



THORNTONS WEALTH

MAIN ANNOUNCEMENTS FROM CHANCELLOR RACHEL REEVES AT A GLANCE

Key measures on tax, investments, pensions and property

INHERITANCE TAX

Departure from previous rules where pensions were excluded from calculations

CAPITAL GAINS TAX

Higher taxes on profits from selling assets like shares

STAY FOCUSED ON YOUR RETIREMENT GOALS

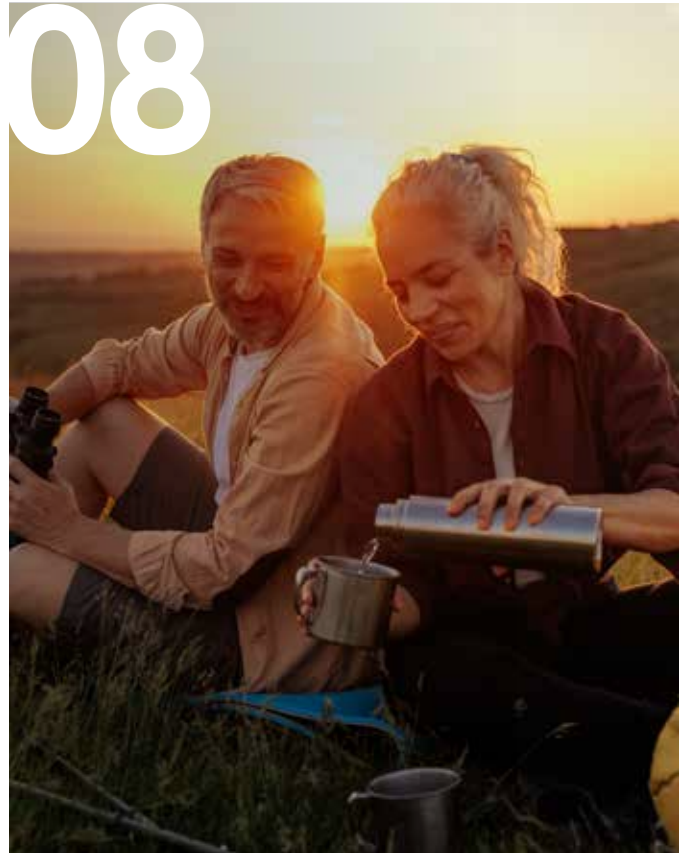
Identifying any potential financial gaps and bridging these gaps before it's too late

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Thorntons Wealth is a trading name of Thorntons Investment Management Ltd (SC438886) and Thorntons Wealth Management Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. The companies are authorised and regulated by the Financial Conduct Authority.



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WELCOME TO THE LATEST ISSUE OF THORNTONS WEALTH MAGAZINE.

Welcome to the November 2024 issue of Thorntons Wealth's monthly e-zine newsletter. What does the Autumn Budget Statement 2024 mean for your money? Chancellor Rachel Reeves delivered Labour's first Budget since 2010 on 30 October, after the party's return to power in July's general election. She announced tax rises worth £40bn, commenting that these would rebuild public services and stabilise the public finances.

In a significant shift announced by Chancellor Rachel Reeves, inherited pensions will become subject to Inheritance Tax (IHT) from April 2027. This marks a departure from previous rules where pensions were excluded from IHT calculations. Currently, pensions are usually passed on tax-free if you die under the age of 75 – or taxed at the beneficiaries' marginal rate of Income Tax if you die over 75 – but in most cases, pensions don't attract IHT.

As part of a broader tax-raising initiative, the Chancellor, Rachel Reeves, confirmed that the lower Capital Gains Tax (CGT) rate will rise from 10% to 18%, while the higher rate will increase from 20% to 24%. This change means you might face higher taxes on profits from selling assets like shares. Previously, those with gains above the threshold had to pay 20% on profits from assets such as shares, or 24% from selling additional property. Rates on residential property will remain at 18% and 24%, respectively.

Retirement is a milestone we all look forward to – a time of relaxation, free from the daily grind of work and financial stress. Achieving a comfortable retirement requires thoughtful planning and foresight. While life may present unforeseen challenges, particularly concerning health, you can take proactive steps to bolster your financial resilience and manage the unexpected.

The amount of Inheritance Tax (IHT) paid by families has dramatically increased over the past decade, increasing from £3.1 billion in the 2012/13 tax year to £7.5 billion in the 2023/24 tax year. This rise is attributed to growing asset values and stagnant IHT thresholds, coupled with many families delaying their planning. An additional IHT allowance was introduced in 2017, allowing some families to pass on more assets without incurring IHT, yet the criteria for qualification can be complex.

We hope you enjoy this issue and find the articles featured interesting.

You can also forward this e-zine newsletter to someone else you know who would like to receive a complimentary copy.

Best Wishes,

Thorntons Wealth

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MAIN ANNOUNCEMENTS FROM CHANCELLOR RACHEL REEVES AT A GLANCE

Key measures on tax, investments, pensions and property

WHAT DOES THE AUTUMN BUDGET STATEMENT 2024 MEAN FOR YOUR MONEY? CHANCELLOR RACHEL REEVES DELIVERED LABOUR'S FIRST BUDGET SINCE 2010 ON 30 OCTOBER, AFTER THE PARTY'S RETURN TO POWER IN JULY'S GENERAL ELECTION. SHE ANNOUNCED TAX RISES WORTH £40BN, COMMENTING THAT THESE WOULD REBUILD PUBLIC SERVICES AND STABILISE THE PUBLIC FINANCES.

ECONOMY

- Office for Budget Responsibility predicts the UK economy will grow by 1.1% this year, 2% next year and 1.8% in 2026
- Inflation is predicted to average 2.5% this year and 2.6% next year before falling to 2.3% in 2026
- The official definition of UK government debt loosened by including a wider range of financial assets, such as future student loan repayments

PERSONAL TAXATION

- Rates of Income Tax and National Insurance (NI) paid by employees, and of VAT, to remain unchanged
- Income Tax band thresholds to rise in line with inflation after 2028, preventing more people being dragged into higher bands as wages rise
- Basic rate Capital Gains Tax on profits from selling shares to increase from 10% to 18%, with the higher rate rising from 20% to 24%
- Rates on profits from selling additional property unchanged

- Inheritance Tax threshold freeze extended by further two years to 2030, with inherited pension pots also subject to the tax from 2027

WAGES, BENEFITS AND PENSIONS

- Legal minimum wage for over-21s to rise from £11.44 to £12.21 per hour from April
- Rate for 18 to 20-year-olds to go up from £8.60 to £10, as part of a long-term plan to move towards a 'single adult rate'
- Basic and new State Pension payments to go up by 4.1% next year due to the 'triple lock', more than working age benefits
- Eligibility widened for the allowance paid to full-time carers, by increasing the maximum earnings threshold from £151 to £195 a week

HOUSING

- Social housing providers to be allowed to increase rents above inflation under multi-year settlement, external
- Stamp duty surcharge, paid on second home purchases in England and Northern Ireland, to go up from 3% to 5%

- Current affordable homes budget, which runs until 2026, boosted by £500m

TRANSPORT

- 5p cut in fuel duty on petrol and diesel brought in by the Conservatives, due to end in April 2025, kept for another year
- £2 cap on single bus fares in England to rise to £3 from January
- Commitment to fund tunnelling work to take HS2 high-speed rail line to Euston station in central London
- Commitment to deliver upgrade to trans-Pennine rail line between York and Manchester, running via Leeds and Huddersfield
- Air Passenger Duty on flights by private jet to go up by 50%
- Extra £500m next year to repair potholes in England
- Vehicle Excise Duty paid by owners of all but the most efficient new petrol cars to double in their first year, to encourage shift to electric vehicles



BUSINESS TAXES

- Companies to pay NI at 15% on salaries above £5,000 from April, up from 13.8% on salaries above £9,100, raising an additional £25bn a year
- Employment Allowance – which allows smaller companies to reduce their NI liability – to increase from £5,000 to £10,500
- Tax paid by private equity managers on share of profits from successful deals to rise from up to 28% to up to 32% from April
- Main rate of Corporation Tax, paid by businesses on taxable profits over £250,000, to stay at 25% until next election

GOVERNMENT SPENDING AND PUBLIC SERVICES

- Extra £22.6bn for day-to-day spending on the NHS in England, and a £3.1bn boost to budget for investment
- £6.7bn allocated for education investment next year, with £1.4bn earmarked for rebuilding over 500 schools
- Defence spending to rise by £2.9bn next year

OTHER MEASURES

- £11.8bn allocated to compensate victims of the infected blood scandal, with £1.8bn set aside for wrongly prosecuted Post Office sub-postmasters
- Government to stop receiving surplus cash from pension scheme for mineworkers
- Extra spending in England will lead to £3.4bn more for Scotland, £1.7bn more for Wales and £1.5bn more for Northern Ireland in devolution payments

HOW MIGHT THESE CHANGES AFFECT YOUR FINANCES?

Take this opportunity to review your financial strategies and seek expert advice to navigate these adjustments effectively. Don't leave your financial future to chance—be proactive in managing your money and ensure your plans align with the new budget measures. Act now to secure your financial stability and peace of mind.

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INHERITANCE TAX

Departure from previous rules where pensions were excluded from calculations

IN A SIGNIFICANT SHIFT ANNOUNCED BY CHANCELLOR RACHEL REEVES, INHERITED PENSIONS WILL BECOME SUBJECT TO INHERITANCE TAX (IHT) FROM APRIL 2027. THIS MARKS A DEPARTURE FROM PREVIOUS RULES WHERE PENSIONS WERE EXCLUDED FROM IHT CALCULATIONS. CURRENTLY, PENSIONS ARE USUALLY PASSED ON TAX-FREE IF YOU DIE UNDER THE AGE OF 75 – OR TAXED AT THE BENEFICIARIES' MARGINAL RATE OF INCOME TAX IF YOU DIE OVER 75 – BUT IN MOST CASES, PENSIONS DON'T ATTRACT IHT.

This announcement is expected to impact roughly 8% of estates annually, as those who have heavily saved in pensions to lower their IHT liabilities may now face new tax burdens.

Additionally, the IHT tax-free threshold remains frozen at £325,000 (your property, money and possessions) until 2030. If your assets include the family home that you're giving away to children or grandchildren, you also receive up to a £175,000 residence nil rate band. As property and asset values rise, more estates will likely fall above this threshold, incurring IHT at the standard 40% rate.

Chancellor Reeves emphasised that these adjustments aim to make the IHT system fairer, ensuring wealthier estates contribute more to public finances. Also, starting April 2026, reductions in agricultural and business property relief will be introduced. The first £1 million of such assets will remain tax-free, with a 20% IHT levied beyond that.

Retirees may need to reassess their long-term financial plans, as defined contribution pension funds could attract up to 40% IHT. Despite these changes, no adjustments to existing gifting rules were announced. ■

TIME TO ACT NOW TO SECURE YOUR FAMILY'S FINANCIAL FUTURE?

As the landscape of IHT undergoes significant changes, it's crucial to stay ahead of the curve. With pensions soon to be included in IHT calculations starting April 2027, now is the time to reassess your long-term financial strategy. Don't leave your estate planning to chance. Contact us and take proactive steps to ensure your wealth is preserved for future generations, aligning with your goals and minimising tax burdens.

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CAPITAL GAINS TAX

Higher taxes on profits from selling assets like shares

AS PART OF A BROADER TAX-RAISING INITIATIVE, THE CHANCELLOR, RACHEL REEVES, CONFIRMED THAT THE LOWER CAPITAL GAINS TAX (CGT) RATE WILL RISE FROM 10% TO 18%, WHILE THE HIGHER RATE WILL INCREASE FROM 20% TO 24%. THIS CHANGE MEANS YOU MIGHT FACE HIGHER TAXES ON PROFITS FROM SELLING ASSETS LIKE SHARES. PREVIOUSLY, THOSE WITH GAINS ABOVE THE THRESHOLD HAD TO PAY 20% ON PROFITS FROM ASSETS SUCH AS SHARES, OR 24% FROM SELLING ADDITIONAL PROPERTY. RATES ON RESIDENTIAL PROPERTY WILL REMAIN AT 18% AND 24%, RESPECTIVELY.

'We need to drive growth, promote entrepreneurship and support wealth creation, while raising the revenue required to fund our public services and restore our public finances,' Reeves said.

This means the UK will still have the lowest capital gains tax rate of any European G7 economy.'

CGT is paid on profits of more than £3,000 (2024/25) made when an asset is sold, and rates depend on how much you usually pay in Income Tax, and how large the gain is.

The Chancellor also announced that the CGT charged on carried interest would rise to 32% from 28%, saying that the fund management industry provided 'a vital contribution to our economy but... there needs to be a fairer approach to the way carried interest is taxed.' She said that in order to encourage entrepreneurs to invest in their businesses, the lifetime limit for Business Asset Disposal Relief would be kept at £1 million and would remain at 10% this year, rising to 14% in April 2025 and 18% in 2026/27.

'The OBR say these measures will raise 2.5 billion pounds by the end of the forecast,' the Chancellor said. CGT raised 15 billion pounds in the last financial year, and is currently worth around 4% of receipts from all taxes on income. CGT is not normally payable when a person sells their primary residence, but is payable if on the sale of second properties. ■

IS IT TIME TO ACT NOW TO SAFEGUARD YOUR INVESTMENTS AND WEALTH?

Prepare for the upcoming changes in Capital Gains Tax rates announced by Chancellor Rachel Reeves, which could significantly impact your finances. Don't navigate these complexities alone—consult us to optimise your tax strategy. Take control of your financial future by planning proactively to manage increased potential tax liabilities effectively. Act now to safeguard your investments and wealth.

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STAY FOCUSED ON YOUR RETIREMENT GOALS

Identifying any potential financial gaps and bridging these gaps before it's too late

RETIREMENT IS A MILESTONE WE ALL LOOK FORWARD TO – A TIME OF RELAXATION, FREE FROM THE DAILY GRIND OF WORK AND FINANCIAL STRESS. ACHIEVING A COMFORTABLE RETIREMENT REQUIRES THOUGHTFUL PLANNING AND FORESIGHT. WHILE LIFE MAY PRESENT UNFORESEEN CHALLENGES, PARTICULARLY CONCERNING HEALTH, YOU CAN TAKE PROACTIVE STEPS TO BOLSTER YOUR FINANCIAL RESILIENCE AND MANAGE THE UNEXPECTED.

Regular financial planning is key to assessing your current situation, identifying potential financial gaps and taking measures to bridge them before it's too late. Should you find yourself lacking the time or expertise to navigate this journey alone, the insight of a professional financial adviser could prove invaluable in crafting your ideal retirement plan.

UNDERSTAND YOUR UNIQUE NEEDS

The transition from a working lifestyle to retirement brings significant changes. You will no longer receive a monthly salary or face the daily commute. You might have paid off your mortgage, freeing up time and resources for leisure. Yet, with more time on your hands, the costs associated with leisure activities might increase, and inflation remains a constant factor to consider. Recent upheavals, such as surging energy prices, have highlighted

how external shocks can disrupt even the best-laid plans.

CONSIDER LONG-TERM FINANCIAL SCENARIOS

As you age, the potential for long-term care costs becomes more apparent and essential to include in your financial planning. A robust plan encapsulates your aspirations, anticipates potential hurdles and prioritises your retirement necessities. Cash flow planning provides a solid foundation for broader financial strategies, allowing you to stress-test various scenarios like fluctuating living costs, inflation, investment growth and interest rate changes.

ADAPT YOUR RETIREMENT PLANNING STRATEGY

Retirement planning requires flexibility and periodic reviews to accommodate personal and external changes. There's no universal

strategy for retirement; what works for one person might not suit another. It's crucial to contemplate your required income, desired activities and the degree of risk you're willing to accept. An annuity offering a guaranteed lifetime income might be ideal for those adverse to investment risks. Conversely, a drawdown approach could be more suitable if you prefer flexibility and can tolerate some level of investment risk. Often, a blend of both may serve your needs best.

SEEK EXPERTISE FOR TAILORED SOLUTIONS

Professional financial advice can tailor a bespoke plan that remains adaptable over time, ensuring it meets your evolving goals. Retirement is a significant life stage demanding careful consideration. Financial advisers can assist in identifying and prioritising your objectives, assessing your risk tolerance and formulating a long-term strategy that aligns with your goals. Regular reviews are crucial to keep your plans aligned with your objectives.

KEEP REVIEWING YOUR FINANCIAL PLAN

Regular reviews are essential even if you have a solid financial plan in place. Life changes, aspirations shift and external factors like the financial climate evolve and will influence your retirement strategy.



Ensuring your plan remains current and relevant is vital to your financial success. With numerous options available today, it may be overwhelming, yet a comprehensive financial review can help identify the most appropriate path for you. ■

READY TO UNLOCK THE POTENTIAL OF A FULFILLING RETIREMENT?

Ensure your golden years are as rewarding as you've always envisioned. Don't leave your future to chance – contact us today to discuss your retirement plans and explore your options.

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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.

UNDERSTANDING THE RISING IMPACT OF INHERITANCE TAX

Exploring strategies to secure your family's financial future

THE AMOUNT OF INHERITANCE TAX (IHT) PAID BY FAMILIES HAS DRAMATICALLY INCREASED OVER THE PAST DECADE, INCREASING FROM £3.1 BILLION IN THE 2012/13 TAX YEAR^[1] TO £7.5 BILLION IN THE 2023/24 TAX YEAR^[2]. THIS RISE IS ATTRIBUTED TO GROWING ASSET VALUES AND STAGNANT IHT THRESHOLDS, COUPLED WITH MANY FAMILIES DELAYING THEIR PLANNING. AN ADDITIONAL IHT ALLOWANCE WAS INTRODUCED IN 2017, ALLOWING SOME FAMILIES TO PASS ON MORE ASSETS WITHOUT INCURRING IHT, YET THE CRITERIA FOR QUALIFICATION CAN BE COMPLEX.

WHAT IS INHERITANCE TAX (IHT)?

IHT is a tax levied on the transfer of wealth, typically paid by the estate of a deceased individual, but it can also apply during a person's lifetime. Your estate includes all property, possessions, money and other assets. If the value of your estate exceeds the nil rate band at the time of death, the excess is subject to IHT, generally at 40%. IHT is usually not applicable if everything is left to a spouse or registered civil partner. For the 2024/25 tax year, the IHT nil rate band is set at £325,000.

MAXIMISING IHT ALLOWANCES

Married couples and registered civil partners have the option to transfer any unused portion of their IHT nil rate band to the surviving partner, effectively doubling the threshold to £650,000. In addition, the 'residence nil rate band' introduced in 2017 can increase an individual's IHT allowance if their main residence is passed on to direct

descendants. This can potentially raise the overall IHT allowance to £500,000 per individual or £1 million per couple until 2030.

STRATEGIC PLANNING TO REDUCE IHT

The residence nil rate band gradually diminishes by £1 for every £2 that the estate exceeds £2 million, becoming unavailable for estates valued over £2.35 million. An up-to-date Will is crucial to effectively manage IHT liabilities, as older Wills may contain trusts that impact the nil rate bands. Some individuals may postpone wealth transfer until death, but gifting during their lifetime can be more tax-efficient.

TAX-EFFICIENT GIFTING AND TRANSFERS

Tax-efficient gifts (tax year 2024/25) currently include annual exemptions

of £3,000, wedding or registered civil partnership gifts up to £5,000 for a child, £2,500 for a grandchild or £1,000 for others, and gifts from regular surplus income. Small gifts of up to £250 per person annually are also exempt, provided no other gifts are made to that individual, which takes the total above £250. Gifts not covered by exemptions are either 'potentially exempt transfers' or 'chargeable lifetime transfers,' which require surviving seven years to be out of the estate and which may incur immediate IHT.

DEPARTURE FROM PREVIOUS PENSION RULES

In a significant shift announced by Chancellor Rachel Reeves during the Autumn Budget Statement 2024, inherited pensions will become subject to IHT from April 2027. This marks a departure from previous rules where pensions were excluded from IHT calculations. Currently, pensions are usually passed on tax-free if you die under the age of 75 – or taxed at the beneficiaries' marginal rate of Income Tax if you die over 75 – but in most cases, pensions don't attract IHT.

This announcement is expected to impact roughly 8% of estates annually, as those who have heavily saved in pensions to lower their IHT liabilities may now face new tax burdens.



Chancellor Reeves emphasised that this adjustment aim to make the IHT system fairer, ensuring wealthier estates contribute more to public finances. Also, starting April 2026, reductions in agricultural and business property relief will be introduced. The first £1 million of such assets will remain tax-free, with a 20% IHT levied beyond that, including on Aim shares.

Retirees may need to reassess their long-term financial plans, as defined contribution pension funds could attract up to 40% IHT. Despite these changes, no adjustments to existing gifting rules were announced.

ADDITIONAL STRATEGIES FOR REDUCING IHT

Other IHT reduction methods include establishing trusts, exploring specialist investment vehicles and considering whole-of-life insurance policies written into an appropriate trust. However, the intricacies of these options highlight the importance of seeking professional financial advice early on. Early planning significantly enhances the ability to leave a legacy that meets your family's specific needs. ■

READY TO TURN YOUR LEGACY PLANS INTO REALITY?

Don't just leave a gift; leave a legacy. If you're ready to explore strategies for reducing IHT liabilities and securing your family's financial future, contact us for personalised advice tailored to your unique situation. Let us help you turn your legacy plans into reality.

Source data:

[1] <https://www.gov.uk/government/statistics/inheritance-tax-statistics-table-121-analysis-of-receipts>

[2] <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/hmrc-tax-receipts-and-national-insurance-contributions-for-the-uk-new-annual-bulletin#inheritance-tax>

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