ST. JAMES'S PLACE
WEALTH MANAGEMENT

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Providing specialist financial advice

SUMMER 2017 NEWSLETTER - ISSUE 3

WELCOME

Welcome to this edition of my practice newsletter. In this edition, we focus on the importance of Inheritance Tax planning and preserving family wealth for the next generation.

I am also pleased to announce that I will be sponsoring this year's National Open Art Exhibition at Pallant House Gallery in Chichester. Further information about this exclusive event can be found overleaf.

If you would like any further information on the topics discussed within this newsletter, or if you would like to register your interest in upcoming events, please do not hesitate to contact me.

It is highly recommended that people seek face-to-face financial advice, so they can gain a clear perspective on the challenges and opportunities that exist in the current climate. If you have not had a review meeting with me within the past 12 months, please get in touch to make an appointment to ensure your arrangements remain effective and appropriate.

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IN THE NEWS

Escape the Inheritance Tax trap

There are few more confusing – or unpopular – taxes than Inheritance Tax (IHT). For older generations, the prospect of paying up to 40% tax on what they leave behind is difficult to contemplate. For some children and grandchildren, grappling with IHT is something they are ill-equipped to do.

Yet more and more families are going to have to deal with IHT. The latest figures from HMRC show that the government collected £5.1 billion in IHT in the 12 months to May this year – up 9% on the same period last year. IHT is set to be even more of a money-spinner for the government in future; the Office for Budget Responsibility predicts that receipts will increase to £6.2 billion by 2020/21.

Many more families are being dragged into paying the tax thanks to soaring house prices, while rising Stamp Duty costs are making elderly people think twice about downsizing. However, there are steps that families can take to mitigate its impact. For Tony Müdd, Divisional Director, Development & Technical Consultancy at St. James's Place Wealth Management, there are two crucial elements: taking advice and planning.

"The earlier you start thinking about IHT, the easier – and less damaging – it is, and the more options people have," he says. "That doesn't mean that, if you leave it late, it's too late. There are still things you can do; they are just more limited."

New rules introduced in April this year allow you to pass on more of your estate free of IHT. However, many people are not fully aware of the thresholds, so it's important to be clear on the facts. The threshold at which your estate becomes potentially liable for IHT at 40% is £325,000 per person. In the 2017/18 tax year, there is an additional £100,000 'residence nil rate band' (RNRB) that can be used against the value of your property – but only if you leave it to a child or grandchild. The RNRB is set to rise gradually by £25,000 a year to £175,000 per person from April 2020.

Crucially, the £325,000 threshold and the new RNRB are transferrable, meaning that you can pass both tax-free allowances onto your spouse or civil partner when you die. With the RNRB increasing to £175,000 in 2020/21, a couple could eventually pass £1 million to their children or grandchildren without attracting IHT.

Müdd points to this as an example of "some of the genuinely generous reliefs that have been introduced". But he adds that the devil often lies in the detail. "When it comes to IHT planning, advice is essential," he says. "The reliefs often come with caveats and, unless you understand what those are, you are making assumptions. Quite often, those assumptions are wrong."

For instance, those without children cannot benefit from the RNRB; thus, if you leave your home to a niece or nephew there will be no additional allowance. Likewise, it may not be available when a property has been left in trust, because the beneficiary is a trust, not a direct descendant. It could therefore be important for those who have put such arrangements in place to review their Wills.

Even if you do not consider yourself to be particularly wealthy, you may still find that the value of your individual or combined estates exceeds the tax-free thresholds, so anything that reduces a potential IHT bill is worth considering. Moreover, thoughtful estate planning can help you pass wealth on to your designated beneficiaries in the manner you choose, while reducing your taxable estate.

Five ideas to make life less taxing

1. Use the allowance for individuals to give gifts worth up to £3,000 a year (£6,000 if you use the previous year's allowance as well) without incurring any IHT.
2. Individuals can pass on larger amounts of money free of IHT, so long as they live for seven years after making the gift.
3. Take account of the 'normal expenditure out of income' rule – if you give gifts out of your income and, in doing so, don't damage your standard of living, they are exempt from IHT, and there is no upper limit.
4. Spread your giving over a number of years rather than paying out a lump sum.
5. Don't give away too much too soon – otherwise you could be dependent on your children.

The writing of a will involves the referral to a service that is separate and distinct to those offered by St. James's Place. The levels and bases of taxation and reliefs from taxation can change at any time and are dependent on individual circumstances.

FOCUS ON

Intergenerational Wealth Management

"Sharing family wealth in your time"

Significant wealth has traditionally passed from one generation to another after death. However as UK demographics change, wealth is increasingly being transferred between generations during our lifetimes. A growing number of families are now seeking advice on how best to manage their wealth collaboratively across the generations.

Why are Families transferring wealth? We may be helping our children onto the housing ladder, or contributing to a grandchild's education or wedding. As well as giving younger generation's financial assistance, we are increasingly helping our own elderly parents, often by contributing to long-term care funding. This is while simultaneously trying to make sure our own wealth lasts through what could be many years of retirement.

Intergenerational wealth management is about how families use their collective wealth to support each other during their lifetimes St. James's Place understands the issues involved and I can advise on how to take care of your loved ones appropriately and affordably.

Finding solutions- Helping with childcare, school and university fees is a natural motivation for intergenerational support. St. James's Place has a range of gifting products that allow you to transfer wealth to your children and grandchildren tax-efficiently with regard to Inheritance Tax.
The recently introduced *'pension freedoms'* increase your options, if your circumstances are appropriate, for using your pension pot not only in retirement planning but also as a tax efficient means of transferring wealth.

Advising the wider family- When considering intergenerational wealth, it is often best to involve all affected family members in the planning process, to meet everyone's needs now and in the future.

First Steps- Parents often say they wish they had put more into a pension scheme earlier, or started when they were younger. They didn't, because they thought they were too young and they couldn't afford it. Today perhaps they can afford to give a child some money towards a solid start to their future retirement.

*I am considering a 2018 Intergenerational wealth management seminar for clients and their children. If you would like the opportunity to introduce your children to wealth management, please get in touch to confirm your potential interest. Ideally, I would like to tailor this event towards my client's needs regarding venue and timings.

With some careful planning and sensible advice, family wealth can be kept for future generations to enjoy.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

CALENDER OF EVENTS

National Open Art Exhibition

Pallant House Gallery
Chichester

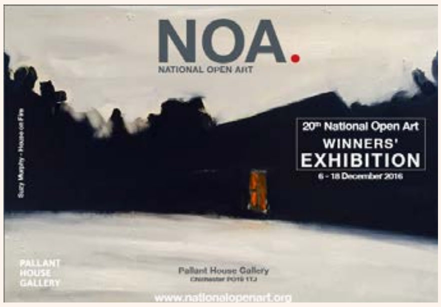
Friday 8th December 2017 6-8pm

As the sponsor of the 2017 N.A.O. Exhibition, I am pleased to announce that I have a number of invitations to the private viewing evening for my clients and their guests. If you are interested in art why not come along and join me for canapés and drinks at this exclusive event.
The evening promises to be an interesting event as it is always a highlight of the National Open Art calendar year.

Although as yet it not been announced, historically, this event is always opened by a celebrity.

Further information can be found at www.nationalopenart.org

Places for this event are limited and strictly by invitation only. To register your interest please contact my office cida.fairbrass@sjpp.co.uk



Refer a friend

As a client, you know that my practice is built on trust and personal word of mouth recommendations.

I always appreciate being referred to like minded friends and colleagues of my clients.
I am always happy to offer an exploratory meeting at no charge to potential new clients.
Why not invite a friend to come along with you at one of my client events during the year?

Please contact my office for further information.