21ST CENTURY FINANCIAL PLANNING
Independent Financial Advisers

MoneyMatters

March/April 2024

Tax saving measures for 2023/24 end of tax year

Is it time to review your pension contributions?

Successful financial planning

BUDGET 2024

Consolidating your finances

- Lifestyle Protection
- Creating Wealth
- Tax Rules

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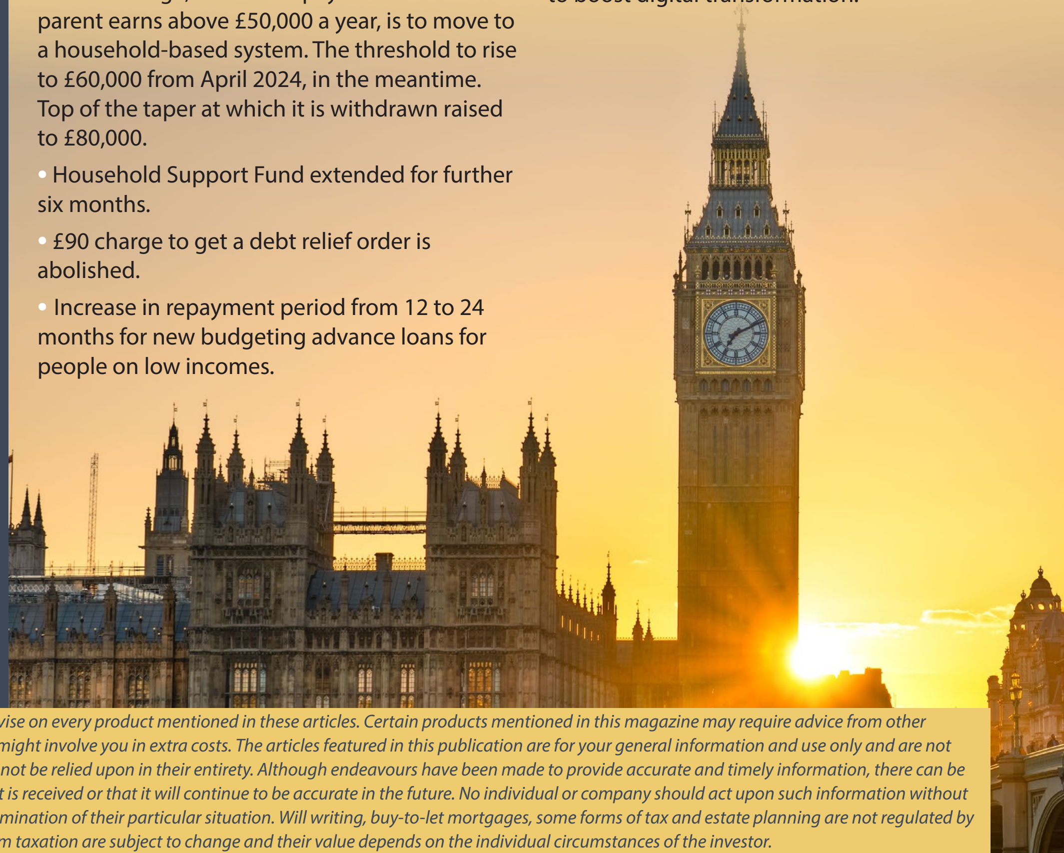
BUDGET 2024

THE CHANCELLOR HAS UNVEILED THE BUDGET FOR 2024.

HERE ARE THE KEY POINTS:

- National insurance (NI) contributions for employees are being cut by 2p in the pound, impacting about 27 million workers, from 10% to 8% from April 2024. Self-employed NI rates to drop by 2p as well.
- Higher rate of property Capital Gains tax reduced from 28% to 24%.
- Non-dom tax status abolished. It means foreign nationals who live in the UK, but are officially domiciled overseas, will no longer be able to avoid paying UK tax on their overseas income or capital gains. A "simpler" residency-based system to arrive in 2025.
- Stamp duty relief for people who purchase more than one dwelling in a single transaction, known as Multiple Dwellings Relief, is scrapped.
- Furnished Holiday Lettings regime abolished because it created "a distortion meaning that there are not enough properties available for long term rental by local people."
- Air Passenger Duty raised for non-economy class plane passengers.
- Energy Profits Levy, the windfall tax on UK-produced oil and gas, is extended to 2029.
- The threshold on the High Income Child Benefit Charge, which hits payments if one parent earns above £50,000 a year, is to move to a household-based system. The threshold to rise to £60,000 from April 2024, in the meantime. Top of the taper at which it is withdrawn raised to £80,000.
- Household Support Fund extended for further six months.
- £90 charge to get a debt relief order is abolished.
- Increase in repayment period from 12 to 24 months for new budgeting advance loans for people on low incomes.
- A new British ISA will allow an additional £5,000 annual investment for investments in UK equity. Includes all tax advantages of other ISAs and will be on top of the existing ISA allowances.
- To help people save, a new British Savings Bond, delivered through NSNI, will offer a guaranteed rate, fixed for 3 years.
- Duty to be introduced on vaping liquids for the first time in October 2026. A one-off increase in tobacco duty will be made at the same time.
- Alcohol duty freeze extended until February 2025.
- No change to fuel duty, with 5p cut announced in March 2022 still in place.
- Full Expensing for businesses will apply to leased assets in future "when affordable". Draft Bill to be published shortly.
- Eligible film studios in England will secure 40% relief on their gross business rates until 2034. Tax reliefs made permanent at 45% for touring and orchestral productions and 40% for non-touring productions.
- NHS to get additional £2.5bn this year to tackle issues including waiting lists.
- Planned growth in day to day public sector spending to be maintained at 1% in real terms but Hunt says "we are going to spend it better". Includes funding NHS productivity plan "in full" to boost digital transformation.



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Is it time to review your pension contributions?

The pension Annual Allowance increased in 2023/24. Have you reviewed your contributions?

The pension Annual Allowance increased by 50% in the 2023/24 tax year. So, if you haven't already checked whether the changes could offer you increased tax-efficient savings into your pension, doing so before the current tax year ends on 5 April 2024 could be very rewarding.

The Annual Allowance increased to £60,000 in 2023/24 from £40,000 in 2022/23.
The Annual Allowance is the amount you can add to your pension each tax year and still get tax relief. So, if you are yet to contribute fully to your pension for the current tax year, you might want to consider adding a lump sum before 5 April 2024.

There are two circumstances which could mean your Annual Allowance is less than £60,000:
1. Where you have already accessed an income from your pension, you may be affected by the Money Purchase Annual Allowance (MPAA), which is £10,000 in 2023/24.
2. As a high earner, the Annual Allowance may be tapered. If your adjusted total annual income, which includes pension contributions, is more than £260,000 your Annual Allowance will reduce by £1 for every £2 it exceeds this amount.

Contact us to talk about your pension and retirement plans.
If you'd like to understand if you're on track for retirement or if increasing pension contributions is right for you, please get in touch. We'll work with you to create a bespoke retirement plan that aligns with your long-term goals and current financial situation. Please contact us to arrange a meeting.

5 REASONS WHY YOU SHOULD INCREASE YOUR PENSION CONTRIBUTIONS

1 CARRY FORWARD ANY UNUSED ANNUAL ALLOWANCE

You can carry forward any unused Annual Allowance for up to three tax years and you can also carry forward for three future years. So, it may be useful to review your overall pension contributions and position. You have until 5 April 2024 to use your Annual Allowance from the 2020/21 tax year.

2 PENSION CONTRIBUTIONS PROVIDE TAX RELIEF

Pension contributions are tax-efficient because these contributions benefit from tax relief. This means some of the money you would have paid in tax is added back into your pension.

This tax relief is provided at the highest rate of Income Tax that you pay. So, if you increased your pension by £100, you'd receive an additional £25 from the government if you're a basic-rate taxpayer. Tax relief is even more for higher or additional rate taxpayers.

3 EMPLOYER CONTRIBUTIONS

When you are employed, your employer will usually have to contribute to your pension on your behalf, due to the auto-enrolment pension scheme. The minimum employer contribution level is 3% of your pensionable earnings.

However, some employers will increase how much they contribute if you do the same.

4 NO CAPITAL GAINS TAX ON PENSION INVESTMENTS

Returns from investments held outside a tax-efficient wrapper, like a pension, may be liable for Capital Gains Tax (CGT) if they exceed the annual exemption allowance, which is currently £6,000 in 2023/24 and reducing to £3,000 in 2024/25. Investing through a pension could make good financial sense from the Capital Gains Tax perspective.

Remember, that once you start taking an income from your pension, withdrawals may be liable for Income Tax.

5 INVESTMENTS GROW FROM THE EFFECTS OF COMPOUNDING

You cannot withdraw money from a pension until you reach 55 and this is rising to 57 in 2028. But the longer your investments are held, then the longer they benefit from the effects of compounding.

The income your pension investments earn is reinvested and therefore delivers even more income. Over the long term, this can help your savings grow at a much faster rate.

When you consider that you could be saving into your pension for many years, compounding could increase the value of regular contributions significantly.

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The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

5 considerations for a phased retirement

Retirement can be an exciting milestone, but one that you might feel nervous about too. Setting out how to achieve the retirement lifestyle you want could help put your mind at ease.

One of the first things you may have to consider when planning your retirement is just how you'll retire and would a phased retirement be a good option.

As you near retirement, there is much to contemplate, like how to leave your job and how and when to access your pension, but there is also the option of gradual retirement, which could be for you. If this is the case, you would enter a retirement transition period, meaning you retire more gradually, this could mean reducing your work hours or even some days.

In the past, people retired on a set date, nowadays people have more choices, which enables them to strike a better retirement balance and an increasing number of people are now choosing a phased retirement.

As people approach retirement, they generally want to ease themselves out of the stress and begin to relax more by winding down, this can be achieved by reducing their hours or moving to a less demanding job, working on a flexible hour contract, or even starting their own business.

The advantage of this work reduction balance provides benefits like:

• You will continue to receive a salary
• Keep a lifestyle structure that work may provide
• Maintain friendships and social contact

Should a phased retirement be something you are contemplating, then there are 5 key decisions you should consider.

5 KEY DECISIONS OF PHASED RETIREMENT

1. How do you see your future working hours/days?

When transitioning into retirement you need to create your work-life balance that suits your retirement plan.

Take time to plan out your ideal working circumstances. Do you want to change your current role? Do you want to reduce your working hours and by how much?

2. Can you survive financially?

When you transition into retirement, by reducing your working hours/days your income may fall. Can you boost your income from other savings or by accessing your pension? You have to be aware and understand just how long your assets, are to provide you with long-term retirement security.

3. Do you want to keep contributing into a pension?

Pensions are tax efficient because of tax relief. Also, your employer has to contribute on your behalf due to auto-enrolment if you're between 22 and the State Pension Age, and earn more than £10,000 in 2023/24.

As is likely, your income will fall, it could still be a good option to continue contributing to your pension especially when you consider the long-term tax benefits.

Another point to consider is, that as you start to take an income from your pension, your Annual Allowance could reduce. This is the amount you can tax-efficiently add to your pension each tax year.

In 2023/24, the Annual Allowance is set at £60,000. But when you access your pension, it may bring into play the Money Purchase Annual Allowance rule, which reduces how much you can tax-efficiently contribute to your pension to £10,000 per tax year.

4. Should you consider deferring the State Pension?

At present, the State Pension Age is 66 in 2023/24. Should you be thinking of transitioning into retirement after the State Pension Age, you may want to consider deferring claiming your State Pension. For every nine weeks you delay taking your State Pension, it will increase by the equivalent of 1% per year, and the income you would receive would rise by about 5.8%. Also, there is the thought that by deferring your State Pension now it could reduce your annual Income Tax liability.

5. Will a phased retirement change your long-term finances?

With phased retirement, you might not be giving up work completely, but you still need to think about your long-term plans too. The decisions you make now are important for your financial security for the rest of your life.

This is where a retirement plan is invaluable and provides a path to follow, which will help you understand your long-term financial security.

CONTACT US TO DISCUSS YOUR RETIREMENT ASPIRATIONS

Whether you want to give up work on a set date or ease into retirement, a carefully structured retirement plan could help you obtain the financial security you want.

Please contact us to talk about your aspirations for retirement and how you might achieve them.

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SUCCESSFUL FINANCIAL PLANNING

Once you have made your future financial plan and put it into operation, the very next important step is to monitor the key figures. These key figures can help you evaluate the performance and identify any potential problems. But what are the key figures to look out for?

THE KEY FIGURES

The key figures generally come from your financial priorities. A key priority might be to ensure long-term financial security for your family or to put away money to pay for big events such as a house deposit for your children or helping them go to university.

Once you understand your financial priorities, you can begin your plan by asking yourself:

- What are my household's day-to-day expenses?
- How will inflation affect them?
- What are my largest financial commitments, maybe a mortgage?
- Do I have any one-off costs or debts?
- How much money is saved in an emergency fund?
- How much, if any of my income is protected?

As you find the answers to these questions, you will discover there are some financial issues which could mean you are exposed to a financial future shock.

SUCCESSFUL RETIREMENT PLANNING

When planning your retirement, there are some key figures you might need to consider. They originate from your future retirement priorities:

- When do you want to retire?
- How many years or months are there before retirement?
- Is the proportion of your income that you are contributing to your pension enough?
- How much income do want to have in retirement?
- How long will you spend in retirement?
- Have you made an allowance for inflation?

With these financial figures, you should now be able to make a plan that provides you with a financial path and gives you peace of mind towards retirement.

FORECASTING WEALTH CHANGE WITH KEY FIGURES

You can use your financial figures to model your wealth and assets and see how they may change over the long term.

You can model by inputting your income, plus the value of your assets, how much you are contributing to your pension each month. You can then see how your wealth might change over the years.

Once the figures are added in, you can use this financial modelling information to see different options. For instance:

- Paying down your mortgage may release more capital
- Your retirement income may change if you increase your pension contributions
- How are your investment returns affecting your long-term wealth?
- Do you need to gift a lump sum to your children, how will this impact your long-term financial security?
- Would working longer be an option or necessary?

The results of financial modelling are never guaranteed as the outcomes are based on general assumptions, but it does provide a useful tool and plan to see how your financial decisions could affect your long-term wealth.

Of course, you will need to make regular reviews to update your figures to ensure you are on track. Also, your goals could change over time and as a result, you may want to adjust your financial plan.

Contact us to talk about your financial figures and how they may help you reach your retirement goals.

We can work with you to create your own tailored financial plan that reflects your needs.

We can also provide you with a regular financial review to track key financial figures, so you can focus on what's most important to you. Please contact us to arrange a meeting.

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TAX SAVING MEASUR END OF

With each approaching tax year, we see many tax allowances change. So, make sure you use them all before 5 April 2024, when the 2023/24 tax year ends.

SO WHAT ALLOWANCES ARE THERE?

1. PENSION ALLOWANCES

There are few better ways to save than via pension contributions. Contributions into pension schemes can be made on behalf of your children and grandchildren. There are many advantages to pension schemes such as getting basic rate tax relief from HM Revenue & Customs (HMRC) and even more money back if you are an additional taxpayer who is subject to the higher tax rate bands.

The present annual pension contribution limit is the lower of your annual income or annual allowance of £60,000. All UK residents regardless of employment income who are under the age of 75 can contribute up to £3,600 gross per year. For higher earners who exceed an income of £260,000, they will see their annual allowance reduce by £1 for every £2 of income over this threshold, down to a minimum of £10,000 gross for those whose income is above £360,000. For individuals aged over 75, no tax relief is given on their contributions at all. Should you be able to make additional contributions, then you can carry forward any unused allowances from the previous three years.

2. MARRIAGE ALLOWANCE

Using the Marriage Allowance means you could transfer some of your spouse or civil partner's unused Personal Allowance to you. The Personal Allowance for the 2023/24 tax year is £12,570, and it has been frozen at this level until April 2028. If your partner isn't using all of their full Personal Allowance, they could transfer £1,260 to you. This could reduce your overall tax bill by up to £252 in 2023/24, you need to pay Income Tax at the basic rate in England, Wales, or Northern Ireland. Typically, this means your income will be between £12,571 and £43,662. Generally, it is possible to backdate the Marriage Allowance for up to four years, so you have until 5 April 2024 to use your entitlement from the 2019/20 tax year. Scottish tax bands vary slightly, so check the allowances accordingly.

3. LOCATION TAX RELIEFS

Depending on how and where you work, there are some tax reliefs you could be entitled to. Such reliefs are provided to give you financial help for certain expenses related to your job.

The first is the 'working from home' allowance. This tax relief is targeted at those employees who have additional costs due to working from home. The idea is to ease the financial pressure of maintaining an office at home. You may also be eligible to claim relief for business miles which you travel in your own car. If you use your own vehicle for work-related journeys, this relief can offer significant benefits.

4. TRADING ALLOWANCES

These newer allowances are given to those who earn small incomes from more social activities like selling items online through sites like Amazon, Facebook and eBay or renting spaces on Airbnb. Each of these allowances offers up to £1,000 of tax-free income.

5. PROPERTY ALLOWANCE

Where you rent out a room or rooms in your home, you may be eligible for the Rent-a-Room relief. This relief provides you with up to £7,500 tax-free for letting out a room in your main home.

6. ISAS (INDIVIDUAL SAVINGS ACCOUNT) ALLOWANCE

Every individual adult receives an ISA allowance of £20,000 in the current tax year. Your contributions can be invested in a Stocks & Shares ISA, Cash ISA, Lifetime ISA or Innovative Finance ISA.

Those investors who have not yet used their full ISA allowance could consider the possibility of selling shares they own in other investments, which yield dividends outside their ISA and then buying them back within this tax-exempt wrapper. Before you rush in, make sure this will not activate a Capital Gains Tax charge.

7. LISA (LIFETIME ISA) ALLOWANCE

A Lifetime ISA (LISA) is aimed at individuals aged 18 to 40 who are looking to purchase their first home or preparing for their retirement. You can invest up to £4,000 per year and the government then tops this up with a 25% bonus on your contributions, up to a maximum of £1,000 per year. You can only access this money when you turn 60 to supplement your retirement income or buy your first home with certain restrictions at an earlier date.

8. JISA (JUNIOR ISA) ALLOWANCE

Children are able to have investments within a Junior ISA (JISA). The allowance is £9,000 per annum. Connected adults can fund a JISA to give their children a financial boost to start adult life when they turn 18.

9. SAVINGS INTEREST ALLOWANCES

Each individual has an annual Personal Savings Allowance (PSA), this is the amount of savings interest income/growth you can earn tax-free each financial year. Current levels are set at £1,000 of interest for basic rate taxpayers and £500 of savings interest for higher rate taxpayers. Additional rate taxpayers do not receive this allowance.

10. GIFTING ALLOWANCE

If you are considering future 'estate planning' then certain gifts can be exempt from Inheritance Tax. Such gifts are known as 'exempt gifts' and include gifts to your spouse or registered civil partner. Also, any contributions given to charities or political parties are exempt and gifts valued up to £250 to any number of individuals are exempt as well, but it has to be the only tax-exempt gift they've received from you within that tax year.

ES FOR THE 2023/24 TAX YEAR

Another nice exception is wedding gifts from a parent to their child, which is up to £5,000. Grandparents can gift to a grandchild up to £2,500, or up to £1,000 to anyone else. Also, every adult has an annual exemption each tax year, allowing them to gift up to the value of £3,000. This can be given to a single individual or divided among several recipients. If the previous year's gifting allowance wasn't used then, it can be carried forward to the current tax year, which means you can gift up to £6,000.

11. DIVIDEND ALLOWANCE

For investors who have shares to sell, the dividend allowance can offer tax relief benefits. You can receive up to £1,000 per year tax-free, with dividend tax rates applied to amounts over £1,000. The dividend allowance will be reduced to £500 per annum in the 2024/25 tax year.

12. CGT (CAPITAL GAINS TAX) ALLOWANCE

There have been some major changes to CGT recently, particularly on property and the amount of CGT relief, so it's important to understand how you can optimise your financial position. Before 6 April 2024, you have the possibility to make the most of your annual CGT exemption, which is capped at £6,000 for this financial year. A very good method to crystallise capital gains is by selling and then repurchasing stocks and shares. This only works if you have not used up all your CGT allowance for the year but it will enable you to maximise the annual CGT exemption. To gain the maximum benefit from this approach, you can only repurchase the shares after a gap of more than 30 plus days. It is worth noting that the buyback can be done by your spouse, registered civil partner or through an Individual Savings Account (ISA).

Remember, pension and tax rules can change, and benefits depend on your circumstances. You also can't usually take money out of a pension until at least age 55 (rising to 57 from 2028).
The value of your investments can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Helping couples create an effective financial plan

Whether you are married or in a civil partnership or indeed have a long-term partner, managing your finances collectively could provide you with better opportunities to reach your goals.

Below are 5 ways which may help you as a couple make a better financial future that works well for you both.

1. AGREE THE PLAN TOGETHER

Having common goals that you can both agree on could help ensure you're both on the same page and therefore understand why you have to focus on some not so easy financial decisions.

It could be that you both want to retire early, therefore you may both agree to increase your pension contributions. The timing may be something else you can agree on.

Taking such a long-term view does have restrictions but does offer advantages to you both. Reducing free cash now could mean you have more cash in the future and more financial freedom in the future.

2. CONSIDER THE MONEY HABITS OF YOUR PARTNER

We all have different spending habits because we all prioritise our money differently.

Perhaps you are more of a saver who feels more secure as you add money to your emergency fund, whereas your partner could be more likely to splash out here and there. Or, maybe one of you is more risk-averse than the other when it comes to investing.

Understanding your partner's way of managing financial assets and their long-term financial outlook could help you both feel more confident about your future financial position together.

3. TALK ABOUT YOUR FINANCIAL PLANS

Talking about finances together is never straightforward, because money plays a crucial role in day-to-day living, from managing all the household bills to setting aside money for retirement. Many couples avoid talking about money and when they do, it can cause conflict for some.

Aviva has recorded in a survey that 25% of couples have disagreements about money at least once a week, and 5% said they argue about finances every day.

Being open and discussing your money regularly could improve your overall situation because you will have opportunities to address any disagreements before they possibly become bigger problems.

4. TRANSPARENCY IS KEY TO FINANCIAL PARTNERSHIPS

Understanding and talking about how you both will share assets and the financial responsibility of them is most important. It is thought that almost 25% of married couples and 30% of people in a committed partnership said they keep financial secrets from their other half.

Some of these financial secrets may be pretty insignificant, such as having some money put aside in case of an emergency, but there could be those which work negatively and impact on your financial security. For instance, it could be partner has run up credit card debt or they have lost money due to bad habits like gambling or poor investments.

Being transparent and setting out how you both will manage your money together may ensure you both avoid shocks and arguments relating to any financial secrets.

5. CONTACT A MEETING WITH A FINANCIAL ADVISER

Using a financial adviser may bring benefits to you and your partner in more ways than one. They can help by identifying potential tax advantages, drawing up a savings plan for your retirement and showing you how to better manage your finances together.

When you have this useful contact with a financial adviser, the financial reviews as a couple mean that time is set aside to discuss your money and your financial concerns. It may mean you are now committed to your plan and provide you with the opportunity to check you are still on track to meet your goals especially if your financial circumstances have changed.

A financial adviser may also help identify to you both different opportunities and objectives. By working together with a financial planner, you may create a plan that gives you both security and confidence about your financial future together. Should you want to create a financial plan with your partner, please get in touch to discuss how we could help you and arrange a meeting.

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All you need to know about Venture Capital Trusts

The government introduced VCTs in 1995. The aim was to provide a method of cash injection into small and emerging businesses.

Latest figures from HMRC, in 2021/22, show that VCTs issued shares to the value of £1,122 million. VCTs have recently grown in popularity and the amount of funds raised has more than doubled since 2009/10.

Venture Capital Trusts may provide you with a way to invest tax efficiently in start-up businesses. Small, innovative businesses often have limited access to funding. VCTs are designed to provide a method for investors to support these new start-up businesses that may have the potential to grow quickly.

WHAT IS A VCT?

A VCT is a listed company that pools money from investors and uses it to invest in VCT-qualifying companies. So, rather than investing in one start-up business, your money is spread across these VCT companies, which could help diversify your investment and reduce the risk.

Some VCTs may focus within specific industries or sectors to concentrate their expertise more efficiently.

In his 2023 Autumn Statement, the chancellor confirmed the government will legislate to extend VCTs to 2035.

As an investor in Venture Capital Trusts, you could receive up to 30% Income Tax relief. It is worth remembering that VCTs are high-risk investment opportunities. To encourage investors to take the risk of investing in small businesses, the government offers attractive tax relief.

In 2023/24, you could invest up to £200,000 in VCTs and receive Income Tax relief of 30%. This means you could claim up to £60,000 of tax relief. But, you need to keep the investment for a minimum of five years to maintain the relief.

The relief is not totally open-ended, as you can only claim relief against the amount of Income Tax you pay, and you cannot carry forward unused Income Tax relief to future tax years.

The advantage is that, any dividends paid by the VCT are not subject to Income Tax and gains are free from Capital Gains Tax (CGT).

According to HMRC figures, in 2020/21, VCT investors claimed Income Tax relief on £640 million of investment, which was a 10% increase from the previous year. The number of VCT investors who claimed Income Tax relief also increased by 9% to nearly 19,500.

WHY INVEST IN VCTS?

VCTs could be very useful as an option if you are a high-risk investor who has already used all their tax-efficient allowances, such as the ISA annual subscription of £20,000 or pension Annual Allowance of £60,000.

In addition to the opportunity to benefit from tax relief, VCTs are favoured because they:

- Offer a method and gateway to invest in potentially high-growth businesses.
- Could help diversify an investor's overall investment portfolio.
- Allow investors to back British innovations and start-up businesses.

It is worth remembering that Venture Capital Trusts are high-risk investments and therefore not right for many investors. New start-up companies are more likely to fail than established companies, therefore should you invest in a VCT, the probability could be that you could lose your money and you may not get back the full amount you invested.

Additionally, you have to be prepared to invest longer term. To retain VCT tax relief, you must hold the shares for a minimum of five years. The VCT market is smaller than that of traditional investments, therefore it could be more difficult to sell your shares, or you may have to accept a lower price than the value of the VCT.

CONTACT US TO TALK ABOUT TAX-EFFICIENT WAYS TO INVEST.

VCTs are just one way of investing tax-efficiently. It's most important that you consider all your options and the level of investment risk which is acceptable for your circumstances. Whether it be within VCTs or would like to explore alternative investing, we could help.

Please contact us to talk about your investment strategy and how to minimise your tax liability.

This article is for general information only and does not constitute advice. Venture Capital Trusts (VCT) are higher-risk investments. They are typically suitable for UK resident taxpayers who are able to tolerate increased levels of risk and are looking to invest for five years or more. Historical or current yields should not be considered a reliable indicator of future returns as they cannot be guaranteed. Share values and income generated by the investments could go down as well as up, and you may get back less than you originally invested. These investments are highly illiquid, which means investors could find it difficult to, or be unable to, realise their shares at a value that's close to the value of the underlying assets. Tax levels and reliefs could change and the availability of tax reliefs will depend on individual circumstances.

How to maximise your pension as we approach the financial year end

As we approach the end of the financial year, it is a good time to clean up our finances. Even making the smallest of changes can bring huge benefits to the size of our pension pots in the future. Ensuring you have claimed all the possible tax reliefs on your contributions or tracking down a lost pension might not take you that long, but it could leave you much better off.

Before you start taking a retirement income, shopping around can provide your income with a huge uplift, therefore giving you even more pension cash than you probably thought.

HERE WE LOOK AT WAYS THAT COULD MAXIMISE YOUR PENSION.

1. DON'T LOSE YOUR ALLOWANCES

At present, under the new rules, you can contribute up to your annual earnings or £60,000 into your pension each financial year, whichever is lower and still get tax relief. Additionally, using the carry forward rules, any unused allowance from the past three tax years can be carried forward.

In effect, this means, that had you not used your past 3 years allowance, in this tax year, you can add up to £180,000 to your pension, as long as you earn at least this amount.

It's worth checking how these rules apply to your individual circumstances because if you're a high earner (over £260,000 per year) you could be subject to the tapered annual allowance. This allowance reduces the amount you can pay into your pension to a minimum of £10,000.

Also, if you have already accessed your pension and want to keep contributing to it, then the Money Purchase Annual Allowance (MPAA) is activated and limits your contributions to £10,000 per year.

2. REMEMBER TO CLAIM YOUR TAX RELIEF

It's generally standard practice that your pension provider claims your basic rate tax relief and it is then added to your pension automatically. But if you pay income tax at the higher or additional rate then you will normally need to claim the additional tax relief yourself.

It's worth checking with your pension provider to see if your pension is set up as a net pay arrangement or relief at source. When it is a net pay arrangement, you don't need to do anything. Your pension contribution is deducted from your salary before income tax is paid. In this situation, your scheme claims back the tax relief at your marginal rate of income tax. Additionally, you won't need to claim if you are in a salary sacrifice scheme.

When it is set up as a relief at source scheme, as most private pensions are, like SIPPs and some workplace pensions, then in this case you will need to claim the extra tax relief through your self-assessment.

The reason why you need to do this is because contributions are deducted from your salary after tax. Your employer will deduct 80% of the contribution from your salary and then they reclaim the extra 20% from HMRC. So, if you are a higher earner, you are entitled to tax relief at a higher rate of 40% or 45% then you need to claim it.

3. EMPLOYER MATCHING

Most employers set their pension contributions to their employees at the auto-enrolment minimum of 3% but some employers will pay more if you decide to raise your contributions.

This is known as 'employer matching' and it can provide a nice bonus with just a small injection of cash from your own contribution.

4. ALL UNDER ONE ROOF

Many people have forgotten about very old pensions but they can have a big impact on how much you end up with in retirement.

You should track these down if you think you have any, so start by making a list of your previous employers and making sure you have the pension documents for them. If you have lost track of a pension, you can contact the government's Pension Tracing Service. Once you have gathered up all your pensions, you can consolidate them under one roof.

Before you do this, make sure you aren't giving up any benefits by this consolidation.

Also, check you won't incur any expensive exit fees attached to these older pensions.

5. GET THE BEST DEAL, SO SHOP AROUND

We all know, it pays to shop around. So, if you are buying an annuity shop around for the best deal. Once bought an annuity, can't be undone. So, search the market for the best overall offer.

Remember, with annuities, health conditions matter, so if you have a health condition, then you might qualify for an enhanced annuity payout which gives you a higher income.

Remember, pension and tax rules can change, and benefits depend on your circumstances. You also can't usually take money out of a pension until at least age 55 (rising to 57 from 2028). This article isn't personal advice. If you're not sure if an action is right for you, ask for financial advice.

CONSOLIDATING YOUR FINANCES

It is estimated, that in the UK there is £1.7bn of savings and pensions that are unclaimed, so it is very important that you don't add to this increasing value.

Should this money stay unclaimed, cash from this pot will be used for good causes and £892m in forgotten savings has already been sent to those in need since 2011.

It is thought that up to 30% of people could have savings and pensions lost in old accounts. If you think this could be you, you might be thinking about what you can do with such lost assets when you find them.

Here we offer some thoughts of what to consider when you find any forgotten old assets:

CONSIDER CONSOLIDATING ALL YOUR SAVINGS ACCOUNTS

Consider moving low-interest old accounts which pay very low interest and move your money to a much higher-interest paying account.

Consider a blend of savings, some instant access with some longer-term fixed saving plans and also keep an emergency fund. But remember, money cannot be withdrawn from many fixed-term accounts until they mature without incurring a penalty.

This could yield a higher overall interest rate on your cash. Emergency funds are generally to cover three to six months' worth of essential spending while you're working and one to three years when you are retired as a general rule of thumb.

Remember

1.The FSCS (Financial Services Compensation Scheme) protects the first £85,000 of your money held with each banking licence with one provider and spread your money to a variety of banks and building societies.

2. Should your savings interest rate be lower than the rate of inflation, then your actual spending power will reduce over time.

CONSIDER CONSOLIDATING ALL YOUR INVESTMENT ACCOUNTS

Consider consolidating all your investments in one single investment platform, this will allow you easy access when it comes to managing them.

Review your overall portfolio. By consolidating them it helps you see that they are well diversified and the balance of investments looks right.

Check how well the service and its associated charges meet your needs.

See if moving to a new investment platform offers any incentive to move.

Remember

1. ISAs can also be transferred which includes money from previous tax years and any money paid in during this tax year too. But if you want to make this move, you have to move everything paid into the ISA this tax year.

2. Make sure you check to see if there are any cost penalties for moving your accounts, and whether you could lose any benefits that you already have in place.

CONSIDER CONSOLIDATING ALL YOUR PENSIONS

Set time aside to trace old and forgotten pensions. There is a good chance that since auto-enrolment, you could have old pensions with previous employers that you have now forgotten.

Consider consolidating them all under one roof, as it makes sense to manage them easier and it can reduce the level of oversight to help you see if you are on target for your retirement.

At the point of retirement, you might, for instance, choose to take a small part of your pension as a cash lump sum, with your pensions consolidated into a larger pension, then you are very likely to make the most of it, without losing the option of taking withdrawals.

Consider the type of pension you move your money to, including the type of services offered and the level of fees charged.

Consider consolidating all your pensions into a Self-Invested Personal Pension (SIPP), this may offer you even more investment options and opportunities.

Remember

1. Never simply change your investments without checking if there are any exit fees or charges. In some cases, they can be expensive and may mean it's just not worth moving. Also, ensure you are not going to lose any guaranteed benefits by transferring either.

2. It's not generally a good idea to change a defined benefit pension or a final salary pension. These pensions are very valuable and are being reduced as an offering, so anyone with a final salary scheme should think long and hard before switching. In most cases, it's simply not worth it.

If you need any help or are unsure, please contact us for financial advice.

Remember, you'll usually need to be at least 55 (rising to 57 from 2028) before you can access the money in your pension. This is not personalised advice. What to consolidate depends on your personal circumstances. If you're unsure, seek advice Remember, investments can go down as well as up in value and you could get back less than you invest.

How to cope with divorce financially

When a married couple fall out and the resulting outcome ends in divorce, the impact on everyone can be overwhelming.

Divorce lawyers have never been short of business, particularly where estates are financially interlinked and larger assets get complicated very quickly when going through the divorce process.

Splitting up means you eventually have to come to an amicable agreement over all sorts of things with someone you have already decided you cannot be in a relationship with.

Should you ever find yourself in this situation, it can feel overwhelmingly difficult, but there are steps that can help to take some of the emotion and stress out of the process.

REMAIN AS AMICABLE AS POSSIBLE

Through the divorce process it is difficult to remain friends, but the more you can agree on, the less you will be paying out on lawyers. This not only applies to the financial settlement but also access and rights for any children.

When you do employ the services of lawyers, it's very costly to let the arguing and disagreements roll on.

TALK TO YOUR FINANCIAL ADVISOR

For some, with few assets, a simple straightforward divorce might be something you can deal with on your own. But when you have pensions, property, ISAs, savings, other investments or children to think about, speaking to a financial adviser can help you understand the complexities before you speak to your Lawyer.

Talking through your anger with your lawyer is expensive, and they're not going to be able to help as much as a counsellor or your financial adviser could. So using the support of specialists before you make any expensive mistake is a good idea.

Counselling services like Relate can help if you're not sure where to start.

PENSION ASSETS

Normally in divorce, one partner will hold the largest pension pot. If your spouse has been building their pension over a number of years, then pension specialists are particularly useful. They will help you make sense of the pension and get a pension valuation as part of the financial disclosure. It will be worth having an adviser go over the pension figures for you.

They can also advise on the best way to share the pension. Whether one of you will be better placed to keep it and set it off against other assets or both divide the pension pot and share it equally.

After your divorce, you can speak to your financial adviser once again and decide on your own pension arrangements and work out how you can manage some of the changes to your finances once your divorce is finalised.

BE FIRM AND BE FAIR

A bad deal won't turn into a good deal after the divorce, so don't let emotions get in the way or be used against you.

By understanding your rights and standing your ground when pushed, you will both benefit after the divorce. Should you feel intimidated, if they threaten to stop negotiating, demand more unless you agree, or try to use access to the children as a tool, instead of being bullied into a poorer deal, this is when to use your lawyer's professionalism.

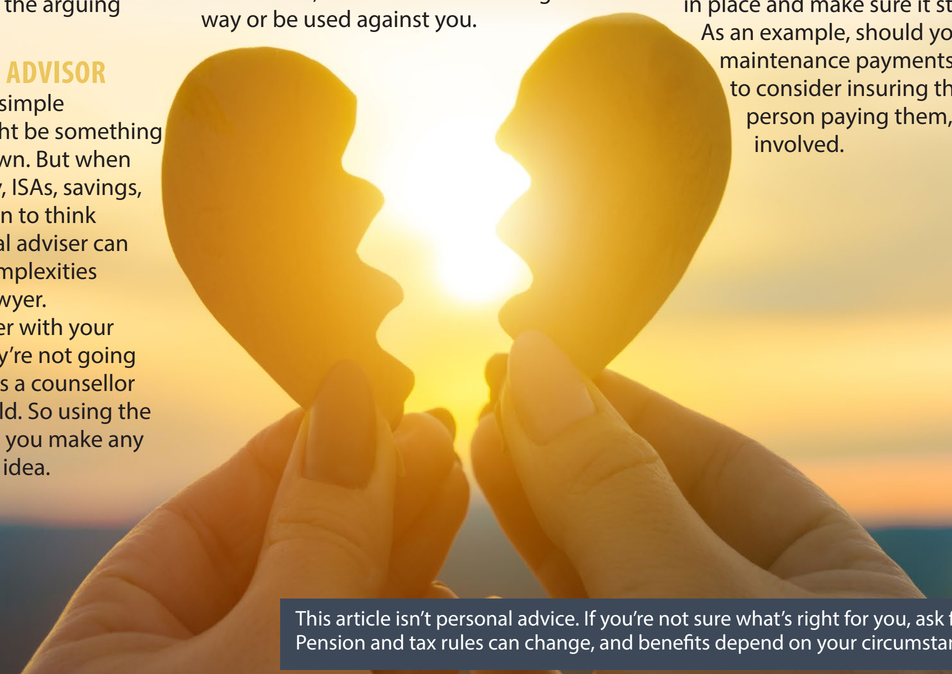
REBUILD YOUR FINANCIAL FUTURE

Once the dust has settled you can start to rebuild your finances and eventually face your financial future.

Divorce is not cheap, so you probably have run up some debts or spent some of your savings on the divorce, paying the debts off and rebuilding back your savings are good places to start.

The rule of thumb is that you should have three to six months' worth of essential spending (if you are employed) in an easy-access account and one to three years should you be retired.

Once you are back on your feet with some savings, it's easy to forget about insurance. You need to check what you have in place and make sure it still works for you. As an example, should you be reliant on maintenance payments, you may want to consider insuring the life of the person paying them, over the term involved.



This article isn't personal advice. If you're not sure what's right for you, ask for financial advice. Pension and tax rules can change, and benefits depend on your circumstances.

For more information on any subject that we have covered in this issue, or on any other subjects, please tick the appropriate box or boxes, include your personal details and return this section to us.

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