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| ***New pensioners aren’t splashing the cash***  When the new pension rules came into force in April 2015, fears were expressed that pensioners might raid their pension pots to go on a spending spree. The former Pensions Minister Steve Webb, famously remarked at the time that pensioners could choose to spend their savings on buying a Lamborghini if they wished. However, the evidence suggests that this hasn’t happened.  Whilst the total value of pension withdrawals made since April 2015 is over £25bn, the average withdrawal made between July and September 2018 was £7,597, the lowest level recorded by HMRC since their records began2 in Q2 2015.  **Volatility playing a part**  The lower level of withdrawals could be a sign that pensioners were reacting to market volatility and concerned to preserve their wealth. Managing withdrawals from pension funds can be a challenge for those unfamiliar with the stock market; that’s why taking advice is so worthwhile. Ensuring their pension funds last as long as they do themselves is a concern often expressed by those approaching retirement; we can help ensure retirees make the right choices at the right time.  2HMRC, April 2019 |

# The intergenerational fairness debate continues

**The House of Lords Committee on** they have after deducting housing costs and **Intergenerational Fairness and Provision has** overall household wealth. **called on the government to take steps to make society fairer by supporting younger** Commenting on the proposals put forward **people, particularly in the employment** by the Committee, its Chairman, Lord True **market and the provision of housing.** said that the connections between the



*Your Window on*

***Wealth***

SUMMER 2019

generations could be undermined if the **A change of perspective needed** government didn’t get to grips with the key Peers believe that ‘outdated’ age-specific issues of housing, secure employment and benefits for older people should be replaced fairness in tax and benefits. with support for the young to ‘deliver a

**Tax and spending**

fairer society’.

The Committee’s recommendations covered

The Committee – made up of Labour, a range of topics, including tax and spending.

Some of the proposals include:

Conservative, Liberal Democrat and crossbench peers – issued a raft of • Remove the State Pension triple lock, and recommendations, both to ‘retain the instead uprate the State Pension in line supportive relationship between generations’ with average earnings and to plan for the ‘100-year life’ that younger

people can expect to become the norm. • Free bus passes and the Winter Fuel

Payment should only be made available The Committee said intergenerational five years after the recipient becomes unfairness was being ‘exacerbated’ by an eligible for the State Pension ageing population, the 2008 global financial crisis and successive government policies that • Better-off workers over the State have failed to consider the issues. According Pension age should pay National to its report1, many pensioner households Insurance Contributions while they work. are now better off than their working-age 1Select Committee on Intergenerational Fairness & counterparts, both in terms of the income Provision, April 2019

**INSIDE THIS ISSUE:**

**In the News // Trusts – not just the preserve of the rich and famous // Gifting money for a deposit – what you need to know // Transfers of wealth – who gets what? // Inheritance tax – frequently-asked questions // Beware of scammers impersonating HMRC // Worryingly, 68% of retirees don’t take advice**

Your Window on Wealth

# of the rich and famous

**Today, you don’t have to be incredibly rich for your family to benefit from the creation of a trust. They can offer long-term asset protection and have a variety of uses as part of financial planning strategies. A family trust can help protect your family’s assets for the benefit of future generations and may be used to protect the family home.**

**2**

**% OF OVER**

**-50**

**75**

**s AREN’T SAVING**

**FOR CARE**

New research

3

shows that although

% of those surveyed feared losing

60

their savings and homes to pay for care

fees, less than a quarter of adults aged

over 50 are making any provision for

later-life care.

As people are living longer, it’s

estimated that more than 143,000

older people, over a third of the

people currently receiving

421,000

residential care, could face paying fees

of £100,000 or more for their care.

**RETIREES IN THE DARK ABOUT**

**ENHANCED ANNUITIES**

Buying an annuity is a way of providing

a guaranteed income in retirement,

but 70% of people questioned for a

recent survey

4

were unaware that

if they were to be suffering from poor

health at the time of purchase, they

might qualify for higher levels

of income.

Enhanced annuities pay higher rates

based on your lifestyle or medical

history. Factors such as smoking,

diabetes, high blood pressure and

heart disease could boost your income

as a result of reduced life expectancy.

Those suffering from conditions

such as asthma, high cholesterol and

obesity may also qualify for higher

levels of income, depending on how

serious their condition is.

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Independent Age, April 2019

4

HL, April 2019

**NEWS**

***In th***

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**Trusts – not just the preserve**



**What is a trust?**

A trust is a legal arrangement which allows assets, usually property or money, to be looked after by a trustee for the good of one or more beneficiaries. Those beneficiaries can be named individuals, such as your children, or can be children who are yet to be born.

**Why set up a trust?**

They can have a variety of uses such as:

* Protecting the financial interests of a young beneficiary by retaining control of the assets until they reach the age of 18

(16 in Scotland)

* Looking after the interests of somebody who can’t handle their own financial affairs through incapacity
* Providing for a husband or wife, while keeping the assets intact for the benefit of children
* Reducing Inheritance Tax (IHT) liability by taking assets out of an estate, thereby reducing the amount on which IHT might otherwise be payable
* Protecting assets on marriage
* Ensuring that the proceeds from a life insurance policy go to the beneficiary without waiting for probate, and don’t form part of the estate for IHT purposes.

**Setting up a trust** The choice of trust will depend on who the beneficiaries are, what the assets are, and how and when you want them distributed. Taking advice on the type of trust that is most suitable for your circumstances is best.

***The Financial Conduct Authority does not regulate some forms of taxation advice.***

Summer 2019

Gifting money for a deposit – what you need to know

**Parents and grandparents keen to help their offspring get onto the housing ladder are increasingly helping them out with the money they need for their deposit. This can help reduce Inheritance Tax (IHT) too, but you need to be aware of the rules.**

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presents, and £2,500 to grandchildren or

great-grandchildren, or £1,000 to anyone

else, all free of IHT.

You can make more significant gifts above

and beyond those listed above, known as

‘potentially exempt transfers’. You need to live

for at least seven years after making the gift

for it to be outside the estate for IHT.

***The Financial Conduct Authority does not***

***regulate some forms of taxation advice.***



***Transfers***

***of wealth***

***– who gets what***

Data from the Office for National

Statistics

5

show that various patterns

are emerging in how wealth is

transferred down the generations.

Unsurprisingly, gifts and loans are

more commonly made to those aged

25

–34, with 11% in this age bracket

receiving more than £500 during

the previous two years, with the

average across all age groups being

£2,000. This illustrates that parents

are stepping in to help their offspring

cope with times of major expense, like

buying a house or starting a family.

**Inheritances come later in life**

The average inheritance across all

age ranges during the previous two

years was £11,000, with those aged

55

to 64 most likely to receive larger

inheritances, receiving on average

£33,000. Those aged 65 and over

inherited on average £20,000.

This money was put into savings or

investments by around 49%

of recipients.

This research serves to highlight

that those who rely on receiving

an inheritance instead of putting

adequate pension provision in

place might find they’ve reached

retirement before they inherit.

With gifts often given earlier in life,

inheritances may be smaller in the

years to come.

5

ONS, Oct 2018

*Everyone has a yearly ‘gift’ allowance*

*for IHT and can give away up to*

*£3,000 each year.*

Everyone has a yearly ‘gift’ allowance for IHT and can give away up to £3,000 each year. If you don’t use it, you can carry over any unused allowance from one tax year to the next up to a maximum of £6,000. This means you could give away up to £6,000, or £12,000 for a couple.

**Wedding gifts**

You can also make small gifts of up to £250 per person per tax year to as many people as you like. Weddings are another opportunity to hand over cash to loved ones – parents can each give children £5,000 as wedding Your Window on Wealth | Summer 2019

**BEWARE OF SCAMMERS**

**IMPERSONATING HMRC**

Scammers are making threatening calls pretending to

Inheritance Tax – be from HMRC6 and saying if the victim doesn’t pay out

thousands of pounds immediately, they will be arrested. This is a particularly unpleasant scam, and more than frequently-asked months to January 2019.

60,000 calls are reported to have been made in the six

HMRC confirms that it will never call anyone out of the

# questions

**Who pays it?**

Inheritance Tax (IHT) is payable on a person’s death if their estate exceeds the IHT threshold, also known as the nil-rate band. IHT is charged at 40%, although the rate may be reduced to 36% if 10% or more of the estate over the threshold is left to charity.

**What is the threshold?**

The current threshold is £325,000 for an individual and £650,000 for a married couple or civil partners. An inheritance from husband, wife or civil partner is exempt from IHT and the survivor can claim their spouse’s unused nil-rate band upon their death.

**What is the main residence nil-rate band?**

This allowance applies if you want to pass your main residence to a direct descendant, such as a child or grandchild, therefore it isn’t available to everyone. For the tax year 2019-20 the figure is £150,000 and will rise to £175,000 in 2020-21. When its fully introduced in April 2020, this could potentially mean that a single person has an overall allowance of £500,000, or £1m for those who are married or in a civil partnership.

***It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.***

***The value of investments can go down***

**4*as well as up and you may not get back the full amount you invested. The past is*** blue and demand payment, they will only ever call asking for payment on a debt that you have already been made aware of in writing. If you have been approached in this way, inform Action Fraud.

6HMRC, 2019

## WORRYINGLY, 68% OF RETIREES DON’T

**TAKE ADVICE**

**What is the seven-year rule?**

Gifts of wealth can be totally exempt if If you’re looking ahead to your you survive for seven years after making retirement, the good news is that them. Should you die within this period, the nowadays there are more choices open beneficiaries would potentially be liable for to you than ever before. However, IHT, which is charged at 40% on gifts above recent research7 shows that many the nil-rate band and given in the three retirees may not be exploring these years before the donor dies. The amount options and aren’t shopping around at of IHT due gradually reduces (‘taper relief’) retirement, selecting instead to take the following the third year after the gift was annuity or drawdown facility offered to made and every subsequent year until after them by their existing provider.

the seventh year. Gifts are therefore not **How advice can help** counted towards the value of your estate A report from the Financial Conduct

after seven years. Authority8 highlighted that those

who didn’t take financial advice

**What can I do to tackle my IHT liability?** often struggled to choose between

It pays to take advice. Putting off making retirement options, and many ended plans can limit your options. For example, a up making poor investment decisions, substantial gift made to a beneficiary could or put their money into cash funds potentially reduce or eliminate your IHT that provide low returns and risk being bill. However, you would need to survive eroded by inflation.

seven years after making the gift for this to

take full effect. We can explain what the various

choices available to you are, what they ***The Financial Conduct Authority does not*** could mean for you, and help you make ***regulate some forms of taxation advice.*** the right decisions for the future. We know that for many people this is a complex and bewildering area, so will

***not a guide to future performance and*** explain everything in plain English and ***past performance may not necessarily*** will be able to answer any queries you ***be repeated. If you withdraw from an investment in the early years, you may*** may have.

***not get back the full amount you invested.*** 7Canada Life, March 2019 ***Changes in the rates of exchange may*** 8FCA Financial Lives Survey, 2018 ***have an adverse effect on the value or price of an investment in sterling***

***terms if it is denominated in a foreign***

***currency. Taxation depends on individual IF YOU WOULD***

***circumstances as well as tax law and***

***HMRC practice which can change. LIKE ADVICE OR INFORMATION***

***The information contained within this***

### ON ANY OF THE

***newsletter is for information only purposes***

***and does not constitute financial advice. AREAS HIGHLIGHTED The purpose of this newsletter is to provide IN THIS NEWSLETTER,***

***technical and general guidance and should not be interpreted as a personal PLEASE GET IN TOUCH. recommendation or advice.***

#### SUMMER 2019 E&W