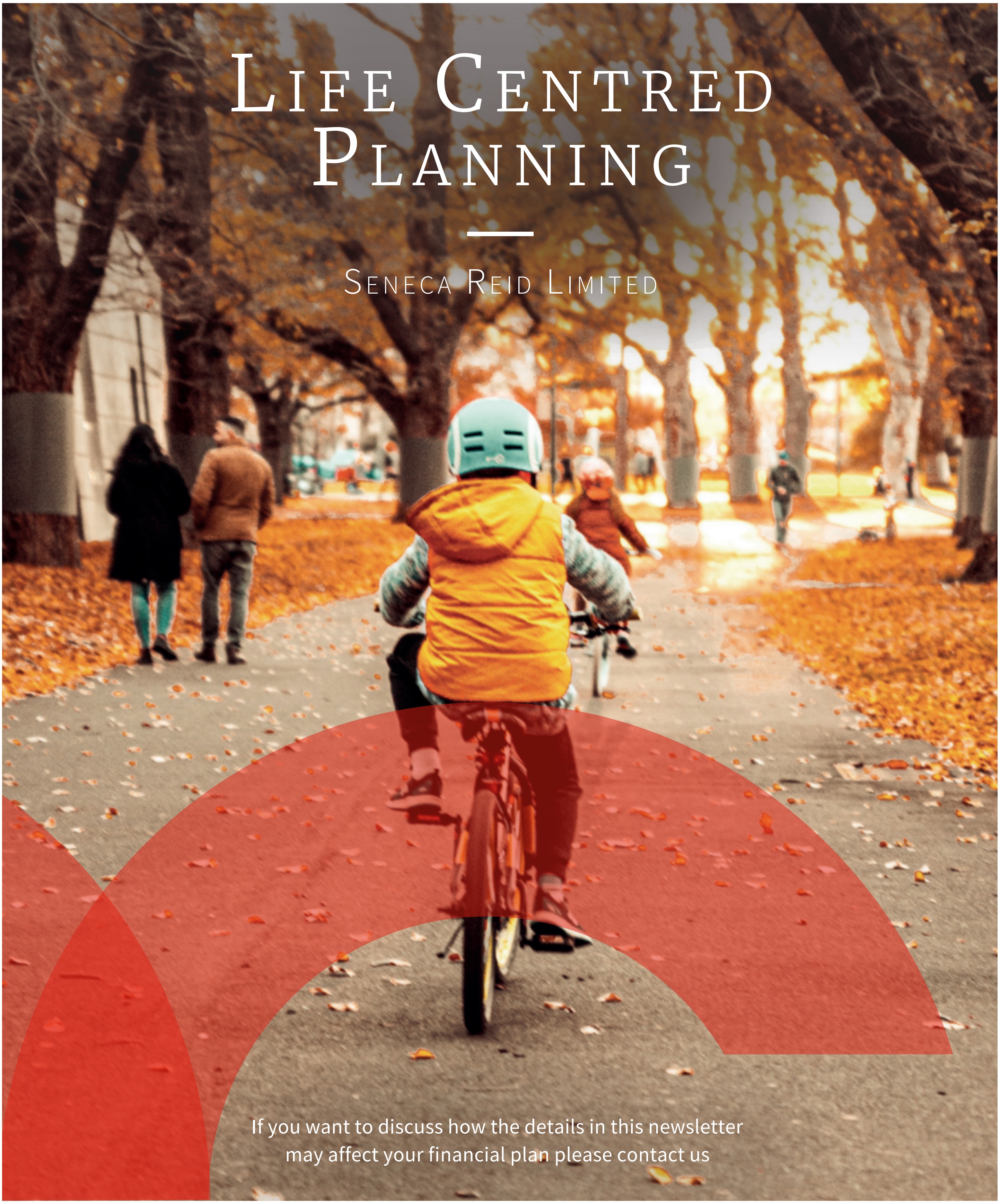
# Life Centred Planning

Seneca Reid Limited



If you want to discuss how the details in this newsletter may affect your financial plan please contact us

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# Estate Planning

Estate planning encompasses not only preparing your finances to ensure your assets are protected for your loved ones once you are gone, but it's also about ensuring you have enough money to live on.

It starts with obtaining a comprehensive view of your assets. Assessing the value of your estate and ensuring the right documentation is in place is a first port of call (such as Wills, Lasting Powers of Attorney (LPA), and the formation of any relevant Trusts).



## Valuing your estate

In order to establish the value of your estate, first calculate the total worth of all your assets, including your home, any other property, money and savings, shares and investments, business equity, cars, jewellery and other personal possessions. Determine the value of non-monetary assets, by applying a realistic market value. Any gifts which incur Inheritance Tax (IHT) should be added to the value of assets. Then deduct debts and liabilities from this amount to establish the total value of the estate. Deductions include any outstanding bills, mortgage debt, loans, credit cards, overdrafts, and funeral expenses.

## Wills*, Trusts and LPA

Putting together a clear plan, that details your wishes regarding how you'd like your estate to be managed upon your death, will ensure when the person looking after your estate applies for probate they will know what your wishes were. A vital part of successful estate planning is ensuring you have a valid Will in place. Trusts are also a useful way of managing money or other assets on behalf of beneficiaries. There are various types of Trusts which provide an alternative to direct inheritance or transfer of certain parts of an estate, giving you control over who receives what and when. There are 2 types of LPA, 'health and welfare' and 'property and financial affairs' which are worth establishing at an early stage.

## IHT

Estate planning can also help you reduce the amount of IHT payable. With expert planning, you can legitimately reduce the amount of IHT payable and pass on assets to your family as intended. For individuals, the current IHT nil-rate threshold is **£325,000**, and **£650,000** for a married couple or civil partners. Any unused portion of the nil-rate band can be passed to a surviving spouse or civil partner on death. Beyond these thresholds, IHT is usually payable at a rate of 40%.

Since April 2017, there has also been a main residence nil-rate band, which applies if you want to pass your main residence to a direct descendant (e.g. child or grandchild). For the 2020-21 tax year, this allowance is **£175,000**. Added to the existing threshold of £325,000 this could potentially give rise to an overall IHT allowance of **£500,000** for individuals, or £1m for those who are married or in civil partnerships. It is important to note larger estates will find residence relief is tapered, reducing by £1 for every £2 by which the net estate's value exceeds £2m.

There is another simple way of passing money to the next generation which allows for gifts to be made from surplus income. Conditions apply, and advice would be needed to ensure the gifts are made in the right way. We can talk you through the options and help you to find the most appropriate choice.

## We can help

We can give you advice to ensure your money ends up with the people you want, for the reasons you choose. We can show you how much money you will need, help you to pass on assets in the most effective way, and work with you to reduce or manage an Inheritance Tax bill.

***Will writing and LPAs are not a part of the Openwork offering. Openwork Limited accepts no responsibility of this aspect of our business. These products are not regulated by the Financial Conduct Authority.**

**HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.**

OW2758 Exp.11/06/21

# All about ISAs

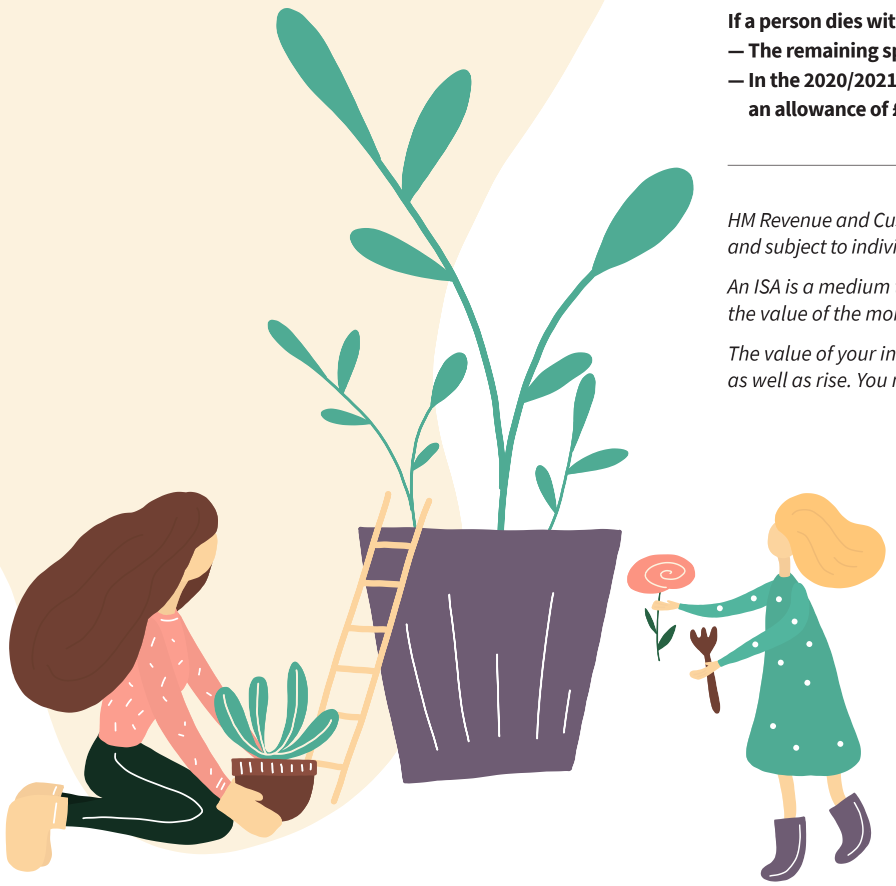
In the 2020/2021 tax year, you can save up to £20,000 tax-free in an Individual Savings Account (ISA), and when it comes to your ISA investment, you have a number of options.

Investors comfortable with the slightly higher risk Peer to Peer lending can also now invest in an Innovative Finance ISA, and those aged 18 to 40 can open a Lifetime ISA.

Although you can't hold an ISA for anyone else, parents or guardians can open a Junior ISA and manage the account; but the money belongs to the child.

**Put simply, an ISA is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:**

**— Cash ISA**
**— Stocks and shares ISA**



## Withdrawing money

You can withdraw money from your ISA at any time without losing the tax benefits, but your ISA provider may have restrictions or ask you to pay a charge. It's worth contacting them to find out before you withdraw any money.

If you have a 'Flexible' ISA, you can withdraw cash and replace it in the same tax year without reducing your current year's allowance. For example

**— The 2020/2021 allowance is £20,000**
**— You pay in £10,000 and withdraw £5,000**
**— If your ISA is flexible, you'll have a remaining allowance of £15,000**
**— If your ISA is not flexible, you'll have a remaining allowance of £10,000**

## Transferring your ISA

All ISA providers allow you to transfer your money to a different provider (or to a different ISA with the same provider). By transferring, rather than selling or reinvesting, you keep future tax benefits.

**Here are the rules:**
**— You can transfer from one provider to another**
**— You can transfer money from one type of ISA to another ie, from a cash ISA to a stocks and shares ISA**
**— Money you have invested in an ISA in the current tax year must be transferred in full**
**— Money you have invested in previous years can be transferred in part or in full**

You may not be able to transfer your ISA back to the original source.

If your investments are moved to us as cash, you'll be out of the market while your money is being transferred. You could miss out on growth/income if the market rises during this time.

## Additional permitted subscription allowance (APS)

If you're married or in a civil partnership with someone who died on or after 3 December 2014 you can apply for APS, which means the surviving spouse or civil partner will have an increased ISA allowance:

**If a person dies with £50,000 in an ISA;**
**— The remaining spouse can apply for APS**
**— In the 2020/2021 tax year they would have an allowance of £70,000 instead of £20,000.**

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*An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both.*

*The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.*

# Providing a retirement windfall for your child

Planning ahead and starting early can really help when it comes to building up a financial future for the children in your life. The Junior ISA (JISA) is a popular choice for many, but one often overlooked investment option is the ability to open a pension for your child, to help set them up for retirement.

## Increasingly popular choice

Although retirement is a very long way off or your child, putting some money aside now means they can be one step ahead when they come to plan their retirement. Any parent or legal guardian can set up a pension, which will automatically transfer to your child once they reach the age of 18, at which time they can continue to contribute or leave the savings invested. Under current rules (which may be subject to change in the future) they can access the pension from age 55.

## A valid option, worth considering

In addition to your own pension contribution allowances, people often don't realise that they can also put money into someone else's savings. If the recipient is a non-taxpayer, as most children are, they are still entitled to tax relief on any contributions made. Pension rules allow anyone to pay contributions on behalf of a child, so other family members such as grandparents can get in on the act too.

***HMRC data indicates over 60,000 families have opened pension plans for their children. As personal pensions come with no minimum age restriction, many people opt to open one when their child is born.***

## Know the numbers

Current pension rules allow you to put up to £2,880 a tax year into a pension for a child. Tax relief of 20% means that this is then topped up to £3,600. No further Income Tax or Capital Gains Tax will be payable on the investments held in the personal pension, until your child starts taking benefits, (which currently cannot be before age 55). If you start pension contributions once a child is born and used the full allowance, the contributions would cost just under £52,000 over 18 years, and this, under current rules would be topped up by around £13,000 in tax relief.

Assuming growth in investments over the period, when the child reaches age 55 currently, they would have a sizable pension pot to draw upon, the spending power of which will of course depend on the passage of inflation over the intervening years.

## Getting the balance right

Aside from retirement provision, you also need to consider providing financial assistance for more pressing priorities, such as university fees or money for a house deposit, or a wedding perhaps. Any pension savings won't be available to help children with these financial priorities earlier in their adult lives. So, ideally a pension for your child should be regarded as part of a wider plan, rather than the only investment embarked upon.

## Start a pension for your child today

With the full State Pension currently £168.60 a week, this is certainly not enough on its own to provide a comfortable retirement, so why not set the wheels in motion to provide a retirement windfall for your child? It's also a great way to introduce your child to the concept of long-term saving. Families thinking about how to save and invest most efficiently during 2020 shouldn't overlook pensions for children. Even if the full allowance isn't contributed, any money saved could still provide a valuable nest egg at retirement.

**If you would like to know more about investing for children, please get in touch.**

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The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

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OW2479 Exp. 05/04/2021

# The importance of life cover for carers

One in five people in the UK act as a carer. Figures show more than seven out of ten of those who look after familiy, friends or other members of the community do not have any protection policies in place. Furthermore, a fifth do not know who would take over their caring duties if they fell ill themselves and 20% do not know who would provide them with the care they might need.

Whichever type of care you provide, whether that's personal care, helping with shopping or taking someone to appointments, one important type of protection all carers should consider is life insurance.

## Protection for stay-at-home parents

Carers do not just include those who look after people who are sick, elderly or disabled. If you're a stay-at-home parent, life insurance can be just as important as it is for working parents. Consider all the tasks you do around the home – looking after the children, cooking, cleaning, school runs, the list is endless.

If you were no longer around, your partner might have to take time off work or even stop working altogether to look after the children. Life insurance can provide sufficient funds to cover the costs of childcare, if you aren't there to provide it.

## Reasons for procrastination

Many people put off buying life insurance because they think it's too expensive, they get cover through their job, or they believe they don't need a policy.

In reality, life insurance policies are often inexpensive – particularly if you take out a policy while you are young and fit – and it is a small price to pay for protecting those you care for. If you have cover as part of your employment package, keep in mind it may not be sufficient, and you'll likely lose the cover if you change job.

## Here to help

Whatever type of carer you are, life insurance is an essential part of your protection toolkit. If you would like to know more about the benefits and costs of protection policies, plus how much cover you need, do get in touch.

## Getting the right type of cover

Life insurance typically pays out a lump sum to your dependants if you die during the term of the policy. The beneficiaries of your policy can include children, family members, friends, or anyone else you care for.

It provides valuable peace of mind that those who rely on you will be protected financially should the unexpected happen. The money received can be used to pay rent or mortgage costs, bills and other expenses, or to employ another carer.

Critical illness cover can often be added to a life insurance policy and pays out a tax-free amount if you are diagnosed with a specified critical illness.

OW2934 Exp. 16/12/20

# Flexible insurance for when you need it

It's all too easy for us to put our head in the sand when it comes to thinking about our protection requirements. People tend to find it challenging to engage with the topic as it involves thinking of negative potential scenarios. In reality, this is the reason to put it to the top of your 'to-do list'. Life is hopefully rosy but being prepared for any eventuality is truly priceless.

**You can take out cover from the age of 18 to 60, without any health questions.**

**The cost of your policy will remain the same, even if you make a claim or as you get older.**

**Policies pay a fixed amount of money for specific injuries, depending on the level of cover.**

One important type of protection worth serious consideration is accident and injury cover. Life's an adventure, we don't always know what's waiting for us around the corner and if the unexpected happens, you deserve the peace of mind that you've got things covered financially.

## Flexible cover, tailored to your needs

We can advise you accident and injury cover for your circumstances that provides financial support covering a range of accidental injuries, from a broken bone, to one that could seriously impact your life.

The flexibility of cover available is one of the major benefits, in addition to the ability to choose the level of cover that is tailored to your individual requirements and lifestyle; and suits your budget.

Core cover includes broken bones, accidental death and permanent injury, permanent disability, funeral benefits and UK hospital stays.

Some policies give you optional cover add-ons like protecting your children, active lifestyle cover and healthcare cover, for those who may be at particular risk of contracting certain illnesses, such as those who work in the healthcare sector.

With accident cover you can make multiple injury claims and your policy will continue to protect you in the future.

The last few months have provided the perfect opportunity to take stock of your finances and protection cover; you may be thinking about reducing your outgoings, but protection policies can provide a lifeline when you need it most.

For a cost-effective way to look after yourself and your loved ones, so you're ready for the unexpected, we can help ensure all of your protection needs are covered. Then you can enjoy life, unclouded by concerns of what might happen if you're ill, injured or need to spend time in hospital.

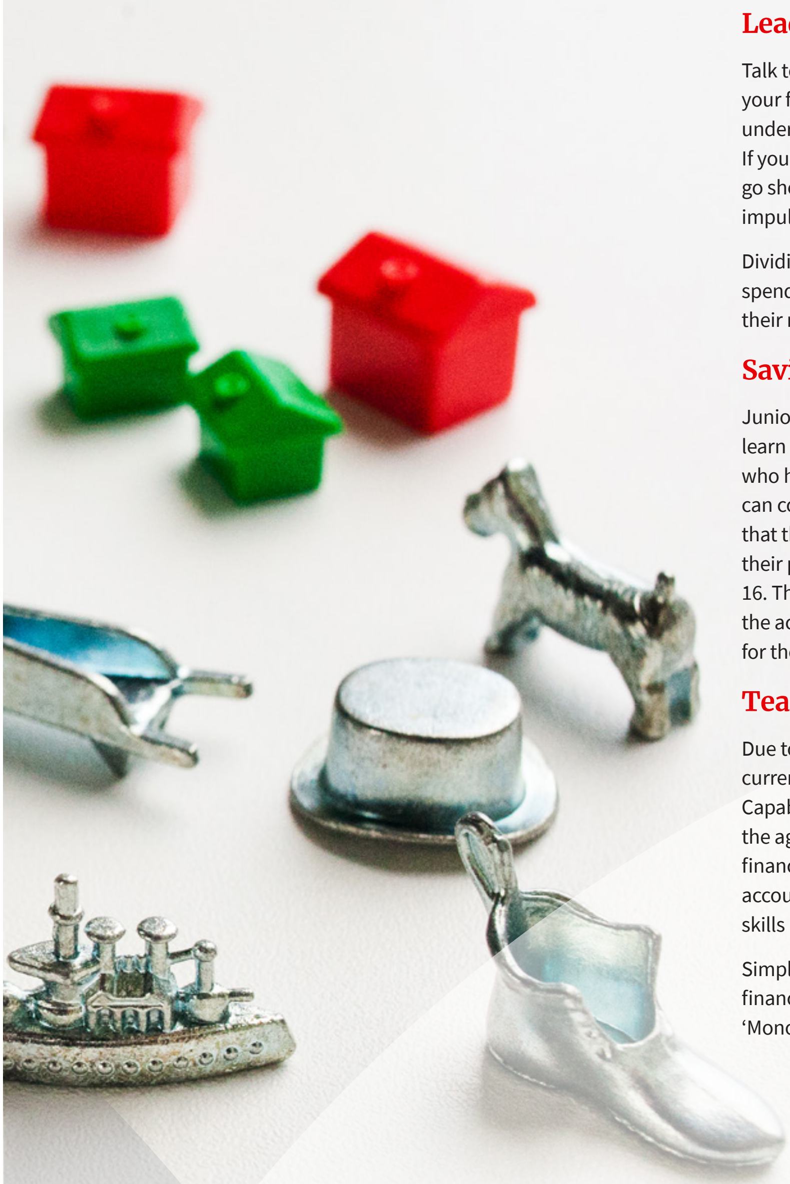
**As with all insurance policies, conditions and exclusions will apply**

**Both the funeral and accidental death benefit once paid out, will end the plan.**

**Age restrictions apply on child cover**

# Give your children a head start with financial education

Financial literacy isn't a skill that we are born with. Learning how to manage money effectively means acquiring a few important life lessons that parents can pass on to their children from a relatively young age.



## Money does not grow on trees

Encourage children to handle cash as soon as possible to help them recognise its value and to plan how to save some of their pocket money, so that they can save up to buy a new toy or book with their own money. After all, good things come to those who wait, teaching delayed gratification is a great lesson. Children need to realise that you work to earn money and that it simply does not pop out of the wall at the cashpoint.

## Lead by example

Talk to your children about how much things cost and set a good example; your financial behaviour will lead the way. It's important for children to understand what budgeting means, to teach responsibility with money. If you demonstrate responsible buying by creating a budget before you go shopping, comparing prices, using money saving vouchers and curbing impulse purchases, you can lead by example.

Dividing money into different pots is a useful way to demonstrate only spending the money you have, as it helps your child to visualise where their money is going. When it's gone, it's gone.

## Saving for the future

Junior Individual Savings Accounts (JISAs) are a good way for children to learn about the benefits of saving money for the future. Once the person who has parental responsibility for a child has opened the account, anyone can contribute to it, up to an annual limit (£9,000 this tax year). This means that the child can learn more about money management by saving some of their pocket money and watching it grow, before gaining control of it at age 16. The money cannot be withdrawn until the child is 18, at which point, the account is automatically rolled over into an adult ISA, a valuable facility for those who want to continue saving or investing tax-efficiently.

## Teach a life skill

Due to limited curriculum time, only four in 10 children and young adults currently receive financial education lessons. According to The Financial Capability Strategy, children's attitudes to money are well-developed by the age of seven. Research confirms that children who receive a formal financial education are more likely to be money confident and have a bank account, understand debt, be capable of saving and generally have the skills needed to make the most of their money in the future.

Simple things like playing family board games together that promote financial literacy; games such as 'Cashflow 101' and the ever-popular 'Monopoly', which now has junior versions, are a good starting point.

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