



ST. JAMES'S PLACE
WEALTH MANAGEMENT

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Providing specialist financial advice

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WELCOME

Welcome to this edition of my Practice newsletter. In this edition, we continue to focus on succession planning as part of my 2018 What If program.

This issue introduces my April 2019 lunch seminar which will also cover the effects of Brexit. Please contact my office early to reserve your place for what promises to be an informative event.

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.

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

RUSSELL FAIRBRASS
Associate Partner

PRESERVING FAMILY WEALTH

The role of pensions in Estate Planning

Continuing my 2018 'What If' programme focusing on the importance of preserving family wealth.

A few years ago, a pension was solely intended for the purpose of seeing someone through retirement. If you had a defined contribution pension, it was in most cases, used to purchase an annuity on retirement; and a guaranteed income was paid thereafter until death. However, reforms to these types of pensions have given people greater choice of how and when to access the funds. More importantly, from an estate planning perspective, are the changes to the way's benefits can be paid out to loved ones on death

With a pension pot, it will be outside the estate for Inheritance Tax purposes and free of Inheritance Tax immediately. Moreover, the pension can be left entirely free of UK Income Tax if you pass away before the age of 75.

Your pension savings could be used to provide an income or lump sum for whomever you choose. This could be spouse, civil partner, children, grandchildren or anyone who is not financially dependent on you. It is also possible to remain within the pension plan indefinitely, cascading down several generations until it is finally depleted.

If your pension is your only source of income in retirement, you will probably use it to help maintain your own lifestyle. But if you have the financial means, it may make sense to draw down on other assets that are not exempt from Inheritance Tax (such as ISAs and bank accounts) and treat the pension much like a multi-generational trust fund. In fact, your pension might be the last income tap that you turn on.

Nevertheless, you will not want to leave potentially large sums to others unless you have a say over who those individuals are. This is where an 'expression of wishes' form and the use of trust structures to receive the pension funds give you greater control and security. With the benefit of advice, you can ensure your pension goes to whom you intend, without putting your own retirement security at risk.

The levels and bases of taxation, and relief from taxation, can change at any time and dependent on individual circumstances.

Trusts are not regulated by the Financial Conduct Authority

FOCUS ON

The Residence Nil-Rate Band

The Residence Nil-Rate Band (RNRB) was introduced with effect from 6th April 2017, and applies for deaths occurring on or after that date. The Individual RNRB for the year 2018/19 is £125,000.

For the RNRB to apply the residence must be left on death to children, grandchildren or spouses, widows or widowers of children or grandchildren. Children for these purposes include biological children, step children, adopted and foster children and grandchildren. If there is more than one qualifying property in the estate the executors will have the discretion over which property the RNRB applies to; however, a property which was never a main residence of the deceased, such as a buy to let property, will not qualify.

Like the existing nil rate band, the RNRB is transferable between married couples and civil partners and applies even where the first spouse or civil partner died prior to 6 April 2017. To enable this to be transferred a claim will need to be made by the personal representative on second death.

It is important to note that once an estate reaches a net value of £2,000,000 (after deductions of liabilities but before reliefs and exemptions), the maximum RNRB will be restricted by £1 for every £2 the estate exceeds this threshold.

DOWNSIZING AND THE RNRB

Where the individual's main residence is downsized to a lower value property or sold the RNRB may not necessarily be lost, provided the new property and/or other assets equivalent to the 'lost' RNRB are left to direct descendants on death. The additional allowance will be limited to the lower of the amount of the RNRB lost as a result of the downsizing and the value of the property. Or other assets being inherited by the descendants.

Furthermore, for the RNRB to apply to the sale or act of downsizing needs to have occurred on/after 8th July 2015, and it will be important that appropriate records are kept of the transaction and any subsequent use of funds.

WHO WILL NOT BENEFIT FROM RNRB?

There will be individuals who will not benefit from RNRB including those,

- Leaving their property to someone other than their children or lineal descendant.
- With an estate that exceeds the £2m taper threshold by more than double the amount of the RNRB that would otherwise be available in the year of death
- Who have sold their homes to move into care, the proceeds of which are inherited outright by their direct descendants or spouses.
- Who leave their only property to a discretionary trust*

The levels and bases of taxation, and reliefs from taxation can change at any time.

The value of any tax relief generally depends on personal circumstances.

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EVENTS

Diary dates

Thursday
25th April 2019

**Brexit & Market Update
Presentation with
Lunch
Chichester Yacht Club**

*Possibly one of our most timely,
important seminars of recent times
as the UK exits the European
Union*

What will Brexit mean for you?

*Get in touch to
Reserve your place now!*



**Chichester
Yacht Club**

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 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.

The Partner represents only St. James's Place Wealth Management plc (which is authorised and regulated by the Financial Conduct Authority) for the purpose of advising solely on the Group's wealth management products and services, more details of which are set out on the Group's website www.sjp.co.uk/products.

The 'St. James's Place Partnership' and the title 'Partner' is a marketing term used to describe St. James's Place representatives.

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