VISION

Issue 21 | Spring 2023

MAGAZINE

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THE RETIREMENT ISSUE

Make sure your retirement strategy meets your needs and goals

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W elcome to our Spring 2023 *Vision* magazine - which this time has a particular focus on Retirement Planning. You are undoubtedly aware that taxes and reliefs are changing this month and, on page 06, Chief Investment Officer, Henry Gaskin, discusses how taking advantage of all the available tax incentives can help you to reduce the amount of taxes that you owe.

On page 08, Wealth Manager, Mike Moore, discusses how rising prices are adding almost 20% to the 'minimum' cost of retirement and with over a third of over-55s thinking they will work beyond their State Pension age, Wealth Manager, Andrew Morley, explores the surge in the number of people giving retirement second thoughts due to the cost-of-living crisis (page 05).

On page 10 there's a look at whether you should consider drawdown, annuities, or both from Wealth Manager, Harry Ward, some useful information on Inheritance Tax Planning from guest contributor Clapham and Collinge Solicitors (page 12), and an article on how staff can access their workplace pension at retirement from Corporate Services Director, Ryan Oates, on page 13.

There's even a round-up of what we've been doing in the community on pages 14 – 15, so it's a very packed edition this time around, which I hope you will find informative!

We always welcome your feedback so, to discuss anything covered in this issue or to share ideas for topics you'd like to see featured, please contact us - and don't forget to follow and like us on LinkedIn, Twitter and Facebook.

With best wishes.
Helen Tavner, Editor

Contents

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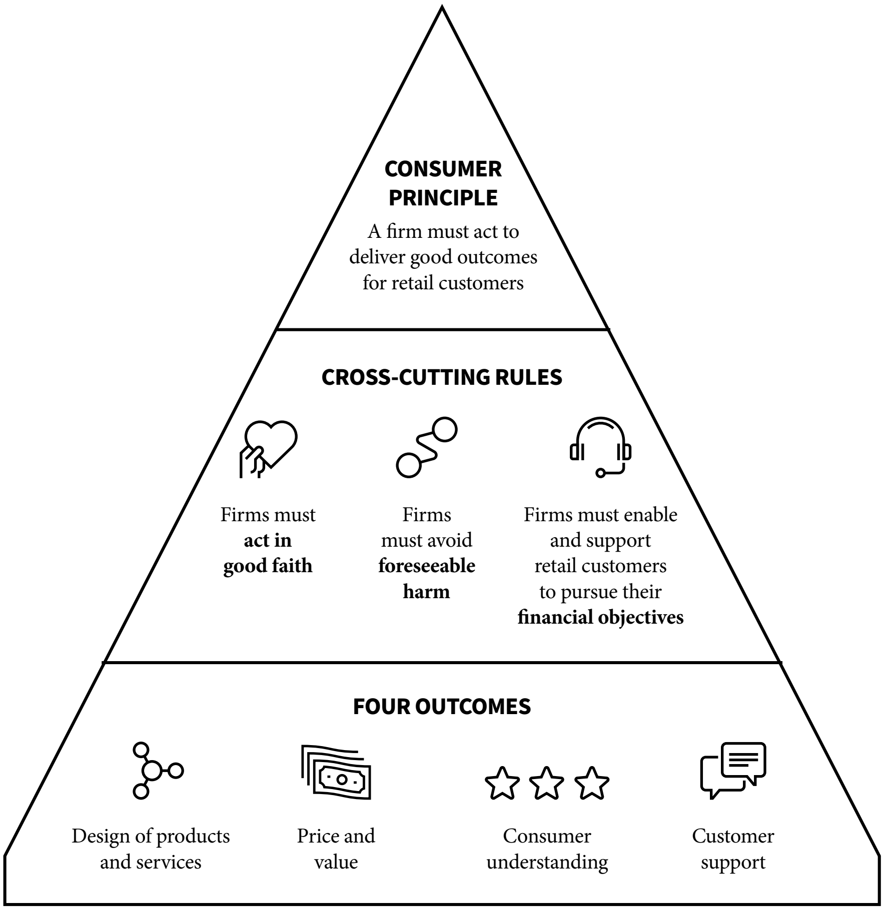
PUTTING YOUR INTERESTS AT THE HEART OF WHAT WE DO

We're continuously providing better outcomes for our clients

Amazingly, 10 years have passed since the financial regulator finally outlawed commission as a payment method for advisers and insisted on advice firms only charging fees for their services. As SGWM was founded in 2001 purely offering a fee-based service to clients, we still feel very pleased to have made the decision for ourselves recognising that it produced better outcomes for our clients, than having our hand forced by the regulator.

Fast forward to 2023 and the Financial Conduct Authority has decided a further shake up is needed with the introduction of Consumer Duty regulations for all banks, building societies and advice firms. The fact that they feel such rules are needed to insist every firm puts their clients' interests at the heart of what they do, speaks volumes about the quality of the financial services profession and the huge variation in the service that clients receive when seeking advice or financial products.

The pyramid opposite summarises what the FCA are seeking to achieve.



At the centre of the guidance lies the simple expectation that an adviser should treat a client in the way that they themselves would wish to be treated. As Chartered Financial Planners, we're proud to say that SGWM has always been able to demonstrate these values throughout our entire advice process and beyond – and indeed, these are the business ethics of which we are most proud. Our Chartered accreditation also demonstrates that we're committed to a customer-first approach and that our values align with a professional Code of Ethics, by providing financial solutions relevant to our clients' needs, whilst maintaining our knowledge through qualifications and ongoing professional development.

We are not complacent however and recognise that continued improvement and development, with the increased use of technology, will ensure we remain able to deliver the most appropriate and relevant advice services to our clients.

In essence, we have always done so much of what will be required by the new Consumer Duty and, subject to continuous review and no doubt some minor changes within our working practices, we're confident that we are ready for these requirements and that any changes we need to effect will be relatively straightforward. You can be assured that, as ever, we will continue to put you, our valued clients, first. ■

Stephen Girling APFS
Managing Director/Chartered Financial Planner

GIVING RETIREMENT A SECOND THOUGHT?

Over a third of over-55s think they will work beyond their State Pension age

We are witnessing a surge in the number of people giving retirement a second thought due to inflation rates and the cost of living crisis. Not only are more individuals looking to work beyond their State Pension age, but some are returning to employment after retiring due to increasing financial pressures.

Over 2.5 million people aged 55 and over will be impacted by the long-term effects of financial insecurity and think they will continue to work past their State Pension age. Additionally, half of those aged 55 and over don't believe their pension is enough to fund their retirement, a new survey has revealed[1].

INCREASING COST OF LIVING

Nearly four in ten over-55s who are not retired anticipate having to work past their State Pension age due to the increasing cost of living. Financial concerns surrounding retirement funding are the top drivers behind working beyond State Pension age.

A quarter (23%) are uncertain of how long their retirement savings will last, and almost one-fifth (18%) admit to not having made any preparations for when they stop working.

ABILITY TO REMAIN EMPLOYED

Nearly half (46%) of the millions of older workers expecting to work past their State Pension age are apprehensive that doing so will mean they can't enjoy their later years.

Health, too, is another major concern, with nearly half (45%) worrying their health will deteriorate as a result of having to continue working and more than a third (35%) concerned it will affect their ability to remain employed.

HEAVY FINANCIAL STRAIN

Worryingly, 16% are concerned about being treated differently or worse at work because of their age and the same number worried about not being able to spend enough time with their family due to work commitments.

Looking ahead, the older workforce is expected to be crucial to the UK's economic recovery as it will help ease severe labour shortages, yet this warning sign points to the heavy financial strain many are facing. ■

WILL YOU ENJOY THE RETIREMENT YOU DESERVE?

We all want to be in control of our retirement plans and feel confident we can stop working when we want to so that we can enjoy the retirement we deserve. If you are worried about how your current situation and the cost of living could impact on your retirement savings, we are here to talk through your options. To find out more, please speak to us.

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Source data:

[1] Survey conducted by Opinium among 2,000 UK adults between 21–25 October 2022.

TAXES AND RELIEFS ARE CHANGING IN APRIL 2023

Are you and your family taking advantage of tax planning opportunities?

Tax planning is an essential element of any individual's financial plan. It can help you to reduce the amount of taxes that you owe and ensure that you are taking advantage of all available tax incentives.

Tax planning allows you to structure your income, deductions, credits, and other elements in a way that will maximise after-tax returns and minimise the overall amount of taxes paid. Taking the time to carry out proper tax planning each year can make a significant difference in your financial outlook over the long term.

Tax laws are constantly changing and it's important to stay up-to-date on any new developments that may affect your personal situation. Keeping informed about changes in regulations or new strategies for reducing taxes can provide extra opportunities.

Additionally, by anticipating taxes when you create your financial plan, it's possible to significantly increase how much money you will have in retirement. In this article we look at some of the main taxes and reliefs that will be changing from 6 April 2023.

TAX-FREE PERSONAL ALLOWANCE

The personal tax allowance normally increases slightly each year, but the threshold for 2023/24 has been frozen at the 2022/23 limit of £12,570. You'll only pay income tax on any earnings which are above the £12,570 threshold. So, if you earn £18,000 in a tax year, the taxable element of your income is £5,430.

The tax-free Personal Allowance will reduce if you earn a higher level of income. For every £2 that you earn above £100,000, the Personal Allowance reduces by £1. This means that if you earn £125,140 or more, your personal tax allowance is zero.

2023/24 INCOME TAX RATES AND THRESHOLDS

INCOME TAX IN ENGLAND, WALES, AND NORTHERN IRELAND

- **Personal allowance:** No tax payable on this income - £0 – £12,570
- **Basic rate income tax:** 20% tax on the proportion of income which falls into this tax bracket - £12,571 – £50,270
- **Higher rate income tax:** The part of your income which falls into this tax band is taxed at 40% £50,271 – £125,140
- **Additional rate income tax:** This is the highest rate. The income you earn above this threshold is subject to tax at 45% - £125,140 upwards

INCOME TAX IN SCOTLAND

- **Personal allowance:** No tax on this income - £0 – £12,570
- **Starter rate:** £12,571 – £14,732 (19% tax)
- **Basic rate:** £14,733 – £25,688 (20% tax)
- **Intermediate rate:** £25,689 – £43,662 (21% tax)
- **Higher rate:** £43,663 – £125,140 (42% tax)
- **Top rate:** Over £125,140 (47% tax)

2023/24 NATIONAL MINIMUM WAGE

National Minimum Wage is worked out on the basis of the employee's age, although there are different rates which apply for apprentices.

- Apprentices and under 18s - £5.28 per hour
- Age 18 - age 20 - £7.49 per hour
- Age 21 - age 22 - £10.18 per hour

NATIONAL LIVING WAGE (NICS)

The National Living Wage is the minimum amount which employers must pay to employees who are 23 or older. In April 2023 it increases to an hourly rate of £10.42.

NATIONAL INSURANCE

The Class 1 Primary Threshold and Class 2 Lower Profits Limit will remain aligned with the Personal Allowance (£12,570) until April 2028.

The Upper Earnings Limit and Class 4 Upper Profits Limit will remain aligned to the Higher Rate Threshold at £50,270 through to April 2028.

The Lower Earnings Limit (£6,396) and the Small Profits Threshold (£6,725) will remain unchanged in 2023/24.

For 2023/24, the Class 2 rate will be £3.45 a week and the voluntary Class 3 rate will be £17.45 a week.

The government will fix the level at which employers start to pay Class 1 Secondary NICs for their employees (the Secondary Threshold) at £9,100 from April 2023 until April 2028.

DIVIDEND ALLOWANCE

If you own shares in a company then you may receive dividend payments, which are a share of the company's profits. These dividends are a source of income, so as a result you'll need to pay tax on them. The dividend allowance is changing, with the current £2,000 threshold reducing in April 2023, and then again in April 2024.

This means that you'll pay tax on more of your dividend income. The dividend allowance for each year is: 2023/24: £1,000; 2024/25: £500. The 2023/24 Dividend Tax Rates: Basic rate taxpayers: pay the dividend ordinary rate 8.75%; Higher-rate taxpayers: use the dividend upper rate 33.75%; Additional-rate taxpayers: pay dividend tax at the additional rate 39.35%.

CAPITAL GAINS TAX (CGT) ANNUAL EXEMPT AMOUNT

CGT is payable on any profit you make after 'disposing' of an asset that you own. Disposing of an asset usually means that you've sold it, but also includes giving it away to someone, swapping it for something else, or being compensated for its loss in other ways.

The amount of Capital Gains Tax that you owe is based on the profit or 'gain' that you make, not on the total amount of money that you receive from disposing of the asset. For Individuals 2023/24 limit of £6,000; Trustees limit of £3,000.

2023/24 CAPITAL GAINS TAX FOR BASIC RATE TAXPAYERS

- Gains from other residential property 18%
- Gains from other chargeable assets 10%

2023/24 CAPITAL GAINS TAX FOR HIGHER RATE TAXPAYERS

- Gains from other residential property 28%
- Gains from other chargeable assets 20%

You might also be eligible for Business Asset Disposal Relief on any assets that qualify. This was formerly known as Entrepreneur's Relief.

IT'S IMPORTANT TO ANTICIPATE TAXES AS YOU CREATE YOUR FINANCIAL PLAN

If appropriate switching some income from one spouse or registered civil partner to the other could help save tax. It is important to always aim to use both individuals' personal allowances.

Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life. However, the type of investment and tax-efficiency you should be looking for depends firstly on whether your priority is to save a lump sum for the future, or to draw an income today.

TAX-EFFICIENT

Individual Savings Accounts (ISAs) are very tax-efficient savings and investment accounts. You can use them to save cash or invest in stocks and shares. As a UK resident aged 18 or over you are eligible to allocate your entire allowance of £20,000 (for 2023/24) into a Stocks & Shares ISA, or into a Cash ISA or any combination of these.

You'll pay no Income Tax on the interest or dividends you receive from an ISA and any profits from investments are returned free of Capital Gains Tax.

LATER LIFE

Chancellor Jeremy Hunt announced in the Spring Budget 2023 statement that he has abolished the pensions Lifetime Allowance to boost economic growth. The Lifetime Allowance had been frozen at £1,073,100 until April 2026 and currently affects 8,000 people with pension pots above this figure. From 6 April 2023 this tax charge will be abolished.

The Chancellor also announced he is increasing the annual tax-free allowance by 50%, from £40,000 to £60,000. For those who have stopped work and ceased pension contributions and may now wish to resume paying into a defined contribution pot, the money purchase annual allowance (MPAA) will rise from £4,000 to £10,000 from April 2023.

For very high earners, the so-called taper rules will be eased to allow for increased tax-efficient pension savings. Currently, taxpayers lose £1 of annual allowance for each £2 of 'adjusted income' above £240,000. This threshold will rise to £260,000.

TAXABLE INCOME

For higher earners it is even more beneficial, with higher-rate taxpayers only needing to contribute £60 in order to boost their pension fund by £100, and additional-rate taxpayers only needing to pay £55.

If you are a higher earner it is now even more important to capitalise on making larger pension contributions to private pensions or to increase salary-sacrifice pension contributions through your workplace, to try and lower your taxable income going into the 2023/24 tax year.

SIGNIFICANT CHANGE

The Dividend Allowance from 6 April 2023 has been cut to £1,000 per year. This will make it more expensive, from a tax perspective. If you are a business owner when taking money out of your Limited company, Directors and Shareholders should consider reducing the amount of dividends which are paid-out at the end of the 2023/24 tax year to avoid paying Income Tax on dividend distributions.

Another significant change coming to investors is the reduction in the Capital Gains Tax allowance from £12,300 to £6,000 per year from 6 April 2023. A further reduction to the Capital Gains Tax allowance will take place from £6,000 to £3,000 from 6 April 2024.

CAREFUL FORETHOUGHT

Timing your disposals is particularly important. Depending on the level of your income, making a further disposal either side of the tax year end could save or cost you tax. The decreasing Capital Gains Tax allowance will lower the chargeable gain investors can realise tax-efficiently at the end of the 2023/24 tax year. With some careful forethought it could help minimise a future Capital Gains Tax bill.

Inheritance Tax planning is generally not related to the tax year end, although it is always a good time to review your Will and ensure your stated wishes are up to date. There are certain Inheritance Tax exemptions that are related to each tax year. ■

LOOKING TO DISCUSS TAX PLANNING ADVICE SHAPED AROUND YOU?

It can be difficult to keep up with tax changes at the best of times, but with four chancellors in seven months, a mini-budget which was largely, but not fully, reversed and a more recent Autumn Statement, obtaining professional advice is essential. We can help you position your finances tax-efficiently - for more information, please contact us.

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FINANCIAL SECURITY AND FREEDOM

Rising prices add almost 20% to 'minimum' cost of retirement

Despite the slow economic recovery, many retirees trying to maintain a basic standard of living have seen the cost of their lifestyle increase by nearly 20% over the past year, according to a new report[1].

The findings were based on research which outlined three different levels of expenditure needed for retirement: Minimum, Modest and Comfortable lifestyles. For those on a Minimum level, the increases in food and energy costs have had the most dramatic effect, with prices rising higher than in other categories.

EXPECTATIONS FOR RETIREMENT

The Retirement Living Standards, independent research by the Centre for Research in Social Policy at Loughborough University, describe the cost of three different baskets of goods and services, established by what the public considers realistic and relevant expectations for retirement living.

These baskets comprise six categories: household bills, food and drink, transport, holidays and leisure, clothing, and social and cultural participation.

FOOD AND ENERGY

According to the latest figures, the research identified those on a Minimum lifestyle are potentially at greatest risk due to the heightened increases in food and energy costs, which form a higher proportion of their budget than other categories.

The cost of a Minimum lifestyle has increased by 18% for a single person and by 19% for a couple. To make sure retirees can still afford a basic standard of living, it's important that the government continues to follow the State Pension triple lock, which was announced in the last Autumn Statement.

MORE FINANCIAL SECURITY

This commitment means that the State Pension will rise by 10.1% to £10,600 per year, which should be achievable for a single person if they supplement the State Pension with income from a workplace pension saved through automatic enrolment during their working life.

For those looking for a more comfortable retirement, the Moderate level increased 12% to £23,300 for a single retiree and by 11% to £34,000 for a couple. This level provides more financial security and more flexibility, including a bigger budget for weekly food shopping and occasional eating out.

NEW STATE PENSION

To achieve this level, a couple sharing costs with each in receipt of the full new State Pension would need to accumulate a retirement pot of £121,000 each, based on an annuity rate of £6,200 per £100,000.

At the Comfortable Retirement Living Standard, retirees can expect to have more luxuries like regular beauty treatments, theatre trips and three weeks' holiday in Europe a year. A couple could spend £238 per week on food shopping.

STRAIN ON HOUSEHOLDS

At this level, the cost of living increased 11% to £37,300 for one person and 10% to £54,500 for a two-person household.

The report highlights that to achieve this level, a couple sharing costs with each in receipt of the full new State Pension would need to accumulate a retirement pot of £328,000 each, based on an annuity rate of £6,200 per £100,000.

The cost of living has been on the rise, placing a greater strain on households in the UK. This year has been particularly difficult for living standards across the board. In particular, domestic fuel costs have risen a staggering 130%, inflicting further strain on incomes for those in retirement.

MODERATE AND COMFORTABLE

The cost of food and fuel has risen significantly over the year, eating up around a third of the budget at minimum income standard levels. This can mean that people struggle to participate in social activities, which is why all budgets include some expenditure on social and cultural participation, accounting for a fifth of the budget at minimum income standard levels and a larger proportion in moderate and comfortable budgets.

At higher incomes, car ownership takes up around 10% of the budget due to an increase in second-hand car prices and petrol/diesel costs.

OWN PERSONAL REQUIREMENTS

Finally, annuity rates may change, which affects how much money one needs for retirement – £6,200 per £100,000 is illustrative; research will help individuals identify their own personal requirements.

Retirement planning is an essential part of financial planning, as it provides individuals with the ability to prepare for their later years. By having a plan in place, retirees can ensure that they have enough money saved up to support themselves and maintain their standard of living when they no longer have a steady income from work. ■

WANT TO TAKE THE NEXT STEP TOWARDS YOUR DREAM RETIREMENT?

It's never too late to start saving for your future and to make sure you don't find yourself facing an uncertain life once you have stopped working. Retirement planning is an essential step towards achieving financial security and freedom in your later years. Planning for retirement now will ensure you don't have to worry about money in the future.

Mike Moore DipPFS
Wealth Manager
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Source data:

[1] Pensions and Lifetime Savings Association figures quoted are for the UK, excluding London. The pot size calculation assumed an annuity of £6,200 per £100,000 and is illustrative. Annuity rates change frequently and vary according to product type, saver age and other circumstances (e.g. location, health etc.)12/01/23.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

DRAWDOWN, ANNUITIES, OR BOTH?

Make sure your retirement strategy meets your needs and goals

It's important to make a well-informed decision when it comes to deciding what to do with your pension pot: drawdown, annuity, or a combination of both. Making the right choice will affect your retirement for many years.

Drawdown gives you freedom and flexibility, allowing you to choose your annual income, whereas annuities provide steady income and security. For those who want both, they can purchase an annuity with part of their pension whilst keeping the rest in a drawdown agreement – giving them the best of both worlds.

The decision of whether to use drawdown or annuities can be a complex one, and professional advice is essential. Depending on your circumstances, either option may be suitable, with some preferring the security of knowing their income will remain stable for life, while others find the greater flexibility of drawdown more conducive to their retirement plans.

ANNUITIES

Annuities provide guaranteed lifetime income, but they also carry risk; if you die shortly after taking out an annuity it means that you won't benefit from the full value that you paid for upfront. This can make them unsuitable for those with shorter life expectancies compared to those who are expected to live longer. The current rates available on annuities may be attractive when compared to those in the recent past, and this can be an incentive for those previously deterred by low returns.

The benefits of an annuity include long-term security, since the income is guaranteed for life and cannot be affected by fluctuations in investment returns or other market factors. Plus, some policies guarantee indexation which means that the pension will rise with inflation over time. This helps to ensure that retirees have sufficient funds to maintain their lifestyle going forward

However, there are also downsides to consider when deciding whether an annuity is right for you. Annuity rates tend to be lower when interest rates fall, so you may get less than you had hoped for when taking your pension. Plus, the income is fixed and cannot be adjusted, so if your circumstances change in retirement and you require more funds it may not be possible to increase the amount you are receiving.

Ultimately, professional advice should always be sought with an annuity purchase as there can be a number of factors that need to be taken into consideration before making a decision. It is important to fully understand the terms of the policy and make sure that it is suitable for your individual situation before committing to anything long-term.

DRAWDOWN

In contrast to annuities, drawdown can provide more flexibility and control over how your money is managed in retirement. Drawdown is an increasingly popular option for retirees to receive an income during their retirement. This method of taking an income allows individuals to access their pension fund in a tax-efficient way, as withdrawals are only taxable when they exceed the Personal Allowance.

The main advantage of drawdown for retirees is that it offers more flexibility than other options such as annuities or lump sum payments. Retirees can take out whatever amount they require, when they need it and don't have to commit to fixed payments over time, allowing them the freedom to make their own decisions on how they wish to use their pension savings

Another benefit is that any money left in the drawdown pot will not be liable for Inheritance Tax. This is beneficial for those who wish to leave a legacy for their beneficiaries, as the remaining investment can pass directly to them subject to inheritance tax.

On the other hand, choosing drawdown does come with some risks. Retirees should consider that markets are volatile and there may be no guaranteed income from investments. Withdrawing too much capital can also leave you exposed should you live longer than anticipated.

It's important that individuals have an understanding of how they plan to invest their pension savings and how any losses or gains might affect them in future years. Additionally, if retirees take too much out of their drawdown pot then they could face hefty tax bills.

Overall, it's important that professional advice is taken before deciding upon a retirement strategy. While drawdown can offer more flexibility than other options, it's important to weigh up all the pros and cons before making a decision. Ultimately, the right strategy should be tailored to the individual's needs and circumstances.

COMBINATION OF DRAWDOWN AND ANNUITIES

For some people, a combination of drawdown and annuities may provide the best balance between security of income and control over withdrawals – we can help to determine which option is most suitable for you. Ultimately, it's important to understand all aspects of both drawdown and annuities, including the pros and cons of each, before making a decision.

Making sound financial decisions requires due diligence and taking into account all relevant factors so that your retirement goals are met in the most efficient way possible. Therefore it is important to consider both drawdown and annuities when planning for retirement, and professional advice is key to making an informed decision. With the right knowledge and professional advice, you will be able to make a decision as to which option is most suitable for your particular circumstances.

By taking into account all relevant factors, you can make sure your retirement strategy meets your needs and goals. ■

ARE YOU CONFIDENT OF MAINTAINING A GOOD STANDARD OF LIVING IN RETIREMENT?

As we all live longer and enjoy unprecedented freedom to decide our own retirement options, it has never been more important to have clarity over what you want to do and how much money you'll need to achieve your desired lifestyle.

Through our retirement financial planning services, we can help you position your finances so that you are confident of maintaining a good standard of living and have the income to realise your life goals, whatever they may be. For more information, please contact us.

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THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

UNDERSTANDING INHERITANCE TAX

Every person has an inheritance tax allowance (known as the Nil Rate Band (NRB)) of £325,000 which is the amount that can be distributed on a person's death without inheritance tax (IHT) being payable. In 2021, the government implemented changes to the inheritance allowance confirming that the current NRB would remain at this existing level until April 2026. In addition, for deaths occurring on or after 1 January 2022, it became no longer necessary to file with HM Revenue & Customs (HMRC) a short-form inheritance tax return when applying for the Grant of Representation for an excepted estate, ie an estate where no IHT is payable.

Since October 2007, any unused NRB from a deceased spouse can be claimed when the surviving spouse dies. This allows up to £650,000 to pass free of IHT on the surviving spouse's death. The unused NRB must be claimed by the executors of the second to die as it is not automatically transferred.

Currently, there is the possibility of claiming an additional allowance, known as the residence nil rate band (RNRB), where an estate includes a main residence which passes to "direct descendants". HMRC has defined direct descendants as 'a child, grandchild or other lineal descendant' and this includes a child that has been adopted as well as stepchildren. This additional allowance is worth up to £175,000 and the same principles apply in that any unused portion of the RNRB after the death of the first spouse can be claimed and transferred to the estate of surviving spouse on their death.

There is, therefore, the potential for a married couple or those in a civil partnership being able to benefit from an IHT allowance of up to £1m before inheritance tax is payable.

Of course, whether IHT is payable greatly depends on the value of a person's estate at the date of their death and whether any lifetime gifts have been made.

For instance, if a person makes gifts valued at £3,000 and over during their lifetime and survive for seven years after that gift is made, the value of the gift will not be counted as part of their estate on death and will be exempt from IHT. If, however, they do not survive for the seven years, the lifetime gifts must be calculated back into the estate for the purposes of IHT.

It is, therefore, important as well as extremely helpful to your executors for details of any lifetime gifts to be retained for future reference. Such details should include the full name of the recipient of the gift, the date the gift was made, and the amount gifted.

Such detailed record keeping is even more essential if executors wish to claim that any lifetime gifts were made as part of the normal expenditure of the person who has died (the transferor). Such gifts, which must meet qualifying conditions, are immediately exempt from IHT and there is no monetary limit on the exempt amount, provided the gift does not exceed surplus income. These gifts must be evidenced to HMRC, and this task can often be problematic and time consuming for executors. It is therefore extremely helpful if, during a person's lifetime, detailed records are retained to make evidencing the gifts from surplus income as easy as possible and to avoid further investigations being made when HMRC considers the paperwork provided by the executors.

The first qualifying condition is the requirement that the gift is part of the normal expenditure of the transferor – this means normal for the transferor rather than what might be normal for the average person. HMRC will consider factors such as any pattern of gifting to include frequency, amounts, nature and reason for the gifts as well as the identity of the recipient.

The second condition for exemption is that the transferor should have made the gift out of income. Capital assets do not usually qualify and as income tends to be in the form of cash, cash gifts are usually the most obvious format for this exemption.

It is also important to note that 'income' for this exemption is not necessarily the same as a person's income for income tax purposes. For example, income from an individual savings account (ISA) is tax-free but is considered income for this purpose. However, payments from investment bonds are usually considered as capital even though subject to income tax.

Calculating the inheritance tax position of a person's estate can be a simple process but it can also be time consuming and problematic. As a result, you may benefit from obtaining inheritance tax planning advice during your lifetime. ■

Should you require such advice, our dedicated team within the Private Client Department at Clapham & Collinge LLP are able to provide advice and assistance specific to your individual circumstances. To book an appointment, please contact us on 01603 693500 or email our Client Relations Team using the 'Making an enquiry' form on our website.

Face to face appointments are available at our Norwich, North Walsham or Sheringham offices.

Susan Rowe
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CLAPHAM & COLLINGE SOLICITORS

RETIREMENT PLANNING MEANS BIG DECISIONS

How staff can access their Workplace Pension at retirement

Your staff will want to find out as much as they can about their options before they decide how to access their pension savings for retirement. Once they turn 55 years old - or possibly before if they retire early due to ill health - they can start taking money out of their pension savings if they wish.

It's a good idea for them to get some guidance and possibly advice to help them to decide – we recommend they start by going to www.moneyhelper.org.uk for free impartial guidance.

The problem for employers is that different pension providers can offer different options. Some providers will give staff the full range of options (see below), whilst others may only offer one option. This can be an issue because:

- it could lead to the individual choosing the only option (which may not be the best choice for them)
- it forces the individual to have to shop around (which can be time consuming and difficult)

Therefore, it's important that employers understand what options are available from their Workplace Pension provider – otherwise staff may find it difficult to retire!

Currently, the options available to members of Defined Contribution Workplace Pensions are:

1. KEEP IT WHERE IT IS

If you don't need to access your pension pot, you can leave it invested. This means you can continue to save and your pension pot may grow. But, as with all investments, there's a risk that the value can go down as well as up.

2. TAKE IT ALL IN ONE GO

If you take your whole pension pot in one go, you may pay tax on 75% of it at your highest tax rate for that tax year - which means you could end up with a big tax bill. There are different ways of doing this depending on how much is in your pension pot.

3. TAKE IT A BIT AT A TIME

You could take your pension pot a bit at a time over a number of years. There are two different ways of doing this depending on how you want to take your 25% tax-free cash.

4. BUY A GUARANTEED INCOME

You could give all of your pension pot(s) to an annuity provider in exchange for a guaranteed income. Or you can take your 25% tax-free cash first, and then use the other 75% of your pot to buy a guaranteed income. There are different types of income - and the amount you're offered will depend on the options you choose.

As mentioned, some Workplace Pension providers give members access to all these options, some only offer one option. To support your staff for their retirement and financial wellbeing, understanding what options your pension provider offers is important.

This can be backed up with one of our dedicated 'Retirement Workshops' which can be provided onsite or via Microsoft Teams. Our Retirement Workshops are aimed at educating staff who are approaching retirement about how they can use their State Pension and Company Pension to support their retirement. ■

If you would like to find out more, contact us at hello@sgcorporateservices.co.uk

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SGWM IN THE COMMUNITY

Supporting our charitable partners

SGWM is committed to being a socially responsible, environmentally aware, inclusive and ethical business.

At SG Wealth Management, we believe in the importance of supporting our charitable partners and making a positive impact on society and the world around us. Our dedicated in-house Corporate Social Responsibility (CSR) committee works hard all year-round to organise fund-raising events and community outreach opportunities for our team to get involved with. Here's what we've been up to so far this year!

IPSWICH RFC ACADEMY

We're so proud that our sponsorship of Ipswich RFC Academy allows young players to develop and thrive, with several of the youth teams lifting trophies at last month's 'Super Sunday' to recognise their excellent performances and development this season.

A great day was had by all at the Eastern Counties Girls Conference finals day at Norwich RFC and congratulations go to the Athenas Under-16 team who had qualified through into the final of the EC Under 16 competition to face rivals Peterborough, lifting the trophy with a resounding 38-5 win!

At Humber Doucy Lane, the Under 15s boys team brought their Suffolk Plate competition to a close, taking on local rivals Hadleigh and accomplishing their 10th win in a row to lift the cup in front of a delighted clubhouse. The Under 14s boys had similarly already secured the Suffolk Cup thanks to their own unbeaten run, but were also looking for their own grand slam in the competition. However, with a tough and skilful Woodbridge team, the grand slam was missed by the finest of margins - but the Cup competition was secured nonetheless!

Meanwhile, the Under 13s took part in the Tier 1 Eastern Counties festival at Wymondham RFC, playing other tier 1 qualifiers Shelford, Cambridge, West Norfolk and the hosts. Whilst there are no cups to win at this level, the boys performed fabulously all day, winning all four of their games and proving that Ipswich youth rugby is strong across the ages and promises a bright future for the club ahead.

We can't wait so see what the Academy achieves next season!

www.ipswichrugby.com

> Proudly supporting local charity Break, who give vulnerable children, young people and families the time, support, and care they need to achieve their full potential.

BREAK CHARITY

This year we're proudly supporting local charity Break, who give vulnerable children, young people and families the time, support, and care they need to achieve their full potential. Break's belief is that whatever a child's start in life, with the right support, there is no limit to what they can achieve.

We certainly didn't envy our MD Stephen and Client Services Support Administrator, Asher Girling, who ran the Hunny Bell Cross Country in aid of Break on a cold sunny day in February, along with 300 others!

Speaking after the race, Stephen said "We were warned it was a tough course and the hill up to the start should have warned us! With a rolling field in front of us, we then had to get over the brow of the hill to see the first marshals and continue the very hilly course. It was hard work throughout but we both finished and were delighted to receive our medals! Thank you to all those who supported us, by donating to Break."

break-charity.org.

NORWICH THEATRE

As steadfast supporters of the arts in our community, we're enjoying discovering what our partnership with Norwich Theatre Royal is bringing.

This fantastic, registered charity and nonprofit organisation has a long legacy of providing performances that inspire, enrich and entertain audiences of all ages and backgrounds. Not only does the Theatre offer a fabulous programme and excellent hospitality facilities, it also collaborates with local artists, community groups, schools and charities to ensure their creative experiences have wide reaching positive impact.

So far we've enjoyed performances of the Mousetrap, the Touring Opera and attended two great business networking events with other corporate sponsors. Watch out for our logo and name on the Theatre's TV screens and printed programmes on your next visit!

norwichtheatre.org








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