PROTECT & GROW

AUTUMN 2023 | ISSUE 16

GETTING
RETIREMENT READY

Key steps to achieving a comfortable retirement

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BUILDING A DIVERSIFIED PORTFOLIO
What is it, and why is it important?

10 REASONS TO GET YOUR TAX RETURN FILED NOW
British workers overpay £8.2bn in tax due to wrong codes

USING YOUR INHERITANCE EFFECTIVELY
Making informed decisions about managing the funds wisely

KINGSWOOD
PROTECT AND GROW YOUR WEALTH

WELCOME

WELCOME TO the Autumn issue of *Protect & Grow* from Kingswood.

A comfortable retirement is a common financial goal, and contributing to a pension is essential to achieving it. Although retirement may appear distant at the moment, there's much to consider. At Kingswood we'll assist you in navigating this crucial life milestone. By planning ahead and making smart decisions about your savings, you can ensure a stable and enjoyable retirement. On **page 09** we consider 10 steps to help you get pension retirement ready.

Trusting that your investments are progressing toward your objectives is vital, allowing you to concentrate on the things you value most in life. This is why building a diversified portfolio is crucial to any successful investment strategy. Diversifying your investment portfolio can limit your exposure to any single type of asset. The primary goal is to spread your investment portfolio across many different asset classes to mitigate the risk of each. Read the full article on **page 08**.

According to new research, more than two-fifths (43%) of UK adults who have checked their tax code have found they are on the wrong one. While a fifth (20%) of those who were on the wrong tax code were underpaying, almost three-quarters (71%) were overpaying as a result. Those who paid too much gave the tax man £694 more than they were supposed to on average. On **page 11** we provide 10 reasons to file your tax return now.

Inheriting wealth can be both a blessing and a challenge. It presents an opportunity to improve your financial security and accomplish your goals but it also involves managing the funds wisely. On **page 06**, we consider how cash flow modelling is essential to help you make informed decisions about using your inheritance effectively. Using investment growth, inflation and interest rates assumptions, cash flow modelling creates a comprehensive picture of your current and future financial situation.

Ready to reassess your current financial situation?

Financial planning involves more than maximising returns or purchasing specific financial products. It is an ongoing process that helps you manage your finances to align with your life goals. You can take proactive steps towards achieving your desired future by carefully planning your finances. This involves assessing your current financial situation, setting realistic goals, and creating a roadmap to reach those goals. For more information, please get in touch with Kingswood Wealth Management.

INSIDE THIS ISSUE

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ADJUSTING YOUR **INVESTMENT PORTFOLIO WITH AGE**

IS YOUR ASSET ALLOCATION ALIGNED WITH YOUR RISK TOLERANCE?

Your retirement portfolio serves as crucial financial support for an enjoyable retirement. Retirees with substantial portfolios may enjoy living off returns without touching the principal. However, those with smaller portfolios will likely need to access their funds eventually.

Seeking professional guidance on your investment objectives can offer valuable insights into the ideal frequency for rebalancing your retirement portfolio, ensuring that your asset allocation consistently aligns with your risk tolerance.

WHY REBALANCING IS IMPORTANT

MAINTAINING YOUR DESIRED ASSET ALLOCATION

Over time, your portfolio's asset allocation may shift due to market fluctuations. Rebalancing helps you maintain your desired allocation, ensuring that your investments align with your risk tolerance and long-term objectives.

MANAGING RISK

If left unchecked, your portfolio may become too heavily weighted in one asset class, exposing you to more risk than initially intended. Rebalancing allows you to redistribute your investments and maintain an appropriate level of risk.

OPPORTUNITY FOR REASSESSMENT

Regularly reviewing your portfolio allows you to re-evaluate your investment strategy and adjust as needed. This can be particularly important when your financial needs and goals may change during retirement.

HOW OFTEN SHOULD YOU REBALANCE

There is no one-size-fits-all answer to this question, as the ideal frequency will depend on your circumstances and preferences.

However, some general guidelines include:

Annually: Rebalancing once a year is often sufficient for most investors. This allows you to take advantage of market performance while minimising the impact of short-term fluctuations.

Semi-annually or quarterly: Some investors may prefer to rebalance more frequently, such as every six months or quarterly. This can provide additional opportunities to adjust your portfolio and respond to changes in the market.

TIPS FOR REBALANCING YOUR PORTFOLIO

SET TARGET THRESHOLDS

Establish specific allocation targets for each asset class in your portfolio. When an asset class's weight deviates significantly from its target, it may be time to rebalance.

CONSIDER TRANSACTION COSTS AND TAXES

When rebalancing, be mindful of transaction costs and potential tax implications. These can eat into your returns if not managed carefully.

REMAIN DISCIPLINED

Stick to your rebalancing plan and avoid making impulsive decisions based on market movements or emotions. A consistent approach will help you stay on track with your investment goals.

REBALANCING YOUR PORTFOLIO DURING RETIREMENT

As time progresses, your personal risk tolerance and investment objectives will evolve. Adjusting your investment portfolio with age – particularly as you enter retirement – can help align your asset allocation with your risk appetite and investment goals. It's equally crucial to rebalance your portfolio during retirement.

Unlike younger investors, who can weather market fluctuations, retirees aim to safeguard their capital rather than maximise returns. In retirement, your risk tolerance is likely to be significantly lower than when you were employed and received a stable income. ■

WANT TO DISCUSS REBALANCING YOUR RETIREMENT PORTFOLIO?
Regularly rebalancing your portfolio during retirement is crucial for maintaining your desired asset allocation, managing risk and staying aligned with your financial goals. By following these guidelines, you can ensure your portfolio remains well positioned for success throughout retirement. For more information about your retirement, don't hesitate to contact us.

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A pension is a long-term investment not normally accessible until age 55 (57 from april 2028 unless plan has a protected pension age).

The value of your investments (and any income from them) can go down as well as up, which would have an impact on the level of pension benefits available.

Your pension income could also be affected by the interest rates at the time you take your benefits.

PROTECTING YOUR CHILDREN **AND SECURING THEIR FUTURE**

OUR HEALTH, AN INVALUABLE ASSET, IS OFTEN OVERLOOKED OR TAKEN FOR GRANTED

As a parent, ensuring the wellbeing of your children is a top priority. From having open conversations with your partner to creating a Will, there are straightforward measures you can implement to provide them with the protection they deserve.

OPEN THE CONVERSATION

Discussing sensitive topics might be uncomfortable, but it's essential for planning and protecting your children's future. Choose a time and place to start this important conversation when you and your partner or immediate family won't be disturbed. By viewing it as a practical task rather than an emotional one, it becomes easier to handle.

APPOINT A LEGAL GUARDIAN

Many parents still need a formal plan regarding who would care for their children if they were no longer around. Selecting a legal guardian is crucial to ensure your children's wellbeing. A legal guardian can be anyone over 18 years old, such as a close family member or friend. If a guardian isn't chosen, your children may end up in foster care while the courts appoint a guardian.

CREATE A WILL

After discussing your plans and selecting a guardian, make it official by creating a Will. A Will allows you to specify how your estate should be distributed upon death. Dying without a Will leaves the distribution of your assets up to the law, which may not align with your wishes. Moreover, a Will can help minimise Inheritance Tax, leaving more for your children to benefit from.

LOOK INTO LIFE INSURANCE

Having life insurance in place is a responsible way for parents to ensure the financial security of their children in the event of their death. It is an essential part of any family's financial plan and can provide you and your family with the peace of mind that they will be taken care of in case something happens. It could provide a tax-free cash benefit to your children if something were to happen to you. This money can help pay for your children's living expenses or any other financial needs. Having life insurance in place ensures that your children are financially provided for in the event of your death.

SEEK EXPERT ADVICE WHEN NECESSARY

Having children is a financial game-changer. Not only do you increase your expenses, but you also gain the responsibility to protect them by providing for their future. One way to do this is by speaking with your professional financial adviser. By obtaining professional financial advice about your life insurance requirements for your children, you can protect their future and provide them with financial security. No parent wants to think of the unthinkable, but by investing in life insurance, you can give your children the security they need to face whatever comes their way.

Following these simple steps, you can take charge of your children's wellbeing and guarantee their future is protected. ■

WANT TO MAXIMISE THE POTENTIAL OF YOUR WEALTH FOR FUTURE GENERATIONS?
Safeguarding what we cherish most is crucial, and while it's easy to procrastinate, addressing our protection needs fulfils our innate desire to maintain safety. Our health, an invaluable asset, is often overlooked or taken for granted. Protection goes beyond purchasing life insurance – it encompasses financial support during periods of inability to work and maximises the potential of your wealth for future generations. To find out more, please get in touch with us.

TAX RELIEF MATTERS

HOW TO BUILD A BIGGER PENSION POT

If you're under 75 and have relevant UK earnings, you can benefit from tax relief when contributing to a personal pension like a Self-Invested Personal Pension Plan (SIPP) or workplace pension scheme within the annual allowance.

The government provides basic rate tax relief of 20% through 'relief at source,' which is claimed by the pension provider from HM Revenue & Customs (HMRC). For instance, if you invest £8,000 in your pension, the government adds £2,000, making your total contribution £10,000.

Higher and additional rate taxpayers can also reclaim further tax relief on their pension contributions. In the 2023/24 tax year, the higher rate tax starts at just over £50,000 of income per year, while the additional rate begins at £125,140. The tax rates for earned income at these levels are 40% and 45%, respectively.

This means that higher and additional rate taxpayers can reclaim an extra 20% or 25% on their pension contributions. Using the previous £10,000 example, these taxpayers may be eligible for an additional refund of up to £2,000 or £2,500, respectively.

TO CLAIM THIS RELIEF, FOLLOW THESE STEPS:

Contribute to a pension scheme: Ensure you're contributing to a registered pension scheme through your employer or a personal pension plan.

Check if you receive tax relief automatically: If you're part of an occupational workplace pension scheme, your employer might already deduct your contributions from your salary before applying tax. In this case, you'll automatically receive tax relief at your highest Income Tax rate. If your pension plan, workplace or not, is a personal pension, you will usually make your contributions from after-tax income but net of 20% basic rate relief. Any higher rates of relief need to be claimed from HMRC. If your contributions are made using salary sacrifice you won't need to claim any tax back as this is given to you automatically.

Claim additional tax relief through Self Assessment: If your pension provider claims tax relief for you at the basic rate, and you're a higher rate taxpayer, you'll need to claim the additional tax relief through a Self Assessment tax return (or tax code adjustment). Register for Self Assessment on the HMRC website and complete the form annually, declaring your pension contributions.

Adjust your tax code: If you don't want to file a Self Assessment tax return, you can contact HMRC to adjust your tax code to claim higher rate relief (but not additional rate relief). Provide them with details of your pension contributions and relevant information about your income. They'll update your tax code, and you'll receive the additional tax relief through your PAYE (Pay As You Earn) system. ■

NEED SPECIFIC GUIDANCE ON YOUR RETIREMENT PLANNING SITUATION?
Remember, tax rules can change and individual circumstances may vary. It's always a good idea to consult us for specific guidance. To tell us about your situation or for advice, don't hesitate to contact us.

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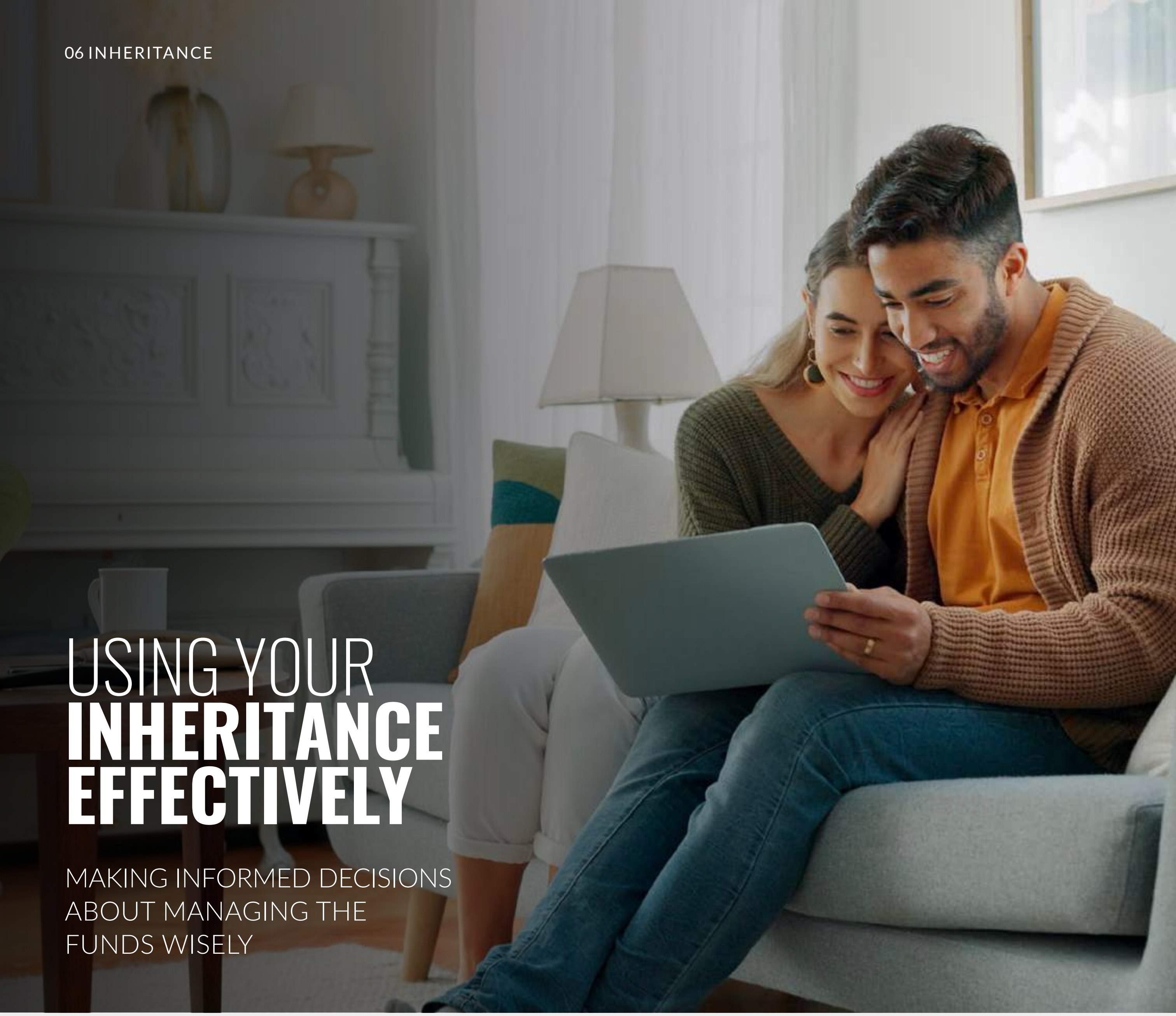

USING YOUR **INHERITANCE EFFECTIVELY**

MAKING INFORMED DECISIONS ABOUT MANAGING THE FUNDS WISELY

Inheriting wealth can be both a blessing and a challenge. It presents an opportunity to improve your financial security and accomplish your goals but it also involves managing the funds wisely. Cash flow modelling is essential to help you make informed decisions about using your inheritance effectively.

Using investment growth, inflation and interest rates assumptions, cash flow modelling creates a comprehensive picture of your current and future financial situation.

ANALYSE YOUR FINANCIAL SITUATION

Create an individual cash flow plan: This involves thoroughly analysing your financial situation, goals and future needs.

Gather information about your current financial situation: This includes your income, expenses, assets (property, investments, pensions, etc) and liabilities (such as loans).

Establish an overview of your assets: Determine the value of your property, investments and savings. It's essential to have a clear understanding of your net worth.

Identify your financial goals and commitments: Consider short-term and long-term goals, such as saving for a house, funding your children's education or planning for retirement.

Create a lifetime cash flow model: Consider your goals and commitments – this plan should project your income, expenses, assets and liabilities over time. It will help you estimate your future cash flow and determine if you're on track to achieving financial independence.

Evaluate your risk tolerance and investment strategy: Assess whether your investment strategy aligns with your risk tolerance and financial goals. Adjust your portfolio as needed to ensure it's optimised for your needs.

Plan for potential risks and liabilities: Ensure you have adequate insurance coverage to protect against unforeseen events such as death or disability. Additionally, consider strategies to minimise tax liabilities for yourself and your beneficiaries.

Develop an investment strategy for inherited wealth, capital and surplus income: If you inherit wealth or have additional income, develop a plan to invest this money wisely to grow your assets and achieve your financial goals.

Monitor and review your cash flow plan regularly: Regularly update your cash flow plan to reflect changes in your financial situation, goals and market conditions. This will help you stay on track and adjust to maintain your financial independence.

By following these steps, you'll have a comprehensive cash flow plan that provides a clear picture of your current financial situation and helps you plan for your future needs and goals. This will enable you to make informed decisions about your finances and ensure you're on the path to achieving and maintaining financial independence.

Here are some benefits of creating a cash flow modelling plan when managing inherited wealth

CLARITY ON FINANCIAL GOALS

Having a cash flow plan helps you identify and prioritise your short- and long-term financial objectives, such as buying a house, starting a business or funding your retirement.

EFFECTIVE WEALTH MANAGEMENT

With a clear understanding of your financial situation, you can make better decisions about investing, saving and spending your inherited wealth, ensuring that it serves your needs and goals over time.

RISK ASSESSMENT

By analysing different scenarios and their potential impact on your finances, a cash flow plan enables you to assess and manage risks associated with investments and other financial decisions.

TAX PLANNING

Inheritance often comes with tax implications. A cash flow plan can help you understand your tax liabilities and plan accordingly to minimise the impact on your financial health.

RETIREMENT PLANNING

If you have long-term personal goals like funding your retirement, a cash flow plan allows you to see how much you need to save and what returns you need to achieve to meet those objectives.

ESTATE PLANNING

If you want to pass on wealth to your heirs, a cash flow plan can help you determine the most suitable strategies for preserving and distributing your assets following your wishes. ■

TIME TO PROVIDE A CLEARER PICTURE OF YOUR FINANCIAL SITUATION?
Creating a cash flow plan is a powerful tool for managing inherited wealth and ensuring it serves your short- and long-term goals. Providing a clear picture of your financial situation enables you to make informed decisions about investing, saving and spending, ultimately helping you achieve financial security and success. If you would like to find out more, please get in touch with us.

The value of your investments can go down as well as up, and you may get back less than you invested.

The tax treatment is dependent on individual circumstances and may be subject to change in future.

Estate planning is not regulated by the Financial Conduct Authority.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

BUILDING A DIVERSIFIED PORTFOLIO

WHAT IS IT, AND WHY IS IT IMPORTANT?

Trusting that your investments are progressing toward your objectives is vital, allowing you to concentrate on the things you value most in life. This is why building a diversified portfolio is crucial to any successful investment strategy.

Diversifying your investment portfolio can limit your exposure to any single type of asset, therefore helping to reduce the risk and volatility of your portfolio. The primary goal is to spread your investment portfolio across many different asset classes to mitigate the risk of each.

ACHIEVE LONG-TERM INVESTING SUCCESS

Investing in multiple different asset types ultimately means that the positive performance of certain investments neutralises the negative performance of others. Whilst this may be tipped in one way or another, it yields long-term, stable returns and lower risk over time.

Building a diversified portfolio is essential for anyone wanting to achieve long-term investing success. With the right approach, investors can create a balanced investment strategy that helps them reach their financial goals while minimising risk.

UNDERSTAND YOUR RISK TOLERANCE

Before you begin, it's crucial to assess your risk tolerance. This involves evaluating your financial goals, time horizon and comfort level with potential losses. Knowing your risk tolerance will help you select investments that align with your goals and preferences.

CHOOSE A VARIETY OF ASSET CLASSES

A well-diversified portfolio may include asset classes such as equities, bonds, cash and alternative investments like property or commodities. Each asset class has its own risk and return characteristics, so including a mix of them can help balance your overall risk.

INVEST IN DIFFERENT SECTORS AND INDUSTRIES

Within each asset class, diversify further by investing in various sectors and industries. This helps to protect your portfolio from downturns in specific areas of the economy. For example, if you invest in equities, consider holding multiple sectors like technology, healthcare, finance and consumer goods.

CONSIDER GEOGRAPHICAL DIVERSIFICATION

Investing in different countries and regions can also reduce risk. Other economies and markets may respond differently to global events, so having exposure to international investments can provide additional diversification benefits.

REGULARLY REBALANCE YOUR PORTFOLIO

Over time, the performance of your investments will cause some to grow more than others. This can make your portfolio unbalanced and expose you to more risk than you initially intended. To maintain your desired level of diversification, reviewing and rebalancing your portfolio periodically is essential.

MONITOR AND ADJUST

Keep an eye on your investments and the overall market conditions. Stay informed about global events that could impact your investments, and be prepared to adjust your portfolio if necessary.

Building a diversified portfolio requires time, research and ongoing management. However, the benefits of spreading your risk and protecting your investments from market volatility make it a worthwhile endeavour for any investor. ■

ARE YOU LOOKING TO BUILD AN INVESTMENT PORTFOLIO CRAFTED AROUND YOUR UNIQUE NEEDS?
Dedicating yourself to managing personal investments for long-term success demands expertise, impartiality and perseverance. Overseeing your portfolio can be both laborious and time-intensive. To learn more about how we can help you plan to grow and protect your wealth, don't hesitate to contact us for more information.

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GETTING RETIREMENT READY

KEY STEPS TO ACHIEVING A COMFORTABLE RETIREMENT

A comfortable retirement is a common financial goal, and contributing to a pension is essential to achieving it. Although retirement may appear distant at the moment, there's much to consider. Let us assist you in navigating this crucial life milestone.

By planning ahead and making smart decisions about your savings, you can ensure a stable and enjoyable retirement.

Here are 10 steps to help you get pension retirement ready:

1. ASSESS YOUR CURRENT FINANCIAL SITUATION

Start by evaluating your current financial standing, including your income, expenses, assets and liabilities. Determine how much you can save for retirement without compromising your current lifestyle.

2. SET RETIREMENT GOALS

Think about the kind of lifestyle you want to have during retirement. Consider factors like travel, hobbies, healthcare and support for family members. Estimate the annual income you will need to maintain this lifestyle, taking inflation into account.

3. CALCULATE YOUR PENSION GAP

Compare your projected retirement income with your current savings and expected pension benefits. This will help you identify any potential shortfall in your retirement fund, known as the 'pension gap'. Knowing this gap will give you a clear target to work towards.

4. CONTRIBUTE TO YOUR PENSION PLAN

Commit to regularly contributing to your pension plan. The earlier you start, the more time your investments have to grow, thanks to the power of compounding. Look into your employer's pension scheme and take advantage of any matching contributions.

5. DIVERSIFY YOUR INVESTMENTS

Don't rely solely on your pension plan for your retirement income. Diversify your investment portfolio with other assets like equities, bonds and property. This will help spread risk and provide the potential to increase your returns.

6. REVIEW YOUR PENSION PLANS REGULARLY

Revisit your pension plan at least once a year to ensure it's on track to meet your retirement goals. Adjust your contributions or investment strategy if necessary, and contact us about seeking professional financial advice if you need clarification on your decisions.

7. PLAN FOR THE UNEXPECTED

Life can be unpredictable, so it's essential to have contingency plans in place. Ensure you have an emergency fund to cover unexpected expenses and consider insurance policies like life and health insurance to protect yourself and your family.

8. REDUCE DEBT BEFORE RETIREMENT

Aim to pay off high-interest debts, such as credit card balances and personal loans, before you retire. Entering retirement with minimal debt will reduce your financial stress and help you enjoy a more comfortable lifestyle.

9. CONSIDER WORKING PART-TIME DURING RETIREMENT

If you're concerned about your retirement income, consider working part-time or freelancing during your retirement years. This can provide additional income and help you stay active and engaged.

10. STAY INFORMED ABOUT PENSION REGULATIONS AND CHANGES

Keep updated with any changes to pension regulations, tax laws and investment options that could impact your retirement planning. Staying informed will help you make better decisions and adapt your strategy accordingly.

By following these steps, you can take control of your financial future and work towards a comfortable and fulfilling retirement. Starting early and staying consistent with your contributions and investments is vital to a successful pension plan. ■

DO YOU NEED TO GET YOUR RETIREMENT PLANS IN ORDER?
We prioritise building personal connections with our clients, using our expertise to instil confidence in your financial decisions. We aim to help you enjoy life today while strategically planning for a secure tomorrow. Don't hesitate to get in touch with us to discuss your plans.

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ARE WE ENTERING AN INVESTMENT **BOND RENAISSANCE?**

EXPLORING WHY THEY ARE AN ATTRACTIVE OPTION TO MASS-AFFLUENT INVESTORS

Onshore investment bonds typically carry a lower risk and contribute significantly to a well-rounded portfolio. Historically, numerous investors have opted for a 60% equities and 40% bonds split in their portfolios, as these two assets often (keep in mind, not always) exhibit contrasting performances under varying economic circumstances – a beneficial attribute during market volatility.

Following the Capital Gains Tax (CGT) changes announced in last year's November Autumn Statement, many investors are likely considering investment bonds a more attractive option. The Chancellor's decision to reduce the CGT allowance to £6,000 this year and to £3,000 in April 2024 means investment bonds are more attractive to mass-affluent investors who previously held money in OEICs and unit trusts.

INVESTMENT BONDS OFFER SEVERAL BENEFITS:

- Onshore bonds are not liable to CGT. Onshore bonds are treated as having already paid 20% tax on any gains when calculating a chargeable gain. In reality, the tax deducted is likely to be less than this.
- They can be ideal for Inheritance Tax (IHT) planning and are exempt from IHT after seven years if held in a trust.
- Investors can withdraw up to 5% of their initial investment annually without triggering a chargeable event or any immediate tax liability.
- Top slicing relief is available to reduce tax liability, which can eliminate or significantly reduce any tax liability when a chargeable event is incurred – helpful if investors are in the accumulation phase and are preparing for retirement (maybe a higher rate taxpayer while owning the bond, but a basic rate taxpayer when encashing).
- There are options to assign a bond (for example, between husband and wife as a genuine gift). For tax purposes, the assignment will generally be treated as if the new owner had always owned it – if one is a basic rate taxpayer, they could have no tax to pay on encashment.

HAVE YOU EXHAUSTED YOUR OTHER TAX ALLOWANCES?

Changes to CGT and the tax-free dividend allowances are also likely to appeal to investors looking to reduce IHT liabilities and those who have used their Individual Savings Account (ISA) allowances or received a large windfall payment. ■

WANT TO LEARN MORE ABOUT INVESTMENT BONDS?
If you would like to arrange a no-obligation consultation to discover your investment options, please get in touch with us to discuss your distinct needs. We're looking forward to hearing from you.

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10 REASONS TO GET YOUR TAX RETURN FILED NOW

BRITISH WORKERS OVERPAY £8.2BN IN TAX DUE TO WRONG CODES

According to new research, more than two-fifths (43%) of UK adults who have checked their tax code have found they are on the wrong one [1]. While a fifth (20%) of those who were on the wrong tax code were underpaying, almost three-quarters (71%) were overpaying as a result.

Those who paid too much gave the tax man £694 more than they were supposed to on average, with one in seven (13%) overpaying more than £1,000 – this totals £8.2bn in overpayments because of wrong tax codes[2].

CLAIMING BACK OVERPAID TAX

With only a third (36%) of UK adults comfortable with claiming back overpaid tax, around 34 million individuals need clarification about the process, many of whom could currently be owed an unclaimed tax rebate.

Conversely, two-thirds of UK adults (67%) believe they are on the correct tax code, but just 38% know this for sure, and taxpayers who haven't checked their code have yet to check their code for two years on average.

SOONER RATHER THAN LATER

However, nearly two in five (38%) say they have noticed a change in the amount they pay in Income Tax in the past three months.

Filing your tax return can be daunting, but there are plenty of reasons why you should get it done as soon as possible.

HERE ARE 10 REASONS TO FILE YOUR TAX RETURN NOW:

1. Avoid penalties: The earlier you file your tax return, the less likely you are to incur late filing penalties. These can add up quickly and put a dent in your finances.

2. Reduce stress: Filing your tax return early allows you to avoid the last-minute rush and reduces stress associated with meeting deadlines.

3. Get your refund faster: If you're due a tax refund, filing early means you'll receive your money sooner, which can help pay off debts or make new investments.

4. More time to pay: If you owe taxes, filing early gives you more time to budget and make payment arrangements.

5. Avoid errors: Rushing through your tax return increases the likelihood of mistakes, which can lead to penalties or delays in processing your return. Filing early gives you ample time to double-check your information and make necessary corrections.

6. Maximise deductions and credits: Filing early gives you more time to gather documentation and ensure you claim all eligible deductions and credits. This can help reduce your overall tax liability.

7. Plan for the future: Knowing your tax situation early allows you to make informed decisions about your finances for the coming year, including retirement contributions, investment strategies and other financial planning.

8. Beat the rush: Tax professionals tend to be swamped during the peak tax season. Filing early ensures you can secure an appointment and receive personalised attention from your tax advisor.

9. Protect against identity theft: Filing your tax return early can reduce the risk of identity theft, as it leaves less time for criminals to file a fraudulent return in your name.

10. Peace of mind: Finally, filing your tax return early provides peace of mind, knowing that you've fulfilled your obligations and can move on to other essential tasks.

ENSURE YOU'RE PAYING THE RIGHT AMOUNT OF INCOME TAX

Understanding your tax code is vital to ensure you're paying the right amount of Income Tax. Those not on the correct code may find themselves out of pocket. If it's wrong, you may contribute more or less than you should.

And although overpaying means you should get a rebate – if and when it's spotted – underpaying means you may have to pay HMRC a lump sum to make up the shortfall. If you are in doubt about your tax code, there are a variety of online resources to help you check, including salary and pension withdrawal calculators.

If you think you need to have your tax code corrected, you can call HMRC directly. Remember there are time limits to reclaim overpaid Income Tax, which is four years from the end of the tax year in which you are trying to claim. There are minimal exceptions to this – for example, if HMRC has made an official error – so if you are in any doubt, the earlier you contact HMRC, the better. ■

WANT TO DISCUSS YOUR FINANCIAL PLANS?
Filing your tax return early offers many benefits, from avoiding penalties and reducing stress to maximising eligible deductions and protecting against identity theft. Don't wait until the last minute – start preparing your tax return now and enjoy these advantages. For more information, please get in touch with us.

Source data:

[1] Research conducted by Opinium among 2,000 UK adults between 21–25 April 2023.

*[2] On a nationally representative survey of 2,000 UK adults, 445 are UK adults who know how much they overpaid in tax the last time they were on the wrong tax code. 445 / 2,000 * 52,890,000 (UK adult population) = 11,768,025 (shorthand 11.8 million). £694 * 11,768,025 = 8,167,009,350 (shorthand £8.2 billion).*

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MAXIMISING YOUR INVESTMENTS IN YOUR 50S

TIME TO EVALUATE WHETHER YOU NEED TO MODIFY YOUR OBJECTIVES OR SAVING STRATEGIES?

As you enter your 50s, retirement is no longer a distant dream but a rapidly approaching reality. Ensuring that your investments work diligently to secure the lifestyle you envision for your golden years is crucial. By optimising your financial strategy now, you can confidently retire according to your personal goals and aspirations.

Defining your retirement savings target may have been on your financial to-do list for some time. However, delving deeper and establishing a more precise goal is essential. Determining the amount you need to save for retirement involves considering your desired retirement age, post-retirement activities, expected investment returns and inflation rates.

Obtaining professional financial advice will provide valuable insight into the longevity of your retirement savings', helping you evaluate whether you need to modify your objectives or saving strategies. By refining your retirement goals, you can work towards a concrete target and ensure a comfortable and secure future.

EVALUATE YOUR INVESTMENT STRATEGY IN YOUR 50S

In your 50s, as you approach retirement, it's crucial to reassess your investment portfolio to ensure the proper balance between risk and reward. The level of risk suitable for you will depend on your retirement funding plan and target retirement date.

If you plan to purchase an annuity in a few years, it may be wise to gradually shift your pension fund from equities to lower-risk assets like cash. This helps avoid a potential stock market downturn that could deplete your pension just before you need to buy an annuity.

On the other hand, if you intend to finance your retirement through income drawdown and additional savings and investments, moving to cash too early might result in your money running out sooner than expected. Maintaining some exposure to equities allows your portfolio the chance for long-term growth. Remember that your retirement could last for several decades, during which inflation will decrease the real value of your savings and diminish your money's purchasing power.

One way to counter rising prices is to stay invested in the stock market, as history

demonstrates that it performs better than cash and outpaces inflation over extended periods. Diversifying your investments across various asset classes can help your portfolio withstand market fluctuations.

Obtaining professional financial advice will help you determine the ideal asset mix for your situation, considering your investment horizon and risk tolerance.

BOOST YOUR RETIREMENT SAVINGS WITH PENSION TAX RELIEF

Pensions are a powerful tool for saving for retirement, especially when you're in your 50s. One of the main reasons for this is the tax relief you receive on personal pension contributions. This tax relief can significantly enhance your retirement savings, making it essential to focus on your pension as you approach retirement.

When you make a pension contribution, the government provides tax relief, essentially free money. For example, a £1,000 pension contribution would only currently cost you: £800 if you're a basic rate taxpayer; £600 if you're a higher rate taxpayer; and £550 if you're an additional rate taxpayer (assuming you have at least £1,000 of income in the higher/additional rate bands). This tax relief can help you grow your retirement savings more quickly and efficiently.

You can make tax-relievable personal contributions of up to 100% of your UK relevant earnings or £3,600 if more up to age 75. The annual allowance is currently £60,000 and this applies to contributions from all sources including any employer contributions. If the annual allowance is exceeded, you will be liable for a tax charge on the excess. However, your pension annual allowance could be lower than this if you have a very high income.

If you wish to save more than your annual allowance, you may be able to utilise unused allowances from the previous three tax years under carry-forward rules. This option allows you to maximise your pension contributions and use the tax relief available.

Focusing on your pension and taking advantage of tax relief is a smart strategy for those in their 50s looking to boost their retirement savings. Understanding the benefits of pension tax relief and maximising your contributions can ensure a more financially secure future during your retirement years.

MAXIMISE YOUR TAX ALLOWANCES

As an investor, there are numerous tax allowances you can take advantage of to maximise your financial benefits. One such allowance is the Individual Savings Account (ISA), which currently allows you to invest up to £20,000 per year (tax year 2023/24) and enjoy tax-efficient income and growth.

With the flexibility to withdraw from ISAs without paying tax, they serve as a valuable income source for those retiring before age 55 (the current normal minimum pension age (NMPA) and contribute to a tax-efficient retirement income portfolio. Starting from 6 April 2028, the NMPA will increase to 57. This change may affect you differently depending on your birth date.

Other essential allowances to explore include the personal savings allowance, dividend allowance and Capital Gains Tax exemption. These allowances currently allow you to earn tax-free interest up to £1,000, depending on your marginal Income Tax rate. Additionally, you can receive tax-free dividends up to £1,000 (the allowance is set to reduce to £500 in April 2024) and enjoy tax-free investment gains up to £6,000 for the 2023/24 tax year (the allowance is set to reduce to £3,000 in April 2024).

Obtaining professional financial advice will help you optimise your allowances and structure your portfolio for maximum tax efficiency. By leveraging these allowances, you can make the most of your investments and secure a comfortable financial future. ■

ARE YOU LOOKING FOR GUIDANCE TO NAVIGATE THE WORLD OF INVESTMENTS?
Investing your money is an effective way to reach your long-term goals and aspirations. By investing your money, you could earn a higher return than if you were to save it in a low-interest savings account. This means that your money could grow substantially over time, giving you a better chance of achieving your financial goals. For more information, please get in touch with us.

This article does not constitute tax or legal advice and should not be relied upon as such. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. For guidance, seek professional advice.

The value of your investments (and any income from them) can go down as well as up, which would have an impact on the level of pension benefits available.

FINANCIAL **GLOSSARY**

MAKING SENSE OF THE JARGON

Welcome to our financial glossary! Whether you're a seasoned investor or just looking to make sense of the financial jargon that often populates news headlines, this resource is designed with you in mind.

Our glossary provides clear, succinct definitions for various financial terms, from basic concepts to complex financial instruments. So whether you're trying to understand what 'Asset Allocation' is or are perplexed by 'Zero Coupon Bonds', let us guide you through the fascinating world of finance.

A

Active Management
In the traditional investment approach, fund managers actively build and change a portfolio of assets (e.g. stocks and shares) to take advantage of what they believe are the best opportunities.

Additional Rate Tax
Paying Additional Rate Tax will depend on your income and where you reside.

Annual Allowance
The Annual Allowance is the maximum amount of tax-free growth an individual's pension can grow in one year.

Annuity
An annuity guarantees you a regular income for the rest of your life in return for paying over a lump sum from your pension fund.

Annuity Rate
The factor used to calculate the amount of income payable following an investment of a lump sum in an annuity.

Asset Allocation
The proportion of investments in a fund or portfolio held in different asset classes such as equities, fixed interest and cash.

Asset Classes
The different types of assets available to investors. For example, equities, cash, fixed interest or property.

B

Balanced Managed Fund
A fund that aims to provide capital growth through investments in a diversified portfolio of collective investments.

Base Rate
UK lenders use an interest rate set by the Bank of England as a benchmark.

Basic Rate Tax
This is the basic rate of Income Tax in the UK.

Basic State Pension
The flat rate (not earnings-related) State Pension paid to all who have met the minimum National Insurance contribution requirements. This changes each year on 6 April. You must have built up enough qualifying years to satisfy the minimum National Insurance contributions requirement. You will need 30 qualifying years for a full basic State Pension.

Bid (Selling) Price
The price you get when you sell shares, bonds or units in a unit trust. The price at which you buy shares, bonds or units in a unit trust is the Offer (Buying) Price. The difference between the two is often called a Bid Offer Spread.

Blue Chip
A leading company that is well-established and regarded as relatively safe. Comes from the colour of the second highest-value poker chip.

Bond
Lower to medium-risk loans to the government or companies that pay you a fixed rate of interest.

British Government Stocks
See "Gilts".

Buying (Offer) Price
The price at which you can buy shares, bonds or units in a unit trust.

C

Capital Gains Tax (CGT)
You make a 'capital gain' if you sell assets such as shares or property for more than they cost you. You can make gains up to a certain amount each tax year without paying any tax.

Cautious Managed Fund
A fund that aims to provide a combination of income and capital growth, while reducing risk by diversifying your investments.

Closed-Ended Funds
This describes a collective investment scheme with limited shares (or units). The shares are then traded on an exchange or directly through the fund manager to create a secondary market subject to market forces.

Collective Investments
These pool money from many different investors into one fund, such as a unit trust, open-ended investment company (OEIC) or investment trust.

Company Pension Scheme
A pension scheme provided (sponsored) by an employer for its employees. Company pension schemes can be defined benefit schemes (final salary schemes) or defined contribution schemes (money purchase schemes).

Compound Interest
In, for example, a deposit account. This is where interest is occasionally added to both capital and accrued interest.

Consumer Prices Index (CPI)
Measures the prices of a fixed 'basket of goods' a typical consumer buys. Used as a measurement of inflation.

Contracted Out/In
Contracting out was a system where employees gave up their right to the Additional State Pension, firstly in the form of the State Earnings-Related Pension Scheme (SERPS), then from 2002 in the form of the State Second Pension (S2P). In return, workers and their employers paid reduced National Insurance.

Contributory Pension
A company pension scheme where the employee contributes as well as the employer.

Corporate Bond
A loan to a company that earns you income in the form of interest.

Coupon
The interest rate is applied to the value of a corporate bond or gilt.

Credit Rating
Formal evaluation of a company's loan-repayment history and ability to repay its financial liabilities. It is awarded by agencies such as Standard & Poor's and Moody's. AAA grade is the highest.

D

Defensive Stocks
Shares in companies whose business conditions are not mainly linked to the Business Cycle. They provide goods for which demand does not tend to be affected by recession.

Deferred (delayed) Annuity Purchase
An option available to a member of certain types of pension scheme, where an annuity income is determined some years before the date income is due to start and is conditional upon agreed contributions being paid.

Defined Benefit Pension Scheme
A company pension scheme where the pension an employee receives is linked to their length of scheme service and size of their salary as defined in the scheme rules. They are often referred to as final salary schemes.

Defined Contribution Pension Scheme
A company pension scheme where the contributions made by the employer and employee are set, and the final pension an employee receives depends on several factors, including the size of their fund on retirement. This final fund is then used to buy an annuity or an unsecured pension. These are also referred to as money purchase schemes.

Diversification
Spreading your investments to help reduce the risk within your portfolio.

Dividend
A payment made by a company to its shareholders. The size of the payment is usually determined by the size of the company's profits and is usually paid twice a year, although a company does not have to pay a dividend at all.

Dividend Yield
The dividend per share is expressed as a percentage of the share's market price.

E

Earnings per Share
A company's profit after tax has been paid, divided by the number of shares it has in issue.

Emergency Fund
Cash is set aside in a dedicated interest account to cover unanticipated financial emergencies such as property, medical and car repairs.

Employer Pension Scheme
A pension scheme provided (sponsored) by an employer for its employees. Company pension schemes can be defined benefit schemes (final salary schemes) or defined contribution schemes (money purchase schemes).

Endowment
A life assurance policy that pays out a lump sum after a specific period or on the earlier death of the policyholder. They can be used as a vehicle for saving or to repay a mortgage. It is important to remember that an endowment is a medium to long-term commitment.

Equities
Also known as shares or stocks, these represent a share of the ownership of a company. Shares can provide regular payments, known as dividends, and share price changes as the company's value changes. Over the longer term, equities can offer more significant growth potential than many other asset types. But the value of the equities can go up and down a lot and tend to carry a higher risk than corporate or government bonds or money market instruments.

Ethical Funds
These aim to make socially responsible investments (they do not invest in companies that have interests in socially unacceptable markets or produce harmful products or by-products, such as high levels of environmental pollution).

Exchange-Traded Fund
This is an investment vehicle, the units of which are traded on a stock exchange. An exchange-traded fund can hold various assets such as stocks, bonds or commodities. Most track an index, such as the FTSE All-Share or the S&P 500.

Executor(s)
Individual(s) who are appointed in a Will to deal with the wishes of the deceased in administering their estate.

F

Final Salary Scheme
A company pension scheme where the final pension an employee receives is linked to the size of their final salary and the number of years they have been a scheme member. They are also referred to as defined benefit pension schemes.

Fixed Interest Securities
More commonly known as 'bonds', they are loans issued by companies or governments to raise money. Bonds issued by companies are called corporate bonds, those issued by the UK government are called gilts, and those issued by the US government are called treasury bonds. In effect, all bonds are IOUs that promise to pay a sum on a specified date and pay a fixed interest rate along the way.

Fixed-rate bonds
Fixed-rate bonds are usually savings accounts that pay a set interest rate, agreed upon at the outset, for a specific term.

Flexi-access drawdown
A form of drawdown which allows you to take an unlimited amount of income or lump sums from a pension fund. This replaces flexible and capped drawdown, although existing capped drawdown plans are continuing.

Fund
A pool of money is usually set apart for a purpose, for example, a pension fund to provide pensions.

Fund Value
A fund's monetary value is calculated by adding up the value of its underlying assets. For instance, the price of units in a unit trust is worked out from the value of all its holdings divided by the number of units issued.

G

GDP (Gross Domestic Product)
A measure of the value of all goods and services produced in an economy in a year.

Gift
A transfer of goods or property to another party. There are limits to the value and number of gifts you can make without any immediate or future Inheritance Tax liability.

Gilt
A bond issued by the British Government.

Government Sovereign Bond
A government debt issued in a foreign currency.

Gross Earnings
Earnings before Income Tax and other deductions are taken.

Gross Income Reinvested
Any income the fund produces (e.g. interest and dividends) is reinvested into the fund and is not liable for UK tax.

Gross Interest
The amount of interest you receive without any Income Tax or charges deducted.

Gross Pension Contribution
A payment to a pension scheme is deducted from earnings before the Income Tax deduction.

Group Personal Pension (GPP)
A fund that aims to maintain a balance between investments seeking to produce growth and those generating income.

Growth Fund
This aims to maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments.

Growth Investing
An investment process that chooses to invest in shares that generally produce lower dividends and have high expectations of future growth.

Guaranteed Annuity Rate
A guaranteed annuity rate guarantees that the annuity rate we offer will always be at a certain minimum level. If your pension includes a guaranteed annuity rate, you could get a higher income than usual, especially when annuity rates are low.

Guaranteed Income Bond
A guaranteed income from a fixed-term investment – usually three to five years – is paid monthly or annually. Capital is generally secure, so this is a low-risk investment, but penalties usually apply for early withdrawal.

Guaranteed Minimum Pension
The minimum pension a company's final salary pension scheme must provide for contributions paid between April 1978 and April 1997 as a condition of contracting out of the State Earnings-Related Pension Scheme.

Guaranteed Pension Annuity
This is our conventional annuity. It guarantees to pay a regular income, usually for life. Your income can always stay the same, increase yearly by a fixed percentage or change annually in line with the Retail Prices Index (RPI).

H

High-Income Bonds
A medium-risk bond is invested over a fixed period with no capital guarantees. These provide a fixed rate of income, either monthly or annually, which is net of basic tax. You must pay the additional tax if you are a higher rate taxpayer. There may be penalties for early withdrawal.

High Yield Bond
This bond generally has a low (or 'non-investment grade') credit rating and offers higher interest payments than a bond with a higher credit rating due to the increased risk of default by the company issuing the bond. It can also be known as a 'junk' bond.

Higher Rate Tax
The higher rate of income tax in the UK.

I

Income Drawdown
It enables people with a specific type of pension to draw an income and/or cash lump sums from their pension fund rather than buying an annuity and taking income directly from their pension fund.

Income Tax
Tax paid by individuals on income received over a certain amount, dependent on the tax thresholds in place for the year in question.

Index Linked
The linking of a payment such as a pension to an inflation index – for example, the Retail Prices Index (RPI) – to keep pace with inflation.

Indexation
Another name for index tracking. An investment strategy designed to produce a rate of return in line with a specific financial index. This term is also used to describe automatic increases in pension contributions.

Inflation
The rate of increase in the price of commodity products over time is recorded in an index such as the Retail Prices Index (RPI). This can affect investments' buying power when cashed in at a future date.

Inheritance Tax (IHT)
Inheritance Tax is paid if a person's estate (their property, money and possessions) is worth more than a certain amount when they die. This is called the 'Inheritance Tax threshold'.

Interest Rate
The amount of money a customer can earn on an investment or is charged for borrowing money. It is usually expressed as a percentage of the total amount invested or borrowed.

Intestate/Intestacy
This refers to a person dying without a valid Will. Upon death, the person's assets are distributed according to the law, regardless of the person's intent when alive.

Investment Trust
A company that invests in the shares of other companies or other assets such as property or bonds. When investing in an investment trust, investors own shares in the investment trust rather than holding the shares it invests in.

ISA (Individual Savings Account)
A savings vehicle that allows individuals to invest in equities (stocks and shares) or save cash without having to pay any Income or Capital Gains Tax on the proceeds.

J

Joint-Life Annuity
An annuity that pays you a regular income for life and then when you die usually pays your dependant a regular income for life too.

L

Life Assurance
An assurance policy that pays out a lump sum or instalments on the death of the life assured.

Lifetime Allowance
The maximum amount you can draw from pensions (workplace or personal) in your lifetime without paying extra tax.

Liquidity
This is how quickly an asset, such as equities, corporate bonds or property, can be traded within a market and turned into cash.

Loan to Value (LTV)
The ratio between the value of an asset (such as property) to the value of the loan that will finance the purchase of that asset. LTV tells the lender that potential losses due to non-payment may be recouped by selling the asset.

M

Managed Fund
Usually, a fund choice is within a unit-linked policy. Managed funds are generally made up of units from a wide spread of other specialist funds or investments, spreading the risk of volatility.

Marginal Tax Rate
This is the amount of tax paid on each additional pound of income.

Market Value
The value of an asset to a third party on the open market.

Maturity
The specified date when a policy ends and the policy benefits are paid. In the context of fixed-interest investments (bonds), this means the bond's lifetime.

Money Purchase Scheme
A pension scheme where the contributions made by the individual (and their employer in respect of a company pension scheme) are set. These are also known as defined contribution schemes.

N

National Insurance Contributions
A tax paid by most employers and employees to the UK government. For the employed, it is deducted from income by the employer on a scale related to income levels. The self-employed pay contributions based on profit and, like the unemployed, may pay a flat-rate voluntary contribution to keep their benefit entitlements up to date.

Net Interest
Interest received on a savings account after tax and charges have been deducted.

Non-Contributory Pension
A company pension where the employee does not make any contribution. The employer entirely funds it.

Normal Minimum Pension Age
The normal minimum pension age (NMPA), excluding individuals suffering from ill health, is the earliest age from which pension benefits can be taken. This is currently 55 and will increase to 57 from 6 April 2028.

Normal Retirement Date
Refers to the date at which a pension scheme member becomes typically entitled to receive their retirement benefits.

O

Occupational Pension Scheme
A pension scheme provided (sponsored) by an employer for its employees. Occupational pension schemes can be defined benefit schemes (final salary

schemes) or defined contribution schemes (money purchase schemes).

OEIC (Open-Ended Investment Company)
An investment company where shares can be created or cancelled to match demand in a way similar to the units of a unit trust. The principal difference lies in the fact that there is a 'single price' to which the initial purchase charge is added.

Offer (Buying) Price
The price you buy shares or units for in a unit trust. The price you get when you sell shares or units in a unit trust is known as the Bid (Selling) Price. The difference between the two is often called a Bid Offer Spread.

Offer to Bid
In measuring performance, offer to bid refers to comparing the original purchase cost or offer price – usually of a unit trust – and its current bid price, the price you receive if you sell. This measures the actual return you would get if you sell.

Offshore
The concept of 'offshore' has no strict legal definition. Broadly speaking, though, it refers to jurisdictions that offer concessionary taxation regimes compared to major 'onshore' centres, such as the UK or US. Additional characteristics of some offshore centres include banking confidentiality and less strict company formation rules.

Options
Legal agreements that give the holder the right (but not the obligation) to buy or sell the underlying asset at an expiration date, at a price determined at the time of dealing.

P

Passive Management
An investment approach that aims to mirror or track the performance of a financial index. This is usually done by either investing in the exact constituents of an index or by taking a representative sample of that index. The fund managers have lower expenses than active fund managers, and the charges to investors are, therefore, lower.

Pension Annuity
This is a type of annuity usually bought with the proceeds of an HMRC-registered pension scheme.

Pension Fund
A general term used to describe the investment fund built up in a pension plan and used at retirement to provide a continuing income.

Pension Income
The regular income is provided by a pension annuity or via flexi-access drawdown.

Pension Transfers
Refers to the process by which the current value of a pension plan can be transferred from one registered pension scheme to another registered pension scheme. The value is usually transferred direct from one employer or pension provider to another.

Pensionable Earnings
Earnings on which benefits and contributions in a pension scheme are calculated.

Pensionable Service
Period of service with a company used in calculating pension benefits in a defined benefit/final salary scheme.

Personal Allowance
The Personal Allowance is the amount of income you can earn before paying taxes.

Personal Pension
A private pension that you can take from job to job. The other main types of personal pension schemes are group personal pensions (GPP), stakeholder pensions and self-invested personal pensions (SIPPS).

Pooled Investments
Investments such as unit trusts, where a number of people put their money together to enable them to buy a broader range of investments, thereby spreading the risk of volatility.

Potentially Exempt Transfer
Gifts on which Inheritance Tax will not be payable unless the donor dies within seven years.

Pound Cost Averaging
The term describes the effect of paying a fixed, regular amount into a unitised investment fund where the value of units fluctuates. The amount will purchase more units when prices are low and vice versa.

Price/Earnings (p/e) Ratio
A measure of a company's value relating to its share price and profitability. (p/e = share price divided by the Earnings Per Share. Also called earnings multiple or multiple).

Protected Rights
Protected Rights are a type of pension fund. The pension fund is built up by money from the government for those of you who have been in the past or are still 'contracted out' of the State Second Pension, now commonly known as S2P. All protected rights are treated the same way as other 'excess' benefits.

Purchased Life Annuity
This type of annuity is bought with a lump sum from personal savings or investments. Part of the annuity is deemed to be interest paid on the capital and is taxed. The other part is considered a return of capital and is not liable to tax. The annuity rates for purchased life annuities and pension annuities differ.

Q

Quartile
The division of a spread of values into four. A statistical division is generally used in financial services to denote performance of, say, a particular type of fund. Comparisons of similar funds are shown in a league table divided into four quarters or quartiles.

R

Real Return
The return from an investment is adjusted to take into account the effect of inflation.

Redemption Date
The date on which the borrower will repay the money used to buy a Bond or Gilt.

Retail Price Index (RPI)
The official 'cost of living' Index in the UK is based on a monthly survey of a basket of goods and services prices. The RPI is used to measure inflation.

Risk
In investment terms, the balance of potential loss and potential gain as perceived by the investor. In insurance terms, the likelihood of a claim being made on a policy during the term.

S

Salary Sacrifice
A tax-efficient method of increasing the money paid into a pension scheme by giving up existing salary or proposed salary increases so that the sum forgone can be used as an additional company contribution into a pension scheme.

Securities
A term used to describe stocks and shares.

Selling (Bid) Price
The price at which you can sell shares or units in a unit trust. The price at which you can buy shares or units in a unit trust is a Buying (Offer) Price.

SERPS (State Earnings-Related Pension Scheme)
The State Second Pension replaced SERPS in April 2002. Before that date, part of an employee's National Insurance contribution went into the scheme, which was paid on top of the basic State Pension on retirement. It depended on a person's earnings while in employment and the National Insurance contributions they paid.

Share Capital
The money paid (subscribed) for ordinary and preference shares in a limited company. Authorised share capital means the total amount of shares available to be issued. Issued share capital relates to the total amount of shares subscribed.

Single Life Annuity
An annuity that pays you alone a regular income for life.

SIPPS (Self-Invested Personal Pensions)
A specialist product that allows more flexibility over where your money is invested. These pensions suit people who want to make investment decisions and are comfortable taking on the higher associated risk.

Stamp Duty Land Tax
You must pay Stamp Duty Land Tax (SDLT) if you buy a property or land over a certain price in England, Wales and Northern Ireland. SDLT no longer applies in Scotland.

State Pension
The flat rate (not earnings-related) State Pension paid to all who have met the minimum National Insurance contribution requirements. This changes each year on 6 April. You must have built up enough qualifying years to satisfy the minimum National Insurance contributions requirement. You will need 30 qualifying years for a full basic State Pension.

State Second Pension (S2P)
This replaced SERPS in April 2002. More help will be given to the lowest earners than under SERPS.

Stock Market
For instance, the London Stock Exchange is a place where shares or other securities are bought and sold.

Sum Assured
The guaranteed amount paid on death under a life assurance policy. Depending on the policy, this sum might be increased by adding bonuses.

Surrender Value
The amount of money that will be paid to a policyholder if they discontinue a policy before it matures. The benefits the customer usually receives are reduced because of the effects of the charges.

T

Taper Relief
The purpose of taper relief is to reduce the tax you have to pay to account for the effect of inflation. Taper relief applies to Inheritance Tax (IHT) if the donor dies between three and seven years after making a potentially exempt transfer (or transfers) of more than the nil-rate band.

Tax Relief
The UK government encourages you to save for retirement by giving you tax relief on pension contributions. Tax relief works by reducing your tax bill or increasing your pension fund.

Tax Year
A period of time used for tax calculations. In the UK, this starts on 6 April each year and finishes on 5 April the following year.

Term Assurance
A simple life assurance policy that pays out on the death of the customer during the time period in years specified by the policy.

Terminal or Final Bonus
A discretionary bonus may be added to a with-profits policy from a life fund's surplus profit. This bonus would be payable at the end of the term of the policy (at maturity) or when a claim is made, e.g. death or surrender.

Testate
A person who dies having made a Will is described as testate.

Tracker Funds
Aim to mirror or 'track' the performance of several worldwide stock market indices, such as the FTSE 100 Index.

Trust
An arrangement whereby one person or persons (trustees) agree to take care of assets and to use those assets in particular ways for particular people (beneficiaries).

Trustee
A person appointed to manage and safeguard the assets of a trust.

U

UFPLS (Uncrystallised Funds Pensions Lump Sum)
Since 6 April 2015, from age 55 (57 from 6 April 2028, unless you have a protected pension age), you can take all of a pension fund as a single or series of cash lump sums. The first 25% would be tax-free, with the remaining added to your income and taxed accordingly.

Unit Trust
A trust that pools together customers' money, allowing them to increase their investment options, therefore potentially reducing the risk. Unit trusts issue units, unlike OEICs which issue shares. Unit trusts generally have two prices: a bid price at which you sell and an offer price at which you buy. The difference between the two is often called a bid-offer spread.

Unitised With-Profits
A form of with-profits fund where the investor buys units whose value increases in line with any declared regular bonuses and to which a final bonus may be added when the units are cashed in.

Unit-Linked
The value of the saver's fund is linked to the value of the units of the fund it is invested in. The value is directly dependent on the underlying asset's performance.

Unit-Linked Annuity
This is a type of pension annuity. The income is linked to the performance of an underlying investment fund. The fund can be low, medium or high risk depending on what the provider offers or what risk the annuity owner is willing to take.

UK Gilts
Bonds issued by the British Government.

V

Value Investing
An investment process that chooses to invest in shares believed to have been under-priced by the market.

Volatility
A measure of how much an investment's price will likely fluctuate during a set period.

W

Whole-of-Life Policy
Life assurance a client pays for throughout the whole of their life that pays out when they die. On some whole-of-life policies, premiums stop at a certain age.

Will
A document drawn up to administer an estate on death.

With-Profits Bonus
An amount that is added to a with-profits life assurance policy. It can be added within the term of the policy (regular) or at the end of a policy (final).

With-Profits Fund
A fund comprising shares, property, cash and fixed-interest securities, which usually carries a medium risk.

With-Profits Pension Annuity
This is our original with-profits pension annuity, and it's no longer available. It guarantees to pay a regular income, usually for life, linked to the investment performance of our With-Profits Fund. If our With-Profits Fund performs better than expected, your income may increase over the longer term, potentially protecting you against inflation.

With-Profits Policies
An investment where regular premiums or a lump sum are paid into a with-profits fund comprised of shares, property, cash and fixed-interest securities. With-profit policies are medium-risk investments that use a smoothing device when determining any bonus additions that might apply to protect the investor from the market's ups and downs.

Y

Yield
A measure of the return on investment compared to the price paid for it. This is usually expressed as an annual percentage.

Yield Curve
A graph showing the relationship between short-term and long-term yields for a given type of asset, usually bonds.

Z

Zero Coupon Bonds
A bond that pays no interest is bought at a lower price than its Redemption Value.

THE IMPORTANCE OF UNDERSTANDING **TAX-FREE PENSION WITHDRAWALS**

MANY OVER-55S ARE UNAWARE THAT THEY CAN ACCESS 25% OF THEIR PENSION POT TAX-FREE

A surprising 43% of individuals over 55 need to be made aware that they can withdraw 25% of their pension pot tax-free, according to recent research[1]. Knowledge could lead to better decision-making when it comes to accessing pension savings.

Similarly, 52% of those surveyed between the ages of 50 and 54 were also unaware of this rule, indicating a widespread lack of understanding about pension withdrawal options.

MAXIMISING YOUR TAX-FREE PENSION WITHDRAWAL

The study found that among the 57% of over-55s who know about the tax-free pension withdrawal option, 21% have already taken advantage of this benefit, while 9% plan to do so in the future.

Most individuals who plan to take their tax-free lump sum did or will do so at retirement (69%). However, 16% have made or intend to withdraw at different points during retirement.

UNDERSTANDING THE VARIOUS OPTIONS AVAILABLE

The study emphasises the importance of understanding the various options available when withdrawing from your pension pot, including the 25% tax-free cash entitlement.

Considering factors such as whether to take the lump sum all at once or split withdrawals into smaller chunks over time and the potential implications and benefits of each approach are essential.

IMPORTANT QUESTIONS REGARDING TAX-FREE PENSION WITHDRAWALS

HOW MUCH CAN YOU WITHDRAW TAX-FREE?

Typically, most people can withdraw 25% of their total pension pot tax-free, although this may vary depending on the type of pension plan and if you've exceeded your lifetime allowance. The remaining 75% is subject to Income Tax when withdrawn.

WHEN CAN YOU ACCESS YOUR TAX-FREE LUMP SUM?

Generally, you can access your pension savings, including the tax-free lump sum, at age 55 (rising to 57 in 2028). In rare cases, you may be able to access your pension earlier due to ill health or a protected scheme.

CAN YOU TAKE THE LUMP SUM IN SMALLER AMOUNTS?

This depends on your pension product and its terms. Taking smaller withdrawals over time can be beneficial in most cases, as it allows for potential growth and tax-efficiency.

SHOULD YOU TAKE THE LUMP SUM IMMEDIATELY?

It's essential to consider the longevity of your pension savings throughout retirement. Taking too much too soon could result in running out of funds later in life. Delaying access to your savings may allow for additional growth.

ARE THERE ANY IMPLICATIONS TO BE AWARE OF?

Accessing your pension savings can impact state benefits, such as Universal Credit or Pension Credit. Additionally, taking a tax-free lump sum won't affect the amount you can contribute to your pension plan, but accessing taxable income may reduce your annual allowance. ■

LOOKING TO CREATE A SOLID RETIREMENT STRATEGY THAT ALLOWS YOU TO ACHIEVE YOUR DREAMS?

Understanding your pension withdrawal options and seeking professional guidance or advice will help you make informed decisions and maximise your retirement savings. To learn more about how we can help you, please don't hesitate to contact us.

Source data:

[1] Opinium conducted research among 2,000 UK adults aged 18+ between 12–16 May 2023 for Standard Life, part of Phoenix Group. Results have been weighted to be nationally representative.

A pension is a long-term investment not normally accessible until age 55 (57 from april 2028 unless the plan has a protected pension age).

The value of your investments (and any income from them) can go down as well as up, which would have an impact on the level of pension benefits available.

Your pension income could also be affected by the interest rates at the time you take your benefits.