Aspire Financial Planning

Winter Newsletter 2024/2025

Providing for the next generation

Aspire Financial Planning
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Inside this issue

Beyond inheritance

With changes to the inheritance tax system, high house prices and stagnating tax thresholds we thought it would be prudent to look at options to pass on your wealth, other than inheritance.

Seeking financial advice when you retire

A retirement plan can help give you peace of mind when you retire. We can help you to understand your pension options and gain control of your finances. It can be simpler than you think.

How green are your savings?

When you choose environmental and social investing, you're putting your money to work in companies that strive to make the world a better place. But did you know about the new rules that came into force governing claims by sustainable funds?

Autumn Budget highlights

This was Labour's first budget since 2010. We have covered the main highlights, which include making the inheritance tax (IHT) system fairer by including unused pensions as part of a person's estate and raising employers' national insurance.

At a glance taxes and spending

Rachel Reeves Autumn Budget was a budget described as one to rebuild Britain. With capital investment and public investment to boost growth. With figures into the billions, we thought it would be interesting to highlight some

Welcome to the winter edition of our quarterly client newsletter, which provides topical financial articles.

These newsletters are intended to bring a few key topical issues to your attention. If you would like to discuss any of them (or any other aspect of your financial planning) in more depth, please contact us.

Please note: We may not necessarily advise on all the topics in each newsletter, but thought they may be of interest to you.

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Any information in this newsletter does not constitute advice and should not be acted upon without taking professional guidance.

The value of pensions and investments and the income they produce can fall as well as rise and you may not get back the full amount that you originally invested.

Providing for the next generation beyond inheritance

Inheritance has in the past been a popular method to pass on wealth to future generations. A change to inheritance tax regarding the inclusion of most unused pension funds (takes effect April 2027) may make you think again on the best way to help the next generation.

You may want to share your wealth before you're gone, which is achievable as long as you meet the right conditions.

Autumn Budget Changes

In recent years, pension schemes have been increasingly used and marketed as a tax planning tool to transfer wealth without an Inheritance Tax (IHT) charge, rather than for their intended purpose of funding retirement.

In the Autumn Budget 2024, the government announced several measures to reform Inheritance Tax. This included a measure to bring most unused pension funds and death benefits within the value of a person's estate for Inheritance Tax purposes from 6 April 2027.

Gifting & Surplus Income

Gifting can be a good way to pass on wealth. You can make gifts within your annual exemption and they will fall outside of your estate for inheritance tax purposes. You can also make regular gifts from any surplus income, but there are conditions.

You will need to survive seven years after making a gift if it's outside your annual exemption.

Annual Exemption for gifting

You can give away a total of £3,000 worth of gifts each tax year without them being added to the value of your estate. This is known as your 'annual exemption'. You can give gifts or money up to £3,000 to one person or split the £3,000 between several people. You can carry any unused annual exemption forward to the next tax year - but only for one tax year. The tax year runs from 6 April to 5 April the following year.

Using a Trust

If you have a vulnerable dependant, a trust can be a way to give you control over your assets. Some trusts for disabled people or children get special tax treatment. These are called 'trusts for vulnerable beneficiaries'.

Helping with a Lisa

If you have adult dependants, it can be worth helping with a Lifetime Individual savings account (LISA). The government will give a LISA bonus payment equal to 25% of your contributions annually.

You can use a Lifetime ISA (Individual Savings Account) to buy your first home or save for later life. You must be 18 or over but under 40 to open a Lifetime ISA (your first payment has to be before you're 40) and you can put in up to £4,000 each year, until you're 50.

If you would like to learn more about passing wealth onto the next generation or any other aspects of your finances, please contact us.

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The favourable tax treatment of ISAs may be subject to changes in legislation in the future.

The Financial Conduct Authority does not regulate some aspects of Trust, Tax and Estate Planning.

Top reasons to seek financial advice when retiring

Once you have an idea of when you might like to retire, or if you have no idea where to start, it helps to make a retirement plan. If nothing else having a plan can give you peace of mind.

If you're nearing retirement and haven't sought any advice; here are some reasons which may make good sense to do so.

1. Understand your pension options

A big decision when retiring is how and when to access any pensions you have. You need to be mindful that decisions you make could have a long-term effect. So, it's a good idea to look at all your options and weigh up all the pros and cons.

2. A plan to reach your goals

Having an investment plan can help you to stay on track and make informed decisions about any future goals. A financial adviser is well placed to advise you about a balanced portfolio and recommend an investment strategy that manages financial risks in line with your requirements.

3. Gain control over your finances

Financial planning can help you feel more confident about the present, including the management of your finances on a day-to-day basis. It can help you identify areas where you can save money, reduce debt, and improve your financial well-being.

4. Protect those you care about

It makes sense to assess your position and look at the best options to protect yourself and those you care about.

Even when you carefully create a retirement plan, some things can go awry. Financial advice can help you to identify what could happen and put things in place with the aim to provide you with security if they do. This could be a simple step like ensuring you have an emergency fund.

5. Peace of mind

Money worries can be one of the leading causes of stress. Uncertainty is something many of us find easy. Financial peace of mind is not to be taken lightly.

6. Save money

There are ways to save money, not just by investing. It's sensible to look at your entire financial picture and ways that money can be saved. Whether that's a better retirement strategy, debt management, pension advice or tax efficiency.

7. Tax mitigation

With many taxable thresholds remaining unchanged, tax planning and mitigation are more important than ever. Whether you aim to streamline your personal affairs, protect your business profits, or safeguard any inheritance, expert advice can put more money in your pocket.

8. The cost of delay

Waiting before you start saving and investing could cost you in the longer term, by missing out on compound interest. Even small savings can build up over time.

The value of pensions and investments and the income they produce can fall as well as rise and you may not get back the full amount that you originally invested.

How green are your investments?

Green investments are businesses or funds that seek ways to reduce harmful pollutants or use resources that are more sustainable. This can come in the form of alternative technologies, such as solar/wind power, or researching ways to use resources more efficiently.

Environmental and socially responsible investment is becoming increasingly important, where purchasing decisions are able to play a vital part in addressing the biggest challenges faced by society. ESG funds are investment options that use environmental, social and governance (ESG) criteria to inform their composition and asset allocation strategy.

What to consider when Investing

Everyone has their own idea of what is socially and environmentally acceptable. The same applies to the wide range of ESG funds; where some have very strict criteria and others may select the best of a group, even if it does not meet all the criteria. Social responsibility and corporate governance can be subjective.

When considering sustainable investments there are strategies that ‘screen out’ investments with poor ESG performance. This includes highly polluting companies or companies that don’t treat their workers or suppliers fairly for example. At the other end, there are strategies that directly target a tangible real-world ‘impact’, perhaps accepting the possibility of lower financial returns to do so.

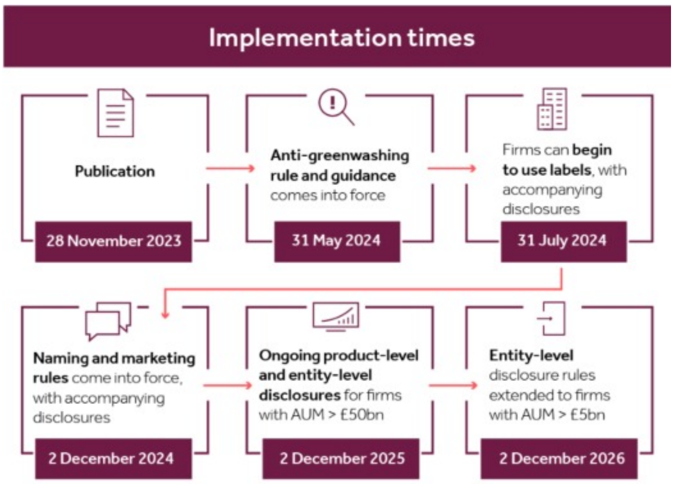
We can help you match with your values

When it comes to ESG investments we can look at the various funds you may want to select and to ensure a close match to your values.

Where sustainable investing has grown, a new measure “naming and marketing rules” was brought in on 2nd December 2024 to help you find funds that meet your sustainability objectives.

There are 4 labels - sustainability impact, sustainability mixed goals, sustainability focus and sustainability improvers. If a fund doesn’t include a label shown to have specific environmental or social goals, but is making sustainability claims, you will now have clear access how it is invested and why it doesn’t have a label.

For more information on sustainable funds meeting these new requirements, please contact us.



The value of investments and the income they produce can go down as well as up and you may not get back the full amount that you originally invested.

Autumn Budget Highlights

In October Rachel Reeves, the Chancellor, announced her Autumn Budget. Labour's first budget since 2010.

Rachel Reeves said "This is a Budget to fix the foundations of the economy and deliver change by protecting working people, fixing the NHS and rebuilding Britain."

Raising revenue to fund public services

The main rate of class 1 employer national insurance contributions (NICs) will be increased from 13.8% to 15.0% with effect from 6 April 2025 and the secondary threshold at which NICs are payable will be reduced from £9,100 to £5,000. National insurance for employees remained unchanged.

Ensuring asset owners pay their fair share of capital gains tax & keeping UK tax system competitive

The main rates of capital gains tax will increase with immediate effect to 18% for non and basic rate taxpayers and 24% for higher and additional rate taxpayers. The rate for business asset disposal relief will rise to 14% for 2025/26 and 18% from 2026/27.

Making the inheritance tax system fairer

The government is making the inheritance tax system fairer by applying inheritance tax to unspent pensions pots and restricting the generosity of agricultural property relief and business property relief for the wealthiest estates.

Unused pension funds and death benefits will form part of a person's estate for IHT purposes from 6 April 2027.

Supporting first-time and main home buyers

The additional stamp duty land tax (SDLT) rate for second homes and buy-to-let properties increases from 3% to 5% from 31 October 2024. The temporary increases in the 0% SDLT band for first time and other property buyers will end on 31 March 2025.

Private school fees

VAT at 20% will be applied to private schools from 1 January 2025.

Corporation Tax

Corporation tax will be capped at 25%.

Non-Dom Tax regime

The current non-domiciled tax system will transition to a residence-based system. Individuals opting in will not have to pay UK tax on foreign income during their first four years of residence in the UK.

Individual savings accounts

Subscription limits for individual savings accounts (ISAs), Junior ISAs and Lifetime ISAs will be frozen until April 2030.

At a glance - Autumn Budget taxes and spending

Taxes

The national minimum wage will rise in April 2025 to £12.21 per hour, moving towards a single national rate.

In April 2025: Employers' national insurance contributions (NIC) will increase by 1.2% to 15% and the threshold will decrease at which the NIC becomes payable will fall steeply to £5,000 from £9,100.

Employment Allowance (2025/2026) to increase to £10,500 from £5,000 from April 2025.

Capital Gains Tax - (from 30 October 2024) lower rate increases from 10% to 18% and higher rate from 20% to 24%. CGT on residential property remains unchanged.

Inheritance tax - threshold frozen until 2030

Inheritance Tax (IHT) - from April 2027 inherited pension to be included in IHT calculations

There will be a flat rate duty on all vaping liquid from October 2026. Tobacco duty to increase with RPI (6pm 30th October 2024).

Business rates - existing 40% on business rates for the retail, hospitality and leisure industries will continue in 2025/26 up to a cap of £110,000 per business.

Non-dom regime abolished from April 2025 with a new residence scheme

Stamp Duty Land Tax - surcharge on 2nd homes (up to £250,000) increased from 3% to 5%

VAT on private education from January 2025 and business rates relief to be removed.

Right to Buy discounts to be reduced.

Spending

National Living wage will increase from £11.44 to £12.21 an hour from April 2025

New funding to fix the NHS - NHS allocated an extra £25.7 billion over the next 2 years

Over £2 billion for NHS technology

£1.4 billion has been committed to rebuild crumbling schools

Funding for those affected by the inflected blood scandal

Funding for the Post Office horizon scandal

£70bn of investment through a National Wealth Fund

Crackdown on fraud in welfare claims, including direct access to bank accounts

New Get Britain Working white paper to tackle those who are economically inactive

Modernise HMRC with new technology and extra staff

Carer’s allowance to increase by largest amount since its inception

Household support scheme to be enhanced next year

State pension triple lock - 4.1% increase in 2025

Pension credit will also rise by 4.1%

New path to spending 2.5% of GDP on defence at a future fiscal event. Next year, the defence budget will rise by £2.9bn, with an additional £3bn a year for Ukraine “for as long as it takes”.

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