



John Gaulton

Independent Financial Advisors

jgifa.co.uk

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 you read anything of interest and we can be of further help please don't hesitate to give us a call.

The end of the Lifetime Allowance - and other pension changes **The April Budget contained changes that will be important to anyone affected by restrictions on the sums they can save into pensions.**

What's changing

- **The Annual Allowance for pension contributions is rising from £40,000 to £60,000 each year**
- **The Lifetime Allowance is scheduled to be stopped altogether**

The total that can normally be held inside pensions - which includes both contributions and any investment growth - is scheduled to be stopped altogether. The current Lifetime Allowance is £1,073,100 with anything above this limit facing a tax charge of up to 55%.

- **Protected Lifetime Allowance and tax-free cash**

Each time the Lifetime Allowance has been reduced in the past, a group of people found themselves with pension savings that breached the new limit. These people were able to apply for protection against a tax charge for breaking the incoming allowance. Part of their protection was the right to access a higher level of tax-free cash. The government has confirmed that - following the Budget changes and the imposition of a £268,275 cap on tax-free cash - those who took out Lifetime Allowance protections will still be able to access their previously agreed level of tax-free cash.

- **The Money-Purchase Annual Allowance (MPAA) is rising from £4,000 to £10,000**

The limit imposed on pension contributions after taxable withdrawals have been made will rise from £4,000 to £10,000. Withdrawals from pensions can only be made from age 55 - which will rise to age 57 from 2028.

- **Tax-free cash**

Under current rules, 25% of anything held in pensions can be withdrawn without tax applying. From April 2024, the rules on tax-free cash - or Pensions Commencement Lump Sums - will change so that 25% of a pension is available tax-free up to a limit of £268,275 - that's the current maximum tax-free cash available under the existing Lifetime Allowance.

When it happens

The increases to the Annual Allowance, the Money-Purchase Annual Allowance will come into effect from 6 April 2023.

Abolishing the Lifetime Allowance completely requires legislation via a future Finance Bill - meaning the change will only become law from April 2024. However, pension rules will change before that so that there will be no tax charge on breaches to the current Lifetime Allowance from 6 April 2023.

There are also changes to the Tapered Annual Allowance and the removal of the Lifetime Allowance means there is potentially an even greater shelter from Inheritance Tax inside pensions.

Source: [Fidelity](#) March 2023

For further information and clarification call us.

Earn up to £9k more by topping up your ISA early

Topping up your ISA at the beginning of the tax year could earn you thousands of pounds more in the long run.

Those who top up their stocks and shares ISA at the start of the year could earn thousands more than those who decide to wait. Even those with cash ISAs could benefit from putting money away early.

Data from AJ Bell shows that an investor who put £3,000 into an ISA in the average global equity fund on the first day of the tax year since 1999 would now have a pot worth £200,373. Meanwhile, an investor who put away £3,000 on the last day of each tax year would have £191,102 – over £9,000 less.

Source: [MoneyWeek](#) April 2023

Do you have a Power of Attorney?

“It’s a crucial financial protection, probably more important than a will.” says MoneySavingExpert.com founder Martin Lewis.

"Look, I think in many ways, a Power of Attorney is more important than a will, because if you die, you die and the money is going to go on to other people and you won't use it anymore.

But if you lose your faculties, if you lose your ability to look after yourself mentally, then the question is what happens to your finances? And the truth is, let's say it's a dementia or an accident or a stroke - severe ones - don't assume your family can access your money, not even if it's the money needed to pay for your care.

It can be locked away without anyone being able to touch it. To get it they'll need to apply via the Court of Protection or equivalent. That's a hassle. It's long. It's costly. You might not get the right person appointed that you would have wanted to take over your faculties.”

We recommend all our clients should have a Power of Attorney.

Paying for care: a free guide

Social care is rarely free. More often than not you'll have to contribute to the cost of care.

The amount you pay depends on the level of need and the amount of assets you have.

When it comes to paying for care in later life, there's no one size that fits all. How much it costs to get the right support will depend on your individual needs, financial circumstances and where you live in the UK.

Care can be very expensive, but there may be financial support available - from your local council, state benefits or the NHS. However, navigating the system can be complex and sometimes stressful. That's why Which? has created this free step-by-step guide to paying for care in later life.

The guide provides straightforward information about how to pay for care in later life, how much care typically costs and how to find out if you're eligible for financial support. It also gives useful tips on how to juggle your finances if you have to cover all or most of the costs yourself.

Source: [Which?](#) December 2021

If you wish to discuss financial planning for later life care call us.