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

### **Savers missing out on tax-free savings as only a quarter know ISA limit**

Many believe you can only top up your ISA by £13,766 each year, so likely to be missing out on £6,000 of tax free savings

ISAs, (individual savings accounts), are savings products where you do not pay tax on the returns they make. The most that you can save or invest into an ISA in a given tax year without having to pay tax on the interest, dividends, or capital gains earned on your ISA investments is £20,000 and the annual allowance began 6 April 2024 and ends on 5 April 2025.

Only 26% correctly identified the ISA limit as £20,000 per tax year, according to research from bank, Shawbrook, another 36% believe the limit is under £10,000 per year, while 20% admitted they didn't know what the limit was. On the other end of the scale, 8% believe the ISA limit is more than £20,000 per year, and 7% didn't believe there was an ISA limit at all. Despite this, the research suggests 34% of savers strive to utilise the full ISA allowance every year.

Adam Thrower, head of savings at Shawbrook, said: "With millions more savers being at risk of paying tax on their savings versus last year, ISAs remain the tool of choice to earn tax free interest. With the new tax year in full swing, and a fresh £20,000 yearly limit to play with, savers should seek to use as much of their ISA allowance as possible. By utilising the ISA limit as early in the tax year as possible they could earn more interest before the limit resets again in 2025".

Cash ISAs are often a good option for shorter-term savings whereas Stocks & Shares ISAs may be more suitable over the longer-term to counteract inflation.

**If you need help or advice call us.**

### **Marriage tax allowance - Get a tax break worth up to £1,258**

If you're married or in a civil partnership and under 89 years old, you may be entitled to a tax break called the marriage tax allowance – something around 2.1 million qualifying couples miss out.

The marriage tax allowance allows you to transfer £1,260 of your tax-free allowance to your spouse or civil partner if they earn more than you. It takes into account all taxable income, whether that's a salary, pension or other forms of income – meaning even pensioners drawing a pension may qualify. Only people with specific circumstances will be able to apply:

- You need to be married or in a civil partnership (living together doesn't count) and both born on or after 6 April 1935.
- One of you needs to be a non-taxpayer - means you'll earn less than £12,570 between 6 April 2024 and 5 April 2025.
- The other partner needs to be a basic 20% rate taxpayer - means you'd earn less than £50,270.

Marriage tax allowance for the 2024/25 tax year is worth up to £252. If you're eligible and apply successfully, you'll also automatically get the tax break each year going forward. In addition to the current year's allowance, you can backdate your claim by up to four tax years too, provided you were eligible. This means that if you claim for this tax year and backdate the maximum four years, you'll get up to £1,258.

It's very simple, just use the application on the HMRC website. The non-taxpayer needs to apply, you'll need your and your partner's national insurance numbers and two of a range of different acceptable forms of ID for the non-taxpayer. You can also do it by phone, just call 0300 200 3300.

**If you need help or advice call us.**

## Consolidating pensions

**Having pensions scattered around can make it hard to get a picture of your retirement savings. Putting pensions pots you've built up over your working life in one place can help.**

Some of the advantages of transferring pensions into one pot, like a Self Invested Personal Pension (SIPP) include:

- **Easier management**

Your retirement savings will all be in one place, making it easier to check your pension and investment strategy is on track.

- **Less admin and paperwork**

One pension account means less statements and paperwork to deal with, and only one online log in.

- **Greater investment choice**

A SIPP usually has a far greater investment choice than other types of pension.

- **Potentially lower charges**

If you combine your pensions into a plan that offers better value, you can end up paying far less in charges over time – meaning you'll keep more of any investment returns.

- **More options at retirement**

A SIPP offers greater choice on how you can access your pot at retirement than other pension types.

### When should I combine my pensions?

You can consolidate pension pots whenever you like. But there are times when it may make more sense – such as if you've changed jobs, or if you're thinking about the timing of your retirement plans or what you'll want from your pensions in the future.

Before you move a pension, it's important to make sure you won't lose money, or any valuable benefits by doing so.

Here's what you should check with your current provider:

- Will you be charged an exit penalty or face a market-value adjustment (MVA)?
- Will you lose any valuable benefits? Examples include a guaranteed annuity rate, the right to take more than 25% of your fund tax free, or a pension paid to your spouse when you die.
- Does your employer pay into your existing pension, and if so, will they pay into a SIPP?
- Do you have a defined benefit (also known as 'final salary') pension, which guarantees a lifelong retirement income? If so, you're probably better off not moving.

Remember that if you do decide to combine all of your pensions, how you transfer them is important. Selling your investments first to transfer as cash means you'll be out of the market, and could lose out on potential gains.

### How do I consolidate my pensions?

Given that the average person changes jobs 11 times, that's a lot of different pensions to keep track of. If you're not sure where all your old pensions are, you're not alone. According to the Pensions Policy Institute in 2022, as much as £26.6 billion is sleeping in lost or forgotten UK pensions.

It's why more and more people are trying to find their lost pension and the government's free Pension Tracing Service may be able to help. Visit the website <https://www.gov.uk/find-pension-contact-details> or call 0345 6002 537 for more information.

If you're still unsure on what to do with multiple pensions, you should seek professional financial advice.

**If you wish further information or to discuss consolidating your pensions call us.**