



# INVESTMENT QUORUM

UNIQUE, BOUTIQUE WEALTH MANAGEMENT

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## A new tax year, a new start for your finances

Creating a roadmap for your future financial success

It's always a good time to consider financial planning, but at the start of a new tax year, when you have a fresh set of annual allowances to take advantage of, you have the perfect opportunity to get your financial affairs in order and align them with your goals.

The UK tax year runs from 6 April to 5 April each year. These dates don't change but tax rules and regulations do change and it is important to stay up-to-date.

### MITIGATING THE COVID-19 ECONOMIC IMPACT

The UK government has accumulated massive deficits while trying to mitigate the economic impact of the coronavirus (COVID-19) pandemic on individuals and businesses.

Essentially, they have three options to try and reduce their debt burdens: implement austerity, including higher taxes, so that the borrowing can be repaid; deliver economic growth so that the debt burden to GDP falls; or allow inflation to erode the real value of the debt.

### MEET YOUR GOALS IN A TAX-EFFICIENT WAY

The good news is that if you start considering the recent and potential tax changes now, you should be able to mitigate some of the adverse effects. Taxes on savings, investments and earnings all come with bands, reliefs, allowances and exemptions.

Financial planning ensures that you take advantage of these by organising your finances to make the most of your money and avoid situations you may not have anticipated. Taxation can affect net investment returns, and maximising your net return will help you meet your financial objectives. There are a number of potential financial planning solutions to help you meet your goals in a tax-efficient way.

### MARCH BUDGET 2021 CHANGES ANNOUNCED

These involve making use of tax allowances each year, assessing investments that suit your tax profile and considering long-term plans for you and your family. This might necessitate some financial restructuring. Business owners will also need to prepare and plan for the changes announced in the March budget.

The Chancellor of the Exchequer, Rishi Sunak, delivered Budget 2021 to Parliament on 3 March. Here are some of the key announcements around tax and financial planning.

### PENSIONS

Despite predictions that the many tax advantages of pensions could be cut back, they were left untouched. The most significant change was the decision to freeze the lifetime allowance (the amount you can hold in pensions without paying a tax charge) at its current level of £1,073,100 until April 2026.

Pensions still remain one of the most tax-efficient ways to invest, particularly for higher and additional rate taxpayers. In addition to tax relief on what you pay in, any growth is free of UK Income Tax and Capital Gains Tax. And any remaining funds in your pension on death are usually free of Inheritance Tax after your death.

### INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

The Chancellor left ISA allowances unchanged. Any proceeds from an ISA remain free of UK

Income Tax and Capital Gains Tax and, therefore, this is a key consideration in financial planning. As soon as the new tax year started on 6 April, your annual ISA allowance limit was reset.

For the current tax year, savers can contribute up to £20,000 each across the four main types of ISA, which include cash, stocks and shares, innovative finance and Lifetime accounts.

### CAPITAL GAINS TAX (CGT)

Despite proposals to increase CGT, there were no new announcements, other than the decision to freeze the annual tax-free allowance at its previous level of £12,300 until April 2026.

As part of financial planning, it still makes sense to make as much use as possible of the valuable ISA and pension allowances, to ensure your funds are held in the most tax-efficient manner.

### INHERITANCE TAX (IHT)

Again, no changes were made to the standard nil-rate band of £325,000 and the residence nil-rate band of £175,000, both of which have been proposed to remain frozen until April 2026.

If you're thinking about how you can reduce the Inheritance Tax your beneficiaries have to pay when you die, there are various options you should consider.

### ACHIEVE YOUR GOALS AND FUTURE WELLBEING

The purpose of creating a financial plan is to help you understand where you stand now and where you could be in the future if you take the right steps. It's about creating a roadmap for your money



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to help you achieve your goals and future wellbeing.

Putting in place a comprehensive financial plan and keeping it updated will be amongst the most important decisions you ever make. It should include details about your cash flow, savings, debt, investments, insurance and any other elements of your financial life and wellbeing.

Even if you're in a good position financially, there are various ways that financial planning could help improve your current situation, for example by:

- improving the growth rate your investments are achieving
- introducing new streams of income
- minimising the tax you pay
- recommending solutions and products you might not be aware of

## AVOID COSTLY FINANCIAL MISSTEPS

Designed to help secure your financial future, a financial plan seeks to identify your financial goals, prioritise them and then outline the exact steps that you need to take to achieve these goals.

It can also help you avoid costly financial missteps, such as making a risky investment, being subject to an unexpected tax charge or underestimating the liquidity you need, resulting in the forced sale of your assets. But the value of

financial planning isn't just limited to the returns you get from it.

There are also practical and emotional benefits to receiving professional financial advice, for example by:

- freeing up time spent managing your finances
- reducing the administrative burden on you
- removing financial stress, which could impact on your health
- giving you peace of mind that you're moving in the right direction

## HELPING YOU ACHIEVE YOUR GOALS AT EVERY STAGE OF YOUR LIFE

Creating a financial plan isn't a static process. It's important to adjust your plan as your life and situation evolve. It's helpful to reevaluate your financial plan after major life milestones, like getting married, starting a new job, having a child, planning for their education, losing a loved one and retirement planning. Everyone has different priorities. To discuss your options, please contact us today to find out more.

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.

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.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION & TRUST ADVICE.

