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## BOOST YOUR PENSION THIS TAX YEAR

## Use a financial review to update your plan

## 5 ways to pay less tax

## What will the new government mean for your finances?

## REVIEWING YOUR PORTFOLIO

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**21st Century Financial Planning**
Unit 4, The Courtyard, Stenson Road, Coalville, Leicestershire LE67 4JP
Tel: 01530 811012 Fax: 01530 834216

# INSIDE



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# WHAT WILL THE NEW GOVERNMENT MEAN FOR YOUR MONEY?

Labour has won the 2024 UK General Election and Sir Keir Starmer has been appointed prime minister. Here's what a new Labour government could mean for your money.

A budget isn't expected until autumn, but planned revenue raisers like VAT on private school fees and an increase of the windfall tax on oil and gas extraction are expected to be on the agenda at the first fiscal event.

## HOW HAVE MARKETS REACTED TO A LABOUR WIN?

The Labour victory caused few ripples in financial markets. The UK stock market lifted a little and the pound has largely unchanged against the dollar, hovering around $1.277. Also, the bond market barely changed as they are more sensitive to interest rate fluctuations than the investment plans of an incoming government.

Remember, bond yields and prices move in the opposite direction, so when yields fall, it's because prices have risen.

## TAX AND YOUR MONEY UNDER A LABOUR GOVERNMENT

Labour made some expensive promises during their election campaign, including keeping the pensions triple lock and ruling out rises in income tax, National Insurance or VAT. However, there's still a chance of cuts in services or tax rises later.

There was a pledge to increase taxes for specific groups of people, including non-doms and independent schools faced with VAT on school fees to parents. They also kept silent on frozen income tax thresholds, which will mean even more people paying extra tax thanks to fiscal drag.

Beyond taxation, there were pledges of support during life's expensive periods, including older age and parenthood. There were plans to help make property more affordable and promises of improving everything from the minimum wage to cutting utility standing charges.

However, it's likely we won't see any of these changes happen until the expected autumn budget.

## WHAT A LABOUR GOVERNMENT MEANS FOR RETIREES AND PENSIONS

Labour's promised pension review has the ability to transform workplace pensions to build a lifetime pension and give savers more certainty around pension taxation and the future of the State Pension.

Years of changes have created a complex pension system that can make it hard to plan and Labour's decision not to reintroduce the lifetime allowance has been welcomed.

In the meantime, people should consider continuing to make full use of the allowances available to them to build up their pension, like a Self-Invested Personal Pension (SIPP). Remember, you can only normally access money in a pension from age 55 (rising to 57 in 2028).

This isn't personal advice. Investments can rise and fall in value, so you could get back less than you invest. If you're not sure if something is right for you, ask for financial advice. ISA, Pension and tax rules can change, and their benefits depend on your circumstances.

# Use a financial review to update your plan

When it comes to financial reviews, many of us go cold at the thought, but regular financial reviews could help you meet the goals that you set for a brighter future.

In a fast moving world, major and personal events occur on a regular basis, this is why you shouldn't ignore your financial reviews. Here we look at the influences of two areas why you may consider changing your financial plan during a review.

If you update your plan in response to short-term market movements you could harm your portfolio goals.

Of course, there may be times when it is sensible to update your financial plan, you should also be aware of the risks of hasty decisions based on short-term movements or market bias.

Sudden stock market volatility can be very bad for your nerves, especially when you hear about the value of shares falling. It can be tempting to act hastily and withdraw your money to keep your wealth intact. However, being hasty could have a negative effect on your overall future financial goals.

Historically, markets perform well over many years and investors who remain invested have benefited over the long term. When you withdraw your money from your investments during a downturn, you turn the theoretical paper losses into real ones.

Appreciating that investing does carry risk and that returns are never guaranteed, is important, but so is understanding which investments align with your personal circumstances and objectives, so you feel comfortable with your chosen level of risk. Equally, behavioural biases, like following the crowd, or a friend's idea, could lead to you making unnecessary alterations to your plan, which may harm your financial outcome.

Remember, your portfolio is about your goals, which should be the focus of your financial plan. If changes are being made rashly, you need to be sure what's driving these new decisions to help evaluate if they are right or wrong for your plan.

With the above in mind and following your financial review, you might want to make sensible changes, these are usually due to your personal circumstances or government policy changes. Your financial review provides an opportunity for your financial adviser to explain what these new policy announcements mean. Tailored advice can help you identify potential risks or opportunities that may lead to changes in your long-term plan.

A financial review is a chance to let your financial planner know about changes in your life. It means they can offer advice that's suitable for you and your aspirations. In some cases, it could mean altering your plan so that it continues to align with your life.

**Contact us to discuss your financial plan**
**If you have any questions about your financial plan or would like to understand how we could support you, please get in touch.**

## 2 KEY INFLUENTIAL REASONS

**1 Your circumstances have changed, so now your goals are different**

At the outset, your financial plan was built around your circumstances and goals. Over time, these could and often do change, therefore altering your plan may ensure it continues to align with your needs and lifestyle.

It could be you are now planning on retiring earlier, so you need to increase your pension contributions. Or you may have recently moved house or had children which could mean taking out life insurance.

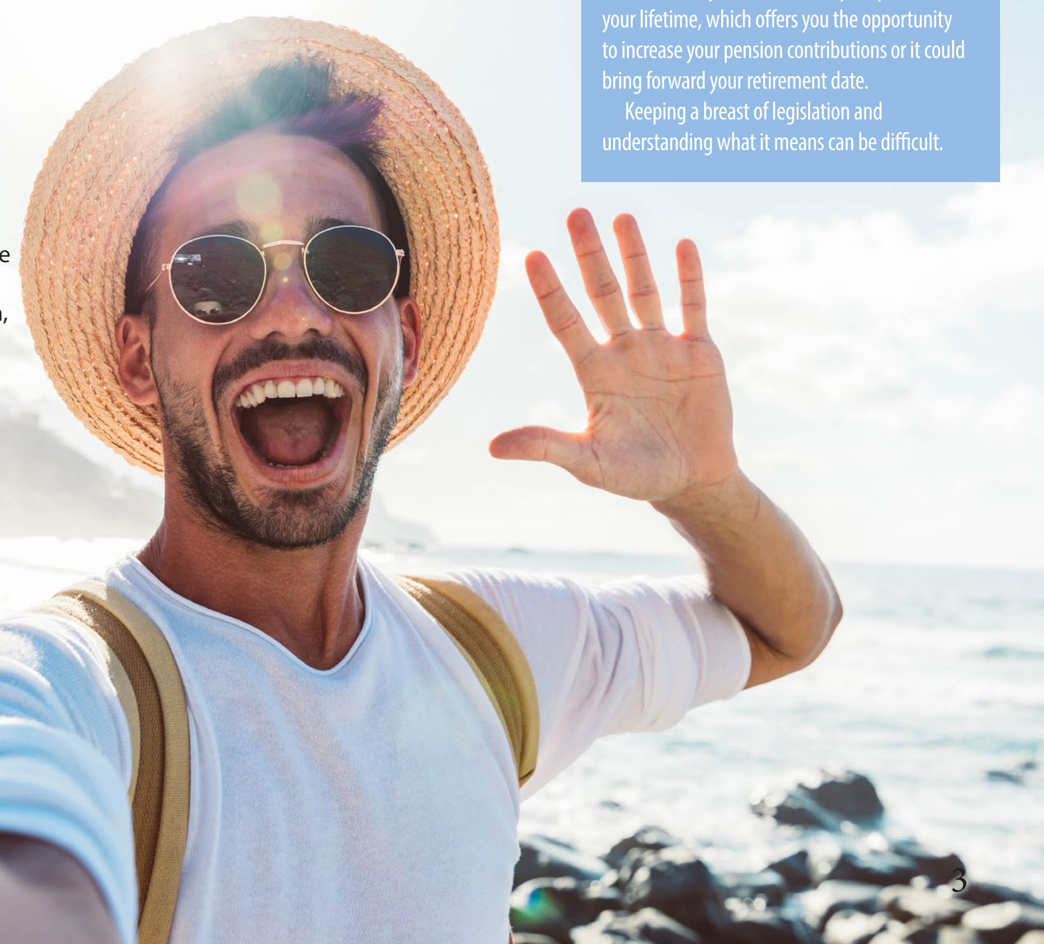
**2 Government policy does affect your plans**

Government announcements do affect us all, such as changes to allowances, tax increases, and regulations often mean adjusting your financial plan to suit the new investing landscape and keep your investing goals on track.

Announcements like the government mean the pension Lifetime Allowance or freeze allowances for years to come are good examples.

Now in 2024, and at present, there is no limit on how much you can save into your pension over your lifetime, which offers you the opportunity to increase your pension contributions or it could bring forward your retirement date.

Keeping a breast of legislation and understanding what it means can be difficult.



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# THE SECURITY OF FINANCIAL PROTECTION FOR PARENTS

Have you ever considered what would happen to your income if your child became ill or if you became ill yourself? Appropriate financial protection could offer you peace of mind when you need it most if it meant taking long periods off work to care for your child.

Financial protection could pay you a lump sum should your child be diagnosed with a critical illness, but equally it could cover your health in the event of a serious illness.

Nobody wants to think about their child or themselves being diagnosed with a serious or critical illness, but such events do happen.

By considering critical illness cover now could provide you with security for yourself and your family. If your child suffers an illness, it will allow you to focus on them, rather than worrying about your finances.

If you are diagnosed with a covered illness, critical illness cover will pay you a lump sum. If your child is diagnosed, it will normally pay you a percentage of the full amount, such as 50%. With this financial safety net, it allows you to be able to take time off work to care for your child.

Some critical illness policies come with additional benefits that may be useful for your family, such as:

- If you are diagnosed with a critical illness, it may cover your childcare costs.
- A lump sum payment if your child is in hospital following a serious accident.
- Accommodation payments, allowing you to stay nearby to your child if they're in a non-local hospital.

You can tailor the cost of critical illness cover by deciding on the potential payout you want to receive. Also, factors like your age and health will be taken into account.

In many cases of parental cover, children will be added to your critical illness cover automatically. However, for some providers, you may need to contact them, and your premiums could rise as a result. Additionally, if you don't keep up with the premiums your cover can be withdrawn.

Your children will typically be covered from a few weeks old until they reach 18, or 21 if they're in full-time education. This depends on providers, so you should read the details when comparing options.

Some other restrictions to consider are, that some providers will only allow one claim per child or may exclude any conditions that are from at birth.

While you're considering taking out financial protection that would pay out if your child is diagnosed with a serious illness, private medical insurance is a second avenue to consider you might also want to think about.

According to the BBC, long waiting times and staff shortages have led to decreasing public satisfaction in the NHS. Only 24% of people polled by the BBC said they were satisfied with the NHS in 2023.

With no end in sight to these NHS issues, private medical insurance could offer you peace of mind. It may alleviate waiting times for a range of services, such as tests and consultations, and offer more choice when deciding where your family receives treatment.

Should you or your child have to stay in a hospital, private medical insurance may cover the cost of a private room, allowing you more privacy.

Some private medical providers also offer access to mental health services, which may be of value to your child.

One insurance company, Aviva reported that the number of children and young people seeking mental health support increased by 25% in 2023 when compared to 2022.

Like critical illness cover the cost of private medical insurance depends on a range of factors, such as who is covered, your lifestyle, and your family medical history. You should consider carefully the type of cover and any exclusions that might affect your family.

Please contact us if you would like to discuss how to take out the appropriate financial protection for you and your family.

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Please note that financial protection plans typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse.
Cover is subject to terms and conditions and may have exclusions. Definitions of illnesses vary from product provider and will be explained within the policy documentation.

# Boost your pension this tax year

WITH THE START OF EACH FINANCIAL TAX YEAR, YOUR PENSION ALLOWANCES START AGAIN, ALLOWING YOU MORE OPPORTUNITIES TO BOOST YOUR PENSION.

The new tax year started on April 6 2024, so now that it is underway it's a good time for a review of your pension.

## SO, HOW CAN YOU BOOST YOUR PENSION IN THIS NEW TAX YEAR?

### 1 Ensure you claim your tax relief

Make sure you claim your full tax relief on your pension contributions at your marginal rate of tax as over the long term this can make a significant difference to your overall pension value.

In most cases, basic-rate tax relief will usually be added to your contribution automatically. But when you are a higher or additional-rate taxpayer you often need to claim the extra 20% or 25% tax relief through your annual self-assessment.

You don't need to make a claim if your pension is set up as a salary sacrifice arrangement. But, if your pension is set up as a relief at source pension, then you will normally need to claim the extra tax relief through your tax return.

### 2 Maximise the new higher annual allowance and carry forward allowance

You can generally invest up to your annual earnings or your annual allowance of £60,000, whichever is the lower, into your pension every tax year and benefit from tax relief.

With the recent increase of the annual allowance from £40,000 to £60,000 since last tax year, you can now pay in up to £48,000 and the government will add up to £12,000 in tax relief on top of your contribution. Higher and additional-rate taxpayers can claim back up to a further £12,000 or £15,000.

Should you have any unused allowance from the previous three tax years, you may also be able to use this to benefit from more tax relief, provided you are not contributing more than your annual earnings. This rule is known as the 'carry forward' rule and means that in this tax year, you could pay in up to £200,000, including basic-rate tax relief.

For high earners your annual allowance could be lower, as you are affected by the tapered annual allowance, or if you have already accessed your pension and triggered the money purchase annual allowance.

### 3 Timing your contributions

Reviewing how and when to increase what you pay into your pension can really boost your retirement pot.

You may want to consider increasing contributions each time you get a pay rise or you could increase your contributions in line with periods of higher inflation.

### 4 Take your employer's contributions

Most employers only offer the minimum auto-enrolment amount of 3% when it comes to their contribution into your pension, but there are some employers who offer to pay more.

Some will increase them even further if you increase your contribution, a process known as employer matching.
If your employer does offer this, you could really boost your overall pension pot.

### 5 Trace old or lost pensions

It is estimated by the Pensions Policy Institute that there's around £26bn of lost pension money in unclaimed pension pots. This is largely due to people forgetting about them when they move jobs.

Make a list of all your old employers and make sure you have the pension paperwork for each one. If some are missing, contact the government's Pension Tracing Service and they will help you track down the right contact details.

When you have all your lost pensions, it's often a good idea to transfer them into one pension pot.

But remember, before you transfer, check you won't be charged any expensive fees or lose valuable benefits or guarantees. It's not a good idea to transfer a final salary pension scheme as the benefits are normally not as good thereafter.

This article isn't personal advice. Investments and any income from them can fall as well as rise in value, so you could get back less than you invest. If you're not sure what's right for you, please ask for advice. Pension and tax rules can change, and benefits depend on your circumstances. Scottish tax rates and bands are different. Remember, you can't usually take money out of a pension until at least age 55 (rising to 57 from 2028).

# REVIEWING YO

## SIX AREAS FOR INVESTORS TO FOCUS ON THEIR PORTFOLIO

Being in the first quarter of the new fiscal year, it's a good time to review the new pension and ISA allowances. Not everybody will think of reviewing their investments so early, but they probably should. Even the simplest of portfolios still need regular reviews in order to keep them on track and to align them with any changes in your circumstances since your last review.

It makes little sense to make changes for the sake of it, but you may find there are a few areas in your portfolio that don't seem to be going anywhere. Many people approach their portfolio review in different ways but should you be wondering where to start, you can cover a lot of ground by focusing on the following six areas.

### 1. Your personal situation

Since your last review, have there been any material changes in your personal situation, for instance, did you, get married, have a child, or move house, all of these can affect your finances? With these new events, you may now need to consider areas such as life insurance requirements or the need to update your Will. Equally these life events might affect how much risk you are now willing to take with your investment portfolio.

It could be that you have gained from an inheritance, meaning you feel more willing to be adventurous with your investment risk, On the other hand, you may now be planning to retire earlier and need to consider the volatility of your portfolio. Reviewing your personal situation allows you to re-evaluate your attitude to risk in real time and check whether your portfolio is still in line.

### 2. Is your portfolio balanced?

Market prices go up and down and can stay volatile for some time, this will impact your portfolio. Some investment goals in your portfolio can be lost as some parts move up faster than others and may mean your portfolio becomes heavily reliant on one fund or in one area. Regular rebalancing is therefore very important as it will keep your portfolio in good shape.

A good example is to compare the UK and the USA stock market over the last 5 years. A portfolio that was 50/50 invested in the UK and USA stock markets, if left alone for 5 years would today be approximately 60% invested in the US stock market and about 40% invested in the UK stock market, because the USA stock market has performed much better than the UK stock market over the same period. After your review, you may decide to keep this ratio, but at least you would have made an informed decision, rather than allowing the market to balance your portfolio.

In addition to which markets you are operating in, you should give some thought to the allocation across your asset classes, if you hold a diversified portfolio. This means reviewing your exposure to shares, bonds, property, cash, gold and any other material assets you hold. Most good investment platforms now offer you an online tool which breaks down your accounts by region and asset class.

Whilst reviewing, look at any specific funds which have performed better than others and are now the main contributor to your portfolio. Whilst this is a nice position, it's worth ensuring that your portfolio isn't too reliant on one fund manager alone, what would happen if they leave or retire?

### 3. The poor performers

Always review your portfolio for any consistent poor active funds. These are the funds which have consistently lagged behind or have not shown any signs of improvement for long periods and show little sign of change. Consider replacing these funds with more proactive funds, or even cheaper tracker funds.

### 4. Is your investment on solid ground?

In addition to reviewing the performance of your portfolio, it's worth looking at the fundamental reasons why you bought the investment in the first place. For funds and investment trusts, check whether the fund manager or strategy is still in place and if not then consider whether it's still attractive to you. Where you have individual shares in your portfolio, consider if the company is still doing well. Also, consider if the company has had any restructuring or any material change in strategy or circumstances which now makes it less attractive as an investment proposition.

### 5. Review new investment opportunities

When reviewing your portfolio, consider any new investment ideas, which may take the place of the funds or stocks you are selling. Look out for emerging trends or new technology which you might want to buy or are there any fund managers who have good track records of performance? An area which has seen changes over the past couple of years is a big fall in bond

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WHEN REVIEWING

prices and a rise in yields. Bonds have not been popular as part of the diversification in portfolios, with investors preferring to move along with funds, property, gold, and cash, however, they may now consider whether bonds should be back within their portfolio.

## 6. Be tax efficient

It's very important to ensure your portfolio is invested tax efficiently. By quickly putting your investments inside a tax wrapper such as an ISA or pension, the sooner your tax protection covers you. This tax year planning is very high on the agenda because the capital gains tax allowance has been cut from £6,000 to £3,000, after being cut from £12,300 in April 2023. Gains above this level on investments not held in a tax wrapper are going to be liable to tax.

Dividend allowances have also been slashed from £1,000 to £500, after being cut from £2,000 in April 2023. Dividends received above this level are now taxable if not held in some form of tax shelter.

As the reduction of these allowances was recently introduced, it would be very surprising to see them reversed any time soon and it's far better to protect your portfolio from tax on your investments using your ISAs and pensions.

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# 5 ways to pay less tax

## THE UK'S TAX INTAKE IS NOW A WHOPPING £828BN

The UK's tax intake has increased by an extra 5% to £828bn in the 12 months to March 2024, which is the highest since just after WWII, here we look at 5 not so obvious areas to reduce the amount of tax you pay. Most of this increase was due to 'fiscal drag', which is the frozen tax thresholds, which means over the coming months and years millions of us will be dragged into paying bigger tax bills.

Frozen inheritance tax allowances also helped push the tax grab up 5% to £7.5bn. While the freezing of income tax and National Insurance thresholds and the reduction in the capital gains tax (CGT) threshold, dragged an extra £23.7bn out of people's pockets.

Most of these frozen thresholds are planned to last until around 2028 and the fact dividend and capital gains tax allowances were cut again from 6 April 2024, many people will be thinking about how to cut their tax bills.

**Here we look at 5 not so obvious ways to help you reduce or pay less tax than you need to.**

### 1 THE QUIET TAX ALLOWANCES

Rent-a-room allowance, you may be able to rent a furnished room of your home to a friend or lodger, and the first £7,500 of rent each year is normally tax-free.

Trading allowance, here the first £1,000 of income from a hobby or selling items on sites like eBay, for instance, is normally tax-free.

You could also earn up to £1,000 tax free from your property from renting out storage space or your driveway.

Personal savings allowance, allows basic-rate taxpayers to earn up to £1,000 in interest from savings each tax year without paying tax, while higher-rate taxpayers can earn up to £500.

Lower earners also have the 'starting rate' for savings which allows tax reductions on the first £5,000 of interest.

### 2 HOW TO BEAT THE 60% TAX TRAP

If you earn over £100,000, you begin to lose your personal allowance and pay tax at a staggering effective rate of 60% on income from £100,000 to £125,140.

Using your pension, including a SIPP (Self Invested Personal Pension),contributions can reduce your income that counts towards your 'adjusted net income'.

Imagine, your income is £101,000 and you pay £1,000 into your pension, you then receive £400 in pension tax relief, but you also reduce your income to the £100,000 threshold, so your personal allowance is not reduced, saving you another £200 in tax. Your personal allowance of £12,570 is reduced if your income is over £100,000, by £1 for every £2 above the limit until it reaches £0 when your income is £125,140 or more.

This equates to a £1,000 pension contribution effectively costing just £400. Additionally, if a parent can reduce their income to under £100,000, they may remain eligible for tax-free childcare too.

### 3 CHILD BENEFIT CHARGE ON HIGHER INCOMES

Where you or your partner earns over the threshold, you have to begin to pay back your child benefit.

The threshold is set at £60,000, and the taper rate halved, so you have to pay it all back when you or your partner earns more than £80,000.

To mitigate this charge, you could consider paying into your pension, like a SIPP.

Pension contributions reduce your adjusted net income, which is what's used to calculate the charge. You can normally access your pension from age 55 (57 from 2028).

If some of your net income is from savings or investments, you can also consider an ISA, as income paid from savings and investments in an ISA doesn't count towards the £80,000 threshold.

### 4 TAX EFFICIENT SHARESAVE SCHEMES

Workplace share schemes often come with a capital gains tax levy, especially as the allowance is now just £3,000, but there is an ISA rule that helps you save capital gains tax on shares from a Save As You Earn (SAYE) scheme or Share Incentive Plan (SIP).

Providing you transfer the shares into a Stocks and Shares ISA within 90 days of the exercise of option date, for SAYE schemes or of the shares ceasing to the subject to the plan, for SIPs, you won't have any CGT to pay on these shares when selling them at a later date.

Any shares put into an ISA in this way will count as a subscription to your overall £20,000 annual ISA allowance.

### 5 INHERITANCE TAX EXEMPTIONS

If you are comfortable holding higher risk smaller and newer companies, like those listed on the Alternative Investment Market (AIM), you could consider holding them in your ISA.

If you choose qualifying investments and hold them for at least two years, then when you pass away, there will usually be no inheritance tax to pay on them.

However, with the taxman taking tens of millions of pounds more from our pockets, it's worth considering all of your options. Investments do rise and fall in value, so you could get back less than you invest.

**Important information - This article isn't personal advice. If you're not sure whether an investment is right for you, please seek advice. If you choose to invest the value of your investment will rise and fall, so you could get back less than you put in.**

**Pension, ISA, and tax rules can change, and benefits depend on your circumstances. Scottish tax rates and bands are different. If you're not sure what's right for you, ask for financial advice. For complex tax calculations please speak to an accountant.**

# IS THE INVESTMENT GAP WIDENING FOR WOMEN?

## Apparently in the UK, almost 40% of women have never tried investing.

An Aviva survey has found that men are twice as likely to invest in a Stocks and Shares ISA, Self-Invested Personal Pensions, and general investment accounts than women.

The research found that women are more likely to use a savings account to keep their money. The downside of such a cautious approach is that interest rates are often below the rate of inflation, which means their money will be reducing in real terms.

The decision of these women not to invest might seem like a small one, but it can have a significant effect on wealth their overall in the long term.

The Bank of England figures show that between 2013 and 2023, the average rate of inflation was 3% per year. Therefore, if you put £10,000 into a savings account at the start of 2013, you would need to get back more than £3,400 in interest over the next decade. This is 34% as an increase on your original stake just to maintain the same level of spending.

In many cases, especially after tax, savings don't deliver the interest you need to maintain the same value in real terms.

Probably a better approach to growing your wealth in real terms is through investing. Historically, investment returns have outpaced the rate of inflation over the long term. Because of this, women being less likely to invest may see a huge gap in their wealth in later life.

**So, what should women consider if they want to start investing?**

### 1. Research the benefits of investing

Investing could provide a way to grow your money better. Appreciating when you could benefit from investing could grow your confidence about your finances.

The Aviva research found that 60% of women have a savings account. A cash account could be useful for short term needs and an investment account could be good for needs more than five years away, as investment market volatility often means it's not suitable for short-term time frames.

### 2. Prepare a 'go-to' fund

Some 9% of women believe one of the reasons they don't invest is because they worry about everyday money. So, taking steps to build a reliable 'go-to' cash fund could ease these concerns.

For some, this may be adding money to an emergency fund so you have savings ready to use if you require money at short notice.

### 3. Understand investment risk

While there is risk in investing, the level varies. You can choose investments that have a lesser risk profile and ones that suit your comfort level. Understanding your risk profile within different investments could give you the confidence to take the first step and start investing.

### 4. Learn how investing works

Many people and not just the 10% of women responding to the Aviva survey said investing was "too complicated". Investing can seem complicated, but you can quickly learn the basics and grow your financial confidence.

Investing is buying an asset that you believe will increase in value over time. Buying stocks or shares, means you buy small parts of the company they are from.

You can choose individual shares to invest in, or a fund, which has multiple shares within it and therefore removes some of the decision-making from investors. An investment fund pools your money with that of other investors to invest in a wide range of companies and other assets.

### 5. Meet with a financial planner

A financial planner will support you and explain the wider circumstances and give you good advice which could support your goals and create a financial plan that's tailored to you. Part of your financial plan might include investing, and working with a financial planner could provide you with essential support if you're nervous.

A financial planner could help you assess investment risk and explain why some investments may be right for you, and why some are not.

Should you want to arrange a meeting to find out how we could help you invest and create a financial plan, please contact us.

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Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

# Navigating the Capital Gains Tax allowance trap

The government has substantially reduced the amount of profit you can earn before Capital Gains Tax, CGT, is due, so the number of people who will be liable to pay this tax could increase by a large amount over the coming years.

The profit gains you can earn before potentially paying Capital Gains Tax (CGT) have halved for the 2024/25 tax year. If you dispose of assets, this change may affect you, so, how can you best navigate through these higher taxes?

CGT is a tax on the profit you make when you decide to sell certain assets that have increased in value since you purchased them. CGT normally falls due on assets such as:

- **Shares held outside a tax-efficient wrapper**
- **Second properties which are not your main home**
- **Personal possessions with a value above £6,000 or more, excluding your car.**

The government has been systematically reducing the amount of profit you can make during the year before CGT is due. The Annual Exempt Amount has fallen from £12,300 in 2022/23 to £6,000 in 2023/24 and is now £3,000 in 2024/25.

The total amount paid through CGT tripled between 2010 and 2020 to £65 billion.

If your total profits during this tax year 2024/25 exceed the Annual Exempt Amount of £3,000, your CGT liability will depend on which personal tax band(s) the taxable gains put you in when added to your other income. In 2024/25, the tax bands are:

- **For basic-rate taxpayers, you pay a lower rate of CGT rate of 10% or 18% on gains on residential property if your total taxable income remains within the basic-rate Income Tax band.**
- **For higher- or additional-rate taxpayers, your CGT rate will be 20% or 24% on gains from residential property.**

## How can you reduce your Capital Gains Tax bill?

### TIME THE SALE OF ASSETS

The Annual Exempt Amount of £3,000 cannot be carried forward to a new tax year, so timing the sale of your assets is important. You may consider holding off selling an asset until a new tax year starts if you've already used or exceeded the Annual Exempt Amount in the current year.

Pass assets to your spouse or civil partner The Annual Exempt Amount of £3,000 is an individual allowance, therefore both you and your spouse or civil partner can pass assets to each other without tax implications. So, transferring an asset to your partner before you sell it and using their allowance might be a tax-efficient option.

### USE A TAX-EFFICIENT WRAPPER

An ISA is a tax-efficient wrapper for saving or investing because any profits made on investments held in an ISA are exempt from CGT.

Should you already hold investments outside of an ISA, you could sell these investments and then immediately buy them back within your ISA. This strategy of moving your investments to a tax-efficient account is called "Bed and ISA".

In the 2024/25 tax year, you can invest up to £20,000 in ISAs.

### UTILISE YOUR PENSION

Pensions also offer a tax-efficient way of investing, investments held within a pension are also not liable for CGT.

In the 2024/25 tax year, the pension Annual Allowance is £60,000 for most people. This is the maximum amount you can pay into your pension during the tax year while still benefiting from tax relief. Remember, that you can only claim tax relief on up to 100% of your annual earnings on deposits into your pension.

If you've already taken an income from your pension or are a high earner, your Annual Allowance could be as low as £10,000.

The Annual Allowance can be carried forward for up to three tax years. So, if you have any unused Annual Allowance from previous years, you may want to utilise them to top up your pension.

Pension rules do not allow you to access your pension until you're 55, rising to 57 in 2028, so it may not be the right option for everyone.

### CONSIDER TAX THRESHOLDS

Basic-rate taxpayers pay less CGT than those in higher tax brackets. As a result, by managing your taxable income to keep below the higher Income Tax thresholds once expected profits are included could help reduce your CGT bill.

### USE YOUR DEDUCTIBLES

HMRC allow you to deduct losses from the profits you make. You must report these losses to HMRC by including them on your self-assessment tax return. When you report a loss, the amount is deducted from the gains you make in the same tax year.

If your overall taxable gain remains above the tax-free allowance, you can deduct unused losses from previous tax years and should these losses reduce your gain to the tax-free allowance, you can then carry forward the remaining losses to a future tax year.

**Contact us to talk about your tax liability**
Whether you'd like to understand how you could reduce a potential CGT bill or you want to review your financial plan with tax efficiency in mind, please contact us. We could help you identify ways to cut your tax bill in 2024/25 and beyond.



# HOW FINANCIAL PLANNING CAN STOP YOU RUNNING OUT OF MONEY IN RETIREMENT

Running out of money during retirement is the top financial concern in the UK, but being proactive and working alongside a financial adviser to create a retirement plan could offer you a worry-free retirement.

An Aegon survey revealed that 70% of financial advisers said their clients' number one worry was outliving their savings. Help is not far away, by seeking the support of a finance professional, you can see and plan income that is sustainable for you and your family.

It's not easy to understand what a sustainable income is, because you don't know how long your pension will need to provide you with an income for, or what out of the blue expenses could crop up.

Recent high inflation has also highlighted how events outside of your control can affect your income.

Many countries have experienced a recent period of high inflation. In the UK, inflation peaked at 11.1% in October 2022 – the highest rate recorded in 40 years.

As a result of this high inflation, the cost of goods and services increased, leading to some retirees taking a higher income from their pension to meet their outgoings. Some may now be depleting their assets quicker than expected fuelling fears about running out of money sooner rather than later.

With so many outside influences to consider when deciding how to create a sustainable income from your pension, it can feel daunting. However, with sound financial planning that's tailored to your situation, you will have the reassurance you need to feel confident about your finances and your future.

When creating a bespoke financial plan, you need to assess your assets but also include your goals and concerns to give you confidence about your future.

Modelling your cash flow is a valuable financial planning tool, especially if you are worried about running out of money during retirement.

Built on data like the value of your assets and your outgoings, it can create a representation of your current wealth and how it may change during your lifetime. It will also include assumptions, like the returns your investments are likely to provide and what effect inflation may have.

Once your cash flow model is complete, you can change the information to show how your decisions may impact your financial security. As an example, you could create a model to show how your assets may change if you drew an annual income of £30,000 from your pension, and then see how your financial position would change if you increased it to £35,000 or even £40,000.

Additionally, you may want to model what would happen if you withdrew a lump sum to fund a once in a lifetime holiday, or whether you could afford to buy a holiday home.

Many people want to provide financial support to their children or people may want to gift assets during their lifetime to help family members get on the property ladder, start a new business or pursue further education, as examples.

Contact us to help you create your long term retirement plan that helps you enjoy. Please get in touch to arrange a meeting to talk about how we can help you create a sustainable income from your pension and other assets.

## Cashflow modelling will help you answer questions that concern you like:

- What happens when a period of high inflation hits?
- Would my pension provide me with a decent income if I lived to 95?
- Could I cover the cost of care in later in life, if it's needed?
- By how much could I increase my income each year to cope with the rising cost of living?

# IS RETIREMENT ON THE HORIZON?

Thousands of people retire every year. It's a new chapter in your life that you may be looking forward to in 2024. It's also a life changing event that you may be feeling apprehensive about. Taking the time to prepare for this new chapter in your life could enable you to feel more confident about stepping away from your working routine. Should you be hoping to retire this year, here we offer some practical steps to focus on.

### 1. What does your ideal retirement, look like?

With retirement on the horizon, you need to evaluate what kind of lifestyle you are seeking.

You will have more free time, so how will you fill your days/months? There will be one-off life experiences and of course your day-to-day life. You may have plans like projects for the house and garden, taking care of grandchildren or joining local clubs or groups.

The importance of evaluating your desired lifestyle is that it will influence the income you need from your pension and any other assets.

### 2. Will your employer offer a phased retirement?

A phased approach to retirement is becoming increasingly popular.

This could be a nice way to ease you into retirement. If you still enjoy some aspects of your work but want to keep a good balance between work and retirement. The advantage is that you will be earning an income and may even continue to contribute to a pension, which may move your savings up too.

- Reduce your present working hours
- Take on a lesser role
- Act as a consultant
- Calculate your retirement spending

There are many aspects to a phased retirement. Therefore, if it's something you're considering, it may be worth speaking with your employer about the options.

### 3. Calculate your retirement spending

Understanding what your retirement expenses will be helps you create a realistic retirement budget which is useful for deciding how to use your assets to provide your income.

You will have everyday costs, you may need to factor in, one-off expenses which you plan to make, such as luxury holidays, buying a new car or helping your children/family.

### 4. Review your pension pot and any other assets

A good place to start when reviewing your retirement income is your pension.

Most people have a defined contribution pension, this is where you will have a pot of money to become your income, and it will need to last you for the rest of your life.

A pension is generally at the centre of people's retirement income, but you may want to use some of your other assets too. Such as ISAs, saving accounts or even second properties.

There is also the addition of the State Pension, which may provide a steady and reliable income for you to build a retirement budget.

### 5. Don't underestimate the value of a financial planner

Retirement planning is quite difficult as there are lots of variable factors to consider.

Even after completing the above retirement overview, you may still be unsure about your retirement plan. The doubts could be:

- Is your dream retirement plan realistic?
- What income will my pension provide?
- Which outside factors have I missed like inflation, and how will affect my long-term income needs?

**Arranging a meeting with a financial planner may allow you to create a retirement plan that suits your needs and aspirations. Please contact us to talk about your retirement goals and how together we can turn them into a reality.**

This article is for general information only and does not constitute advice.
A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Your pension income could also be affected by the interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation, which are subject to change in the future.

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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