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ESSENTIALLY **WEALTH**

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INTERGENERATIONAL WEALTH – WHY IT'S GOOD TO TALK

MORE THAN £5.2BN PAID IN INHERITANCE TAX

DIVORCED WOMEN AT RISK OF PENSION POVERTY

CIVIL PARTNERSHIPS TO BE EXTENDED TO ALL

ONE IN 10 PEOPLE EXPECT TO WORK FOR THE REST OF THEIR LIVES

NEW TACTICS FOR SCAMMERS – DON'T GET CAUGHT OUT

MILLENNIALS NEED ENCOURAGEMENT TO KEEP SAVING

IN THIS ISSUE

INTERGENERATIONAL WEALTH – WHY IT'S GOOD TO TALK

In many families, having a frank discussion about wealth is something that's a bit of a no-go area. Parents don't always feel comfortable discussing money matters in front of their children, often because they want them to have a strong work ethic and don't want them to become complacent about what they might inherit in the years to come. Older people don't always like to dwell on the future, finding it difficult and distressing to open up a dialogue with their loved ones on sensitive issues like death and inheritance.

However, it's widely acknowledged that learning money management skills when they are still quite young will stand children in good stead throughout their lives. With the older generation living longer and potentially needing help in managing their finances in their later years, it's important for children and parents of any age to be able to communicate effectively about family wealth issues.

Helping you adopt a new perspective

Instead of each generation making their own arrangements, families are starting to consider how to use their combined resources in the best, most tax-efficient way to benefit all members.

For example, with many first-time buyers needing to borrow from the Bank of Mum and Dad in order to make their move, this is the perfect time to have a wider conversation about the effect this is likely to have on the whole family. For parents, giving or lending money can have implications for their retirement plans and the standard of living they can expect to enjoy during their later years.

Openly discussing wealth matters as a family helps establish financial priorities, clarify goals and ensure that the right plans are in place to support each generation according to their needs.

This is where we can help. We're experienced in looking at family finances in a holistic way and are happy to be part of these discussions. We encourage all participants to be open and honest about their needs, now and for the future.

Once goals are established, we can help families put in place plans that will deliver the outcomes they seek. We enable them to do things like save and invest for the future, make lifetime gifts, and pass on wealth tax-efficiently to the next generation on their death, whilst ensuring that the practical needs of each generation are fully respected and addressed.

WITH THE OLDER GENERATION LIVING LONGER AND POTENTIALLY NEEDING HELP IN MANAGING THEIR FINANCES IN THEIR LATER YEARS, IT'S IMPORTANT FOR CHILDREN AND PARENTS OF ANY AGE TO BE ABLE TO COMMUNICATE EFFECTIVELY ABOUT FAMILY WEALTH ISSUES.

NEW TACTICS FOR SCAMMERS – DON'T GET CAUGHT OUT

With the government's pensions cold-calling ban now in place, scammers are employing fresh tactics to target unsuspecting victims.

A new scam doing the rounds involves victims being called and informed that HMRC is starting legal action against them for unpaid taxes. Some of these calls are automated, with a recorded message telling people to press '1' to speak to a case worker to make a payment. Victims are told if they don't pay £1,000s immediately they will be arrested.

In March, HMRC revealed that it had received over 60,000 reports of scam calls in the six months to January 2019. A huge increase of over 360% compared to the previous six-month period.

Don't hang around

With scams like this one, calls often appear to come from a telephone number which looks similar to a genuine HMRC number. The caller will sound professional and will ask the victim to confirm their details before telling them the amount they allegedly 'owe'.

HMRC REVEALED THAT IT HAD RECEIVED OVER 60,000 REPORTS OF SCAM CALLS IN THE SIX MONTHS TO JANUARY 2019. A HUGE INCREASE OF OVER 360% COMPARED TO THE PREVIOUS SIX-MONTH PERIOD.

If challenged, the fraudsters claim that unless you make an instant card payment, you will face immediate arrest, or your passport will be cancelled.

HMRC has confirmed that it will never call people out of the blue demanding payment. They will only ever call asking for payment of a tax demand that they have already made the recipient aware of in writing.

Their advice is never to divulge your PIN, password or bank details to strangers. If you're contacted in this way, don't give out any personal information, reply to text messages, download attachments or click on links in emails you weren't expecting.

ONE IN 10 PEOPLE EXPECT TO WORK FOR THE REST OF THEIR LIVES

Today, older workers have much more choice and flexibility in the way they manage the latter part of their working lives. For many, this means the freedom of being able to carry on working as long as they wish or reducing their hours.

However, research[1] has shown that one in 10 workers don't believe they will stop work at any point, often because they won't have sufficient retirement income to do so. More than half of respondents thought they would have to keep earning for at least some period during their old age, while 58% planned to look for temporary work or join the growing ranks of the gig economy. Only one in three people anticipated having the same standard of living in retirement as in their working years.

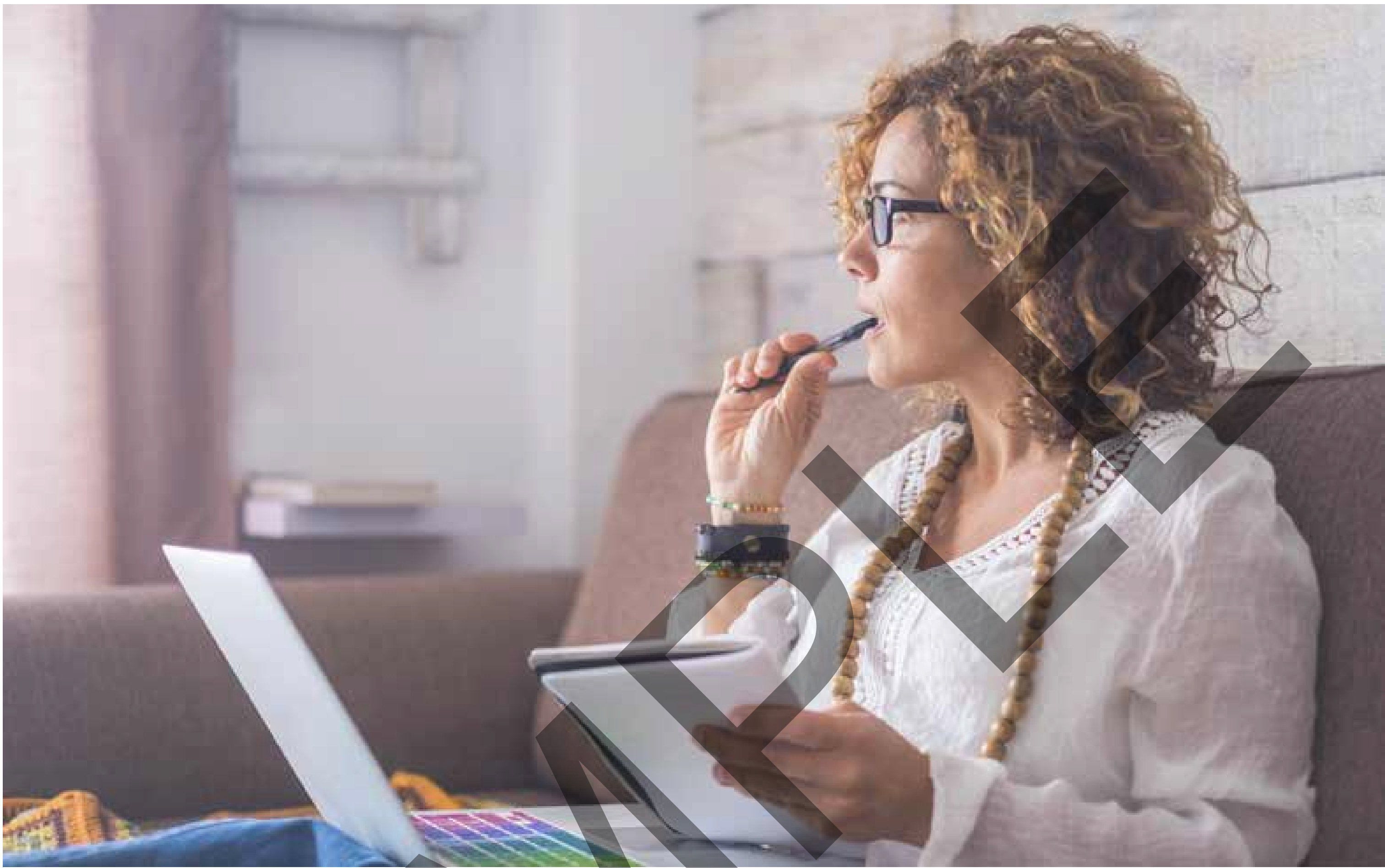
Planning is the key

In order to give yourself flexibility, you need to plan your pension savings so that you can continue to work if you wish to, but equally if you feel it's time to give up, you have funds available to be able to enjoy a comfortable retirement.

Ideally, pension saving should begin early in your career, but if for any reason you've left it until your later years, getting advice can help you consider your options and plan accordingly. That's why we recommend having regular pension reviews. That way, you'll know early on if you need to increase your level of pension saving in order to reach the level of income you need to live on in retirement.

For many of us, retirement could stretch to several decades. It should be a time of possibilities rather than a time spent worrying about money.

[1]ING, Feb 2019



MORE THAN £5.2BN PAID IN INHERITANCE TAX – HOW CAN YOU CUT YOUR TAX BILL?

Inheritance Tax (IHT) is paid if a person's estate (their property, money and possessions) is worth more than £325,000 when they die. Your estate will owe tax at 40% on anything above the £325,000 Inheritance Tax threshold (or 36% if you leave at least 10% of your net estate to charity).

Married couples and civil partners are able to pass their possessions and assets to each other tax-free (if UK-domiciled) and the surviving partner is allowed to use both tax-free allowances (when not utilised at the first death), effectively doubling their combined nil-rate band to £650,000.

The Residence Nil-Rate Band

From April 2017, the new family home allowance, the residence nil-rate band (RNRB), applies if you leave a main residence to a direct descendant like a child or grandchild, including adopted, step or fostered children.

The RNRB is £150,000 in the 2019-20 tax year, then increases to £175,000 in 2020-21. As the RNRB can be added to the existing threshold of £325,000, this would potentially mean an overall allowance of £500,000 from 6 April 2020 for those who are single or divorced, or £1m for those who are married or in civil partnerships.

However, where an estate is worth over £2m, the family home allowance (but not the individual allowance of £325,000) reduces by £1 for every £2 of value over £2m.

Seven-year rule

Under what's referred to as the 'seven-year rule', gifts made during a donor's lifetime can be totally exempt if they survive for seven years after making the gift. If death occurs within this timeframe, IHT is payable, although taper relief applies following the third year after the gift was made, and each subsequent year up to the seventh.

Other ways to reduce your IHT liability

You can make gifts of up to £3,000 (in total, not per recipient) plus any number of gifts up to £250 per other recipient during each tax year.

In addition, before the wedding day, each parent of a bride or groom can give up to £5,000; grandparents or other relatives can give up to £2,500, and any well-wisher can give £1,000.

If you're able to do so, consider making regular gifts under the 'surplus income exemption'. This enables you, subject to a number of conditions, to make a series of gifts from your spare income, free of IHT, as long as the person who makes the gift is able to maintain their standard of living after making the gift.

IHT can be complex, so professional advice is essential.

Inheritance Tax

Nil-Rate IHT band
£325,000

40% IHT payable above this threshold

TAXES

or **36%** if you leave at least 10% of your assets to charity

DONATE

Additional main Residence Nil-Rate band (RNRB): Allowance introduced from April 2017 when a residence is passed on death to a direct descendant. The maximum available amount of RNRB will increase yearly

For the 2019/20 tax year the allowance will be → **£150,000**

Increasing to → **£175,000** in 2020/21

This will be subject to a maximum estate value of £2m

Other IHT-free gifts, include:

Gifts between UK domiciled husband or wife or between civil partners;

Small gifts to other recipients up to **£250** each in a year

Total gifts up to **£3,000** in a year (can be carried forward one tax year)

Gifts in consideration of marriage or civil partnership ranging from **£5,000** from each parent of the couple, to **£1,000** from anyone else

Chargeable lifetime transfers and potentially exempt transfers attract taper relief, if made up to **seven** years before death on the amount of gift over the nil-rate band

MILLENNIALS NEED ENCOURAGEMENT TO KEEP SAVING

Research has shown that 23% of UK millennials don't have any savings. The reason may lie in data from the Resolution Foundation Report[2], which shows that average real hourly earnings for British under-30s fell by 13% between 2007 and 2014.

The pensions bright spot

However, it's not all bad news. From 2012, employers have been required to automatically enrol nearly all their employees into a workplace pension. While employees can opt out, if they don't, then both they and their employers pay in to their pension account. This has been a very successful move, resulting in around 10 million extra workers saving for their retirement.

Department for Work & Pensions analysis of employer schemes started in 2013 and 2014, shows that millennials were least likely to opt out of making contributions.

A step in the right direction

From 6 April 2019, the total combined contribution for an auto enrolled workplace pension scheme increased from 5% to 8% of qualifying earnings. Employers must make at least the minimum employer contribution of 3%, with the staff member making up the difference, usually with the help of Income Tax relief.

However, experts have suggested that in order to have a pension that equates to around 70% of pre-retirement earnings, the total combined contribution percentage needs to be between 10% and 15%.

[2]Resolution Foundation, 2018

DIVORCED WOMEN AT RISK OF PENSION POVERTY

Divorce is always a sad and challenging time, made worse by the need to deal with family assets like the marital home. Much of the focus is quite rightly on making the best possible arrangements for any children involved. This often necessitates dealing with the family home, assessing its worth and apportioning its value.

Today, pensions can also represent a major financial asset that needs to be apportioned fairly between the couple. New research[3] shows that women can lose out when it comes to sharing pension wealth on divorce. Apparently, women who divorce can end up with less than a third of the average pension wealth, with the average divorced woman over 50 owning pension wealth of £131,000 compared with £454,000 held in pensions by the average married couple.

Getting the right advice

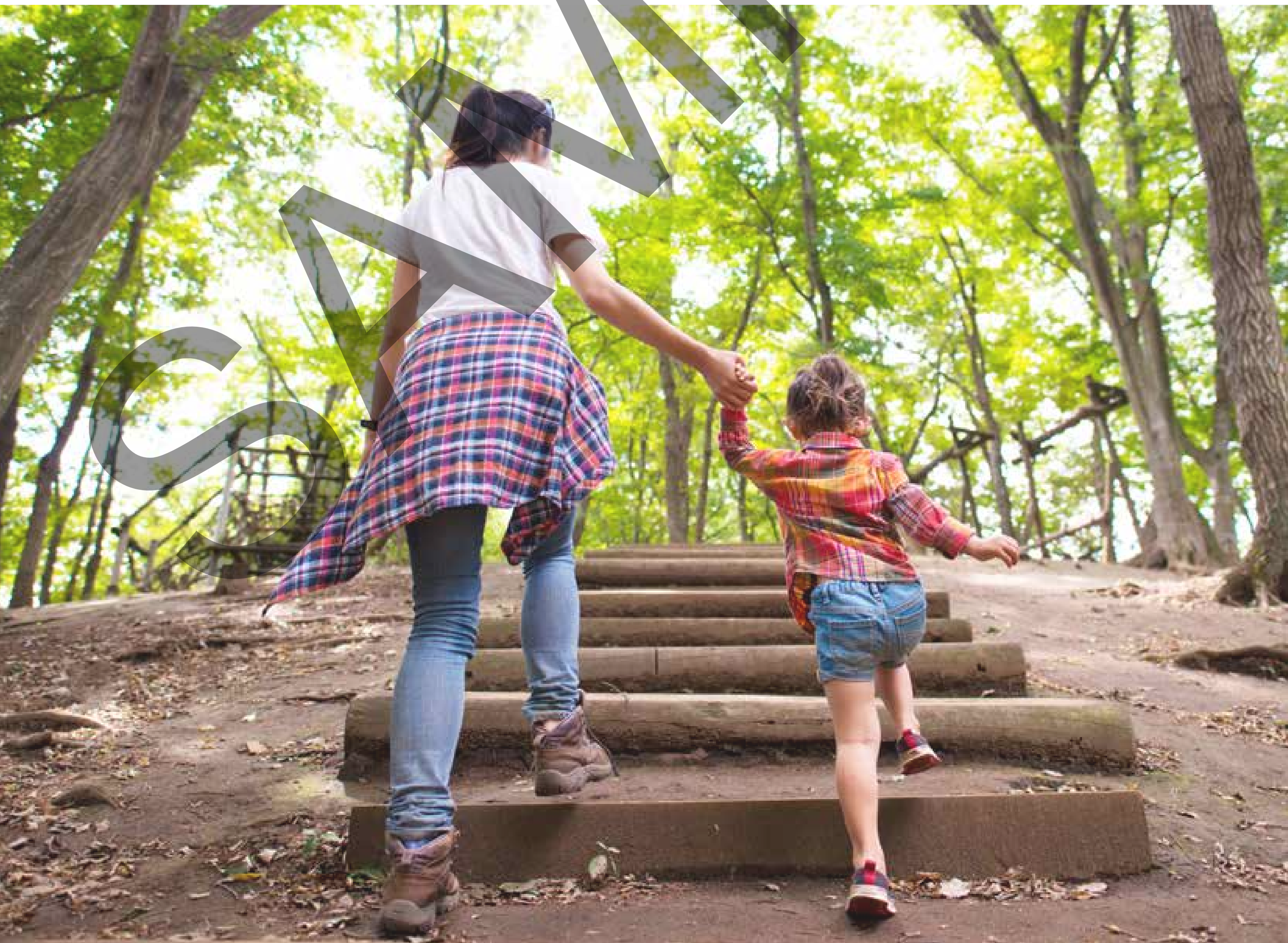
Pensions can often be overlooked when dividing wealth on divorce. Many people think a pension solely belongs to the party who is named on the policy, but that's not the case. A pension has to be considered in the division of the couple's finances. Pension assets can be apportioned in various ways, by:

- dividing the pension fund into two separate pensions
- offsetting the value of one spouse's fund by transferring a lump sum, or other assets, to the other spouse
- arranging that when a pension comes to be paid, a portion goes to the other spouse.

Calculating the value of a pension can be complex, so it makes sense for women going through divorce to seek financial advice to ensure that they aren't missing out on a fair share of what can be a very valuable asset.

[3]Royal London, 2019

WOMEN CAN LOSE OUT WHEN IT COMES TO SHARING PENSION WEALTH ON DIVORCE



PURSUING YOUR FINANCIAL GOALS – DON'T LET BREXIT GET IN THE WAY

Since June 2016, Brexit has cast its shadow over the UK and had an impact on the value of sterling, the business plans of companies, large and small, and the nation's wealth. The economy has slowed, and growth has been sluggish at best. The economic impact is estimated to have reduced real household incomes by as much as £1,500 since June 2016.

You'll still need to plan for life's big events

However, it's important not to let the noise surrounding Brexit get in the way of pursuing your personal financial goals. You still need to establish your objectives and keep them firmly in mind.

Whatever the news, you should still think about saving for the future, contributing to your pension and planning for life's big events. Unless you prepare now, you won't wake up and find that magically you've saved enough for a home deposit, or that you've accumulated sufficient funds in your pension pot to allow for a comfortable retirement.

If you'd like some advice on planning your financial future, then do get in touch.

CIVIL PARTNERSHIPS TO BE EXTENDED TO ALL

The Civil Partnerships, Marriages and Deaths Bill, is making good progress through the parliamentary system, and had its third reading in the House of Lords in early March. For couples who don't favour traditional marriage, but would like full legal recognition of their relationship, the news that opposite-sex couples will soon be able to enter into civil partnerships will be welcomed. This move is designed to address the imbalance that allows same-sex couples to choose, but not mixed-sex couples.

What difference will it make?

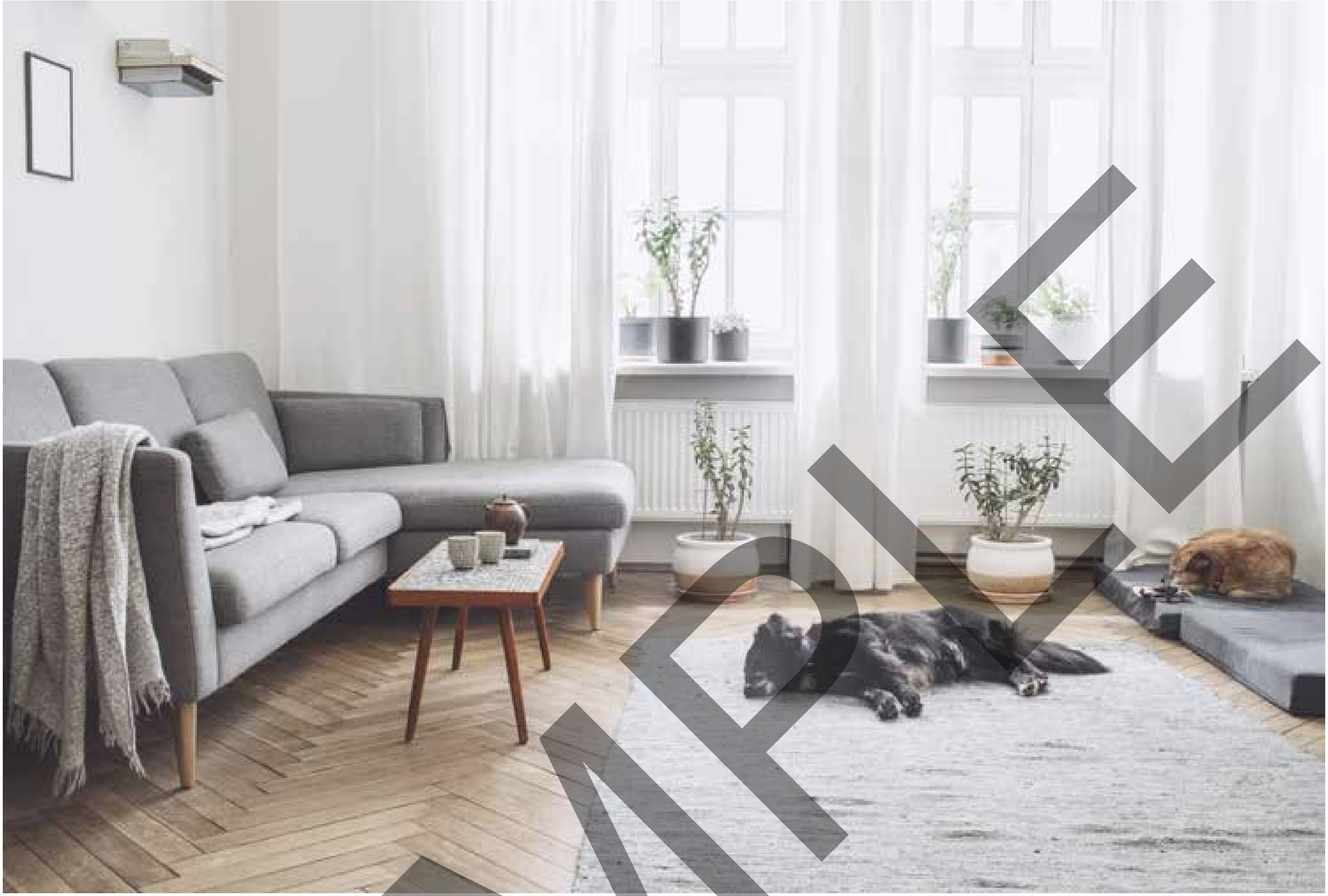
One of the most significant benefits that civil partnerships bring, is that the partners have the same inheritance rights as married couples. Recent figures[4] from the Office for National Statistics showed that in the UK, the fastest-growing family type was cohabiting couples. There were 3.3 million cohabiting families in 2017, more than double the figure in 1996.

What about cohabiting couples' rights?

Mistakenly, some cohabiting couples believe they have the same rights as married couples or civil partners. However, whilst marriages and civil partnerships give couples statutory legal protections and responsibilities to each other, the situation isn't the same for those who cohabit, especially when it comes to things like property, Inheritance Tax, pensions and next-of-kin status. For example, even if a Will is made in favour of a cohabitant, they aren't entitled to the spouse exemptions from Inheritance Tax.

Whilst cohabitees can enter into a cohabitation agreement, which sets out what they would want to happen to their property and assets in the event that they separate, many people would like the government to go further and extend legal rights to cohabiting couples, as they believe the present system produces unfair outcomes for cohabitants.

[4]ONS, 2017



WHAT TO DO IF YOUR HOME ISN'T SELLING RIGHT NOW

With the housing market slowing in parts of the country, what should you do if you want to sell your property, but aren't getting any offers?

Revisit the price
If it's essential that you make your move in the current market, then it makes sense to price your home competitively. Looking online for the amount that similar local properties have sold for, will give you a good idea if your price is right.

Check your photos
With so many people searching for homes online, it's more important than ever that your photos create the right impression. Make sure that you tidy up and declutter before the photographer arrives. If you're selling a family home, it makes sense to include images of the garden, as this can be a big selling point. If the property is currently empty, consider hiring or borrowing some furniture to make the place more homely.

Spring clean
Spruce up the property and remember that a fresh-smelling home is more inviting, so banish pets and pet odours before each viewing, as they can reduce the value of your property by thousands of pounds. A messy kid's room can also be a turn off for prospective purchasers, so bribery might do the trick, plus a few storage boxes.

IF IT'S ESSENTIAL THAT YOU MAKE YOUR MOVE IN THE CURRENT MARKET, THEN IT MAKES SENSE TO PRICE YOUR HOME COMPETITIVELY. LOOKING ONLINE FOR THE AMOUNT THAT SIMILAR LOCAL PROPERTIES HAVE SOLD FOR, WILL GIVE YOU A GOOD IDEA IF YOUR PRICE IS RIGHT.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.