Leam Financial Services

USE THEM OR LOSE THEM...!

YOUR ANNUAL TAX ALLOWANCES

Don't miss the deadline

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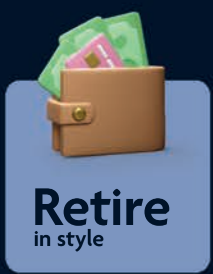
MAKING THE MOST OF YOUR ANNUAL TAX ALLOWANCES...

...WILL HELP YOU ACHIEVE YOUR LONG-TERM FINANCIAL OBJECTIVES

Whether you're just starting out and looking to buy your first home, securing your family's financial future, looking at how you can retire in style or passing on your wealth, there are things that you can do now to help you to achieve this.

In this guide, you'll find useful information to help you think about how to secure yours and your family's financial future by using the allowances available.

Tax planning doesn't have to be complicated, talk to your financial adviser now.



USE IT OR LOSE IT…!

ISAs

ISAs offer flexible, tax efficient savings and are a good way to make your money work harder for you.

Everything earned from your ISA is free from Income and Capital Gains Tax – in other words, you won’t pay tax on interest, withdrawals or growth. You can invest a total of £20,000 into one ISA or multiple ISAs in this current tax year. They’re also an easy and straightforward way to invest into stocks and shares.

If you don’t use your annual allowance, you’ll lose it.

Types of ISAs…

- Stocks & Shares
- Cash

Review your existing ISAs…

- Do you already have ISAs?
- When was the last time you reviewed them?

Now might be the right time to look at their performance and review your attitude to risk.

SHOULD I CHOOSE STOCKS & SHARES OR A CASH ISA?

Both offer flexible ways of saving.

As well as offering all of the tax advantages, you can access your savings whenever you need to. They’re also a great way of subsidising your retirement and may help you to leave your pension pot untouched for longer.

Talk to your trusted adviser now for advice on how you can make the most of your ISA allowances before the end of the tax year on 5 April.

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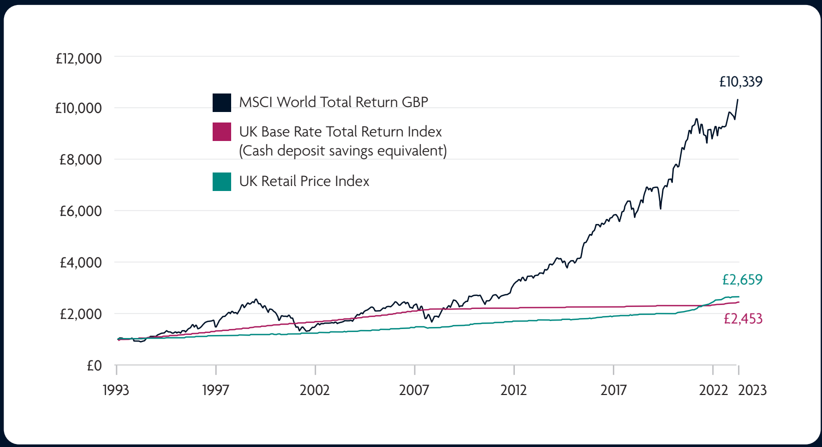


INVESTING FOR THE LONG TERM

You can withdraw from your ISA at any time, but it's best that you consider investing for the long term to minimise the effects of peaks and troughs in the market.

Over the long term (5+ years), stock markets tend to rise and therefore have the potential to give you a greater return on your investment. You should remember that there is always risks involved with investing and you could get back less than you invested.

The power of compound growth...

MAKING YOUR MONEY GROW FASTER

Investing for the long term and leaving your investment intact, means that at the end of each year, your initial capital plus any growth is reinvested for the following year and so on, which means that your money could grow faster.

This is also known as the snowball effect.

Retire
in style

Most of us think that retirement is in the distance but it does creep up on us. Waiting too long can impact our ability to retire in the style we'd like.

A pension is one of the best ways to save for your retirement, yet many of us aren't aware of the benefits of investing into a pension or how much we'll need to retire.

Invest £100 in a pension...

Basic rate tax payer
You pay £80
Tax relief £20

Higher rate tax payer
You pay £60
Tax relief £40

Top rate tax payer
You pay £55
Tax relief £45

HOW MUCH DO I NEED TO RETIRE IN STYLE?

A recent Pension and Lifetime Savings Association survey showed that 77% of the UK population are unsure how much income they'll need in retirement, with only 16% of savers able to give a figure.

For a basic rate taxpayer, every 80p you pay into a personal pension, the government adds 20p!

The Pension and Lifetime Savings Association suggest that we will need approximately the following in retirement:

Single	Couples
£37,300 Comfortable	£55,000 Comfortable
£23,300 Moderate	£34,000 Moderate
£12,800 Minimum	£20,000 Minimum

HOW MUCH SHOULD I SAVE?

You should save as much as you can into your pension as soon as you can. We all know that at different stages of our lives, this may not be as easy as at others.

Regularly reviewing your finances and putting plans in place is vital to secure the retirement you deserve. If you haven't started saving for your retirement, you could think about contributing an amount equal to half of your age.

For example, if you are 30 you should be saving 15% of your income into your retirement savings, whereas if you're 50 then it would be 25%. The later you leave it, the higher the amount you'll need to save.

The earlier you start investing, the greater the benefit of compounding – whereby the amount you invest grows and that total amount is reinvested in the next year and the full amount benefits from the growth. Like a snowball, the amount in your pot, will keep growing.

Benefits

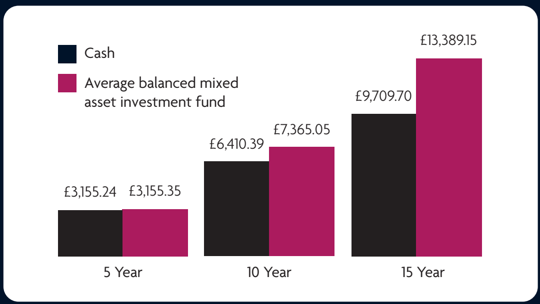
The state pension is currently around £10,600 per year.

The government is very keen to ensure individuals can support themselves in retirement. To assist, they offer a tax benefit for any personal contributions you make.

An additional tax relief is added to your contributions, which for a basic rate taxpayer is 20%. Higher rate and top rate taxpayers can claim back the additional tax relief through their annual self-assessment.

HOW MUCH COULD YOUR PENSION POT BE WORTH IF YOU START SAVING NOW?

The bar chart demonstrates the value of £50 per month invested in an average balanced mixed asset investment fund v cash over 5, 10 and 15 years.



Pensions don't have to be complicated. Talk to your trusted adviser now who can help you to achieve retiring in style.

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Estate planning

Inheritance Tax (IHT) is a tax on the estate of someone who has passed away and the value of their assets exceed the £325,000 limit.

Any amount over this amount is taxed at 40%. However, there will be no tax to pay if the estate is left to any surviving spouse or civil partner. According to HMRC, IHT liabilities for the 2022/2023 tax year rose to £7.1 billion from £6.1 billion in the previous year.

Capital Gains Tax (CGT)...

Each tax year you can make a set amount of profit before paying CGT.

This is known as the 'annual exempt amount', or more simply your 'CGT allowance'. Last tax year, the CGT allowance was £12,300 but has been cut to £6,000 this tax year. From April 2024, it'll be cut further to £3,000 and could change again in future years. The amount you pay in CGT depends on what you're selling and the income tax band you fall into.

DID YOU KNOW...

...you can reduce your future IHT by giving away some of your wealth during your lifetime?

As of 2023/24, you're entitled to an annual tax-free gift allowance of £3,000 - known as your annual exemption.

With your annual gift allowance, you can give away assets or money up to a total of £3,000 without them being added to the value of your estate. If you don't use your full £3,000 gift allowance in one year, you're allowed to roll it over to the following year.

You're only allowed to do this once, so you can't roll any allowance you haven't used over for a second year. For couples, this could mean you could gift £12,000 in this tax year if you have the maximum unused allowance for both this year and last. This can help you and your family during difficult financial times and could benefit family members now for various reasons such as a down payment for a mortgage. You can gift your allowance to one person or to several.

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YOUR CHECKLIST

- ✔ **1.** Make the most of your ISA allowance - Open or top up your ISA and shelter up to £20,000 this tax year (2023/2024).
- ✔ **2.** Open a Junior ISA - Up to £9,000 per child tax year (2023/2024).
- ✔ **3.** Use your pension allowance - Your total salary or £60,000 whichever is the lesser amount down to £3,600.
- ✔ **4.** Reduce your Inheritance Tax liability - Use your annual gifting exemption of up to £3,000 in this tax year. Use any previous unused annual allowances too.
- ✔ **5.** Make the most of your annual Capital Gains exemptions before they reduce even further next year.

Contact your trusted adviser for expert help on how to make the most of the allowances available to you before the end of this tax year on 5 April.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Past performance is not a reliable indicator of future performance and should not be relied upon.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Approved by The Openwork Partnership on 08.02.2024

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