PROTECT & GROW

DRIVING CHANGE THROUGH ETHICAL INVESTING

How attitudes are changing

ALSO INSIDE THIS ISSUE

HEALTHY, WEALTHY AND WELL ADVISED
Financial complexities of passing on wealth

SMART INVESTMENTS
Should I invest into a pension or an ISA?

TAXING TIMES
'Top 5' list of planning areas

KINGSWOOD
PROTECT AND GROW YOUR WEALTH

INSIDE THIS ISSUE

Welcome to the latest issue. Inside, you'll find an array of articles about how we can help you further to protect and grow your wealth. As we all know, the ultimate goal money can buy is financial freedom.

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. Turn to page 6 to find out more.

On page 7, we look at passing on wealth and why it is a sensitive subject, not just because of the financial complexities of it all, but also the emotion and family politics involved. Having built up their business or wealth, many families often wish to enjoy it whilst also ensuring that it is passed on to the next generation in their families. But some people find the idea of discussing passing on wealth uncomfortable.

Investors looking for tax-efficient ways to build a nest egg for retirement often look to both

Individual Savings Accounts and pensions. Tax-efficiency is a key consideration when investing because it can make a considerable difference to your wealth and quality of life. However, the type of investment and tax-efficiency is a common dilemma faced by many people. Find out more on page 10.

Also inside this issue, we suggest the 'Top 5' list of tax planning areas to consider now, and we ask 'Should you invest into a pension or an ISA?' A full list of the articles featured in this issue appears opposite.

WANT TO DISCUSS YOUR REQUIREMENTS?

We hope you enjoy this issue. And to keep things in perspective, the journey of a thousand miles must begin with a single step. We think that sums up what we do very nicely. Thank you for your continued support. To discuss your situation, please contact us – we look forward to hearing from you.

CONTENTS

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DRIVING CHANGE THROUGH ETHICAL INVESTMENT

HOW ATTITUDES ARE CHANGING

The evidence suggests, and performance demonstrates, that companies which integrate environmental, social and governance (ESG) factors into their corporate fabric are better long term custodians for investor capital. And in the last five years, ethical indices have outperformed their non-ethical counterparts*

In this article we lift the veil on ethical investing within the context of three funds in line with economic and demographic megatrends, which are used in the construction of Kingswood's ethical portfolios.

What is socially responsible investment?
An investment is considered socially responsible based upon the nature of the business the company conducts. Common themes for socially responsible investment include avoiding companies that profit from the produce or sale of addictive substances or service, such as tobacco or gambling, whilst seeking out companies engaged in social justice, environmental sustainability or clean energy - though this list is by no means exhaustive.

BlackRock Sustainable Energy Fund
In 2016, 196 world leaders signed the Paris climate agreement, a legally binding pact that committed all signatories to action on climate change for forthcoming decades. Millennials have grown up with climate change warnings, carbon neutral targets and the transition to clean energy. Reassuringly, figures show that internal combustion engine (ICE) production peaked in 2018; arguably one of the most significant inventions of the 20th century is now in decline as the world moves towards cleaner hybrid and electric technology. Currently, around the globe, less than one per cent of vehicles are fully electric, which represents a significant growth opportunity given the inevitability of the technology's future monopoly.

The BlackRock Sustainable Energy Fund invests globally with at least 70 per cent of its allocation to sustainable energy companies largely specialising in wind, solar and energy storage.

Rebeco Sustainable Water Fund
As the global population swells to a predicted nine billion by 2050 and we become increasingly urbanised, sustainable and uncontaminated water sources will be even more imperative for crop cultivation, disease prevention and human survival. The Rebeco Sustainable Water fund has almost £1bn under management and invests worldwide in listed companies specialising in irrigation services, water analysis and treatment technologies.

Hermes Impact Opportunities Equity Fund
Hermes has long been synonymous as a vanguard of sustainable investing. The Impact Opportunities fund invests in innovative companies that deliver positive social and environmental influence. Key themes include aging populations, demand for healthcare and water resources. It's concentrated too with just 30 holdings; top assets include Novo Nordisk, the diabetes care specialist, and Qiagen, a bio-tech company which extracts and interprets DNA and proteins for disease diagnostics.

Investing for the long term
It is recognised that long term stability and sustainable investment returns depend on well governed social and environmental systems, often associated with quality companies that ultimately offer greater downside protection and yield better long-term risk adjusted returns.

Harry Merrison Chartered MCSI

INVESTOR CAPITAL IS AN IMPORTANT MECHANISM FOR CHANGE, IF RESPONSIBLY DEPLOYED
To find out more about how you can build a greener future with your investments, get in contact with your Wealth Planner or Investment Manager today.

Q3 INVESTMENT OUTLOOK SUMMARY

THE OUTLOOK FOR HIGHER VOLATILITY ASSETS HAS IMPROVED

Despite the continuing US-China trade tensions, the outlook for higher volatility assets has improved now that central banks are easing policy.

We expect global growth to pick up a little over the coming year and believe the risk of the US falling into recession any time soon is quite small.

The sharp rebound in markets means much of this good news is now priced in. Even so, we still believe equities have further upside over the coming year.

This, along with their superior yield, leaves prospective returns from equities looking significantly higher than from bonds, where yields have fallen to exceptionally low levels which look unsustainable.

We increased our equity exposure a couple of months ago and have used the opportunity of the recent correction in markets to increase it further.

We are now back close to neutral on equities which seems appropriate as potential returns are attractive but risks remain.

We remain cautious on domestically-biased UK equities despite their cheap valuation because of the increased risk of a No-Deal Brexit and/or a General Election.

By contrast, we remain positive on emerging markets and the technology sector, where we believe growth prospects remain favourable.

Please visit www.kingswood-group.com to download a four-page version of the Q3 Investment Outlook.

OVERALL PORTFOLIO	PREVIOUS VIEW	CHANGE	CURRENT VIEW	RATIONALE
Lower Volatility Assets	●	⇩	●	Our holdings remain focused on shorter maturity higher quality corporate bonds
Higher Volatility Assets	●	⇧	●	Renewed central bank easing has improved the outlook for higher volatility assests
LOWER VOLATILITY ASSETS				
Cash	●	-	●	Cash raised temporarily for reinvestment into equities on any significant correction
Government Bonds	●●	-	●●	Yields are very low and should eventually trend higher, severely limiting p returns
Corporate Bonds (Inv. Grade)	●	-	●	Return prospects somewhat better than for government bonds but still on low side
Index-linked Bonds	●	-	●	Inflation remains becalmed, limiting appeal of index-linked
Lower Volatility Alternatives	●	⇩	●	Alternative strategies investing in credit offer only modest returns
HIGHER VOLATILITY ASSETS				
Equities	●	⇧	●	Easier Fed policy is a major positive although scope for further gains is not that great
Higher Volatility Alternatives	●	-	●	Alternative are appealing given quite muted return prospects for mainstream assets
Property	●	-	●	UK property would be hit hard in any recession and its illiquidity is also problematic
Gold	●	⇩	●	Gold is a hedge against a major equity sell-off but this danger is reduced
EQUITIES				
REGIONS				
UK	●	-	●	Continued uncertainty over Brexit keeps us underweight even though the UK is cheap
US	●	⇧	●	The US is relatively expensive but prospective Fed easing is a major positive
Europe ex UK	●	-	●	Growth is fragile and structural problems remain but renewed ECB easing will be positive
Japan	●	-	●	Increasing focus on shareholder value is positive but Japan's cyclicality is a negative
Asia ex Japan	●	-	●	Cheap valuations and relatively good long term growth prospects keep us overweight
Emerging Markets	●	-	●	Attractive for similar reasons to Asia
THEMES				
Global Infrastructure	●	-	●	Infrastructure is a defensive sector and should hold up relatively well in any sell off
Global Technology & AI	●●	-	●●	Long term growth prospects remain strong despite increased regulatory headwinds
Global Brands	●	-	●	Quality focus of strong global brand names is an attractive longer term
Global Healthcare	●	⇧	●	Beneficiary of ageing population and biotech innovation but there is US policy risk
Frontier Markets	●	-	●	Attractive because of superior demographics and long term growth prospects
Small & Mid Cap Stocks	●	-	●	Should outperform longer term - outside of recessions

Our view reflects our assessment of the relative attractiveness of each asset class after taking into acccount its riskiness/volatility

Change = change in view over the last quarter

● = POSITIVE ● = NEGATIVE ● = NEUTRAL

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?

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).

Source data:

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

LIVE THE LIFESTYLE YOU WANT WHEN YOU RETIRE

Saving more, working longer and having the right financial plan – this combination is likely to be much of the solution for the longer lifespans that many of us hope to enjoy. We're here to help you make good decisions so you can live the lifestyle you want when you retire. To find out more, or to discuss your situation, please contact us.

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.

Pensions are not normally accessible until age 55. Your pension income could also be affected by interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation, which are subject to change in the future.

The value of investments and income from them may go down. you may not get back the original amount invested.

Past performance is not a reliable indicator of future performance.

HEALTHY, WEALTHY AND WELL ADVISED

FINANCIAL COMPLEXITIES OF PASSING ON WEALTH

Passing on wealth is a sensitive subject, not just because of the financial complexities of it all, but also the emotion and family politics involved.

Having built up their business or wealth, many families wish to enjoy it while also ensuring that it is passed on to the next generation in their families. Passing on what you have accrued in the most efficient way is of paramount importance. But some people find the idea of discussing passing on wealth uncomfortable.

Making decisions on your behalf

It is often said that people who are well advised rarely pay Inheritance Tax – or rather, their estates do not. As part of the planning process, it is essential to make certain that you have a current Will in place. Your Will ensures that when you pass on, your wishes for your finances are clear.

Also, give consideration to arranging a Lasting Power of Attorney, a legal document that lets you appoint one or more people to help you make decisions or to make decisions on your behalf.

Your wealth over the years

Passing on without a Will in place could leave your partner without any rights or protection if you're not married. If you don't have close family, your estate could pass to a distant relative you do not wish to benefit or do not know, or even to the Crown. If you already have a Will, you should consider reviewing it at least every five years.

It might be the case that you have built up your wealth over the years, or perhaps you have had a windfall or inherited a sum of money. Whatever your individual circumstances, setting up a trust could be the right decision for the future, with the added flexibility of tax-efficiency.

Potential Inheritance Tax liability

We can help you work out if you have a potential Inheritance Tax liability. Once we have this information, we'll make recommendations about how you could reduce your Inheritance Tax by reviewing all the different allowances and options available. By funding your expenses from assets that are subject to Inheritance Tax, this will also help reduce your taxable estate.

A trust may also help you protect your wealth, making sure that the people who matter to you most are the ones who benefit in a way that you want them to at the right time. Even though the current climate is less favourable, following major Inheritance Tax reform in 2006, there are still a number of instances where trusts can be created without an immediate Inheritance Tax charge.

Significant degree of asset protection

Putting taxation to one side, the separation of legal ownership of an asset from its beneficial ownership creates great flexibility and offers a significant degree of asset protection. This can be valuable in a range of situations, such as providing for children or grandchildren, dealing with assets on death and on marriage breakdown.

In thinking about passing wealth down the generations, another concern is whether your property will need to be sold to pay for nursing home fees. If a couple own their home jointly, then it is normally possible to ensure that if the longer-lived member of the couple eventually has to go into a nursing home. It's important to ensure the share of the house which was owned by the other member of the couple is ring-fenced by means of a trust, so at least that part of the value of the house does not end up going on home fees.

Tax legislation and allowances constantly evolve

If you are a farmer, you are probably aware that agricultural property relief on agricultural property, including the farmhouse, can be claimed to reduce or avoid an Inheritance Tax bill after death. You should also be aware, though, that if before your death you retire, in the sense that you are no longer actively farming the land yourself, then the relief may be lost, particularly on the farmhouse.

Making sure that you can pass on your wealth to the right people, at the right time, will be one of the most valuable things you can do for yourself and your family. Tax legislation and allowances are constantly evolving, so it is essential to review your financial and investment arrangements to ensure unexpected tax bills won't jeopardise any wealth intended for your family.

PROTECTING WHAT IS YOURS

You have worked hard throughout your life to accumulate and preserve your wealth. We can give you peace of mind of knowing that you have laid the firmest foundations for your family's future. Please contact us if you would like to arrange a meeting to discuss your situation – we look forward to hearing from you.

Information is based on our current understanding of taxation legislation and regulations and depend on your individual circumstances.

Any levels and bases of, and reliefs from, taxation are subject to change.

The rules around trusts are complicated, so you should always obtain professional advice.

CHOPPY WATERS, NOT FULL-ON GALE

WAIT FOR THE BAD WEATHER TO PASS AND STAY THE COURSE

Volatility fluctuates based on where we are in the economic cycle, but it is a normal feature of markets that investors should expect. When stock markets start correcting, daily injections of bad news may sound as though it will never end. This can spark anxiety, fuel uncertainty and trigger radical decisions in even the most seasoned investors.

From the unfathomable Brexit playbook and the continued prominence of populist ideology, to unconventional US foreign policy and the retirement of Draghi, the highly respected European Central Bank president, uncertainty prevails. But it's essential not to panic and to keep perspective when markets are turbulent.

Whether it's rough seas or a volatile stock market, the same rules apply. When storms rock the boat, don't jump ship. Wait for the bad weather to pass and stay the course.

Here are some strategies to consider when volatility strikes.

Keep calm – short-term volatility is part and parcel of the investment journey

Markets can fluctuate depending on the news flow or expectations on valuations and corporate earnings. It is important to remember that volatility is to be expected from time to time in financial markets.

Short-term volatility can occur at any time. Historically, significant recoveries occur following major setbacks, including economic downturns and geopolitical events.

While headline-grabbing news can affect short-term market sentiment and lead to reductions in asset valuations, share prices should ultimately be driven by fundamentals over the long run. Therefore, investors should avoid panic-selling during volatile periods so that they don't miss out on any potential market recovery.

Remain invested – long-term investing increases the chance of positive returns

When markets get rocky, it is tempting to exit the market to avoid further losses. However, those who focus on short-term market volatility may end up buying high and selling low. History has shown that financial markets go up in the long run despite short-term fluctuations.

Though markets do not always follow the same recovery paths, periods after corrections are often critical times to be exposed to the markets. Staying invested for longer periods tends to offer higher return potential.

Stay diversified – diversification can help achieve a smoother ride

Diversification basically means 'don't put all your eggs in one basket'. Different asset classes often perform differently under various market conditions.

By combining assets with different characteristics, the risks and performance of different investments are combined, thus lowering overall portfolio risk. That means a lower return in one type of asset may be compensated by a gain in another.

BY COMBINING ASSETS WITH DIFFERENT CHARACTERISTICS, THE RISKS AND PERFORMANCE OF DIFFERENT INVESTMENTS ARE COMBINED, THUS LOWERING OVERALL PORTFOLIO RISK. THAT MEANS A LOWER RETURN IN ONE TYPE OF ASSET MAY BE COMPENSATED BY A GAIN IN ANOTHER.

Stay alert – market downturns may create opportunities

Don't be passive in the face of market declines. When market sentiment is low, valuations tend to be driven down, which provides investment opportunities. In rising markets, people tend to invest as they chase returns, while in declining markets people tend to sell. When investors overreact to market conditions, they may miss out on some of the best-performing days.

Although no one can predict market movements, the times when everyone is overwhelmingly negative often turn out to be the best times to invest.

Invest regularly – despite volatility

Investing regularly means continuous investment regardless of what is happening in the markets.

When investors make fixed regular investments, they buy more units when prices are low and fewer when prices are high. This will smooth out the investment journey and average out the price at which units are bought. It thus reduces the risk of investing a lump sum at the wrong time, particularly amid market volatility.

The longer the time frame for investment, the better, because it allows more time for investments to grow, known as the 'compounding effect'.

ORGANISING YOUR WEALTH TO SUPPORT YOUR NEEDS AND GOALS

We take a personalised approach to assessing your needs, which allows us to provide you with long-term, bespoke solutions. To discuss your future investment plans, goals and dreams, please contact us.

The value of investments and income from them may go down. You may not get back the original amount invested. Investment should be regarded as long term and fit in with your overall attitude to investment risk and financial circumstances.

This content is for your general information and use only and is not intended to address your particular requirements or constitute advice.

SMART INVESTMENTS

SHOULD I INVEST INTO A PENSION OR AN ISA?

Investors looking for tax-efficient ways to build a nest egg for retirement often look to both Individual Savings Accounts (ISAs) and pensions. Tax-efficiency is a key consideration when investing because it can make a considerable difference to your wealth and quality of life.

However, the type of investment and tax-efficiency is a common dilemma faced by many people. Which is better – an ISA or a pension? In truth, there's a place for both, and it's easy to argue the case for each of them.

ISAs allow you to invest in the current 2019/20 tax year up to £20,000 each year, providing tax-efficient growth and income. Withdrawals are tax-free because the money paid in was from after-tax income.

Pensions are also very tax-efficient. All contributions within allowance limits receive tax relief from the Government payable at up to your highest rate of tax. For example, it would only cost a basic-rate taxpayer £80 to contribute £100 into their pension because they would receive tax relief at 20%. This is added to the £80, representing the 20% tax they would have paid if they had earned that £100.

For higher earners, it is even better, with higher-rate taxpayers able to claim back up to a further £20 and additional-rate taxpayers being able to claim back up to a further £25 via self-assessment.

Tax relief is given on personal contributions up to 100% of your earnings (or £3,600 if greater). If total contributions from all sources, including your employer if applicable, exceed the annual allowance (£40,000 for most people but can be less for higher earners or those who have flexibly accessed a pension), you will suffer a tax charge on the excess funding if it can't be covered by unused allowances from the previous three years.

So, pensions give you tax relief on money going in, but when it comes to drawing on your pension, tax will be payable at your marginal rate apart from the tax free lump sum (normally 25% of your benefits).

ISA investments don't allow for tax relief on the money being invested, but they do give you total tax exemption on any gains made within the ISA. So with an ISA, when you come to withdraw funds, you will not pay a penny of income or Capital Gains Tax.

Put simply, the right option will be different for different people. There will be some for whom the right answer is a pension, others for whom the right answer is an ISA. If it was clearly one or the other, it would be far simpler.

An important point to remember is that you cannot normally access your pension until age 55, whereas your ISA is accessible any time.

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.

Information is based on our current understanding of taxation legislation and regulations.

Any levels and bases of, and reliefs from, taxation are subject to change.

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.

Your pension income could be affected by interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation, which are subject to change in the future.

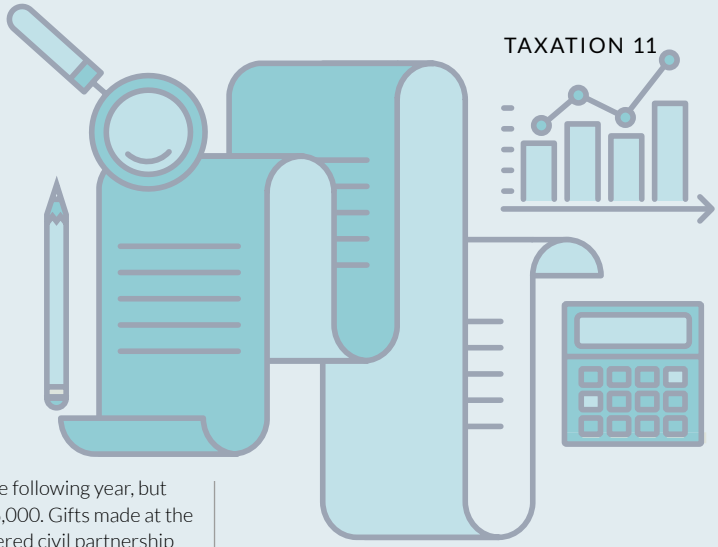
The value of investments and income from them may go down. You may not get back the original amount invested.

Past performance is not a reliable indicator of future performance.

Investors do not pay any personal tax on income or gains, but isas do pay unrecoverable tax on income from stocks and shares received by the isa.

TAX COMPARISON

	PENSION	ISA
Funds in	Income Tax relief on contributions at the highest marginal rate	No tax relief on contributions
Investment returns	No tax paid on income and gains	No tax paid on income and gains
Funds out	25% of fund paid as tax-free cash. Remaining fund subject to Income Tax at highest marginal rate	Not subject to Income Tax or Capital Gains Tax
Death Benefits pre-75	Paid as a lump sum or drawdown to nominated beneficiary free of all tax Does not normally form part of estate	Forms part of estate and subject to Inheritance Tax (IHT) if estate exceeds nil rate band and not left to exempt beneficiary Spouse/registered civil partner can inherit additional ISA allowance based on value of deceased's ISA funds
Death benefits post-75	Taxed at beneficiary's marginal rate Does not normally form part of estate	Forms part of estate and subject to IHT if estate exceeds nil rate band and not left to exempt beneficiary Spouse/civil partner can inherit additional ISA allowance based on value of deceased's ISA funds



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.

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.

Pensions are not normally accessible until age 55. Your pension income could also be affected by interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation, which are subject to change in the future.

The value of investments and income from them may go down. You may not get back the original amount invested.

Past performance is not a reliable indicator of future performance.

Any levels and bases of, and reliefs from, taxation are subject to change.

PROTECTING WHAT MATTERS

THOSE DEAREST TO US, AND THOSE FINANCIALLY DEPENDENT UPON US

If something should happen to you, the last thing you want is for you or your family to be worrying about money. One of the most important aspects of your financial planning should be to ensure that you've made provision for your family and any dependants in the event of a serious illness, injury or untimely death.

Financial planning is not only about fulfilling our needs and aspirations, but it is also about protecting those dearest to us, and those financially dependent upon us. Of course, illnesses and deaths are not things that we like to think about, but failing to protect against such eventualities can have severe consequences for our loved ones, from struggling to pay the mortgage to a potential Inheritance Tax bill.

Here are just some of the policies that need to be considered.

Life assurance

Generally speaking, anybody with dependants or an outstanding mortgage should look at taking out a life assurance policy. At the very least, this should cover any borrowing and ensure the family can keep their home, but preferably it should provide an additional sum to help cushion the shock to your family finances at such a difficult time.

The level of cover should match your specific circumstances, which means it's crucial to choose the right term and sum to insure. And by putting the benefits paid on death into an appropriate trust, this can be a very useful way of ensuring they are passed on to the intended beneficiaries at the right time. The proceeds also won't form a part of your estate when considering any Inheritance Tax liabilities.

Income protection

Being unable to work can quickly turn your world upside down. These policies typically pay out between 50% and 60% of your salary, tax-free, if you are unable to work due to illness or injury. They are an essential form of cover for those with dependants, but the terms and conditions vary – some pay out until retirement or death, or until you return to work. Almost all will only pay out once a pre-agreed period has passed, ranging from three months to a year.

Some policies will also only pay out if you cannot return to your own occupation. Others pay out only if you are incapable of doing any job. So it's important that you obtain professional financial advice to make sure the right policy is put in place for your needs.

These plans typically have no cash in value at any time, and cover will cease at the end of term. If premiums stop, then cover will lapse.

Critical illness

This cover gives you the comfort that, should you face a terminal diagnosis or a specified critical illness, your policy pays out a tax-free lump sum as opposed to an income. Critical conditions include suffering a heart attack, stroke and certain types of cancer – but each policy will have its own definitive list.

Typically, the proceeds are used to fund paying off a mortgage and any other debts, or they could be used to pay off school fees that are no longer affordable or to provide a financial legacy.

BEING PREPARED FINANCIALLY FOR ALL EVENTUALITIES

No one likes to think of the worst happening. But when it does, we can help make sure you're prepared financially for all eventualities. We'll guide you through all aspects of how to protect you and your family. Please contact us to find out more.

If the plan has no investment element it will have no cash in value at any time and will cease at the end of the term. If premiums are not maintained, then cover will lapse.

Critical illness plans may not cover all the definitions of a critical illness. The definitions vary between product providers and will be described in the key features and policy document if you go ahead with a plan.