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FINANCIAL SOLUTIONS

SMART MONEY

NOVEMBER/DECEMBER 2013

DO YOU HAVE A LONG-TERM INVESTMENT STRATEGY?

TAX-EFFICIENT INVESTING MADE EASY

ENJOY THE TIME OF YOUR LIFE

MAKE WRITING YOUR WILL YOUR TOP 2014 NEW YEAR RESOLUTION

ARE YOU MAKING THE MOST OF YOUR FINANCES?

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IN THIS **ISSUE**

Welcome to the latest issue of our magazine designed to help you make more of your money by protecting and growing your wealth. As the year end approaches and you start to contemplate your New Year resolutions, we look at some of the main areas you should be considering.

Retirement planning involves thinking about your plans for the future now – that means investing your money with the aim of maximising its value ready for when you retire. On page 04 we consider how the importance of careful financial planning, the right mix of assets and starting sooner rather than later could all help lead to the retirement you are looking for.

The complexity of today's economic and global conditions, coupled with uncertainty in Europe, North America and China, have combined to create a degree of cautiousness among many investors. Turn to page 07 to read why having a long-term investment strategy will provide you with a clear advantage during uncertain times.

As much as we might not want to think about it, we are all going to die one day. Most of us know that we should write a will, but most of us never get round to it. Do you fall into this category? If the answer is 'yes', as the New Year approaches make writing your will your top 2014 resolution. Read more on page 06. A full list of all the articles featured in this edition appears opposite.

WE HOPE YOU ENJOY READING THIS ISSUE. TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US.

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TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US.

GIFTS OF THE FINANCIAL VARIETY

The best gift you can ever make to your grandchild or grandchildren this festive period will have a longer-lasting impact

Your grandchild or grandchildren may want the latest toy or gadget this Christmas, but how about giving them a present that can help their financial future? UK tax laws allow children to receive pension contributions of up to £3,600 a year from the moment they are born.

HM Revenue & Customs will currently give tax relief of £60 per month on a £240 a month contribution. The money is locked away until the recipient reaches age 55, but it means they can't 'fritter away' their inheritance!

MORE SELF-RELIANT

Instead, the money becomes available at a time when they may really need it – to pay off a mortgage or fund their lifestyle in retirement. After all, children born today are unlikely to enjoy the same level of retirement funding that the current baby boomers are enjoying. They'll need to be more self-reliant, as dependence on the State is likely to diminish and company benefits such as final salary pension schemes disappear.

TAX-EFFICIENCY

There's another reason why it may make sense for you to do this, and that's tax-efficiency. If you've taken your tax-free lump sum from your own pension, the remaining fund will either be in 'income drawdown' or you will have purchased an annuity. What you may not realise is that even if you are not actually taking an income from your remaining pension fund, it's still classed as 'in drawdown'. This means it could be subject to a 55 per cent tax charge when you die, so your beneficiaries could receive just 45 per cent of your remaining pension fund [1].

INHERITANCE TAX PURPOSES

Using income from your drawdown fund could help move the money out of this 55 per cent death tax environment. Similarly, if you've taken out an annuity and have surplus income, then putting the money into your grandchild's pension may also help move money out of your estate for inheritance tax purposes.

Once the contribution is made into the grandchild's pension, the future investment growth of those contributions belongs to your grandchild, creating significant longer-term value compared to leaving the money within your estate. ■

THE MOST VALUABLE GIFT EVER

Opening a pension for your grandchild or grandchildren this festive period could significantly improve the amount they eventually inherit. With both tax and estate planning benefits, together with the prospect of giving them financial independence in their retirement years, this really could be the most valuable gift you ever make to them. To discuss this and any other retirement planning concerns you may have, please contact us.

[1] Drawdown money is subject to a 55 per cent death tax if paid as a lump sum to beneficiaries.

While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement. The value of investments and the income from them can go down as well as up. You may not get back as much as you invested.

ENJOY THE TIME OF YOUR LIFE

Have you given full consideration to your long-term pension investment strategy?

Retirement planning involves thinking about your plans for the future now – that means investing your money with the aim of maximising its value ready for when you retire. Careful financial planning, the right mix of assets and starting sooner rather than later could all help lead to the retirement you are looking for. Many years ago the traditional view of saving for retirement was to simply put your money into a pension, with few decisions to make in the run-up to your retirement date and no choice over how the pension was taken.

REVIEWING YOUR RETIREMENT PLANNING

Having a pension today is recognised as just one important step along the path to achieving your dreams once you have stopped working. Now, not only must you carefully consider where you actually invest your pension money and how you are going to use your pension, but if appropriate you should also review other forms of retirement savings. Reviewing your retirement planning is critical, and probably the single most important decision you can make to help you realise your long-term goals.

Different investment choices produce different results. It's essential that you review all your retirement investments to make sure they are heading in the right direction. If your circumstances change, some investments may no longer be appropriate. It's important to get these things right as you will be relying on the provisions you make now to generate income after you retire.

FACTORS THAT WILL DETERMINE YOUR STRATEGY

When building or reviewing your pension portfolio there are a number of factors that will determine your strategy, including the level of risk you are willing to take. This is likely to change throughout your life, which means your investment strategy will also need to change. Receiving professional financial advice plays a vital role in helping to make sure that your pension holdings match your risk profile and your investment goals.

Typically, people in the early years of the term of their pension may feel they have time to take more risks with their investments to increase the potential for higher returns. As they approach retirement and the duration of the investment is shorter, they may prefer more predictability to start to plan for their future after work. Alternatively, if they have reached their pension age and are still investing part of their fund while drawing benefits, they may prefer to keep an element of greater risk in return for higher potential growth.

WHEN IT COMES TO RETIREMENT PLANNING

Your 40s is 'the golden decade' when it comes to retirement planning. This is when you should be putting as much as possible into your pension to give your contributions time to grow.

In your 50s you may want to start making decisions about your retirement. If you are going to convert all of your retirement funds into income the moment you retire, you may wish to start reducing risk now. If you expect to keep it mainly invested, you may wish to keep a good weighting in investments based on shares. After all, with the growing trend towards taking work in retirement, many people may feel they can afford to keep their pension invested for longer while drawing an income.

Delaying the start of your retirement provision will have an obvious impact on the potential growth of your pension. Not only will the time period for growth potential be reduced, but you could also be passing up the opportunity for valuable tax relief.

STREAMLINED PENSION REGIME

Pensions have always provided a highly tax-efficient environment for long-term retirement investments. However, in April 2006, a streamlined pension regime introduced a number of extra benefits, including the potential to contribute larger sums into your pension fund when the timing is right for you.

Since the rules were simplified, pensions have become easier to navigate. Whether you have

IN YOUR 50S YOU MAY WANT TO START MAKING DECISIONS ABOUT YOUR RETIREMENT. IF YOU ARE GOING TO CONVERT ALL OF YOUR RETIREMENT FUNDS INTO INCOME THE MOMENT YOU RETIRE, YOU MAY WISH TO START REDUCING RISK NOW.

occupational pensions, personal pensions or both, you now have one overall annual and one Lifetime Allowance for pension savings. You can save as much as you like into any number and type of registered pension schemes and receive tax relief on contributions of up to 100 per cent of your earnings (salary and other earned income) each year, provided you paid the contribution before age 75. But the amount you save each year towards a pension from which you benefit from tax relief is subject to the 'Annual Allowance'. The Annual Allowance for the tax year 2013/14 is £50,000.

EXCESS TAXED ON INCOME

The Lifetime Allowance, the amount you can save in total in all your pensions, is for most people £1.5 million in the current tax year 2013/14. It applies to all the pensions you have, excluding your State Pension. In 2014/15 the Lifetime Allowance will reduce to £1.25 million. If you save more than this, you will be taxed on income from the excess at an effective rate of 55 per cent if taken as a cash sum, and 25 per cent if taken as pension benefits. These charges are on top of any income tax due on the pension payments.

CONSOLIDATING FUNDS

Another feature of pensions is that you can consolidate payments from one UK registered pension scheme to another. This could be either to access different benefit options or simply to consolidate your funds in one place. It is important to note that there are costs involved, and obtaining professional financial advice is essential to ensure that you take the appropriate course of action for your specific situation.

If you have more than one pension plan in your name, there could be a number of advantages to consolidating all your plans into one. Having one pension can make it much easier for you to keep track of funds, monitor performance and change strategy if necessary. Consolidation may also cut down on paperwork and could make estate planning simpler.

Again, it's possible that consolidating pension funds may not be beneficial for your particular circumstances. You should always receive professional financial advice before deciding if it is the right course of action for you.

YOUR 40S IS 'THE GOLDEN DECADE' WHEN IT COMES TO RETIREMENT PLANNING. THIS IS WHEN YOU SHOULD BE PUTTING AS MUCH AS POSSIBLE INTO YOUR PENSION TO GIVE YOUR CONTRIBUTIONS TIME TO GROW.

POST-RETIREMENT

The array of post-retirement options is vast and will need to be considered carefully. The best option for you will depend on factors such as the size of your fund, your ongoing involvement, the risk you are willing to take and the level of benefit flexibility you want.

Annuities have long been the mainstay of turning your retirement pot into income. When it comes to buying a pension annuity you can choose from any provider in the market, with the option of inflation-proofing it or buying a guarantee so that it continues to pay out for a set period of time. You might also want an income to continue for your spouse after your death. All these options will reduce the amount you initially receive.

You have other options besides buying an annuity, such as using a drawdown facility and leaving your pension invested but receiving an income from the fund. If you do this, you can still take your 25 per cent tax-free lump sum out of your pension.

There are many choices to make during the pre- and post-retirement years. However, these choices are some of the most important you will ever make, so careful consideration is essential in order to safeguard your financial future and give you the retirement you are dreaming of. We can provide professional help and advice on retirement planning, so please contact us to arrange a meeting. ■

ARE YOU PROACTIVE?

When it comes to planning for your retirement, time is your friend. The earlier you start, the longer your money has the potential to grow. But retirement planning isn't just paying money into your pension each month and forgetting about it – you need to be proactive. To review your current situation or requirements, please contact us for more information.

Some occupational schemes may not be able to offer you all the options referred to within this article. While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement. The value of investments and the income from them can go down as well as up. You may not get back as much as you invested.

MAKE WRITING YOUR WILL YOUR TOP 2014 **NEW YEAR RESOLUTION**

Save your loved ones from any additional stress at what is likely to be a very difficult time

As much as we might not want to think about it, we are all going to die one day. Most of us know that we should write a will, but most of us never get round to it. Do you fall into this category? If the answer is 'yes', as the New Year approaches make writing your will your top 2014 resolution.

Writing a will gives you peace of mind that your wishes will be respected after you die and, by making those wishes clear, you can save your loved ones any additional stress at what is likely to be a very difficult time. Not writing your will could have serious consequences for those you leave behind. If you die without getting your financial affairs in order, your money, personal belongings and even your home could go to the person you least want to have them, and your loved ones could lose out.

GET YOUR FINANCIAL AFFAIRS IN ORDER

- Specify exactly how you want to divide up your assets, including any property, savings, business interests, personal effects and even pets – known in legal terms as your 'estate'
- Appoint a guardian to care for your children as well as making specific financial provisions to help them do so (otherwise, it will be up to the courts to decide who looks after any children under 18 who are left without a parent)
- Use your will to save tax and potentially reduce or eliminate the amount of inheritance tax that may need to be paid on your estate
- Protect your assets for future generations and give yourself peace of mind that your affairs are in order

HOW WILL YOUR ESTATE BE SHARED OUT?

In England or Wales (some areas of the law and legal procedures are different in Scotland), if you die without a valid will, laws known as the Rules of Intestacy will determine how your estate is shared out. Importantly, only spouses or registered civil partners and certain blood relatives can inherit under these rules – unmarried partners who are not in a civil partnership cannot benefit, nor can relations by marriage or close friends, even if there are no qualifying blood relatives (in which case your estate will pass to the Crown).

A DIFFICULT FINANCIAL POSITION

Not having a will can mean lengthy delays in distributing your assets, in some cases years, which could leave your nearest and dearest in a difficult financial position, depending on your situation.

Family lives are often now more complicated, with more couples divorcing and second marriages and second families on the rise. In such cases, it is even more important to have a suitable will in place.

It is also essential you remember to review your will, especially when life changes occur. Life events such as a second marriage will revoke any previous wills, and a divorce will cancel any benefit to a former spouse, unless the will specifically states that divorce should not affect the entitlement.

REDUCE A POTENTIAL TAX BURDEN

Currently, if you leave behind an estate worth more than £325,000 (2013/14 tax year), inheritance tax (IHT) is levied at 40 per cent on anything above this threshold. If this is likely to apply to you, writing a will could help you reduce the potential tax burden on your beneficiaries.

It makes sense for a married couple to write their wills in conjunction with each other as, usually, the IHT is only an issue on the second death. Careful planning on the first death can, however, sometimes reduce the total eventual tax liability

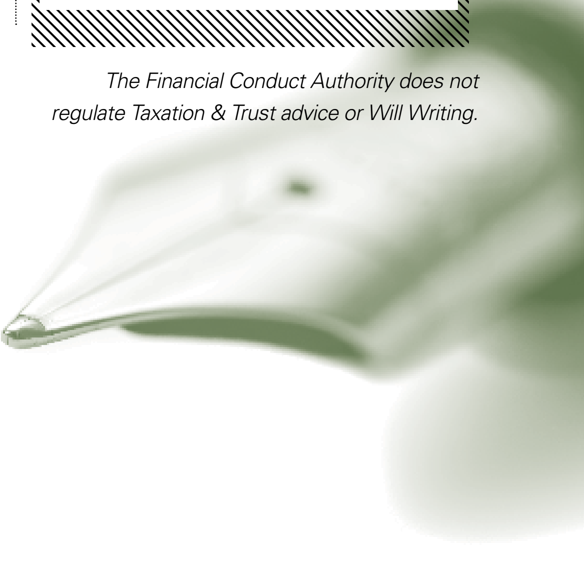
This is because bequests between spouses are exempt from IHT and so it is easily possible to avoid any tax liability at that stage. The issue is delayed rather than avoided altogether, so the will of the first to die should be written with that in mind.

Also exempt are gifts to charities. Any money you leave to charity is not taxed, and if you leave more than 10 per cent of your estate to charity, any IHT payable on the remainder will be charged at a reduced rate of 36 per cent. ■

WHERE THERE'S A WILL, THERE'S A WAY

If you haven't written a will, whether your affairs are straightforward or complex, it's important to obtain professional financial advice. Or, if you already have a will and are getting married, divorced or having your first child, or more children, make sure that your existing will reflects this. Ensure that it is properly changed – either with an official change called a 'codicil' if the change is minor, or by writing a new will. Either way, make sure the changes are witnessed. For more information, please contact us to discuss your requirements.

The Financial Conduct Authority does not regulate Taxation & Trust advice or Will Writing.



DO YOU HAVE A LONG-TERM INVESTMENT STRATEGY?

Keep focused on your end goals and don't let market noise sway you

The complexity of today's economic and global conditions, coupled with uncertainty in Europe, North America and China, have combined to create a degree of cautiousness among many investors. A long-term investment strategy could provide you with a clear advantage during uncertain times.

ONE OF THE WORLD'S RICHEST INVESTORS

Warren Buffett is one of the world's richest people and is a highly successful investor. He's achieved this partly by identifying companies that he believed were worth more than their market value, investing in them and, crucially, holding that investment for the long term. It sounds remarkably simple, but given the ups and downs of the global markets, it takes a high level of discipline, nerve and conviction in your decisions.

KEEP FOCUSED ON YOUR END GOALS

It's important to have in place a sound investment strategy to keep you focused on your end goals and not to let market noise sway you. If appropriate, consider investing at regular intervals over the long term. Keep on investing through market lows when share prices are undervalued, so that you gain more wealth when markets rise again. This can help smooth some of the stock market ups and downs and you avoid investing all of your money when the market is at a peak.

YOUR ATTITUDE TOWARDS INVESTMENT RISK

Understand your time horizon and your attitude towards risk. They affect how you invest. We're all different, and our personal risk attitude can change with our circumstances and age. The nearer you approach retirement, the more cautious you're likely to become and the keener you're likely to be to protect the fund you have already built. Note that the value of your fund may fluctuate and you may not get back your original investment.

SPREAD RISK THROUGH DIVERSIFICATION

Diversify your portfolio so that when one part of the market does not perform it is balanced out by another part of the market that does. View your investment portfolio as a whole. Asset allocation is the process of dividing your investment among different assets, such as cash, bonds, equities (shares in companies) and property. The idea behind allocating your money among different assets is to spread risk through diversification – the concept of not putting all your eggs in one basket.

ASSETS THAT BEHAVE DIFFERENTLY

Balance your portfolio and maintain a sensible balance between different types of investments. To benefit from diversification, you need to invest in assets that behave differently from each other. Each asset type has a relationship with others – some have very little or no relation to each other (known as a 'low correlation'), whereas others are inversely connected, meaning that they move in opposite ways to each other (called a 'negative correlation').

MIRRORING THE PERFORMANCE OF A PARTICULAR SHARE INDEX

There will always be times when one asset class outperforms another. Generally, cash and bonds provide stability while shares and property provide growth. Funds are either actively managed, where managers make decisions about the investments, or passively managed (typically called a 'tracker'), where the fund is set up to mirror the performance of a particular share index rather than beat it.

BENEFIT FROM COMPOUND GROWTH

Think long term. It is time in the market that counts – not timing the market. The longer you are invested in the market, the greater the likelihood of making up for any losses. What's more, the sooner you start investing, the more you will benefit from compound growth.

INVESTING AS TAX-EFFICIENTLY AS POSSIBLE

Different investments have different tax treatments. Tax is consequential to many wealth management decisions. Our understanding and experience can help you manage and protect your wealth, whatever form it takes. We can advise you about the tax treatment of your current investments, and of any investments you are considering, to ensure that you are investing tax-efficiently. It's important to remember that your requirements are unique to you. What's a good investment for one individual is not automatically a good investment choice for you, so don't follow the latest investment trends unless they fit with your plan. ■

REQUIRE ADVICE?

We offer a range of services that we tailor to our clients' investment requirements. To find out more about how we could help you build and grow your wealth, please contact us to discuss the options available to you.

Past performance is not necessarily a guide to the future. The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

WHAT TO CONSIDER IF YOU ARE **APPROACHING YOUR RETIREMENT**

Make sure you have enough income to provide for your needs in the future

Sooner or later we will retire, and the decisions we make today are the ones that will determine the standard of living we will enjoy in the future. If you are approaching your retirement there are some very important choices you need to make that will determine how much income you live on once retired.

Firstly, you'll need to check your personal, company and State Pensions. You must make sure you have enough income to provide for your needs in the future. If you are planning on using your pension to buy an annuity when you retire, it is essential that you don't just accept the deal offered by your pension provider, as you could potentially lose out on a significant amount of money over the lifetime of the annuity.

EXERCISE YOUR 'OPEN MARKET OPTION'

You should always exercise your 'Open Market Option' that will enable you to get the best possible deal for your pension fund. Comparing the different rates available – instead of buying an annuity from the company with whom you have built up your pension savings – could result in an increase to your retirement income of up to 40 per cent depending on your circumstances.

You can buy your annuity from any provider and it certainly doesn't have to be with the company you had your pension with. The amount of income you will receive from your annuity will vary between different insurance companies, so it's essential that you receive professional financial advice before making your decision.

DON'T FORGET ABOUT INFLATION

As you are likely to spend around 20 or even 30 years in retirement, remember that inflation could have a serious impact on the purchasing power of your savings. If you have opted for an inflation-linked annuity rather than a level annuity, then you will have protection against the rising cost of living.

WORK OUT CAREFULLY HOW MUCH INCOME YOU NEED TO DRAW

When you retire, you don't have to go down the route of purchasing an annuity. An alternative to purchasing an annuity is to leave your pension invested and take a portion of the pension pot each year as an income, hence the phrase 'income drawdown'. This option may also mean that you could possibly leave your family some legacy when you die, as your pension pot, after tax of 55 per cent, passes on to your family according to your wishes. However, if you take out too much, your capital could soon be eaten away. But the upside of not buying an annuity is that your funds remain invested with the potential for further growth.

ANOTHER ROUTE WORTH CONSIDERING IS FLEXIBLE DRAWDOWN

To qualify for flexible drawdown you must have a guaranteed pension income of £20,000, known as the 'Minimum Income Requirement'. If you are eligible, then you can withdraw the rest of your pension fund in a manner that best suits your circumstances, whether that's in its entirety or in part withdrawals. It is often sensible to make withdrawals over several years though, as you still pay income tax on any withdrawals, so the larger the withdrawal the more tax you'll pay.

HAVE YOU FORGOTTEN ABOUT ANY OTHER PENSIONS?

It can be easy to lose track of pensions over time, especially if you move from job to job, but you can locate a lost pension by contacting the Pension Tracing Service online at www.gov.uk/find-lost-pension. This service is free, and if they locate your pension they'll give you the address of your scheme provider. ■

RETIRING SOON?

Not sure about your retirement options? There is a lot to think about as you approach your retirement. Contact us to discuss your retirement options and we'll help you decide what's right for you. We look forward to hearing from you.

While annuities are generally guaranteed to be paid, remaining invested and using drawdown means that the value of your pension, and the income from it, can go down as well as up. Therefore there is a chance that you may not get back as much as you would by using an annuity. Drawdown is a high-risk option which is not suitable for everyone. If the market moves against you, capital and income will fall. High withdrawals will also deplete the fund, leaving you short on income later in retirement.

WHY IT PAYS TO BE **SMART** WHEN PLANNING YOUR

ENSURE YOUR INHERITANCE GOES TO LOVED ONES AND NOT THE TAXMAN

Inheritance tax (IHT) is becoming an issue for an increasing number of people in the UK. None of us likes to entertain the thought of our own death and what would happen to our family after such an event. However, a financial plan for your death is vital, especially if you have dependants.

IHT is a tax on money or possessions you leave behind when you die and on some gifts you make during your lifetime. However, a certain amount can be passed on tax-free, utilising your 'tax-free allowance'. This is also known as the 'nil rate band'.

Everyone in the current 2013/14 tax year has a tax-free IHT allowance of £325,000. The allowance has remained the same since 2010/11 and will stay frozen until at least 2018.

Failing to think about how to tackle a potential IHT liability could have serious consequences for your loved ones. No one wants to leave people they care about with an IHT bill that could have been substantially reduced, or even eliminated altogether.

We have provided five steps to consider if appropriate to your particular situation:

1. WRITE A WILL

In the UK, if you don't have a will your estate will be distributed according to rules set out by law. These are known as the 'Rules of Intestacy' (some areas of the law and legal procedures are different in Scotland).

For example, in England and Wales, if you're married with children, the first £250,000 of your estate (plus any personal possessions) would pass to your spouse. The remainder would be split equally, half going to your children when they reach the age of 18 and the other half used to generate an income for your spouse, passing to the children on your spouse's death.

If you're not married your estate will go to your blood relatives, even if you've been living with someone for several decades. This could be far from what you wish. Think about where you want your money to go and why. A will makes your wishes concrete and clarifies who should get what, but can also be reviewed over time.

2. MAKING USE OF LIFE ASSURANCE

Life assurance can play a big part in your IHT planning. Rather than reduce the liability, by taking out a plan to cover your estate's potential IHT liability and writing it in an appropriate trust, the proceeds can be used to meet the IHT amount payable. More importantly, by putting it in an appropriate trust it will fall outside your estate so it won't form part of your estate and will not be liable for IHT currently at 40 per cent.

3. GIVE IT AWAY

Giving your wealth away to another individual while you are still alive will also save on IHT. Some gifts are immediately outside your estate. You can give as many people as you like up to £250 each in any tax year. If you want to give larger gifts, either to one person or several, the first £3,000 of the total amount you give will be exempt from IHT with the balance after 7 years.

You can also make a regular gift as long as it is out of your income and doesn't affect your standard of living. For example, if you don't spend all your salary or pension each month, you could redirect any funds that are left over to another person. The gift does need to be regular, which could perhaps be a birthday or Christmas present, or a monthly payment.

A wedding can also be a good excuse for an IHT-exempt gift. A parent can give up to £5,000, a grandparent £2,500 and anyone else £1,000.

Legislation stops the tax saving if you continue to benefit from whatever is given away.

4. MAKE AN INVESTMENT AND USE A TRUST

This could be useful if you wanted to give some money to, for example, your children or grandchildren but fear they might not spend it wisely during their teenage years. Or, if you wanted to give away capital while keeping control over how it is managed and, in some instances, still being able to receive an income from it.

Tax charges can also come into play on the money placed in trust, but generally if this remains below the nil-rate band you won't need to pay any tax. And in many cases the level of tax suffered will be less than the 40 per cent headline IHT rate. Most IHT planning uses a trust arrangement of some sort.

5. MAKE IHT-EXEMPT INVESTMENTS

Where planning to reduce the liability is not possible, then life assurance is an option. More importantly, by putting it in an appropriate trust it will fall outside your estate so it won't form part of your estate and will not be liable for IHT, currently chargeable at 40 per cent. Be aware that premiums must be maintained throughout your remaining lifetime and if they lapse, so will the cover. It's therefore essential that you ensure the continued affordability of the premiums, which may be payable for the rest of your life. ■

PROTECT YOUR WEALTH

It is essential that you receive the highest standard of professional financial advice to enable you to plan effectively and achieve the most tax-efficient strategy to protect your wealth. We can help you achieve peace of mind for your financial future – please contact us for further information.

Investments in unquoted companies usually carry higher risks and may not be suitable for all investors. Accordingly, professional advice should be obtained before making an investment. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. The Financial Conduct Authority does not regulate Taxation & Trust advice or Will Writing.

ARE YOU MAKING THE MOST OF YOUR FINANCES?

Keeping your tax bill to a minimum is not a matter of aggressive or complex tax schemes

During this period of austerity, why pay more tax than you need to? Sensible tax planning is an essential tool in making the most of your finances. Keeping your tax bill to a minimum is not a matter of aggressive or complex tax schemes, but rather of identifying which of the many tax reliefs and allowances specifically granted by law are available to you.

Here are some ways to help you keep hold of more of your hard-earned money:

CHECK YOUR TAX CODE

If applicable, look at your pay slip or ask your tax office for a coding notice. This details your allowances and any deductions due to state benefits or taxable employee benefits. If you're not sure it's accurate, query it. Errors will affect how much you pay and may result in a large tax demand if you're paying too little. You may be paying too much if, say, you change jobs and your correct tax code isn't used – or if you have more than one job. You can claim back overpaid tax for up to four years.

MAXIMISE PERSONAL ALLOWANCES

Ensure that you are making the most of your individual tax-free personal allowance (PA), which for 2013/14 is £9,440 for those aged under 65, or the age-related allowances which are worth up to £10,660 assuming your maximum income doesn't exceed £26,100, after which your PA would reduce by £1 for each £2 earned above this figure, until it reached £9,440.

If your spouse or registered civil partner has little or no income, consider transferring income (or income-producing assets) to them to ensure that they are able to make full use of their PA. Care should be taken to avoid falling foul of the settlements legislation governing 'income shifting'. Any transfer must be an outright gift with 'no strings attached'.

MAKE THE MOST OF YOUR INDIVIDUAL SAVINGS ACCOUNT (ISA) ALLOWANCE

Up to £11,520 can be invested in an ISA this tax year, of which up to £5,760 can be invested in a Cash ISA. Most income accrues tax-free, although the tax credit on UK dividend income cannot be recovered.

All investments held in ISAs are free of CGT. And don't forget, the new Junior ISA (JISA), for those aged under 18 who do not have a Child Trust Fund account, allows investment of up to £3,720 in 2013/14. 16 to 17-year-olds can also invest up to £5,760 in an adult Cash ISA, even if they already have a JISA.

USE YOUR CAPITAL GAINS TAX (CGT) ALLOWANCE

Make the most of your CGT exemption limit each year (£10,900 in 2013/14). It may be possible to transfer assets to a spouse or registered civil partner, or hold them in joint names prior to any sale to make full use of exemptions. Individuals with a particularly large gain may want to realise it gradually to take full advantage of more than one tax year's allowance. (You should only consider spreading a disposal of, for example, shares if you will not be putting your gain at risk in the meantime.)

USE YOUR OCCUPATIONAL PENSION SCHEME

Opting out of your occupational pension scheme could mean that you are missing out on valuable pension contributions from your employer. If you are offered a pension scheme by your employer, then it is worth considering joining. If your employer makes a contribution to your pension, this is like receiving additional pay. Some employers may even be willing to match the contributions that you make, doubling the amount saved towards your retirement.

GET A TAX BOOST FOR YOUR PENSION CONTRIBUTIONS

If you're a UK taxpayer, in the current 2013/14 tax year you'll receive tax relief on pension contributions of up to 100 per cent of your earnings or a £50,000 annual allowance, whichever is lower. For example, if you earn £60,000 and want to put that amount in your pension scheme in a single year, you'll only get tax relief on £50,000. Any contributions you make over this limit will be subject to Income Tax at the highest rate you pay. However, you can carry forward unused allowances from the previous three years, as long as you were a member of a pension scheme during those years. The annual allowance is reducing from £50,000 to £40,000 in the tax year 2014/15.

NON-TAXPAYER? DON'T PAY TAX AT SOURCE ON YOUR SAVINGS

As a non-taxpayer, you can pay too much tax on your savings, as tax on interest is deducted at source. If this has happened, complete an R40 Tax Repayment Form for each year you've paid too much. A form R85 from your building society or bank will stop future interest being taxed. Often non-taxpayers fail either to elect to have interest paid gross or to reclaim any overpayment from HMRC. This could result in you paying unnecessary tax and reduces the value of your savings. ■

WHAT DO YOU NEED TO DO NEXT?

If you require advice in relation to mitigating tax, and saving and investing tax-efficiently, please get in touch with us to discuss your requirements – we look forward to hearing from you.

Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested.

TAX-EFFICIENT INVESTING MADE EASY

Don't miss out, start reviewing your options now

An Individual Savings Account (ISA) is a tax-efficient 'wrapper' designed to go around an investment. You've got until 5 April 2014 to use your current 2013/14 tax year annual ISA allowance before you lose it forever.

SPLITTING THE INVESTMENT

The crucial thing to remember is that in every tax year – which runs from 6 April one year to 5 April the next year – you're only allowed to invest a certain amount in your ISA. In this 2013/14 tax year, which ends on 5 April 2014, you can invest a total of £11,520 – made up from just the money you pay in, not the interest or growth earned.

This amount can be split in a few different ways. For example, you could save up to a maximum of £5,760 in one Cash ISA. The other £5,760 could be invested into a Stocks & Shares ISA with the same provider, or a different one. Alternatively, you may wish to invest up to the full £11,520 in just a Stocks & Shares ISA.

TAX-EFFICIENT RETURNS

Any ISA investment growth, no matter how much, is free from income and capital gains tax (a 10 per cent tax credit is still payable on UK share dividends and cannot be reclaimed).

Make sure that you don't miss out on tax-efficient returns and start reviewing your options now.

TRANSFERRING OTHER ISAS

As well as currently being able to invest your full ISA allowance of £11,520 in a Stocks & Shares ISA, you can also transfer some or all of the money held in previous tax year Cash ISAs into a Stocks & Shares ISA. A Stocks & Shares investment is a medium- to long-term investment, but remember the value of your investment can go down as well as up and you may get back less than you originally invested.

"ANY ISA INVESTMENT GROWTH, NO MATTER HOW MUCH, IS FREE FROM INCOME AND CAPITAL GAINS TAX (A 10 PER CENT TAX CREDIT IS STILL PAYABLE ON UK SHARE DIVIDENDS AND CANNOT BE RECLAIMED).

JUNIOR ISAS

A Junior ISA (JISA) is a long-term, tax-efficient savings account for children. Your child can have a JISA if they are under 18, live in the UK and weren't entitled to a Child Trust Fund account.

There are two types of JISA: a Cash JISA, and a Stocks & Shares JISA. Your child can have one or both types of JISA. Children aged 16 and 17 can open their own JISA, or it can be opened by the person with parental responsibility for the child.

Anyone can pay money into a JISA, but the total amount can't exceed £3,720 in the current tax year. For example, if your child has £1,000 paid into their Cash JISA from 6 April 2013 to 5 April 2014, only £2,720 could be paid into their Stocks & Shares JISA in the same tax year. ■

WHAT DO YOU NEED TO DO NEXT?

Our financial planning service can help to ensure that your holdings are structured in a tax-efficient manner and a clear plan is established that will help you meet your objectives. To review or discuss your particular situation, please do not hesitate to contact us.

Past performance is not necessarily a guide to the future. The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

SAFEGUARDING YOUR INCOME AND FAMILY WEALTH

We can help provide significant peace of mind to you and your family

What would happen to your family if something were to happen to you or your partner? We all want to protect what's important to us. And while most people recognise the importance of taking out insurance to cover valuable possessions such as their homes and cars – even pets – far fewer have sufficient protection in place to protect themselves or their families should something unexpected happen to stop them earning income.

FINANCIAL PROTECTION

Could you and your loved ones cope financially if you had an accident or fell ill and couldn't work? According to figures from the Office of National Statistics in 2010 [1], 20 per cent of British men and 10 per cent of British women died before their 60th birthdays. Thousands of Britons under the age of 60 are also diagnosed with a critical illness every year and even more are involved in accidents that affect their ability to work.

Many of us expect the Government – or our employers, if applicable – to step in should we become unable to work. However, even if you are employed full-time, your employer will generally stop paying your full salary after a period of time and the State benefits you qualify for can offer only limited help – particularly if you have a mortgage. While most major life events can't be foreseen, they can be planned for, and here we explain some of the different types of protection available that could help support you or your family in times of crisis.

LIFE INSURANCE

If the worst should happen, life insurance will provide your family with a guaranteed cash lump sum or income to help them cope financially in the event of your premature death.

You can choose between cover that pays out the same amount no matter when you die, cover that increases in line with inflation, or perhaps cover that's related to your mortgage, decreasing in line with any outstanding balance. It is worth checking whether your employment contract includes a death in service benefit that will go to your family should you die.

CRITICAL ILLNESS INSURANCE

More than eight in ten cancer patients find themselves in a difficult financial position, according to charity Macmillan Cancer Support [2], who estimate that cancer costs the average patient £570 a month due to hospital travel and loss of earnings.

Critical illness cover can offer a financial lifeline to people who develop a serious medical condition. It pays out a tax-free lump sum if the policyholder is diagnosed with a life-threatening specified illness covered by their plan – and you can use any payment you receive any way you want.

While most of us tend to worry about the most common serious illnesses such as heart attack, cancer and multiple sclerosis, critical illness cover can also protect you against a much wider range of specified conditions.

It also makes sense for individuals with no dependants to consider critical illness cover to help maintain their current standard of living.

INCOME PROTECTION INSURANCE

Income protection insurance is designed to help cover your outgoings while you are unable to work – right up to your chosen retirement age.

It essentially pays a selected percentage of your monthly income. Depending on the provider, you can choose to receive up to 75 per cent of your gross salary, but again, you will pay less for cover if you think you can survive on a lower percentage.

Payments usually start after a specified period, for example, 4 or 13 weeks. Many people will defer the start of payments until after any sick pay they are entitled to with their company has finished - most insurers would reduce a claim by any sick pay you are entitled to anyway.

You could even choose to defer the benefit payments for up to two years, perhaps based on having other plans that could support in the interim, such as critical illness cover. ■

ENSURE THAT YOU – AND YOUR FAMILY – ARE FULLY PROTECTED

Life insurance, critical illness insurance and income protection insurance are designed to protect you in different financial and emotional situations. For many, having a combination of the three is the best way to ensure that you – and your family – are fully protected should the unexpected happen. If you have no dependants, a combination of critical illness cover and income protection may be more appropriate. To review your particular protection requirements, please contact us for more information.

[1] Office of National Statistics: Mortality in the United Kingdom 2010, released 20 January 2012
[2] Macmillan Cancer Support – Cancer's Hidden Price Tag 2013 report

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