PARTNERS WEALTH MANAGEMENT

Planning your financial freedom (May 2019)

Welcome to the May 2019 edition of PWM Insights.

This edition will have a quick look at some of the changes that are either with us, or will be imminently, which could have an impact on you and your financial planning going forwards.

If this raises any questions or concerns, please do get in touch with your adviser.

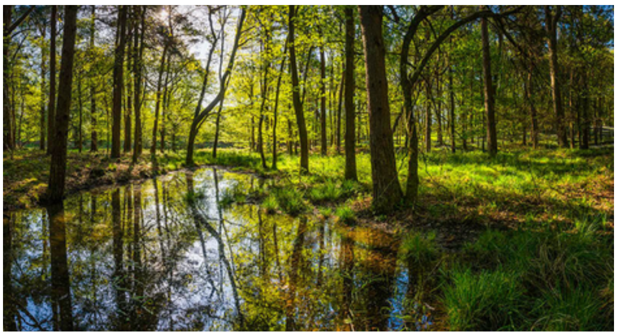
Sustainable Investing – a key influencer in the future?

The environment and global warming is a subject that people have been conscious of for some time. However, public concern over this issue is at its highest as shown through the acts of key young people such as Greta Thunberg and the recent BBC and Netflix documentaries from Sir David Attenborough. As a result, this is an area where many more clients have been enquiring over more recent times.

While charities have been involved in ethical investing for some time, the concept of sustainable investing for individuals has moved from a niche area of finance into the mainstream. This stems from a growing realisation that investors have a significant role to play in addressing the environmental and social challenges the world is facing.

Being independent, we are engaging with the investment management community to source competitive solutions for our clients to address the question of how investors can support wider sustainability agendas whilst maintaining a focus on financial performance.

To start to answer the question of whether these social challenges can be addressed while not detracting from investment performance, we are hosting an evening on Sustainable Investing on 15 May. We have limited spaces still available at the time of printing, and if this is of interest to you, please let us know, and we can either add you to this, or future events on this subject. We will also provide an update from the evening in a future edition of PWM Insights.



Probate rule change will see a “death duty” on business relief investments (such as AIM shares)

Investment into assets that qualify for 100% business relief from inheritance tax after they have been held for two years will be hit with effective death duties under new rules to increase probate fees.

Last November the UK Government confirmed that probate fees will rise from the current flat £250 charge (or £155 with the help of a solicitor) to up to £6,000 for the largest estates. Smaller estates will pay less, based on a tiered structure, and estates worth less than £50,000 will pay nothing.

Whilst the inheritance tax position of these assets is unaffected, the new probate fees will be calculated on the gross estate - i.e. the estate before the 100% business relief exemption is applied. Therefore, under the tiered structure, estates including business relief investments could be pushed into a higher bracket, creating a higher cost than had originally been planned for.

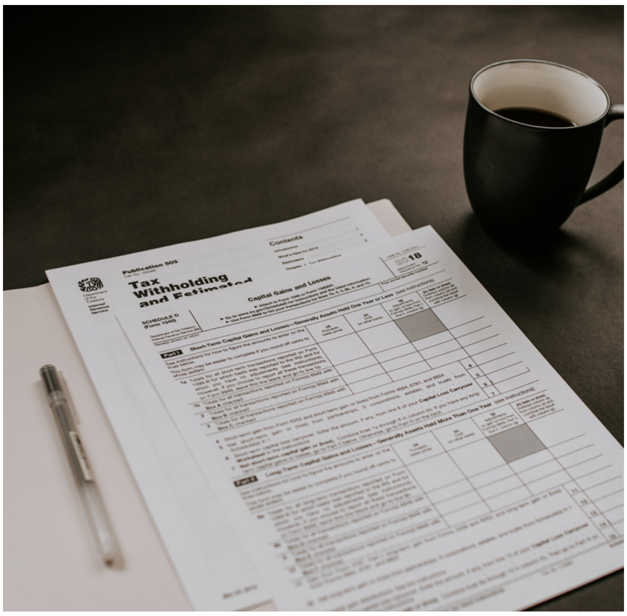
The changes, which were due to be implemented from 1 April, have been delayed until time is found to formally introduce them in the House of Commons. However, they are expected to have an impact on more than 280,000 families a year, with 56,000 expected to be paying between £2,500 and £6,000.

Questions over off-payroll working rules (“IR35”)

Amid much controversy, the UK Government rolled out changes to IR35 rules in the public sector in 2017, and plans to do the same for the private sector in 2020. The changes shift responsibility for determining tax status from the contractor to the business that hired them. They aim to close loopholes that allow people working through personal service companies to avoid tax contributions, which the government says will cost some £1.3bn by 2023-24.

However, the regulations have been widely criticised for being confusing and hard to implement effectively, and there is concern that the earlier regulations can be linked to people leaving contracting jobs in the public sector.

In a debate in Parliament last month, MPs have warned the UK Government to pay close attention to the effect these reforms will have on the private sector and questioned the efficacy of HMRC's status-checking tool. MPs are concerned that people were unlikely to go to HMRC for extra guidance, that poor application of the rules could damage contractors and the UK economy, and that it places an extra burden on businesses recovering from the credit crunch and racing to prepare for brexit.



Bite sized tax year changes

The pension lifetime allowance

This increased at the beginning of the tax year to £1.055million (Pensions drawn in excess of this amount would be subject to lifetime allowance tax charges depending upon the form in which the excess is taken).

Care must still be taken where you have lifetime allowance protection. The new limit on the amount of pension benefit that can be drawn from pension schemes prior to tax charges being applied represents a rise in line with Consumer Prices Index (CPI) inflation this year and is expected to increase again at the end of this tax year.

AE contribution rates

Blink and you may have missed the news on this, but it has impacted millions of savers. 6 April 2019 marked the second increase in Auto Enrolment (AE) contribution rates, with the total minimum contribution rate rising from 5% to 8%. All employees earning over £10,000 are enrolled, but have the ability to opt out if they choose to.

The earnings that are pensionable are banded between £6,136 and £50,000.

One quick reminder – if you have pension lifetime allowance protection, remember to review if it is best to opt out of your employer's auto enrolment scheme to ensure that you do not lose any additional protection you might have.

Take home pay

The increases in AE payments made by employees will be slightly mitigated, but not entirely, by the changes to the personal tax allowance and the national insurance primary threshold, which have both increased. The annual personal tax allowance has risen from £11,850 to £12,000, while the weekly national insurance primary threshold has grown from £162 to £166.

This means that most employees will be paying less tax, but the tax savings are effectively being paid into their pensions to help start securing their financial futures.

State pension allowances

These have increased by 2.6% this year as the triple lock system continues to apply for both the basic state pension and the new state pension. This means the basic state pension has grown from £125.95 to £129.20 a week.

I hope that this update is useful and informative, if you have any questions regarding any part of this, please contact me or your Partners Wealth Management adviser.

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