

TEMPLE BAR

CFP LIMITED

SEPTEMBER/OCTOBER 2022

PUTTING LIFE ON HOLD

COST-OF-LIVING CRISIS DELAYS HOMEOWNERSHIP,
HAVING CHILDREN AND RETIREMENT



INHERITANCE TAX RECEIPTS REACH £6.1BN

What if I could make my
wealth more tax-efficient?

CASH MAY NOT BE KING

Deciding whether to withdraw
cash from your pension pot

NAVIGATING THE HIGHER RATE TAX FREEZE

Minimising the impact on your
personal finances

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INSIDE THIS ISSUE

Welcome to our latest edition. Rising living costs have been so significant in recent months that most UK households will have noticed a squeeze on their monthly budgets. Not only does this have a direct impact on people's lifestyles, even though they are making every effort to cut back, but it has a knock-on effect on their lifelong goals such as owning a home or retiring comfortably. On page 05 new research highlights millions of people across the UK fear that the long-term impact of today's rising living costs could see their life goals delayed or even missed altogether.

Inheritance Tax receipts totalled £6.1 billion in the 2021/22 tax year, up £729 million on the year prior. This 14% increase marks the largest single-year rise in Inheritance Tax receipts since the 2015/16 tax year. The increase is the result of the ongoing freeze on the nil-rate Inheritance Tax band and residence nil-rate Inheritance Tax band. On page 03 we look at why making plans for Inheritance Tax is so important.

Choosing what to do with your pension is a big decision. On page 06 we explain how by making the wrong decision it could cost you heavily in the form of an unwanted tax bill, eventually running out of money in retirement and even a tax credits and benefits overpayment. So before you do anything, take a look at what you should consider.

If you're a higher rate taxpayer, the freeze on the Income Tax threshold will have meant an increase in your tax bill. The reason for the increase stems from the Chancellor's decision in April 2021 to freeze the higher rate tax threshold rather than increase it in line with inflation. With inflation running at a 40-year high, pay increases will mean more people are being pushed into the higher rate tax bracket. Read the article on page 12.

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

READY TO TALK ABOUT YOUR FUTURE PLANS?



Only by recognising and meeting your distinct requirements can we have a positive impact on your life and business. This is why we provide an extensive range of services, plus the ability to tailor solutions based on your specific needs. If you would like to discuss your concerns or requirements, please contact us. We hope you enjoy reading this issue.

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

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

INHERITANCE TAX RECEIPTS REACH £6.1BN

WHAT IF I COULD MAKE MY WEALTH MORE TAX-EFFICIENT?

We all want to leave a legacy and make sure the ones we care about most are well taken care of when we're gone. That's why making plans for Inheritance Tax is so important, to have confidence that your children, grandchildren and those you hold dearest will be taken care of long into the future.

Inheritance Tax is a tax on the estate of someone who has passed away. The standard Inheritance Tax rate is 40% in the current 2022/23 tax year. Your estate consists of everything you own. This includes savings, investments, property, life insurance payouts (not written in an appropriate trust) and personal possessions. Your debts and liabilities are then subtracted from the total value of your assets.

PASSING ON YOUR MAIN RESIDENCE TO DIRECT RELATIVES

Every person in the UK currently has an Inheritance Tax allowance of £325,000 (frozen until April 2026). This is known as the nil-rate band (NRB). In 2017, an extra allowance was introduced to make it easier to pass on your main residence to direct relatives (i.e. a child or grandchild) without incurring Inheritance Tax. This allowance is currently £175,000, known as the residence nil-rate band (RNRB), and is on top of the standard nil-rate band of £325,000.

A tapered withdrawal applies to the RNRB when the overall value of an estate exceeds £2 million. The withdrawal rate is £1 for every £2 over the £2 million threshold.

ALLOWED TO USE BOTH TAX-FREE ALLOWANCES

If you are married or in a registered civil partnership, you are allowed to pass on your assets to your partner Inheritance Tax-free in most cases. The surviving partner is then allowed to use both tax-free allowances. Provided the first person to pass away leaves all of their assets to their surviving spouse, the surviving spouse will have an Inheritance Tax

allowance of £650,000 (£1 million if they are eligible for the RNRB).

According to recent figures released by HM Revenue & Customs (HMRC), more estates in the UK are now paying Inheritance Tax than ever before^[1].

PAYING INHERITANCE TAX UNEXPECTEDLY

Inheritance Tax receipts totalled £6.1 billion in the 2021/2022 tax year, up £729 million on the year prior. This 14% increase marks the largest single-year rise in Inheritance Tax receipts since the 2015/16 tax year. The increase is the result of the ongoing freeze on the nil-rate Inheritance Tax band and residence nil-rate Inheritance Tax band.

Many more families are finding the total value of their estate - driven by a rapid growth in house prices, savings and other assets - is likely to be above £1million at the point of death, meaning many more estates could end up having to pay Inheritance Tax unexpectedly.

START CONVERSATIONS WITH YOUR LOVED ONES

In the 2019/20 tax year, there were 23,000 such deaths, up 4% on the year prior^[1]. Given this data only covers to the start of the pandemic, this number is likely to have risen considerably over the past couple of years as asset prices grew.

With many more estates likely to be subject to an Inheritance Tax bill, it remains important that you have a conversation with your loved ones sooner rather than later so that you all fully understand your estate, the value of it and the potential to pay an Inheritance Tax bill.

SAVE YOUR FAMILY THOUSANDS OF POUNDS

When discussing your Will and any potential Inheritance Tax liability, there are things that can be put into place to mitigate or reduce a future payment.

That's why planning for Inheritance Tax is a fundamental part of financial planning. It could potentially save your family thousands of pounds in Inheritance Tax payments when you die and ensure that your wealth is preserved for future generations. ■

WHAT WILL YOUR LEGACY LOOK LIKE?

We understand every situation is unique. We'll help you to identify any specific issues and recommend the changes needed to help you meet your long-term wealth protection goals in the most tax-efficient manner. To find out more, please speak to us.

Source data:

[1] <https://www.gov.uk/government/statistics/inheritance-tax-statistics-commentary/inheritance-tax-statistics-commentary>

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION AND TRUST ADVICE AND WILL WRITING. TRUSTS ARE A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING.

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TAX LAWS ARE SUBJECT TO CHANGE AND TAXATION WILL VARY DEPENDING ON INDIVIDUAL CIRCUMSTANCES.

GREAT WEALTH TRANSFER

PREPARING BOTH 'THE FAMILY' AND 'THE MONEY' FOR THE TRANSITION OF WEALTH TO THE NEXT GENERATION

If you want to pass wealth on to your children and grandchildren, it's wise to contemplate when it might be best to make that gift. Should you transfer wealth during your lifetime—or after?

Some people may find compelling reasons to avoid giving away wealth during their lives. They think that transferring substantial portions could mean they might not have enough to maintain their lifestyles; their beneficiaries might not use the wealth wisely, or at least in a way they'd want it used; and wealth might end up outside the family because of a child's divorce or other misfortune.

SENSITIVE TOPIC

Understandably, money can be a sensitive topic even among the closest of families. But you will have a better chance of passing on assets tax-efficiently in a way which is acceptable to all family members if you discuss and plan how to do this.

There are a number of considerations to take into account when deciding when the best time is to transfer wealth to your family. These include your age, the age of your beneficiaries, the value of your estate, the types of assets involved, tax implications and your personal circumstances.

NEXT GENERATION

Transfers made during your lifetime may be subject to Inheritance Tax, depending on the value of the assets involved. Gifts made more than seven years before your death are usually exempt from Inheritance Tax. Also the value of assets can change over time, so it's important to consider this when making a transfer. For example, property values can go up or down, and investments can become more or less valuable.

Your personal circumstances will also play a role in deciding when to make a transfer. For example, if you need access to the money yourself, then it may not be the right time to

transfer wealth to your family. Alternatively, if you're looking to pass on your business to the next generation, then you'll need to consider when is the best time for them to take over.

Here are four important considerations that should be a part of any family wealth transfer plan:

Age: One key factor to consider is your age.

If you are younger, you may have more time to accumulate assets and grow your estate. However, if you are older, you may want to consider transferring wealth sooner rather than later in order to maximise the amount that can be passed on to your beneficiaries.

Age of Beneficiaries: Another key consideration is the age of your beneficiaries. If they are young, they may not need the money immediately and it can be used to help them further their education or buy a property. However, if they are older, they may need the money to support themselves in retirement.

Value of Estate: The value of your estate is another important factor to consider. If your estate is large, you may want to consider transferring wealth sooner rather than later in order to minimise Inheritance Tax liabilities. However, if your estate is small, you may not need to worry about Inheritance Tax and can afford to wait until later in life to transfer wealth.

Types of Assets: The types of assets involved in the transfer of wealth are also important to consider. If the assets are liquid (such as cash or investments), they can be transferred immediately. However, if the assets are illiquid (such as property), it may take longer to transfer them.

ADHERING TO THE FAMILY'S VALUES AND VISION

Taking all of these factors into account will help you decide when the best time is for you to transfer wealth to your family, but it's important to discuss wealth transfer with them sooner rather than later to maximise your options.

Families must overcome many hurdles to ensure their wealth is protected and continues to accumulate over the generations while still adhering to the family's values and vision. ■

IS IT TIME WE HAD A TALK ABOUT FAMILY WEALTH TRANSFER?

Transferring wealth to the next generation is an ongoing process – and it is extremely important to keep talking as a family. Making a decision about when to transfer wealth to your family is also a personal one. It's important to seek professional advice to make sure that you're making the best decision for your circumstances. To discuss your family wealth transfer plans, please contact us.

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PUTTING LIFE ON HOLD

COST-OF-LIVING CRISIS DELAYS HOMEOWNERSHIP, HAVING CHILDREN AND RETIREMENT

Rising living costs have been so significant in recent months that most UK households will have noticed a squeeze on their monthly budgets.

Not only does this have a direct impact on people's lifestyles, even though they are making every effort to cut back, but it has a knock-on effect on their lifelong goals such as owning a home or retiring comfortably.

Millions of people across the UK fear that the long-term impact of today's rising living costs could see their life goals delayed or even missed altogether, according to new research^[1]. Almost two-thirds (64%), the equivalent of 33 million people across the country, are concerned about the future due to the current state of their finances.

TACKLING RISING EXPENSES

Households are tackling rising expenses by turning off the heating (48%), reducing their grocery spend (37%) and even driving their vehicles less (24%). However, over half of UK adults (56%) feel they have already done everything they can to save money, while savings have also taken a hit. Nearly a third (30%) no longer have a 'savings buffer' to cover unexpected costs.

More than nine million potential homeowners – 48% of all people planning to purchase a home – now estimate they will need to delay this goal, with almost a fifth (18%) of this group expecting it will need to be delayed by five years or more.

WEDDING DREAMS DELAYED

An additional 12% of prospective homeowners now don't ever think they will own a home due to greater financial pressures. Dreams of getting married (7.2 million potential brides and grooms – 47%) and even parenthood (50% of those who

plan to have a/another child – 6.8 million people) have also been delayed as a result.

FUTURE FINANCIAL SUPPORT

Parents who hoped to provide future financial support for their children are cutting back or scrapping their plans. Almost two in five (39%) people who planned to set a lump sum aside for their children now think they will have to delay this.

Almost a fifth (16%) do not see themselves ever being able to help out their children as a result, while 39% of people who had planned to give their children a deposit on their home now say they will delay this. Almost one in four of these parents (23%) say they will never be able to fund their children's deposit.

LONG-TERM GOALS

Longer term, 45% of people who had dreams for retirement anticipate that they will have to put them on hold. This is the equivalent of over 11 million people across the UK and includes 38% of people in the crucial decade before retirement who expect to delay retirement by at least a year, if not more. More than one in ten (12%) of people think they are never likely to retire.

Despite current challenges having such a fundamental impact on people's long-term goals, half of UK adults (52%) haven't sought guidance or support to better understand how to tackle

their money woes. Those that have looked for help most commonly turn to price comparison websites (19%), their family (15%) or the news (12%). Only 7% (3.9 million people) have sought out professional financial advice.

PRESSURE ON FINANCES

One way to help ease the pressure on household budgets is to make sure that people are getting all the benefits and tax credits they are entitled to. There are a number of government schemes available which can help with things like childcare costs, housing costs and council tax. Make sure you are claiming everything you are entitled to by checking the government's website.

Another way to ease the pressure on your finances is to make sure you are getting the best deal on your essential bills. This includes things like your energy bills, your water bill and your broadband package. There are a number of comparison websites which can help you to find the best deals. It is also worth speaking to your current providers to see if they can offer you a better deal. ■

HEADING OFF DIFFICULTIES LATER DOWN THE LINE

Life is becoming unaffordable for many people due to the cost-of-living crisis. Obtaining professional financial advice is invaluable, especially when navigating more complicated financial situations, such as retirement. Seeking the right help now could head off difficulties later down the line.

Source data:

[1] Opinium survey of 4,001 UK adults was conducted between 27-31 May 2022 for Legal & General.

/// BEFORE YOU TAKE ANY CASH OUT OF YOUR PENSION, YOU NEED TO CALCULATE HOW MUCH MONEY YOU ACTUALLY NEED. DO YOU NEED A LUMP SUM OF CASH ALL AT ONCE? IF SO, WHAT ARE THE TAX IMPLICATIONS?

CASH MAY NOT BE KING

DECIDING WHETHER TO WITHDRAW CASH FROM YOUR PENSION POT

Choosing what to do with your pension is a big decision. If you've been saving into a defined contribution pension (sometimes called 'money purchase') during your working life, from age 55 (age 57 in 2028) you need to decide what to do with the money you've saved towards your pension when you eventually decide to retire.

However, making the wrong decision could cost you heavily in the form of an unwanted tax bill, eventually running out of money in retirement and even a tax credits and benefits overpayment.

So before you do anything, there are things you should consider. Note: this article doesn't cover pension schemes where the pension you'll be getting is worked out as a proportion of your pay.

HOW MUCH MONEY DO YOU NEED TO RETIRE?

Before you take any cash out of your pension, you need to calculate how much money you actually need. Do you need a lump sum of cash all at once? If so, what are the tax implications? Or would you be better off with a regular income stream?

Remember that retirement could be 30 to 40 years, or more. As well as what you'll need to cover everyday living expenses, do you have any specific plans for your retirement, such as regular holidays or enjoying a hobby? Or are you thinking of any big one-off purchases or expenditure, like a new car or home improvements? Once you know how much money you need, you can start to look at your options.

WHAT ARE THE TAX IMPLICATIONS?

Taking cash out of your pension can have tax implications if you withdraw more than your tax-free element (typically 25% of your pension). You can leave the rest invested until you decide to make more withdrawals or set up a regular income.

However, you need to make sure you understand those implications before you make any decisions. Otherwise, you could end up with a significant tax bill that you weren't expecting.

WHAT ARE THE FEES?

When you retire and start taking money out of your pension, you may be charged fees by your pension provider. Some pension providers will charge a fee for each withdrawal you make, while others may charge a flat rate or percentage of your pension pot.

There may also be other charges, such as an administration fee. Taking money out of your pension will also reduce the amount of income you have in retirement, so it's important to think

carefully before you decide to take any money out of your pension pot.

HOW LONG WILL THE MONEY LAST?

Consider how long you'll need the money to last. If you take a lump sum of cash, it's likely that it won't last as long as if you take an income. This is something to keep in mind when you're making your decision.

WHAT IF YOU NEED MORE MONEY LATER?

If you take cash out of your pension now, it may not be there if you need it later on in life. This is something to consider if you think you may need more money down the line. Even if you've seen the value of your pensions fall that doesn't necessarily mean that you'll have to delay your retirement altogether.

Could you take less from your pension savings until their value recovers, and use other savings instead to bridge the gap? And could you put off any big purchases you'd planned?

WHAT ARE THE RISKS?

Taking cash out of your pension comes with risks. There's the risk that you could outlive your money, or that the value of your pension could go down. You need to make sure that you understand all of these risks before you make a decision.

OPTIONS FOR USING YOUR DEFINED CONTRIBUTION PENSION IN RETIREMENT

- Keep your pension savings where they are – and take them later.
- Use your pension pot to buy a guaranteed income for life or for a fixed term – also known as a 'lifetime' or 'fixed term annuity'. The income is taxable, but you can choose to take up to 25% (sometimes more with certain plans) of your pot as a one-off tax-free lump sum at the start.
- Use your pension pot to provide a flexible retirement income – also known as 'pension drawdown'. You can take the amount you're allowed to take as a tax-free lump sum (normally up to 25% of the pot), then use the rest to provide a regular taxable income.
- Take a number of lump sums – usually the first 25% of each lump sum withdrawal from your pot will be tax-free. The rest will be taxed as income.

- Take your pension pot in one go – usually the first 25% will be tax-free and the rest is taxable.
- Mix your options – choose any combination of the above, using different parts of your pot or separate pots.

UNDERSTANDING THE DIFFERENT OPTIONS

This is a very complicated topic and choosing what to do with your pension is one of the most important decisions you'll ever make and will impact on your future standard of living in retirement.

Worryingly, over a third (35%) of pension holders do not know about the different options available to them for when the time comes to retire, according to research^[1].

THINKING ABOUT ACCESSING YOUR PENSION POT?

These are just a few things to consider before taking cash from your pension pot. As you approach retirement, it's essential to understand what your options are and obtain professional advice, otherwise you could end up making a decision that you regret later on. For more information or to review your options, please contact us.

Source data:

[1] Online omnibus conducted by Opinium in June 2021 for LV - 4,000 representative UK adults surveyed nationally.

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

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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

TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

ARE YOU SAVING ENOUGH FOR RETIREMENT?

ONE IN SIX OVER-55s HAVE NO PENSION SAVINGS YET

Despite the fact that the government has been trying to encourage people to save for their retirement through initiatives such as auto-enrolment, there are still too many Britons who have no pension savings at all. Research reveals that a fifth (20%) of people still have no pension savings at all, and people nearing retirement aren't doing much better^[1].

Even prior to the cost-of-living crisis there have been a number of reasons why this might be the case. For some people, they simply may not be aware of the need to save for retirement. Others may not have enough spare income to put into a pension pot after covering their essential living costs.

MORE COMFORTABLE

However, the most common reason is people believe they will have plenty of time to start saving later on in life. But this is not the case. Even if you are in your 20s or 30s, it is never too early to start saving for retirement. The sooner you start, the more time your money will have to grow.

Findings also highlight the fact that one in six people (16%) who are within sight of their retirement still have no private pension savings, and consequently are missing out on the opportunity to make their life after work more comfortable.

ALARMING NUMBER

At least 17% of people in the UK aged 55 and over admit to having no pension savings (other than the State Pension), which is only slightly better than the average for Britons as a whole – 21% of whom say they have no private pensions.

What this research shows is that an alarming number of people are effectively 'sleepwalking' towards their retirement without adequate preparations. But, there are signs that as people grow older, they are becoming aware that a lack of pension savings is a problem – though perhaps not quickly enough.

PENSION DEFICIT

The issue is most visible among adults aged under 35. Nearly a quarter (24%) of this group

claim to have no pension savings at all, despite being a generation to benefit from auto-enrolment into workplace pensions. After 35 this drops to one in five, and then to one in six for the over-55s. Clearly, people do start to save more as retirement draws nearer, even if they have missed out on the opportunity to save over many years.

Lack of pension savings is a particular issue for those not in full-time employment. Encouragingly, just 8% of respondents who worked full time said they had nothing in their pension. But among part-time workers this figure was one in four (24%), indicating that part-timers face a potential pension deficit when they retire.

WORRYING STATISTIC

The people worst affected tend to be those not currently working at all – whether because they are unemployed or because they are full-time parents. Nearly 60% of this group said they had no pension savings. Where this is because of full-time parenthood, the parent in question may be relying solely on their partner's pension in later life. This is a risky strategy, both because that pension may not be enough for both of them, and because of the risk of relationship break-up.

Another worrying statistic highlights that one in five people simply don't know how much they have in their pension savings. Curiously, this uncertainty grows rather than shrinks as people get older: while 14% of under-35s are unsure, this rises to 22% between the ages of 35 and 54, and then to 24% among the over-55s.

SUBSTANTIAL INCOME

It may be the case that many of those who think they have no pension savings are wrong, and that they do have pension pots from previous jobs

(or even their current job) that they don't know about. The first step for anyone who thinks they are pension-less is to contact the government's Pension Tracing Service and search through their previous employers to see if they were ever a scheme member.

However, some people will reach the age of 55 (the earliest age that someone can access pension pots) and find that they genuinely have no pension savings. But this isn't a reason to give up and assume it's too late. Although a person close to retirement has a lower chance of saving enough to provide a substantial income, pensions can help your money to go a lot further. ■

READY TO DESIGN YOUR RETIREMENT?

There are a number of ways you can save for retirement, such as through a workplace pension or a personal pension. So if you haven't started, now is the time to do so. It may seem like a long way off, but the sooner you start saving, the better prepared you will be for your future. If you would like to discuss your situation or concerns you may have about a pension shortfall, please contact us.

Source data:

[1] Survey by Unbiased and Opinium of 2,000 non-retired UK adults, conducted June-July 2020.

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BRINGING PENSIONS TOGETHER

WHAT TO CONSIDER IF YOU HAVE MULTIPLE PENSION POTS

The employment landscape has evolved significantly over the last few decades and changing jobs multiple times before retirement is now very much the norm. But did you know, there is an estimated £9.7 billion of unclaimed UK defined contribution pension funds?^[1]

Over time, it is easy to lose touch with pension savings providers as we change jobs, move home and the companies we have worked for change ownership or close down.

All these events over time may make it very difficult to find your valuable pension savings. So that means potentially ending up with a number of different pension pots. If you're one of the millions of people with multiple pensions, it may be appropriate to consider consolidating your defined contribution pension pots and bring them together.

NUMBER OF DIFFERENT PENSIONS

Even if you have not had many jobs, you could still have a number of different pensions to keep track of. If appropriate, pension consolidation can simplify your finances and make it easier to keep track of your retirement savings.

Having said this, not all pension types can or should be transferred. It's important to obtain professional advice so you know and can compare the features and benefits of the plan(s) you are thinking of transferring.

WHAT IS PENSION CONSOLIDATION?

Pension consolidation is the process of combining multiple pension pots into one single pot. This can be done with a pension transfer or by opening a new pension and transferring your other pensions into it. You may want to do this to make it easier to keep track of your retirement savings, or to try and get a better rate of return on your investment.

But there are a few things to consider before consolidating your pensions, such as any exit fees that may be charged, and whether or not you will lose any valuable benefits such as guaranteed annuity rates.

CONSOLIDATING YOUR PENSIONS

REASONS WHY YOU MIGHT WANT TO CONSOLIDATE YOUR PENSIONS

Simplify your finances: If you have multiple pension pots, it may be difficult to keep track of them all. Consolidating your pensions into one pot could make it easier to manage your retirement savings.

Save on fees: If you have multiple pensions with different providers, you may be paying multiple annual fees. Consolidating your pensions may help you save money on fees.

Get better investment options: Some pension providers offer a limited number of investment options. By consolidating your pensions it could give you access to a wider range of investments.

REASONS WHY YOU MAY NOT WANT TO CONSOLIDATE YOUR PENSIONS

Loss of valuable benefits: One key disadvantage is that you may lose out on valuable benefits that are specific to certain pension schemes. For example, some schemes may offer better death benefits than others, so consolidating your pensions into one pot could mean giving up this valuable protection.

Paying higher fees: Another potential downside is that some schemes may have higher charges than you are actually currently paying, which means you would end up paying higher fees. This is something that needs to be carefully considered before making any decisions.

More difficult to access: It's important to remember that once you consolidate your pensions, it may be more difficult to access them early if you need the money for an emergency. This is something that should be taken into account when making any decisions about pension consolidation.

LOCATE YOUR PENSION FUNDS

If you think you might have lost a pension pot from a previous job, you can use the government's Pension Tracing Service at www.gov.uk/find-pension-contact-details. This enables people to locate money previously saved for retirement, that is unclaimed. So, it is worth checking if you could have pension funds that have not been claimed.

Finally, one thing you also need to bear in mind is that pension savings are big targets for fraudsters. If someone contacts you unexpectedly offering to help you transfer your pot, it's likely to be a scam. If you're concerned, contact the Financial Conduct Authority (FCA) to check they're legitimate. ■

NEED PROFESSIONAL ADVICE TO HELP MAKE YOUR DECISION?

You only have one retirement so you don't want to make a costly mistake with your pensions that you could one day regret. Before you look to bring your pensions together, it's essential to obtain professional advice. For more information about how we can assist you through this complex process, please contact us to discuss your situation.

Source data:

[1] <https://www.pensionspolicyinstitute.org.uk/media/2855/201810-bn110-lost-pensions-final.pdf>

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HOW TO PROTECT YOU AND YOUR FAMILY'S FUTURE

WHAT KIND OF PROTECTION INSURANCE DO YOU NEED?

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



These are not easy questions to ask but it is important to consider what would happen if an unexpected event or accident took place, and how you could protect your family from the financial effects of serious illness or death.

BIG PART IN OUR LIVES

Deciding what your priorities are and understanding what options you have are key parts of the protection planning process. This helps you ensure that you have the financial protection most suitable for your circumstances.

Every family is different, but they often play a big part in our lives. It's important to think about how we can protect them against the unexpected as best we can.

PROTECTION FOR THE UNEXPECTED

LIFE INSURANCE

Death is an unpredictable event, so it's important to make sure you have the right level of cover in place. The amount of life insurance you need will depend on your individual circumstances. There are many good reasons to take out a policy. For example, if you have dependents who rely on your income, then life insurance can provide financial security for them if you die.

There are different types of life insurance available, so choosing the right policy for your needs is key. Term life insurance provides cover for a set period of time, while whole of life insurance covers you for your entire life. You can also choose between level term insurance, which pays out a fixed amount if you die during the term of the policy, and decreasing term insurance, which pays out less as the policy progresses.

There is also a variation on the basic term assurance theme that is often worth considering as it can reduce the cost of cover. Family Income Benefit is a policy with a sum assured that reduces uniformly over time but

provides regular payments of capital on the death of the breadwinner (the life assured).

If you have any debt, such as a mortgage, then it's also important to take out life insurance to make sure that this is paid off if you die. This will give your loved ones peace of mind and prevent them from being burdened with debt.

INCOME PROTECTION INSURANCE

There are a number of reasons why income protection insurance should be a part of your protection planning. Firstly, it can help to protect your income if you are unable to work. This could be due to an illness, injury or disability that means you are unable to work. It can help to cover the costs of your everyday living, such as your mortgage or rent, bills and food.

If you do not have sufficient protection in place this may mean you have to rely on your savings, or on the help of family and friends. Income protection insurance is especially important if you are self-employed or have a family to support. If you are unable to work, your income protection policy will provide you with a replacement income so that you can continue to meet your financial obligations.

There are different types of income protection insurance policies available, so you should obtain professional financial advice to ensure you can compare the different options and fully understand the terms and conditions of the policy.

CRITICAL ILLNESS COVER

If you become seriously ill or are diagnosed with a specified critical illness, even if you are still able to work, critical illness cover could provide you with a financial safety net. It can help to pay for treatment, to make adaptations to your home or lifestyle, provide an income for your family if you are unable to work or other costs associated with your illness.

In some cases, it may even pay out a lump sum if you die as a result of your condition.

/// IF YOU BECOME SERIOUSLY ILL AND ARE DIAGNOSED WITH A SPECIFIED CRITICAL ILLNESS, EVEN IF YOU ARE STILL ABLE TO WORK, CRITICAL ILLNESS COVER COULD PROVIDE YOU WITH A FINANCIAL SAFETY NET.

The tax-free money from the policy could be used to help cover the cost of treatment, make adaptations to your home or lifestyle or provide an income for your family.

There is no guarantee that you will not experience a critical illness during your lifetime, so it is important to have this type of cover in place. It will give you the peace of mind of knowing that you and your family are financially protected if the worst were to happen. Critical illness cover is not a substitute for health insurance. ■

NEED A HELPING HAND FOR YOU AND YOUR LOVED ONES?

Do your children, partner or other relatives depend on your income? Many families would have to cut their living costs in order to survive financially in the event of the main breadwinner falling ill or dying prematurely. If you are unclear on your protection requirements, we are here to explain your options. Please contact us for more information.

INCOME PROTECTION INSURANCE PLANS
HAVE NO CASH IN VALUE.

IF PREMIUMS ARE NOT MAINTAINED COVER
WILL LAPSE.

NAVIGATING THE HIGHER RATE TAX FREEZE

MINIMISING THE IMPACT ON YOUR PERSONAL FINANCES

If you're a higher rate taxpayer, the freeze on the Income Tax threshold will have meant an increase in your tax bill. The reason for the increase stems from the Chancellor's decision in April 2021 to freeze the higher rate tax threshold rather than increase it in line with inflation.

With inflation running at a 40-year high, pay increases will mean more people are being pushed into the higher rate tax bracket. You pay higher rate tax on the portion of income that falls between £50,271 and £150,000 (or between £43,663 and £150,000 in Scotland). Higher rate tax is charged at 40% (or 41% in Scotland).

IS THERE ANYTHING I CAN DO ABOUT IT?

Review your salary sacrifice arrangements.

If you're currently sacrificing part of your salary into a pension or other benefits, you may want to consider increasing this amount. This will reduce your taxable income and could help offset any increase in tax due to the freeze.

Check your tax code. If your tax code is incorrect, you could end up paying more tax than you should. Make sure you check your code and update it if necessary.

Use tax-efficient investments. There are a number of investments that can be held in a tax-efficient way, such as Individual Savings Accounts (ISAs). These can help to reduce your overall tax bill. You can allocate your entire allowance of £20,000 (for 2022/23) into a Stocks & Shares ISA, or into a Cash ISA or any combination of these. You pay no Income Tax on the interest or dividends you receive from an ISA and any profits from investments are free of Capital Gains Tax.

Use your annual allowance. If you have unused annual allowance from previous years, which applies to all of your private pensions, you could consider carrying it forward and use it to offset any increase in tax due to the freeze. Carry forward allows you to make use of any annual allowance that you might not have used during the three previous tax years, provided that you were a member of a registered pension scheme during the relevant time period. But to use carry forward, there are certain conditions that need to be met. ■

WANT TO SEE HOW WE COULD HELP TO MINIMISE THE IMPACT OF THE TAX FREEZE?

By taking some time to review your finances and make some key decisions, you can help to minimise the impact of the tax freeze and keep more of your hard-earned money. Whatever your financial goals are, we can help you put the necessary planning in place to make them become a reality. To find out more, please contact us.

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

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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

TAX PLANNING IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

/// WITH INFLATION RUNNING AT A 40-YEAR HIGH, PAY INCREASES WILL MEAN MORE PEOPLE ARE BEING PUSHED INTO THE HIGHER-RATE TAX BRACKET.