or rental profits, and create unexpected tax liabilities.

#### HOW RISING PENSIONS AFFECT TAXABLE INCOME

For those who rely solely on their State Pension, no tax is payable if their income stays within the personal allowance. However, pensioners with extra income, such as private pensions, annuities or rental income, will need to monitor their earnings closely. Once the total exceeds the £12,570 threshold, any income above this limit becomes taxable.

The scenario could worsen in years to come. If the State Pension increases by two annual 2.5% hikes after 2025, it could surpass the Income Tax personal allowance within the 2027/28 tax year. As a result, many retirees may find themselves paying Income Tax on their entire State Pension sooner than expected.

#### TAX BANDS AND THE IMPACT ON RETIREMENT INCOME

The basic tax rate for 2024/25 is set at 20% for income above the personal allowance, up to £50,270. Any income beyond that is taxed at the higher rate of 40%, while earnings above £125,140 incur an additional rate of 45%. These thresholds apply to most parts of the UK, though Scottish taxpayers face different tax rates and bands.

Fortunately, there are strategies to help retirees manage their tax liabilities. For instance, basic rate taxpayers benefit from a personal savings allowance of up to £1,000 in 2024/25, while higher rate taxpayers have a reduced allowance of £500. The 'starting rate' band for savings income also allows those with low

overall taxable income to earn up to £5,000 in savings Income Tax-free.

#### MAXIMISING TAX-FREE ALLOWANCES

Even modest tax savings can make a significant difference over the long term. Dividend income, for example, enjoys its own allowance, which lets investors receive £500 tax-free in 2024/25. Although this figure has been reduced from £1,000 in the previous tax year, it still provides an opportunity to shelter some earnings.

Tax-efficient vehicles, such as Individual Savings Accounts (ISAs), can also play a critical role in retirement planning. By investing in a Cash ISA or a Stocks & Shares ISA, pensioners can enjoy income and capital gains free from taxation, allowing their savings to grow unrestricted. National Savings and Investments (NS&I) also offers tax-free products like Premium Bonds, which combine strong security with the potential for large, tax-free cash prizes.

#### MANAGING PENSION INCOME AND WITHDRAWAL STRATEGY

Accessing private pensions requires careful planning to avoid unnecessary tax burdens. Retirees can withdraw 25% of their pension pot tax-free, but it's wise to spread taxable income over multiple years to remain in a lower tax band. For example, withdrawing smaller amounts across several tax years can prevent triggering higher tax rates.

Stocks & Shares ISAs remain a valuable tool for income supplementation. Unlike pensions, withdrawing money from an ISA doesn't incur additional tax, making it a highly flexible option for retirees looking to bridge income gaps or support long-term needs.

#### DEFERRING THE STATE PENSION FOR LONG-TERM GAIN

Deciding when to claim the State Pension is another critical choice. Deferring receipt can increase the eventual payout, which may be especially beneficial for those still working or

expecting reduced income later in life. However, the decision depends on factors like life expectancy and projected financial needs.

For those in a marital or registered civil partnership, income-splitting can be a smart move. Allocating assets or investments to the lower-earning partner can reduce overall tax liability. Additionally, matching asset types to accounts – such as using ISAs for dividend-yielding investments – can maximise tax efficiency in retirement.

#### PLANNING FOR A TAX-EFFICIENT RETIREMENT

Effective financial planning can help pensioners fully to utilise their allowances and options. Proactive steps, such as reducing taxable income with ISAs or leveraging allowances for savings and dividends, can make a substantial difference. Understanding your situation and adjusting your strategy regularly is essential for avoiding potential tax pitfalls. ◀

#### IS IT TIME TO DISCUSS TAKING A TAILORED ADVICE APPROACH TO YOUR RETIREMENT?

Navigating the complexities of retirement income and tax planning isn't always straightforward. If you require further information on managing your finances or assistance with specific queries, don't hesitate to contact us. We'll provide tailored financial advice to ensure you get the most from your retirement and minimise your tax liabilities.

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

# FINANCIAL PLANNING IN YOUR 70s

## STRIKING THE BALANCE BETWEEN LIVING COMFORTABLY AND PREPARING FOR UNPREDICTABLE EVENTUALITIES

**Entering your 70s is a significant milestone**, a time to fully enjoy the fruits of your hard work and careful financial planning. However, even if you've retired or reduced your workload, financial planning remains just as essential as it was in earlier stages of life. Striking the balance between living comfortably and preparing for unpredictable eventualities, such as health issues or care needs, is key to your long-term security.

**Your decisions about managing your savings and investments** need to be timely and efficient. Similarly, thoughts often turn to what you can provide for your loved ones, whether now or in the future, and how to arrange assets to minimise the impact of Inheritance Tax (IHT). Everyone's circumstances differ, but certain financial priorities remain consistent in your 70s. Planning ahead ensures your longevity is matched with financial security, and finding where to begin can be the crucial first step.

### MANAGING DAILY EXPENSES AND INVESTMENTS

By the time you reach this stage, you'll likely be living off pension income and investment returns. With retirement often comes a familiarity with your income and expenses, yet this doesn't mean there aren't challenges. Recent years have shown how market volatility can disrupt even well-planned investment strategies. For example, drawing on your assets at an unsustainable rate during times of market stress can significantly

erode your portfolio's value, a phenomenon known as 'pound cost ravaging'.

Reviewing your financial strategy routinely and ensuring the amounts you withdraw are sustainable and shielded from adverse market effects are important. However, caution is required to avoid becoming overly conservative. While market risks exist, so does the ongoing threat of inflation, which can erode purchasing power over time. Younger retirees might face another 20 or 30 years ahead, so staying partially invested in growth-based assets rather than holding too much cash can be a wiser choice over the long term.

### TAX EFFICIENCY IN RETIREMENT

Tax planning is vital to ensuring your savings last. Efficient withdrawals from various income sources can minimise your lifetime tax bill. For example, utilising your Individual Savings Account (ISA) allowance or capital gains allowances can reduce investment growth and

Income Tax. Additionally, shifting assets into joint names, where applicable, may ease the tax burden between spouses or registered civil partners.

Understanding Income Tax thresholds and allowances is equally critical. Retirees under the Personal Savings Allowance may avoid tax on interest income. The Personal Savings Allowance for basic rate taxpayers is currently £1,000 and for higher taxpayers £500 (2024/25). Proactive planning ensures you maximise available reliefs while keeping obligations in check.

### CONSIDERING LIFESTYLE CHANGES

Dedining health or reduced mobility may lead you to reassess your living arrangements. Downsizing to a smaller, more manageable property can be practical and financially beneficial. It reduces upkeep efforts and frees up capital to boost retirement income. However, leaving a long-standing family home, often filled with cherished memories, can be a deeply emotional decision, one many understandably delay.

If moving isn't an option, modifying your current residence might offer an alternative. Adapting your home to accommodate ageing-related needs - such as stairlifts, grab rails or walk-in showers - can help maintain independence and comfort. This forward-thinking approach can ultimately save both



emotional distress and financial strain if health obstacles arise unexpectedly.

#### **LEGACY PLANNING AND INHERITANCE TAX (IHT)**

A significant aspect of later-life financial planning is effectively organising your estate. IHT remains one of the most commonly overlooked pitfalls, with increasingly modest estates falling into its remit due to rising house prices and unchanged tax thresholds (such as the £325,000 nil rate band, fixed until 2030).

Strategies like gifting assets or placing funds into trusts can reduce the taxable portion of your estate. For instance, using the annual exemption of £3,000 per year or the seven-year rule for larger gifts can shield significant wealth from tax. Ensure your Will is up-to-date and reflects your intentions. Another key step is to include a Lasting Power of Attorney (LPA), which gives trusted individuals control over your affairs should you become incapacitated.

#### **PREPARING FOR RISING CARE COSTS**

Funding care fees is one of the most complex and expensive aspects of later-life planning. The cost of residential care homes or live-in support continues to climb. Planning for this possibility

early is crucial to avoid financial strain on yourself or your family.

Setting aside specific funds or exploring equity release schemes may provide a solution, but each option requires professional advice to assess their suitability. Additionally, long-term care insurance policies could help mitigate costs, but policies must be arranged well before care is likely needed. Understanding these options can provide peace of mind for you and your loved ones.

#### **BALANCING SPENDING THROUGHOUT RETIREMENT**

Spending in later life often follows a 'U-shaped' pattern. Many indulge in travel and hobbies at the start of retirement, enjoying the fruits of their labour. However, as health issues arise later, expenses may climb as care requirements grow. Ensuring your financial plan covers these active and dependent stages will offer greater flexibility.

The unpredictability of health means that even the healthiest retirees should plan for emergencies. Focusing on 'living well' and 'preparing wisely' will allow you to enjoy your retirement while safeguarding against unexpected turns that call for higher financial outlay. ◀

#### **NEED GUIDANCE ON HOW TO TAKE CONTROL OF YOUR FINANCIAL FUTURE?**

Your 70s represent a pivotal time to reassess and refine your financial strategies, ensuring security for now and the years ahead. From revisiting investment decisions to planning for family inheritances and potential care costs, the steps you take today can make a lifetime of difference. Please contact us if you'd like tailored advice or further information about planning your financial future.

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# FROM CRISIS TO RESILIENCE

## BUILDING A SOLID FINANCIAL PLAN

**The financial crisis of over a decade ago shaped global markets.** They faltered and stumbled but then bounced back with surprising speed. This resilience was bolstered by factors such as artificially low interest rates and buoyant market sentiment. However, the world today faces an altogether different type of economic challenge.

**The global downturn of the last few years,** driven by immense geopolitical, environmental and health crises, has left investors feeling far less certain about recovery timelines. While market headlines may spark concern, a sound financial strategy can help weather uncertainty. A well-structured plan, combined with robust risk management, enables you to regain control of your finances and mitigate the impact of market volatility.

### WHY A FINANCIAL PLAN MATTERS

A robust financial plan offers more than just factual clarity. It provides the emotional comfort of knowing your wealth is aligned to withstand unexpected economic storms. However, achieving this peace of mind requires preparation.

Taking steps early in your financial life to implement a balanced plan can help mitigate short-term risks while setting the stage for long-term stability. But what does a strong financial strategy look like in practice? The process typically revolves around understanding the key elements of risk and their potential impact on your financial goals.

### UNDERSTANDING RISK FACTORS

To incorporate risk into financial planning, it is essential to divide it into three main areas. The first is attitude to risk, otherwise known as 'risk appetite'. This reflects one's willingness to take on risk and is usually assessed through a combination of questionnaires and in-depth conversations.

Next comes your capacity for loss, which measures your ability to withstand a loss in capital. Finally, there's the time horizon – the period you expect to remain invested before needing access to your savings. Longer time horizons often allow for greater tolerance of market fluctuations.

### WHY TAILORED RISK ASSESSMENT IS KEY

When these three risk factors are comprehensively assessed at the outset, the likelihood of emotional or financial distress from market movements can be significantly reduced. With clarity on the level of risk you can sustain, you'll be better equipped to weather the inevitable bumps of economic cycles.

On the other hand, neglecting this analysis can have grave consequences. Unanticipated losses without proper safeguards could derail investments and broader life goals.

### SMART USE OF INVESTMENT 'TAX WRAPPERS'

A good financial plan doesn't stop at risk evaluation; it also ensures that your portfolio makes the most of the available tax-efficient accounts, or 'tax wrappers'. These include pensions like Self-Invested Personal Pensions (SIPPs), Individual Savings Accounts (ISAs), General Investment Accounts (GIAs) and offshore bonds.

Each offers distinct tax advantages, access terms and risk profiles. For example, pensions are long-term investments suitable for higher-risk assets early in your career. ISAs provide flexibility, allowing you to save for both short-term and long-term goals, while GIAs are valuable for returns that outpace inflation despite fewer tax allowances.

### THE COST OF GETTING RISK PROFILES WRONG

Analysis has shown that mistimed market declines can have a profound impact depending on where you are in your financial life. Losses just before retirement – or when savings are needed in the shorter term – can be particularly damaging. This is why precisely considering risk tolerance and investment timeframes is critical.

If your time horizon is short, even a modest loss could take years to recover, posing real challenges for accessing your wealth when you need it most. Conversely, a low-risk strategy over a long time horizon can result in missed opportunities for higher returns.

#### A PERSONALISED FINANCIAL STRATEGY

Every person's financial circumstances differ. The ultimate aim should be to maximise potential long-term returns within the level of risk that aligns with your goals. While it may be tempting to compare your financial outcome to that of others, such comparisons can lead to unnecessary anxiety. Remember, those who boast during good times rarely discuss their losses during downturns.

Enlisting the help of an experienced investment manager can make all the difference. They help ensure your portfolio aligns with your attitude to risk, timeframe and long-term aspirations. Adjusting your asset mix when necessary limits your exposure to short-term market volatility while keeping your broader goals in focus.

#### MAPPING OUT YOUR FINANCIAL FUTURE

Financial planning is about more than just numbers. It's about crafting the life you

envison. Do you dream of early retirement, a family holiday home or funding your child's wedding or education? Each of these aspirations has a price tag, and cash flow modelling is an excellent way to visualise these goals.

Cash flow modelling allows you to experiment with life scenarios like retiring earlier, taking a sabbatical or overcoming unexpected health challenges. With targeted questions about your savings structure, pension contributions and investment mix, we can simplify this complex task, leaving you better prepared for the future you want. ◀

#### LOOKING FOR EXPERT GUIDANCE FOR PEACE OF MIND?

At its core, financial planning is about relieving stress, not creating it. We will not only provide you with a solid plan but also reassure you when markets are stormy. Confidence in your investment choices and proactive risk management will enable you to focus on life's more fulfilling moments. If you'd like guidance on creating a bespoke financial plan or have questions about managing your finances, don't hesitate to contact us.

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# UNDERSTANDING STATE PENSION RIGHTS **AND INHERITANCE**

THE TOPIC GOES BEYOND THE BASICS—THERE ARE NUMEROUS LAYERS TO UNCOVER

**For many, the intricacies of the State Pension remain very confusing,** particularly regarding what happens after someone passes away. While many know that the State Pension does not automatically cease when someone dies, understanding your rights or the rights of a widowed spouse or civil partner can be a complex process.



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**SOME ORGANISATIONS OFFERED THEIR WORKERS THE OPTION TO OPT OUT OF SERPS VOLUNTARILY, WHILE OTHERS AUTOMATICALLY CONTRACTED EMPLOYEES OUT—ESPECIALLY IN CASES INVOLVING DEFINED BENEFIT PENSIONS. GUIDANCE FROM SCHEME ADVISERS OFTEN DICTATED WHETHER AN EMPLOYER CHOSE TO CONTRACT EMPLOYEES IN AND OUT OVER VARIOUS YEARS.**  
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**The topic goes beyond the basics—there are numerous layers to uncover.** From the historic Old Age Pension, now known as the Basic State Pension, to the more recent structures like the New State Pension, the State Earnings Related Pension Scheme (SERPS), and protected rights, getting clarity often requires digging deep into their rules and options.

#### DELVING INTO SERPS AND SSP

SERPS was introduced in 1978 as a means for workers to boost their State Pension contributions by paying increased National Insurance (NI). It allowed individuals to build an ‘additional State Pension’ tied directly to their earnings level over their careers. However, SERPS was replaced in 2002 by the Second State Pension (SSP or S2P), which continued until 2016 to offer workers this additional option.

During the SERPS era, many employees were given the opportunity to ‘contract out’. This meant they could redirect part of their NI payments into alternative private pension plans. This system, known as a ‘protected rights pension’, aimed to provide individuals an opportunity to secure potentially greater retirement income through long-term investment.

#### ROLE OF EMPLOYERS AND EMPLOYEE CHOICES

Some organisations offered their workers the option to opt out of SERPS voluntarily, while others automatically contracted employees out – especially in cases involving defined benefit pensions. Guidance from scheme advisers often dictated whether an employer chose to contract employees in and out over various years.

For individuals employed between 1978 and 2016, understanding whether they – or their late spouse or civil partner—were contracted out can be pivotal in determining entitlement to

protected rights, SERPS or SSP-related benefits. Even tracing these entitlements can be daunting with decades of changes and evolving rules.

#### HOW ENTITLEMENTS VARY BEFORE AND AFTER 2016

The rules surrounding inheritance rights shifted significantly depending on when you or your spouse retired. The inheritance rules were notably more favourable for those who reached the State Pension age on or before 5 April 2016 than those retiring after this date, underscoring the system’s complexity.

If your spouse or registered civil partner reached State Pension age before 6 April 2016, you may be eligible to inherit part of their State Pension. Their entitlement would be linked to their NI contributions, and contacting the Pension Service directly is necessary to confirm what you might be able to claim. Notably, if they voluntarily topped up their pension between 12 October 2015 and 5 April 2017, you might inherit a significant portion – or even all – of these additional contributions.

#### IMPACT OF DEFERRING AND PROTECTED PAYMENTS

Another area to consider is deferred pensions. If your spouse or registered civil partner decided to delay claiming their State Pension, you may inherit part or all of their additional entitlements. However, this is subject to conditions. For example, deferred periods of less than 12 months do not qualify for a lump sum, yet additional pension payments can still be claimed.

For cases where death occurred on or after 6 April 2016, inheritance rights depend heavily on the marriage or civil partnership’s timeline. Specifically, marriages or civil unions commencing before 6 April 2016 offer the chance to inherit up to half of your partner’s

protected payment from contracting out of SERPS or SSP benefits.

#### DIVORCE, DISSOLUTION AND PENSION-SHARING ORDERS

If the relationship ended in divorce or a dissolution of a registered civil partnership, rights to a partner’s State Pension become more nuanced. You might receive additional pension payments only if pension-sharing was included in a court settlement. Otherwise, claims are typically off the table. Depending on the court ruling, these orders could increase your own State Pension entitlement or require sharing any protected payments with your former partner.

#### IT IS CRITICAL TO STAY INFORMED

Given State Pension inheritance’s complexities, staying informed is critical. Rules surrounding SERPS, SSP and protected rights have far-reaching implications for your financial future or that of a surviving partner. Identifying entitlement requires closely examining NI records and State Pension rules, with professional guidance often proving invaluable. ◀

#### NEED HELP UNDERSTANDING STATE PENSION?

Please contact us if you or someone you know needs help understanding State Pension inheritance rights and entitlements. We’ll ensure the right steps are taken to safeguard future financial security.

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# HOW TO PLAN FOR YOUR SPECIAL WEDDING DAY

## ALLEVIATE FINANCIAL STRESS AND ENSURE YOU START OF MARRIED LIFE FINANCIALLY SECURE

**Weddings celebrate love, commitment** and the union of two lives, shared with family and friends. However, making this day memorable often comes at a significant financial cost. According to data, the average wedding in the UK costs £20,700<sup>[1]</sup>.

**Wedding spending increased** in almost every category between 2022 and 2023. The most significant cost is that of the wedding venue (£9,877 average with catering and £6,084 without catering, representing 25-50% of the total wedding budget).

Careful planning and strategic financial decisions can alleviate financial stress, ensuring the start of your married life is financially secure.

Here, we explore some key considerations for pre-marriage financial planning and offer guidance to manage your future finances effectively as a couple. A little preparation goes a long way, from setting a sensible budget to managing financial contributions and tax allowances.

### SETTING A BUDGET THAT WORKS FOR YOU

The foundation of sound wedding planning is deciding on a budget. How much do you want

to spend, how much do you realistically have to save and how will you fund the costs? Establishing a budget early on can prevent the unintentional overspending that often accompanies wedding planning. While it's tempting to spend lavishly, a clear financial plan ensures the day is celebrated within your means.

Remember that wedding planners or event hosts may encourage you to go beyond your budget to create a 'perfect' day. The data shows that 59% of couples admitted to going over budget when planning. By setting a spending limit and breaking costs into manageable segments, you gain control - venue, catering, attire, entertainment, etc. - without surprises.

### SECURING YOUR FUNDS

Once you have outlined your budget, consider how you'll finance the wedding. Are you planning

to save? Borrow? Or a combination of both? If financing is required, consider repayment plans and whether they comfortably accommodate mortgage or household bills. Avoiding financial strain is critical; overspending can lead to stress, which may affect your relationship.

Savings allocated for your wedding should ideally be stored in an easy-access cash savings account. Keeping these funds there ensures they're secure from market fluctuations and available precisely when needed. Some couples also use cash savings platforms that may offer competitive rates and tools to simplify money management.

### CONTRIBUTIONS FROM FAMILY

It's common for family members to want to contribute towards the big day. Whether from the 'Bank of Mum and Dad' or contributions from grandparents, these can significantly reduce financial pressure. Additionally, family gifts can provide Inheritance Tax relief. The UK government allows tax-free wedding gifts of up to £5,000 (for a child), £2,500 (for a grandchild or great-grandchild) or £1,000 (for other



relatives or friends). These tax-free thresholds are per individual, so a set of parents could collectively gift up to £10,000.

Did you know you can combine wedding gift allowances with an annual gift exemption? For instance, alongside a £5,000 wedding gift, parents can contribute £3,000 tax-free under the annual exemption, all within the same tax year. Not only does this help secure your dream wedding, but it also reduces the potential Inheritance Tax liability on their estate.

#### CONSIDERING A PRENUPTIAL AGREEMENT

While not the most romantic notion, discussing and creating a prenuptial agreement could provide peace of mind for both partners. A pre-nup is a legally binding document outlining each partner's individual assets and financial responsibilities in case of divorce. Although no one likes to think about worst-case scenarios, being prepared means avoiding unexpected challenges later – this is the essence of thoughtful financial planning.

Bear in mind that divorce is more common than many realise. Couples need to discuss their financial situations openly before marriage. Addressing debts (e.g., credit cards or student

loans), earnings, savings and financial habits will help provide a clearer picture of their combined financial status before embarking on their married life together.

#### POST-MARRIAGE FINANCIAL BENEFITS

Unlike cohabitation, marriage benefits couples in taxation and finances. One key advantage is the tax-free transfer of money or assets between spouses. These transfers may reduce overall tax liability for couples with varying income levels.

For instance, if your spouse is a higher rate taxpayer and you're a basic rate taxpayer, they could transfer investments to you, allowing for lower tax charges on dividends. With significant changes to the UK dividend allowance – dropping to £500 in the 2024/25 tax year – it is more important than ever to consider financial planning.

#### LOOKING BEYOND THE WEDDING

While your wedding day is a momentous occasion, it's just the beginning of your financial future together. Many couples overlook the importance of aligning their wedding spending with long-term financial goals. Without careful financial planning, the consequences can

linger well after the event. Seeking advice from a professional financial planner can help you create a tailored financial strategy for the wedding and your life as a couple. ◀

#### READY TO START PLANNING TO ENSURE A SMOOTHER FUTURE FOR TOMORROW?

Your wedding day should be joyful and stress-free without the lingering concern of financial setbacks. Thoughtful planning today ensures a smoother future for tomorrow. If you'd like further advice on wedding budgeting or guidance on financial planning as a couple, please contact us. We're here to help you make decisions that secure your perfect day and financial future.

#### Source data:

[1] Data from Hitched The National Wedding Survey of over 1,800 couples who married in 2023 - 07.02.24

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# BUILDING A RESILIENT INVESTMENT PORTFOLIO

## SMOOTHING RETURNS AND PROVIDING GREATER STABILITY

**Building a secure financial future requires more than simply saving money;** it demands a strategic approach to managing and growing wealth. A well-diversified investment portfolio safeguards against the inevitable fluctuations of financial markets. This approach doesn't eliminate risk entirely, but it cushions your portfolio, allowing stronger-performing areas to offset potential losses in weaker ones.



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**BEFORE CONSTRUCTING ANY INVESTMENT PORTFOLIO, YOU NEED TO CONSIDER YOUR FINANCIAL GOALS AND YOUR ATTITUDE TOWARD RISK. ARE YOU SAVING FOR A LONG-TERM OBJECTIVE, SUCH AS RETIREMENT, OR DO YOU NEED TO ACCESS YOUR FUNDS WITHIN THE NEXT FEW YEARS?**

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**Over time, this balance helps smooth returns** and provides greater stability, whether markets are thriving or facing challenges. However, diversification alone isn't enough to create a truly effective portfolio. Your investment strategy must be tailored to your unique circumstances, personal goals and financial timeline.

#### **SETTING CLEAR GOALS AND EVALUATING RISK**

Before constructing any investment portfolio, you need to consider your financial goals and your attitude toward risk. Are you saving for a long-term objective, such as retirement, or do you need to access your funds within the next few years? Generally, the longer your time horizon, the more risk you can afford to take. This is because long-term investments have the potential to recover from short-term market dips.

Given their lower risk, safer investments like cash or fixed-interest assets often take precedence for those near or in retirement. On the other hand, younger investors with decades ahead might gravitate toward equities, which, while riskier, often yield higher returns over time. Always ensure your risk comfort level reflects your investment choices to avoid undue stress and potential financial hardship.

#### **ACHIEVING BALANCE THROUGH ASSET ALLOCATION**

A balanced investment portfolio spreads money across multiple asset classes, such as cash, fixed interest (corporate bonds or gilts) and equities. This strategy not only diversifies your portfolio but provides a safeguard against economic fluctuations. Some asset classes are 'negatively correlated', meaning they react differently during economic or market shocks. For instance, if equities underperform, fixed-interest investments or cash holdings may compensate, smoothing your overall return.

Taking diversification to the next level involves including international exposure and investing in various industries. This way, if

one sector or region experiences difficulties, others might help offset potential losses. Remember, diversification doesn't eliminate risk entirely, but it significantly increases your portfolio's resilience.

#### **EXPLORING BROADER INCOME OPPORTUNITIES**

Diversification remains vital for those reliant on their portfolios to generate income. While fixed-interest investments have historically been the go-to for income investors, other options are worth exploring. Property, infrastructure and certain private equity firms are examples of alternative income sources. These options may not promise guaranteed returns but can complement traditional strategies to deliver stable income streams over time.

Investors seeking returns should also consider market trends. For example, equities have significantly outperformed cash over longer periods. Balancing historical trends with financial objectives ensures your money works as effectively as possible.

#### **PROACTIVE MANAGEMENT AND REGULAR REBALANCING**

Creating a robust portfolio is not a one-and-done task - it requires ongoing management. Market conditions shift, altering the value of assets within your portfolio. Over time, this can cause your investment allocations to drift from your intended strategy, exposing you to risks outside your comfort zone.

A key part of long-term investment success is rebalancing - the act of realigning your portfolio to restore its original diversification and risk level. For example, if equities grow significantly, your portfolio might become too equity-heavy, necessitating a move back into fixed-income or other safer assets. Rebalancing ensures your financial plan continues to reflect your long-term goals and risk tolerance.

#### **OBTAINING PROFESSIONAL FINANCIAL ADVICE**

Despite the benefits, constructing and maintaining a diversified investment portfolio can feel overwhelming due to the complexity of financial markets and the wide range of investment options. This is where professional financial advice proves indispensable. We can help tailor a portfolio that suits your unique needs, whether your priority is growing wealth for the future or generating reliable income today.

We'll also ease the burden of rebalancing, ensuring your portfolio adapts to changing financial landscapes so you gain confidence that your money works as effectively as possible without exposing you to unnecessary risks. ◀

#### **READY TO TAKE THE NEXT STEP TOWARDS YOUR INVESTMENT OBJECTIVES?**

Please contact us if you'd like help developing or managing your portfolio. Together, we can create a tailored investment strategy designed to help you achieve your ambitions and build lasting financial resilience. Don't wait - secure your financial future today.

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# ESTATE PLANNING AMID CHANGING IHT RULES

## ENSURING YOUR LOVED ONES ARE CARED FOR TAKES PROPER PLANNING

**Planning your estate is challenging at the best of times.** Knowing how to mitigate your liabilities while ensuring your loved ones are cared for takes proper planning and the right tools. The 2024 Autumn Budget Statement announcements could create significant and lasting challenges for rural businesses of all sizes. Under the Chancellor's proposed changes, from April 2026, IHT reliefs available to farms and family businesses will be restricted.

**Additionally, Business Property Relief (BPR)** will be restricted to 50% for all shares designated as 'not listed' on a recognised stock exchange, such as AIM, from April 2026. One such tool that is receiving attention is whole-of-life cover. In addition to being a standard Life insurance product, it offers unique benefits that can help individuals protect their legacies while addressing IHT concerns.

### WHAT IS WHOLE-OF-LIFE COVER?

Whole-of-life is a life assurance product designed to provide peace of mind. Unlike term life insurance, which only offers cover for a fixed period, whole-of-life cover guarantees a payout whenever the policyholder passes away – whether that's next year or decades into the future.

This means the policy lasts for the entirety of your life, ensuring that your beneficiaries, such as your children or loved ones, will receive the agreed-upon payout. This reliability makes whole-of-life cover particularly valuable for estate planning purposes, especially when considering tax liabilities.

### MANAGING IHT LIABILITIES WITH WHOLE-OF-LIFE COVER

Inheritance Tax is charged at 40% on estates valued above the IHT threshold, currently set at £325,000 in the UK, extended to 2030. This figure often includes the value of your home, savings and investments, making it easy for estates to exceed the threshold and incur significant tax liabilities.

A whole-of-life cover policy can be set up within a trust, which is particularly advantageous when tackling IHT. The payout remains outside your estate if the policy is placed in an appropriate trust. This means beneficiaries can use these funds to settle any IHT obligations without dipping into their inheritance or liquidating other assets. This

strategic structure helps maintain the integrity of the estate while easing financial burdens.

### LIFE EXPECTANCY MUST BE CONSIDERED

When determining the appropriateness of whole-of-life cover, several factors come into play. These include your age, health, lifestyle and the size of your estate. Most importantly, life expectancy must be considered – policies are most cost-effective when individuals live significantly beyond the average life expectancy, as this spreads premiums across many years.

Choosing whole-of-life cover isn't a decision to be taken lightly. It's essential to assess whether the policy's benefits outweigh its costs. For example, if your IHT liability is substantial due to owning high-value assets or property, whole-of-life cover can be a crucial part of your financial strategy. Similarly, you'll need to weigh the premiums against your budget and personal circumstances.

### STABILITY AMID UNCERTAINTY

One of the most compelling benefits of whole-of-life cover is its stability. We live in an era of fluctuating taxation policies, and future budgets

could bring changes to IHT thresholds or rates. However, a whole-of-life policy isn't influenced by such adjustments, offering a dependable safeguard for your estate.

This future-proof nature ensures your loved ones won't face unexpected financial burdens, even in an evolving tax landscape. It's an effective tool for preserving your legacy without worrying about political or economic developments. ◀

### NEED MORE GUIDANCE ON RETIREMENT PLANNING OR FINANCIAL MATTERS?

Estate planning is about more than just wealth – it's about providing peace of mind and financial security for those you hold dear. Whole-of-life cover is a valuable piece of the puzzle, but its suitability depends on your individual circumstances. If you'd like to explore your options or discuss how whole-of-life cover can work as part of your estate plan, please don't hesitate to get in touch.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL 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.

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