A GUIDE TO

Personal Planning

Tailored planning for the needs of you and your family for the longer term

Forrester Boyd
CHARTERED ACCOUNTANTS

Personal Planning

Tax and financial planning may not be the first activity of choice for many people, but if you want to ensure that you are making the most of your hard-earned cash, and that your family will enjoy financial security into the future, it is essential to plan ahead.

As well as helping to minimise your tax liability, and providing for the needs of you and your family in the longer term, effective personal financial planning can help to ensure that you are covered in the event of an accident or change of circumstances.

You should consider the following factors

+ **Your family** – you need to plan for the financial needs of your family and also to take advantage of the tax-saving opportunities available.
+ **Your retirement strategy** – while it's never too late to plan for your retirement, the earlier you start, the more chance you will have to accumulate the funds you will need.
+ **Savings and investments** – good planning can help you to minimise the tax you have to pay on your savings, and maximise the returns.
+ **Your estate** – inheritance tax is a real concern for an increasing number of people. Implement strategies now to minimise your liability.

+ How we can help?

From planning for your children's future to ensuring that you have adequate funds for your retirement, it is vital that you develop a tax-efficient financial planning strategy.

To make the most of your planning opportunities, you should also involve your family and your financial advisers in the process.

This guide offers basic advice and ideas on tax-efficient personal planning. However, we can provide more detailed advice which is tailored to your own specific needs – so contact us for one-to-one assistance.

Family financial planning

The basic principals

Each member of your family is taxed as an individual, with personal allowances and exemptions.

With the right circumstances and careful planning, a couple with two children could have income and gains of at least £99,480 tax-free for the tax year ending on 5 April 2022.

Most capital gains are taxed at 10% or 20%, with exceptions including gains attracting Business Asset Disposal Relief (formerly known as Entrepreneurs' Relief) and Investors' Relief (IR) (10% tax rate), gains on residential property that do not qualify for private residence relief and gains covered by the annual exemption or other reliefs.

The fundamental rules are:

+ make the most of tax-free opportunities
+ keep exposure to marginal tax rates as low as possible
+ maintain a spread between income and capital.

Five personal planning pointers

1

Moving capital
Planning is often hindered by the potential for tax charges to arise when assets are moved between family members. We can advise you on how to reduce your overall marginal tax rates by transferring assets between spouses* and children in a tax-efficient manner.

2

Generation skipping
Income from capital gifted by grandparents or more remote relatives may be taxed as the child's. Regular savings through deposit accounts can also help.

3

Marriage breakdown
There are cases for and against making transfers as quickly as possible after separation. Check with us for the most appropriate course of action.

4

Your remuneration package
There are ways to improve your net pay, other than asking for a rise. Are you making the most of current benefits regarding pensions, company cars and expenses, and other benefits such as medical cover?

5

A Will
As well as ensuring that you have adequate insurance cover, with life assurance perhaps written into trust, you also need to make a Will. You will need to keep it under regular review, to ensure it reflects changes in your family and financial circumstances.

Pension planning

With the basic annual state pension and new state pension relatively low, you will almost certainly need additional sources of income. For most people, saving to provide for a comfortable and financially secure retirement includes tax-efficient investment in an appropriate form of a company pension scheme or private pension policy.

Your personal planning strategy will be determined by a number of factors, including:

+ how long you have before retirement
+ whether you are employed or self-employed
+ the terms of an employer provided pension scheme
+ how much you are able to invest for your retirement.

Employer-provided pensions

This may take the form of a final salary scheme, which pays a retirement income related to the amount earned when you stopped working, or a money purchase scheme, which reflects the amount invested and the underlying investment performance. Employers have a duty to provide a workplace scheme due to auto-enrolment legislation.

Personal pensions

If you only have a minimum contribution auto-enrolment scheme from your employer, you should consider the merits of making additional contributions to the auto-enrolment scheme or a private pension. If you are a higher rate taxpayer, your investment will, subject to limits, qualify for tax relief at 40%.

Self invested pension funds

Self Invested Personal Pensions (SIPPs) give the investor greater flexibility over how the funds are invested.

Pension policy is an area that seems to be under constant review by the government. This may have implications for your pension savings. We would also recommend that you consider a parallel savings strategy to build readily -accessible savings outside your 'pension pot', such as ISAs.

Lifetime ISA

The Lifetime ISA provides another way of saving for retirement. The accounts are available to any adult under the age of 40 and individuals can deposit up to £4,000 each tax year. Savers receive a 25% bonus from the government for every pound they put in, up to the age of 50. Various rules apply.

* where applicable, 'spouses' also includes civil partners.

Your Wealth

+ Investments

Growing your savings and being able to retire when and how you want will probably be one of your most important financial objectives, but achieving this goal takes planning and commitment.

+ Making the most of your investments

Paying tax on your savings and investment earnings should be minimised or avoided if possible.

There are a number of investment products that provide tax-free income, including ISAs and some National Savings products. Other savings options available include investment bonds, bank and building society accounts, stocks and shares and, of course, bricks and mortar. In certain circumstances some of these investments may be preferable to investment in pension schemes.

Investments under the Enterprise Investment Scheme (EIS) or Seed Enterprise Investment Scheme (SEIS), Venture Capital Trusts (VCTs) and Social Investment Tax Relief (SITR) may also be worth considering if you are happy that the tax breaks they offer outweigh the possibly higher investment risk.

Your estate

Inheritance tax is a concern for more and more families. Effective estate planning is vital to ensure that your assets will go to your chosen beneficiaries. When making your estate plan, consider the following factors:

- **Who do you want to benefit from your wealth?**
  This may include your spouse or partner, children, grandchildren and any charities you may wish to include
- **Should assets be placed into a trust, restricting access to income and/or capital?**
- **How will the business be passed on?**

Making the most of gifts

It could be said that the art of inheritance tax planning is to give away as much as possible during your lifetime, while still ensuring that you have enough left for a comfortable lifestyle in retirement. We can help you create a tax-efficient gifting strategy to achieve your personal goals.

We can help you work to keep your estate plan tax-efficient and up-to-date – contact us now.

For information of users

This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.

Date of publication : August 2021

Forrester Boyd
CHARTERED ACCOUNTANTS

forrester-boyd.co.uk
info@forrester-boyd.co.uk

Grimsby
Tel: 01472 350601

26 South St. Mary's Gate
Grimsby
N E Lincolnshire
DN31 1LW

Louth
Tel: 01507 606111

Waynflete House
139 Eastgate
Louth
LN11 9QQ

Scunthorpe
Tel: 01724 863105

66/68 Oswald Road
Scunthorpe
North Lincolnshire
DN15 7PG

Skegness
Tel: 01754 761777

47 Algitha Road
Skegness
Lincolnshire
PE25 2AJ

Beverley
Tel: 01482 889400

Kingfisher Court
Plaxton Bridge Road
Woodmansey
Beverley
HU17 0RT

Hull
Tel: 01482 225564

The Counting House
Nelson Street
Hull
East Yorkshire
HU1 1XE