



THORNTONS WEALTH

MAXIMISING YOUR MONEY

Navigating life's twists and turns without
jeopardising your financial stability



AVOIDING FINANCIAL PITFALLS

*Recognising common mistakes
can help protect your wealth*

CURRENCY CONUNDRUMS

*What is the impact of
exchange rates, and why
are they important?*

SUPPORTING YOUR GRANDCHILDREN FINANCIALLY

*Providing a financial head start and
paving the way for a more secure future*

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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.

WELCOME TO THE LATEST ISSUE OF THORNTONS WEALTH MAGAZINE.

Welcome to the April 2025 issue of Thorntons Wealth's monthly e-zine newsletter. Life is full of surprises, and not all come with a price tag that you can easily manage. Whether it's an unexpected car repair or a sudden home emergency, having a readily accessible financial safety net can make a significant difference. This is where an emergency fund becomes invaluable, providing you with the peace of mind to navigate life's twists and turns without jeopardising your financial stability. But how much should you aim to set aside?

Investing is essential for those looking to grow their wealth over time. Cash alone seldom keeps pace with inflation, as the interest it generates is usually too low to preserve its purchasing power. For beginners or those adopting a DIY approach to investing, recognising common mistakes can help protect them from potential financial pitfalls. From falling victim to scams to heeding poor investment advice or channelling funds into risky ventures, these mistakes frequently occur in financial markets. By staying informed, you can avoid these pitfalls and maximise the potential of your investments.

Exchange rates are often considered primarily when planning a holiday abroad. However, fluctuations in a currency's value impact far more than just travel costs. Understanding these dynamics can assist individuals and businesses in adapting to challenges and seizing potential opportunities. Exchange rates are fundamentally relative. Simply put, they represent the cost of one nation's currency compared to another. However, these rates are not isolated; various factors influence them, often connected to economic variables and global events.

Gifts of money to your grandchildren is more than a mere act of kindness or generosity. It offers them a potential financial head start and paves the way for a more secure future as independent adults. Beyond supporting their personal growth and stability, it can also act as an effective strategy to reduce your estate's potential Inheritance

Tax (IHT) liability, enabling more of your wealth to benefit your family rather than being lost to taxation. Today's younger generation faces an increasingly difficult financial landscape. For many, the path to financial independence feels like an uphill battle.

Navigating Capital Gains Tax (CGT) can be complicated and daunting, especially with ongoing changes to exemptions, thresholds and regulations. Understanding the details of CGT is vital, as it directly affects how much tax you owe when disposing of investments such as property, shares or other valuable assets. Without a clear strategy, you might end up paying more than necessary, leaving less of your hard-earned money in your pocket. However, with careful planning, informed financial decisions and an awareness of the available reliefs, you could significantly reduce a CGT liability.

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

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change, and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results.

MAXIMISING YOUR MONEY

Navigating life's twists and turns without jeopardising your financial stability

LIFE IS FULL OF SURPRISES, AND NOT ALL COME WITH A PRICE TAG THAT YOU CAN EASILY MANAGE. WHETHER IT'S AN UNEXPECTED CAR REPAIR OR A SUDDEN HOME EMERGENCY, HAVING A READILY ACCESSIBLE FINANCIAL SAFETY NET CAN MAKE A SIGNIFICANT DIFFERENCE. THIS IS WHERE AN EMERGENCY FUND BECOMES INVALUABLE, PROVIDING YOU WITH THE PEACE OF MIND TO NAVIGATE LIFE'S TWISTS AND TURNS WITHOUT JEOPARDISING YOUR FINANCIAL STABILITY.

But how much should you aim to set aside? The answer depends on your circumstances. Factors such as the stability of your employment, ongoing expenses and the potential for unexpected costs will influence your target amount. A general guideline is to maintain an emergency fund that covers three to six months' worth of essential expenses, including rent or mortgage payments, utility bills, travel and food costs. This cushion ensures that you can navigate difficult times, such as unemployment or ill health, with greater ease.

PREPARING FOR THE UNFORESEEN WITH ASSURANCE

Establishing an emergency fund is merely the starting point. Once you've achieved this, shifting your focus to long-term savings goals can help you grow your wealth and pursue future aspirations. A long-term savings account is a sensible next step, as it typically offers higher interest rates compared to an instant-access account. When selecting an account, consider your financial objectives and how soon you might need access to your funds.

There are several savings accounts to consider. Easy-access accounts allow you to

withdraw your money whenever needed, while notice accounts require prior notice before you can access your funds. Fixed-term accounts, on the other hand, lock away your money for a specific duration but often offer the highest interest rates. For instance, a fixed account might be suitable for planned expenses such as school fees or purchasing a new car in a few years' time. However, it is not the ideal choice for emergency funds or short-term needs.

BENEFITS OF MAINTAINING ORGANISED SAVINGS

Managing multiple accounts can provide clarity and flexibility in achieving your financial goals. By categorising your savings into distinct areas, such as emergency funds, holiday savings and a house deposit, you will find it easier to stay organised and resist the temptation to spend money designated for specific purposes. This method also enables you to maximise the interest you earn while maintaining financial flexibility.

For many individuals, a mix of various accounts is the ideal strategy. For example, maintaining your emergency fund in an easily accessible account guarantees quick access when needed, while placing other

funds in fixed-rate accounts enables you to benefit from higher interest rates. This balanced approach is particularly beneficial in today's climate, where average savings rates are increasing, making it more essential than ever to actively manage your cash.

MAXIMISING THE BENEFITS OF COMPETITIVE SAVINGS RATES

Savings rates currently vary significantly, making it essential to ensure that every penny works as hard as possible for you. Many banks entice customers with attractive rates, only to reduce them later, which can result in your money earning far less than it should. Fixed rate accounts often revert to lower-interest easy access accounts once their term concludes, unless you actively transfer your funds elsewhere.

To avoid missing out, take a more proactive approach to managing your savings. Online savings marketplaces allow you to explore a diverse array of competitive accounts and switch between them with ease. By doing so, you can react to fluctuations in interest rates and ensure you're consistently earning the best return.

SAFEGUARDING YOUR SAVINGS AND COMPREHENDING COVERAGE LIMITS

If you are fortunate enough to have substantial cash savings, it is crucial to understand how to safeguard them. The Financial Services Compensation Scheme (FSCS) covers up to £85,000 per person or £170,000 for couples at any single UK-regulated financial institution. However, this limit applies per institution, not per account.



For instance, Halifax and the Bank of Scotland are owned by Lloyds Banking Group and operate under a single licence. This implies that the total amount of your savings across both brands cannot exceed £85,000 per individual under FSCS protection. Conversely, RBS and NatWest, while part of the NatWest Group, operate under separate licences with their own £85,000 limits. If you wish to save beyond this threshold, distributing your funds across different institutions will ensure that all of it remains safeguarded.

WHEN AND HOW TO THINK ABOUT INVESTING

While holding cash is essential for emergencies and short-term goals, it shouldn't dominate your financial strategy. This is because excessive cash savings may not grow sufficiently to consistently outpace inflation, particularly after tax. If you have funds you won't need for at least five years, investing could be a more prudent choice for beating inflation and growing your wealth in the long term.

Investing doesn't have to be daunting, even for beginners. Simple solutions

such as multi-asset funds can assist you in achieving your goals with varying levels of risk. When investing, if suitable, consider using a Stocks and Shares ISA to protect your returns from tax and maximise growth potential. Shares and other asset-based investments are considerably more effective than cash savings at building wealth over time, provided you are willing to endure short-term fluctuations. ■

ARE YOU STAYING ACTIVE AND TAKING CONTROL OF YOUR FINANCES?

Maximising your money requires effort and attention. Whether you're establishing an emergency fund, navigating the various types of savings accounts or exploring investment options, dedicating time to planning and remaining informed will help protect your financial future. If you would like to learn more or need assistance in tailoring a savings or investment strategy to meet your needs, please do not hesitate to 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.

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AVOIDING FINANCIAL PITFALLS

Recognising common mistakes can help protect your wealth

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From falling victim to scams to heeding poor investment advice or channelling funds into risky ventures, these mistakes frequently occur in financial markets. By staying informed, you can avoid these pitfalls and maximise the potential of your investments.

BALANCING RISK AND RETURN WISELY

Finding a balance between risk and return is vital, requiring careful planning. This equilibrium depends on several personal factors, such as your investment goals, time horizon and income needs. Additionally, the degree of volatility – fluctuations in asset values – that you are willing to tolerate is significant, and this consideration may evolve over time.

Avoid taking insufficient risks, as this could stifle your growth potential. For example, if you are in your twenties or thirties and focus solely on low-risk investments for your pension, it may limit your long-term gains. Conversely, taking on excessive risk can expose you to market volatility, particularly if you need to liquidate investments in the near term.

CREATING A DIVERSIFIED PORTFOLIO

One way to mitigate risk is through diversification, which involves spreading your investments across various assets. Maintaining a mix of assets that behave independently from one another is a fundamental principle of sound portfolio management. This strategy decreases the likelihood of incurring significant losses, even when one sector underperforms.

However, exercise caution when relying too heavily on past performance as your sole criterion for selecting investments. While top-performing funds or shares may seem appealing, they often struggle to maintain their performance over time. Instead, focus on long-term metrics, such as the asset's performance over several years, to ensure you develop a genuinely diversified portfolio.

GRASPING THE EMOTIONAL PITFALLS OF INVESTING

Investing with excessive emotion can lead to mistakes, such as chasing trends or panic selling during market downturns. Emotional investing often results in seeking 'hot' funds with recent high returns while overlooking their underlying value.

It's essential to recognise assets that can protect your portfolio in challenging markets. For example, balancing stock market investments with high-quality bonds offers a fundamental yet effective form of

diversification. Although bonds typically yield lower returns than equities, they can provide stability to your portfolio during volatile periods.

PATIENCE YIELDS REWARDS WHEN NAVIGATING MARKET FLUCTUATIONS

The golden rule in investing is often to stay the course. While the notion of buying low and selling high appears appealing, it is much easier said than done. For many, the primary aim of investing is to grow wealth over time or produce a steady income from capital. Attempting to time the market by frequently buying and selling risks undermining the advantages of compounding returns.

Remember that market downturns are unavoidable and unpredictable. Although declining markets can seem unsettling, they present an opportunity to acquire assets at reduced prices. By keeping a steady approach and resisting the temptation to sell out of fear, you can capitalise on the long-term growth potential of the markets.

AVOID PURSUING HIGH-YIELD INVESTMENTS RECKLESSLY

High-income investments can be enticing, but they often carry a higher level of risk. For instance, shares that provide elevated



dividends may not maintain these payouts. Likewise, bonds with high yields – indicating greater income potential – also suggest a higher vulnerability to default or loss.

Rather than fixating on the highest-yielding options, consider assets that offer sustainable growth potential. Long-term success frequently stems from choosing companies or funds that consistently perform well, instead of pursuing quick, immediate returns.

MAXIMISE YOUR TAX BENEFITS

Utilising tax-efficient vehicles like ISAs (Individual Savings Accounts) can enhance your investment efforts. ISAs protect you from Capital Gains Tax and Income Tax, making them an effective instrument for creating a substantial, tax-efficient portfolio. For the 2024/25 tax year, you can contribute up to £20,000 across ISAs, and regular contributions – such as monthly payments – can help mitigate market fluctuations.

Pensions offer even greater tax benefits for retirement planning, providing tax relief on contributions at rates of up to 45%. Although pensions offer less flexibility in terms of access, they remain highly effective for long-term savings goals. However, tax regulations can change, so it is important to stay informed.

EXERCISE CAUTION WITH UNREGULATED INVESTMENTS

New investors should steer clear of obscure or unregulated investment opportunities. These often entail substantial costs, inadequate management and even fraudulent schemes. Promises of 'guaranteed' high returns often indicate potentially high-risk schemes or outright scams.

Unregulated investments frequently employ high-pressure tactics to entice victims. This may include unsolicited phone calls, time-limited offers or promises of safety using complex legal jargon. To safeguard yourself, always verify an investment through the Financial Conduct Authority (FCA) register. Remember, if an offer appears too good to be true, it likely is.

SPOTTING AND AVOIDING INVESTMENT FRAUD

Investment scams can take various forms, from cold calls and unsolicited emails to sophisticated promotional brochures. Fraudsters often exploit a sense of urgency to pressure you into making rushed decisions, minimising risks and promising returns that are far superior to anything realistically attainable.

If you receive unexpected contact, approach such offers with scepticism. Hanging up on cold callers or disregarding

unsolicited emails can help protect you from becoming a victim of scams. Furthermore, opting for regulated investments ensures that you will benefit from full protection through services like the Financial Ombudsman Service should anything go wrong. ■

LOOKING FOR ADVICE TO START YOUR INVESTMENT JOURNEY OR ENHANCE YOUR CURRENT STRATEGY?

Understanding these common errors can help you make informed decisions if you embark on an investment journey or enhance your current strategy. If you require further guidance or wish to explore suitable investment opportunities, please contact us for expert advice to discuss your specific needs.

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CURRENCY CONUNDRUMS

What is the impact of exchange rates, and why are they important?

EXCHANGE RATES ARE OFTEN CONSIDERED PRIMARILY WHEN PLANNING A HOLIDAY ABROAD. HOWEVER, FLUCTUATIONS IN A CURRENCY'S VALUE IMPACT FAR MORE THAN JUST TRAVEL COSTS. UNDERSTANDING THESE DYNAMICS CAN ASSIST INDIVIDUALS AND BUSINESSES IN ADAPTING TO CHALLENGES AND SEIZING POTENTIAL OPPORTUNITIES.

Exchange rates are fundamentally relative. Simply put, they represent the cost of one nation's currency compared to another. However, these rates are not isolated; various factors influence them, often connected to economic variables and global events.

KEY DRIVERS BEHIND EXCHANGE RATE FLUCTUATIONS

Inflation plays a crucial role in determining exchange rates. Countries with low inflation often benefit from stronger currencies, as their purchasing power remains stable over time. In contrast, nations experiencing high inflation typically see their currencies weaken. A strong currency signifies financial stability, providing it with an advantage in the international market.

Interest rates represent another factor to consider. When interest rates increase, assets like government bonds become more attractive, drawing foreign investment. This influx of capital strengthens the local currency, as demand rises to fund these investments.

HOW POLITICAL AND ECONOMIC STABILITY INFLUENCE CURRENCIES

Political and economic stability also influence exchange rates. Countries with robust, growing economies and effective governance often attract foreign investors. Such investments enhance demand for the national currency, consequently increasing its value. Stability conveys a clear message of trust and reliability, qualities that are essential for long-term investors.

In this context, the US dollar emerges as the world's primary reserve currency. Its function as a safe haven is particularly vital during periods of global financial uncertainty. Numerous countries hold reserves in dollars to mitigate economic shocks or settle international debts, thereby enhancing its appeal.

NEW US TRADE TARIFFS AND THEIR RIPPLE EFFECT

President Donald Trump's announcement of new US trade tariffs in February 2025 is poised to significantly impact global

exchange rates. The tariffs, aimed at reducing the US trade deficit, if enacted, will impose higher duties on imports to the United States. While these measures are intended to bolster domestic production, they will inadvertently affect currencies worldwide, including the pound.

The announcement of these tariffs led to a heightened demand for the dollar, as global trade participants required it for transactions involving American goods. However, this effect will adversely impact other currencies, such as the euro, while UK exporters will also be affected when sending goods to the US, a vital trading partner.

A WEAKER POUND AND ITS UPSIDES

The pound's value against the dollar fluctuated significantly in 2024, and new US policies in 2025 have added further strain. Although a weaker pound may initially seem concerning, it actually presents opportunities for exporters. For UK businesses selling goods abroad, a decline in the pound's value makes these goods more affordable for foreign buyers, potentially boosting sales.

Another indirect benefit of a weaker pound is its impact on the FTSE 100, the UK's premier stock market index. Numerous FTSE 100 companies derive substantial revenues from international markets, primarily denominated in US dollars. When the pound

depreciates, these dollar earnings convert into more pounds, thereby enhancing the value of their revenues.

THE CHALLENGES OF A DECLINING POUND

However, the drawbacks of a weakened pound cannot be ignored. For UK importers and manufacturers reliant on global supply chains, a diminished currency value results in higher costs for goods and materials. With the introduction of new US tariffs, these costs could be further aggravated, particularly for businesses that rely heavily on trade with America. Rising import prices ultimately affect consumers, contributing to widespread inflation.

This inflation poses a considerable challenge for individuals on fixed incomes, such as pensioners or employees who have not received recent pay rises. Their reduced purchasing power makes them particularly vulnerable, as rising prices increasingly strain their finances.

WHY EXCHANGE RATES SHOULDN'T DICTATE INVESTMENT DECISIONS

Due to their complexity, accurately predicting currency movements is nearly impossible. Exchange rate fluctuations are

just one of the many variables impacting overall investment performance. Therefore, it is unwise to base investment decisions primarily on foreign exchange rates.

Instead, focusing on long-term goals is the wisest course of action. Diversification – distributing funds across various asset classes and regions – is vital for reducing the risks associated with fluctuating currencies and shifting economic conditions.

SECURING A FINANCIAL FUTURE WITH PROFESSIONAL ADVICE

The introduction of trade tariffs, along with currency and market fluctuations, emphasises the increasing complexity of constructing a balanced and diversified investment portfolio. This is why seeking professional financial advice can significantly impact your financial strategy. We can help you in structuring a portfolio designed not only to withstand economic shocks but also to maintain and enhance your money's purchasing power.

A secure financial future necessitates careful planning and thoughtful decisions. If you are prepared to achieve your goals and safeguard your finances from market uncertainties, it is beneficial to seek personalised guidance. ■

IS IT TIME TO SECURE YOUR FUTURE BY TAKING ACTION NOW?

If you would like further information on exchange rates or need assistance with planning an investment strategy, please contact us today. Together, we can develop a tailored approach that will instil confidence in your ability to stay on course toward your financial goals. Don't hesitate – secure your future by taking action now.

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SUPPORTING YOUR GRANDCHILDREN FINANCIALLY

Providing a financial head start and paving the way for a more secure future

GIFTING MONEY TO YOUR GRANDCHILDREN IS MORE THAN A MERE ACT OF KINDNESS OR GENEROSITY.

IT OFFERS THEM A POTENTIAL FINANCIAL HEAD START AND PAVES THE WAY FOR A MORE SECURE FUTURE AS INDEPENDENT ADULTS. BEYOND SUPPORTING THEIR PERSONAL GROWTH AND STABILITY, IT CAN ALSO ACT AS AN EFFECTIVE STRATEGY TO REDUCE YOUR ESTATE'S POTENTIAL INHERITANCE TAX (IHT) LIABILITY, ENABLING MORE OF YOUR WEALTH TO BENEFIT YOUR FAMILY RATHER THAN BEING LOST TO TAXATION.

Today's younger generation faces an increasingly difficult financial landscape. Rising living costs, skyrocketing property prices and mounting student debt have made it harder than ever to achieve financial security or attain key life milestones like buying a home or starting a family. At the same time, economic instability and an uncertain job market only add to the pressure. For many, the path to financial independence feels like an uphill battle.

By gifting money directly to your grandchildren, you offer them the chance to alleviate these challenges and make meaningful strides toward their goals. Rather than waiting years for wealth to filter down through their parents, you can see your contributions make a tangible difference now – whether it's helping with a deposit for their first home, covering education costs or giving them the freedom to establish savings for the future. It's a powerful way to create a positive, lasting impact on their lives while providing peace of mind for yourself.

REDUCE THE SIZE OF YOUR ESTATE AND ITS LIABILITY FOR IHT

Leaving money to grandchildren through your Will is a consideration for many, but it is not always the most tax-efficient option.

Funds transferred in this way become part of your estate, potentially increasing your IHT liability. Furthermore, it may come into their lives too late to have the desired impact, such as assisting them through university or enabling them to buy their first home.

Instead, there are several alternatives you might consider to provide financial support while you are still present. Not only could these options help reduce the size of your estate and its liability for IHT, but they can also bring immense personal satisfaction as you witness the positive impact of your gift.

CHOOSING THE RIGHT WAY TO GIFT MONEY

Several factors should be considered when determining how best to gift money to your grandchildren. Their age is a key aspect, as is whether you wish to support specific milestones like education expenses or property ownership. Your personal financial situation and long-term goals should also help shape this decision, as should careful consideration of IHT implications.

The tax treatment of various gifting options differs considerably. It is essential to seek professional financial advice to understand the implications and ensure that your plans correspond with both your intentions and the law.

JUNIOR ISAS FOR BUILDING A SECURE FUTURE

If your grandchild is still young, a Junior Individual Savings Account (JISA) could serve as an excellent tool for investing in their future. While only parents or legal guardians can officially open a Junior ISA, anyone is allowed to contribute up to the annual limit of £9,000 (tax year 2024/25). These funds can grow tax-free and provide a valuable financial resource once your grandchild reaches the age of 18.

Junior ISAs are particularly appealing because they offer a structured way to save. From covering university expenses to funding a gap year, the funds will support their financial needs when they enter adulthood. Just remember, once they reach 18, the money becomes theirs to use as they choose.

It's important to note that a child with an open CTF (Child Trust Fund) isn't eligible to hold a JISA unless they first transfer the CTF funds to a JISA and close the CTF.

UNDERSTANDING BARE TRUSTS

Another option to consider is a bare trust. With no investment limits, this allows you to set aside a sum for your grandchild's benefit. Bare trusts can be accessed for specific purposes, such as paying private school fees, before the child turns 18.



However, once they reach adulthood, the remaining funds become theirs to manage.

Gifts made into a bare trust by grandparents have a particular tax advantage. The trust's contents are taxed as though they belong to the child, potentially resulting in little or no tax on income or gains. Nonetheless, it's worth seeking professional advice to ensure any arrangement works as intended.

REGULAR GIFTING AND TAX-EFFICIENCY

Recurring contributions to a Junior ISA or bare trust might qualify as 'normal expenditure out of income', making them exempt from IHT. To meet the criteria, these payments must be consistent, made from your income (not capital) and not impact your standard of living.

This mechanism offers an efficient way to help your grandchildren financially while simultaneously managing your estate's IHT exposure. Whether the funds are directed toward school fees, savings or investments, they can provide meaningful support at critical stages of their lives.

SUPPORTING OLDER GRANDCHILDREN WITH IMMEDIATE NEEDS

For older grandchildren with immediate financial needs, outright gifting may be a

more suitable option. The law currently permits you to give up to £3,000 annually in gifts without them being deemed part of your estate for IHT purposes. If your grandchild is getting married or entering a civil partnership, this amount increases to £2,500.

Planning larger gifts, such as a house deposit, offers further options. These are classified as 'potentially exempt transfers', and as long as you live at least seven years after making the gift, it will not count towards your estate for IHT purposes.

MAKING USE OF SURPLUS INCOME

If you have surplus income, you can use it to fund recurring gifts for your grandchildren. These payments can serve purposes like private school fees, giving you an IHT exemption while creating family benefits in real time. Alternatively, you might use surplus income to fund a whole-of-life insurance policy. If structured correctly, this policy can cover your estate's IHT liability, maximising what you pass on to family members.

Navigating the financial and tax implications of gifting money to your grandchildren can be daunting. Careful planning is essential to selecting the right options, comprehending tax advantages and structuring gifts in the most advantageous manner. ■

NEED HELP TO PLAN YOUR FAMILY'S FINANCIAL LEGACY?

Supporting your grandchildren financially is an investment in their future and a meaningful way to pass on your wealth. If you would like further information or personalised advice, we are here to assist you in making the right decisions. Contact us today to discuss how to safeguard your family's financial wellbeing.

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ARE YOUR CAPITAL GAINS CAUSING YOU A FINANCIAL HEADACHE?

Without a clear strategy, you might end up paying more tax than necessary

NAVIGATING CAPITAL GAINS TAX (CGT) CAN BE COMPLICATED AND DAUNTING, ESPECIALLY WITH ONGOING CHANGES TO EXEMPTIONS, THRESHOLDS AND REGULATIONS. UNDERSTANDING THE DETAILS OF CGT IS VITAL, AS IT DIRECTLY AFFECTS HOW MUCH TAX YOU OWE WHEN DISPOSING OF INVESTMENTS SUCH AS PROPERTY, SHARES OR OTHER VALUABLE ASSETS. WITHOUT A CLEAR STRATEGY, YOU MIGHT END UP PAYING MORE THAN NECESSARY, LEAVING LESS OF YOUR HARD-EARNED MONEY IN YOUR POCKET.

However, with careful planning, informed financial decisions and an awareness of the available reliefs, you could significantly reduce a CGT liability. Not only does this ensure compliance with tax laws, but it also helps you optimise your long-term financial goals. This article explores practical, actionable strategies to help you lower your CGT liability while safeguarding your wealth.

UNDERSTAND YOUR ANNUAL CGT ALLOWANCE

Every taxpayer is entitled to an annual CGT exemption, permitting tax-free gains of up to £3,000 for the 2024/25 tax year. This allowance resets each tax year and cannot be carried forward, making it essential to utilise it fully to avoid greater liabilities in the future.

Cuts to the CGT allowance mean that managing this exemption carefully is more crucial than ever. Without proper planning, you could encounter unnecessary tax bills, highlighting the need to optimise your investments according to current limits.

UTILISE LOSSES TO COUNTERBALANCE GAINS

One straightforward strategy for reducing CGT is to offset gains with losses. Gains and losses arising in the same tax year can

be offset against each other, reducing the overall amount subject to CGT.

Losses from previous years can also be carried forward and set off against new gains, provided they were reported to HM Revenue & Customs within four years of the tax year in which the asset was sold. By wisely utilising this strategy, you can optimise your tax payments over time.

MAXIMISE EXEMPTIONS THROUGH SPOUSAL TRANSFERS

Transfers of assets between spouses or registered civil partners are exempt from CGT. By taking advantage of this exemption, couples can effectively double their CGT allowance, enabling each partner to claim their individual limit and thereby reduce taxable gains.

The transfer must be a genuine gift and not conditional. By strategically managing asset ownership, couples can make smarter financial decisions to minimise CGT burdens.

TAKE ADVANTAGE OF ISA ALLOWANCES

Individual Savings Accounts (ISAs) are another powerful tool in reducing CGT. Any investments held within an ISA are entirely exempt from CGT. For the 2024/25 tax year, you can invest up to £20,000 in an ISA, or £40,000 for couples using two allowances.

Another helpful approach is the 'bed and ISA' strategy. This involves selling an investment to realise a capital gain and then buying it back within an ISA. While this renders future gains CGT-free, it is crucial to consider potential stamp duty costs and the risks associated with being out of the market, even for a short period.

BOOST YOUR INCOME TAX BANDS WITH PENSION CONTRIBUTIONS

Pension contributions can not only prepare you for retirement but also help reduce CGT. Contributions effectively extend your basic rate Income Tax band, meaning gains may be taxed at 18% rather than 24%.

For instance, a gross pension contribution of £10,000 would raise the higher rate tax threshold from £50,270 to £60,270 for the 2024/25 tax year. If your capital gains and taxable income fall within this extended basic rate band, the potential savings could be considerable.

CONSIDER DONATING TO CHARITY

Giving land, qualifying shares or property to a registered charity can offer the dual benefits of Income Tax relief and CGT exemption. This strategy reduces your tax burden while allowing you to contribute to good causes.



Whether you are seeking relief or aligning with your personal values, a charitable donation can play a significant role in your CGT strategy for achieving higher-impact results.

EXPLORE ENTERPRISE INVESTMENT SCHEMES (EIS)

Enterprise Investment Schemes (EIS) provide opportunities for CGT relief, as gains on qualifying investments held for three or more years are exempt from CGT. Additionally, you can defer an existing capital gain by investing it in an EIS within the qualifying timeframes.

However, EIS investments carry higher risks than traditional avenues and can be harder to sell. Professional advice is strongly recommended before considering such schemes.

INVESTIGATE 'GIFT HOLD OVER RELIEF'

Giving away specific business assets or

selling them at a reduced value for the buyer's benefit may qualify you for Gift Hold Over Relief. This defers the CGT liability, transferring it to the recipient who will only pay CGT when they eventually sell the asset.

Eligibility criteria are strict, and professional advice is a must to ensure compliance and effective planning.

LEVERAGE EXEMPTIONS FOR CHATELS AND ANTIQUES

Some possessions, including antiques and collectibles, may be exempt from CGT under certain conditions. Non-productive assets, such as antique clocks, vintage cars or pleasure boats, are exempt, provided they were not eligible for business-use capital allowances.

For non-wasting chattels like paintings or jewellery, gains might also be exempt if the sale proceeds are under £6,000. Understanding these rules can assist you in managing gains on high-value items effectively. ■

READY TO SECURE YOUR FINANCIAL FUTURE BY MAKING INFORMED AND CONFIDENT DECISIONS?

As CGT is a highly complex subject, obtaining expert advice is crucial for managing your tax liabilities. We can guide you through the options available to you, ensuring you maximise relevant tax reliefs, allowances and exemptions tailored to your unique circumstances. If you would like assistance in managing your CGT liabilities or a clearer understanding of your options, please contact a financial adviser today.

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.