

TAXING TIMES

Top 5' list of planning areas

RETIREMENT LONGEVITY

Your destiny is now in your own hands

STOCKS & SHARES ISA

Helping you realise your long-term financial goals

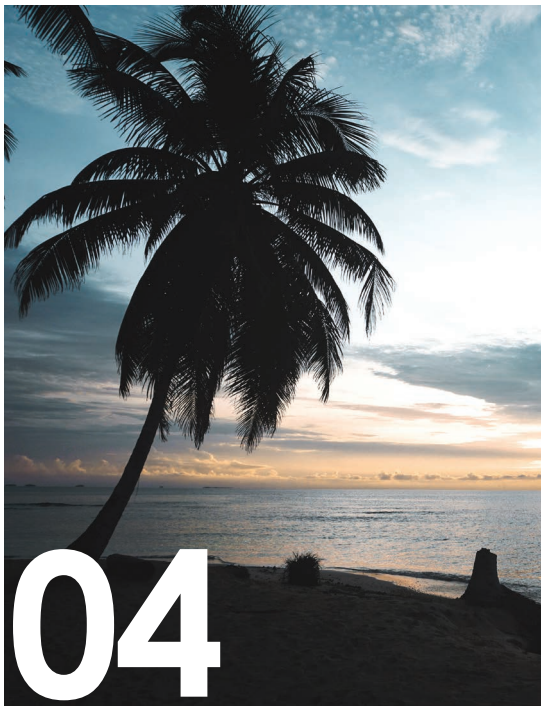
GIVE A TRIPLE BOOST TO YOUR CHILDREN

Don't miss out on this little-known tax rule

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STOCKS & SHARES ISA

Helping you realise your long-term financial goals

So you're looking to accumulate a sum of money by investing. You may have a specific amount in mind. This could be to go towards helping to fund your child's university fees or to pay for a trip of a lifetime.

When you invest in stocks and shares through an Individual Savings Account (ISA) you can choose to invest a lump sum or set up regular savings that suit your circumstances and your financial goals.

But before you start, here are some considerations before you begin saving towards your goal.

Firstly, do you have any existing debts outside of a mortgage, and do you have any current savings in case of an emergency?

You should also pay off any credit card or store card debts before you start saving. This is because the interest rate on this debt may exceed any returns you achieve by saving, certainly in the short term.

Having an emergency fund you can access quickly before you start saving towards your particular goal will help cover any unforeseeable expenses that may occur, when life throws a curve ball at you unexpectedly.

An ISA is a 'tax-efficient investment wrapper' that can be used to help save you both income and capital gains tax. The total amount you can invest in a Stocks & Shares ISA during the current 2019/20 tax year is £20,000. This is known as your ISA allowance. Don't forget this also applies to a spouse or partner, so combined you could currently save £40,000 during each tax year.

If you're planning to save over a period of five years or even longer, we've provided some reasons why you might want to consider investing some, or more, of your money in a Stocks & Shares ISA, to help you realise your long-term financial goals.

Don't overlook the impact of inflation

One of the appeals of cash savings is that you can access them when you want. Your interest is also generally fixed, so their value won't swing up and down like share prices can. It's sensible to keep

enough cash to cover any short-term needs, but keeping too much of your savings in cash can carry a cost.

When the price of goods and services, or inflation, is rising faster than the rate of interest you receive on, say, your cash savings in a UK bank or building society, the 'real' value of the amount is eroded, which could leave you worse off.

By accepting some level of calculated risk and investing your money in assets such as company shares, bonds and property, you could potentially achieve higher returns than cash alone can offer. Returns from investing can never be guaranteed, however, and you should remember that past performance is no guide to future performance.

Holding the right blend of assets

Relying on any one asset could expose you to an unnecessary risk of losing money. The key to managing risk over the long run is holding the right blend of assets that can collectively perform in different circumstances.

There is the option to hold a wide range of investments in a Stocks & Shares ISA. As well as individual company shares and bonds – both government and corporate – you can also invest in funds that feature several assets. Some funds focus on one type of asset, and sometimes even one region, while others hold a mix of assets from around the world. A broad and diversified portfolio will help spread the risk of individual assets failing to deliver returns or falling in value.

Saving a significant amount of tax

When you invest through a Stocks & Shares ISA, any income you receive, and any capital gains from a rise in value of your investments, will be free from personal taxation irrespective of any other earnings you have.

Investing in this way could save you a significant amount of tax. It's important to remember that ISA tax rules may change in the future. The tax

advantages of investing through an ISA will also depend on your personal circumstances.

ISA portfolios can be flexible

Your circumstances – and attitude towards investment risks – are likely to evolve, meaning different types of assets will become more or less appropriate over time. So if you are using ISAs as part of your retirement planning, when you approach retirement you may want to reduce the level of risk in your portfolio, or move towards income-generating assets. It's sensible to review your investments regularly – even as a long-term investor.

Within an ISA, you can reallocate your portfolio according to your outlook and needs at any time without losing any of the tax benefits. You can also move money from your Cash ISA to your Stocks & Shares ISA, or vice versa, as your short-term cash needs change.

ASSESSING YOUR CHOICE OF INVESTMENTS

Deciding what to invest in can be a surprisingly stressful process – one reason many people end up procrastinating. The choice of investments and different types of investments can appear overwhelming. If you would like to discuss your requirements or goals, we look forward to hearing from you.

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RETIREMENT

RETIREMENT LONGEVITY

Your destiny is now in your own hands

If you are in your 50s or 60s, your thoughts are probably turning towards retirement.

When should you retire? How much money do you need?

In trying to answer these questions, you face a problem. Because of longevity trends, we are on average living longer. With longevity increasing, your wealth may have to provide you and your spouse or partner with an adequate income for 30 or even 40 years.

Britons aged 30 today have a 50% chance of living to more than 100, while 50-year-olds have an even chance of reaching 95[1]. Longer lifespans, however, raise financial challenges – for individuals as well as for families and society.

The idea of a retirement lasting many decades may seem appealing, but longer retirements mean more years of living off your pension and savings. Will yours be enough?

Extra benefit of compound interest

How much money you need to save depends on when you actually start saving and how much you want to save in total. The earlier you and potentially your employer (if they match your contributions) start adding to your pension pot, the less you will need to save each month because the cost is spread over a longer period.

Moreover, if you start saving earlier, your funds will accrue the extra benefit of compound interest throughout the duration of your savings. Making money from the interest means you can actively save less but still end up with the same amount.

Much more freedom and flexibility

The good news is that changes to pensions also now mean you have much more freedom and flexibility over how to take your benefits – whether as tax-free cash, buying an income for life, leaving your pension fund invested while drawing an income, or a combination of all these options.

Unless you believe the Government is likely to become more generous with the State Pension and other retirement benefits, individuals will almost certainly need to save more to enjoy the standard of living they would like in retirement.

Building a retirement nest egg

Over the last few decades, employer pensions have become generally less generous. Today,

people starting a new job in the private sector are very rarely offered a traditional defined benefit pension – where the employer guarantees you a certain level of pension based on your salary and length of service.

Most employer-based pensions now depend on how much you and your employer have contributed and the investment returns achieved by that money. That said, for most people, saving via a workplace pension still remains the correct approach to take for building a retirement nest egg – not least because the employer contributions are effectively free money.

A number of attractive tax breaks

Importantly, pension savers benefit from a number of attractive tax breaks, including Income Tax relief on contributions and up to 25% of the proceeds being tax-free. For 2019/20, the annual limit on tax-relievable personal contributions is 100% of your salary (or £3,600 if more). In addition, there is a limit on tax-efficient pension funding called the ‘annual allowance’ (£40,000 for most people) – this applies to both contributions paid by you and contributions paid by your employer and, if exceeded, means you will pay tax on the excess (an annual allowance charge).

We’ll help keep track of your pension contributions so that you know if you’re getting close to your annual limits.

Maximum tax-free retirement savings

In some cases, we may be able to ask your pension provider to pay the charge from your pension benefits. You may not be subject to an annual allowance charge (or a lower charge may apply) if you have unused annual allowances from the previous three tax years that can be carried forward.

Increasingly, more people are also being caught by the ‘lifetime allowance’, which puts a limit on the total value of their pension funds that can be accumulated without suffering a tax charge. From 6 April this year,

the pensions lifetime allowance increased to £1,055,000. The pension lifetime allowance is the maximum amount that you can accumulate in your pension plans without suffering a tax charge (lifetime allowance charge). ◀

INCREASE YOUR WEALTH BY MAKING YOUR MONEY WORK HARDER

If your goal is to live an idyllic retirement lifestyle, we can help you build wealth with a clearly focused strategy. To find out more, please contact us – we look forward to hearing from you.

Source data:

[1] The 100 Year Life: Living and Working in an Age of Longevity, by Andrew Scott and Lynda Gratton September 2018

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

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TAXING TIMES

'Top 5' list of planning areas

Making sure you use up any allowances you are entitled to is the first step to reducing the amount of tax you may be liable to pay. We've provided our top five list of planning areas to consider before 5 April 2020, the end of the 2019/20 tax year. The rates given are correct for the 2019/20 tax year.

1. Your ISA allowance: don't wait to use it

There are many different types of Individual Savings Account (ISA), including Lifetime ISAs, Junior ISAs and Innovative Finance ISAs, although the best known are Cash ISAs and Stocks & Shares ISAs.

If you invest your full allowance early on during each tax year rather than at the end, your money will have a longer time to potentially grow tax-efficiently. This can add up to extra money in your ISA if you invest the maximum £20,000 allowance. Of course, not everyone will be in a position to invest £20,000 every April – but the more you put in, and the earlier you do it, the better off you can be.

2. Top up your pension, but watch out for the lifetime allowance

Generally, the maximum amount that can be contributed tax-efficiently in total from all sources (for example, from you and your employer) each tax year is £40,000. Remember, to receive tax relief, your personal contributions can't be any higher than your earnings (or £3,600 if more).

The lifetime allowance for most people is £1,055,000 in the tax year 2019/20. It applies to the total of all the pensions you have, including the value of pensions promised through any defined benefit schemes you belong to, but excluding your State Pension. If you take any excess amount above the lifetime allowance as a lump sum, it will be taxed at 55% (or 25% if taken as income or placed in drawdown).

3. Make use of gift allowances

If you have a potential Inheritance Tax liability, there are ways of reducing this by making exempt gifts that are immediately outside of your estate. You can give up to £250 a year to as many people as you like. You can also give away up to £3,000 tax-free a year (but not to those who have had the £250 gift). If you don't use this annual exemption, it can be carried over for the following year, but only up to a maximum of £6,000. Gifts made at the time of a wedding or registered civil partnership are given tax-free

allowances: £5,000 can be given to a child; £2,500 can be given to a grandchild or great grandchild; £1,000 can be given to anyone.

If you can show that regular gifts were funded out of surplus income, not savings, you won't pay Inheritance Tax. But it's a complicated matter to prove, and on your death your personal representatives will need to provide evidence of your incomings and outgoings to demonstrate that the gifts were paid for out of surplus income, not from savings or investments.

4. The personal allowance: how not to lose it

Everyone has a basic personal tax-free allowance. This is the amount of income you can receive tax-free each year. You do not normally need to do anything in order to receive this, as it should automatically be applied when you are paying tax. If you earn over £100,000, this will be reduced, but otherwise it is £12,500 (2019/20 tax year).

If you are married and have used up your personal allowance, but your partner has not, it may be beneficial to transfer some savings or other assets into their name, but you need to bear in mind they will then legally own those assets. Or you can make use of the Marriage Allowance, which allows 10% of a non-taxpayer's personal allowance to be transferred to their basic-rate taxpaying spouse.

5. Don't forget capital gains

The annual exemption is £12,000 for 2019/20. If you have unrealised gains, you may decide to dispose of some before the end of the tax year to use up your annual exemption. Married couples are taxed individually on capital gains, so transferring an asset from one spouse to another before realising a gain can be tax-efficient as long as the transfer represents a genuine gift from one to the other. As far as possible, it is important to use the annual exemption each tax year because, if unused, it cannot be carried forward.

When you sell a property that qualifies for the main residence tax relief, you do not have

to pay Capital Gains Tax (CGT) on it. This main residence relief is extended for 18 months after you vacate the property. What this means is that you can sell your family home within a year-and-a-half of moving out of it and still qualify for the main residence relief (that is, pay no CGT). ◀

MINIMISE THE AMOUNT YOU PAY IN TAXES, NOW AND IN THE FUTURE

The goal of tax planning is to arrange your financial affairs so as legitimately to minimise the amount that you or your family will pay in taxes, now and in the future. Although it shouldn't drive your overall financial planning strategy, it's a key part of the process. We can help you decide what's right for you. To find out more, please contact us.

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INVESTING FOR INCOME, GROWTH OR BOTH IN RETIREMENT

Turning on the taps for an extra income stream to help you realise your ambitions

The best time to start investing was 20 years ago. The second best time to start investing is now. But as you have been building up your investment wealth over the decades, in all likelihood you've probably pursued growth above all else, looking to maximising the value of your savings.

“ Allocating some of your portfolio to higher growth-focused strategies could be a counterbalance to more sober income-generating assets, so long as you can accept the risks ”

Your priority in retirement may well be to generate an income from your investments, rather than to pursue further capital growth. After all, turning on the taps for an extra income stream could help you realise your ambitions.

Pursuit of growth

Structuring a well-thought-out blend of investments should be at the heart of your wealth strategy. So even if you are now prioritising income, it could make sense to keep a portion of your investments working in pursuit of growth. This might seem counterintuitive, but here are some ways to do this.

Inflation is the enemy of all savers, but especially of those who depend on their savings and investments to deliver an income. If returns don't keep pace with the rising price of goods and services, they will be worth less in real terms.

Effects of inflation

By investing some of your portfolio for growth, you can offset the erosive effects of inflation if you are successful. After all, asset values normally rise if they perform well or their prospects improve, although there are never any guarantees when it comes to investing.

Different investment approaches can often perform differently under the same circumstances. For instance, more ambitious growth-focused strategies tend to perform more cyclically than certain income strategies, in the sense that they tend to outperform when

markets are buoyant but underperform when investors are more pessimistic.

Growth-focused strategies

Allocating some of your portfolio to higher growth-focused strategies could therefore be a counterbalance to more sober income-generating assets, so long as you can accept the risks, which are often greater when you are pursuing growth. In general, the more risk you take, the more your investment could rise or fall in value.

However, those people who invested solely for income would have likely missed out entirely on this growth. This is because emerging companies – and not just in the technology sector – seldom deliver income to their shareholders in the form of dividends, as they are reinvesting their profits, and that's if they have any, for future growth.

Longer-term approach

By investing some of your portfolio in companies with longer-term growth prospects, you might avoid the fear of missing out on the next opportunities.

If you have the next generation in mind for some of your investments, it might make more sense to adopt a longer-term approach and give those savings more chance for growth.

Attitude towards risk

When investing for someone younger, their investment horizon is probably more likely to be measured in decades than months. You

should therefore be able to take a truly longer-term view and prioritise growing the value of the pot for the future, ignoring the inevitable short-term fluctuations in the value of assets or any income considerations.

Depending on your time horizon and your attitude towards risk, investment strategies that target capital growth could therefore make a valuable contribution towards your longer-term financial security – and possibly that of your family.

ACHIEVING YOUR INVESTMENT GOALS IN RETIREMENT

Whether you are looking to invest for income, growth or a combination of the two during your retirement, we'll provide the professional financial advice, comprehensive investment solutions and ongoing service to help you achieve your investment goals.

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GIVE A TRIPLE BOOST TO YOUR CHILDREN

Don't miss out on this little-known tax rule

For those parents who have spare cash, putting money into their children's pension will boost the retirement prospects of their offspring.

The money will be topped up by the addition of tax relief and could also earn their children a tax refund if they are higher rate taxpayers and reduce the penalty they face if they are a higher earner receiving child benefit.



Under current rules, there is nothing to stop a parent making a contribution into the pension of an adult child.

With millions of younger workers having been newly enrolled into a workplace pension, many now have a pension for the first time but are only making very modest contributions.

Building a more meaningful retirement pot

An additional contribution from parents early in their working life, benefiting from compound interest as it grows, could help them to build a more meaningful retirement pot and is money that cannot be touched until later in life.

A campaign has been launched by Royal London to make parents aware of the 'hidden advantages' of paying into the pension pot of their adult children. It is a little known fact that a parent who puts money into their child's pension could be doing them a favour three times over.

Improving long-term financial security

First, the recipient will get a boost to their retirement pot, including tax relief at the basic rate. Second, recipients who are higher rate taxpayers can claim higher rate tax relief on their parents' contributions, which will increase their disposable income. And third, recipients affected by the high income child benefit charge can see this penalty reduced because of their parents' generosity.

Not every parent has spare cash to pay in to their children's pensions, but many will be in a better financial position than their children can expect to enjoy. By paying in to their children's pension, they can give them a triple boost and improve their long-term financial security.

Recipient receives basic rate tax relief

A little-known feature of the pensions system, however, is that the contribution by the parent is treated as if it had been made by the recipient. So, for example, if a parent pays £800 into their child's personal pension, the recipient will get basic rate tax relief on the contribution, taking the amount in the pot up to £1,000.

In addition, there are two further benefits to the recipient:

- If the recipient is a higher-rate taxpayer, he or she can claim higher rate relief on the contribution made by the parent; this would be done through the annual tax return process and would reduce the tax bill of the recipient.
- If the recipient is affected by the 'high income child benefit charge' and is earning in the £50,000-£60,000 bracket or slightly above, the money contributed by the parent is deducted from their income before the high income child benefit charge is worked out, thereby reducing their tax charge; for example, if the recipient is earning £60,000 and therefore faces a child benefit tax charge of 100% of their child benefit amount, a pension contribution by the parent of £8,000 grossed up to £10,000 by tax relief would reduce the recipient's income to £50,000 for purposes of the child benefit charge and would completely eliminate the tax charge.

Reducing a future inheritance tax bill

Apart from generally wanting to help their children, parents may be interested in this idea particularly because they may be up against their own annual limits for pension contributions and may therefore have spare cash. Contributions may reduce future inheritance tax bills if they qualify for one of the standard exemptions, such as regular gifts made from regular income.

The amount that the parent can contribute with the benefit of pension tax relief is not limited by the parent's pension tax relief limit but by the limit that their children face – which in many cases will be up to their annual salary or £40,000, whichever is the lower.

Contributing money into a child's pension

Parents can also contribute money into a child's pension, which will reduce the size of their estate for inheritance tax purposes

on death if a valid inheritance tax exemption applies or after seven years if there isn't a valid exemption.

For example, the 'normal expenditure from income exemption', which is unlimited, would apply if the contributions are not at such a level so as to reduce the current standard of living of the parents and are made on a regular basis, such as an annual contribution from the parents' regular income.

COLLECTIVE WEALTH TO SUPPORT EACH OTHER

Intergenerational financial planning is about how families use their collective wealth to support each other during their lifetimes. If you would like to discuss the options available to you and your family, we'd like to hear from you.

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