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Out and About in the Financial World

Welcome to our newsletter sharing items that we feel may be of interest to you, our clients, as well as your family and friends.

If anything is of interest and we can be of further help please don't hesitate to contact us.

Inheritance Tax

This tax often creates strong reactions with clients because it is by nature a 'wealth tax' based on the total value of everything saved and built up during someone's lifetime and payable following the second death of a husband and wife.

The value of the home will have risen over the years and will often represent much of the value on which tax at 40% is payable when the nil rate limit is exceeded.

To paraphrase the old saying - death and taxes can't be avoided! But there are ways of reducing the tax including one where a loan can be created against the property with fixed interest which can be paid fully or in part, or rolled, and some or all of the loan money gifted to children or grandchildren, perhaps to help them with education or property purchase for example.

The gift is fully exempt from Inheritance Tax after seven years. It is possible to cover the liability in the meantime using an insurance policy.

If you find yourself in this situation or know someone who might be, please talk to us as this is a brief summary only and does not constitute advice.

Estates and inheritance tax can be complicated and everyone is different....we can help.

The importance of nominating your beneficiaries

Deciding what happens to your pension when you die might not be front of mind, but it could give you peace of mind.

We're not really programmed to talk about death. Let alone plan for when we're no longer around. As a result, deciding what happens to the money in your pension is one of those things you might keep putting off, never get round to or just don't keep on top of.

By nominating your beneficiaries you're saying who you'd like to receive the money in your pension when you die and they can decide how that money is paid to them....lump sum or as an income.

If you don't nominate or keep your beneficiaries up to date those you leave behind will be left to pick up the pieces at what is a difficult time.

Contact us if you need to nominate or update your pension beneficiaries.

Self Invested Pension (SIPP)

We have recently dealt with several cases where clients have benefitted from savings of hundreds of pounds in their annual pension charges by moving their SIPP to a more competitive pension company. These savings will apply each year and will add significant value to their pension funds.

Government announces plans to increase Plan 2 and postgraduate student loan repayments by £110 a year from April.

University leavers from England and Wales who started university in or after 2012 will pay around £110 a year more than they would've done from April as the Government has announced a plan to freeze the student loan repayment threshold - the earnings level at which loans begin to be repaid.

This will likely mean some pay as much as £3,000+ more over the 30 years before their loan is wiped. Former postgraduate students from England and Wales who took a loan to fund their study will also be impacted.

Source & more information: <https://www.moneysavingexpert.com/news/2022/01/government-to-freeze-student-loan-repayment-thresholds---leaving/>

Registration of Trusts - new requirement Please read as this may affect you

We are alerting our clients about this because if you are a Trustee or beneficiary of one of the following types of trust you may wish to check with the solicitor or accountant involved in setting up the trust, since trustees have a new requirement to register details of the trust and to update the register each year.

The Trust Registration Service (TRS) was launched in July 2017 as an online service for trusts to comply with their registration obligations and obtain their Self-Assessment (SA) Unique Taxpayer Reference (UTR). It is a central register containing beneficial ownership details for trusts and serves to notify HMRC of any applicable tax liabilities.

All UK Express Trusts have to register regardless of whether the trust has incurred a liability in a given tax year. An Express Trust is defined as a trust created on purpose (not by a court), where the legal owner(s) of the property declare that they hold the property on trust for specified beneficiaries. The declaration will also set out the proportion in which they are to hold beneficial interest (eg as joint tenants or tenants in common). Certain trusts are exempted including, for example, pure protection policies where the only benefit is a sum assured payable as a result of the death (or critical illness) of a life assured.

Source: <https://www.gov.uk/guidance/manage-your-trusts-registration-service>