RICHMOND HOUSE

WEALTH MANAGEMENT

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Introduction

Chris Birch

Regional Managing Director

The new year is now in full swing and January begins with bang.

Stock markets in the UK and US have reached all-time highs in the last few months, whereas movement in government bond prices mean officials must now allocate more money to servicing national debt, constraining the ability to fund public services or infrastructure projects.

In the UK, Labour has pledged not to raise major taxes such as income tax, so finds itself with limited room to manoeuvre. The risk of tax increases or spending cuts could undermine economic activity, intensifying political and market scrutiny. Trump's return to the White House is also sure to impact, with many awaiting the direction.

As planners we have seen it all before. We know we cannot get sidetracked by the short-term distractions when we are planning your long-term affairs. Our annual planning meetings provide the opportunity for us to revisit objectives based upon the prevailing environment. Last year we saw significant rule changes to pensions, inheritance tax and capital gains tax, all of which must be considered when we next review. Our advisers will, as ever, be providing the colour for you and ensuring that your affairs are positioned correctly for your needs.

This continuity of planning is vital. We are working hard to ensure that continuity is always there. Some of our advisers have been looking after the same families for nearly 30 years, so it's not surprising, when retirements happen, for there to be apprehension. We appreciate the privileged position that we hold and know full well that the long-term relationships that we both value are built on trust, and when there are changes, it will take time for new relations to fully blossom. With carefully co-ordinated handovers, I hope we can minimise any disruption for you. If you have any concerns about a transition that you are going through, please make contact with me directly: chris.birch@iwpfp.co.uk

We continue to enhance our investment services and have some very exciting developments that we'll be talking to you about at your review this year. In the meantime, please get in touch with any of the team if you think of something that we can help with. We are here waiting to serve.

Kind regards
Chris

Smart financial moves to make this season

Spring is just around the corner, bringing with it lighter evenings, longer days and new growth.

It's a popular time to spring clean your home, and a good opportunity to spruce up your finances.

Here are some top tips to help you tidy up, declutter and organise your money management.

Step back and take stock

As we head towards a new financial year, reexamine your budget, debt and investments, and check them against your financial goals.

It can help to create your own asset register detailing key information such as where you currently invest your money, what savings you have and where, and details of any pensions.

The Government's free Pension Tracing Service can help you find any pensions lost in the ether. You just need the name of your old employer, or the name of the pension provider.

Check on your pensions' performance

A pension is an investment just like any other and is probably one of the biggest pieces of your own financial jigsaw, second only to your property. In the same way that you care for the upkeep of your home, give the same level of attention to your pension to keep it in pristine condition.

The UK's tax system means you get to keep in some cases all your earned income by putting it into a pension, and you can get a further boost from employer contributions. Increasing pension contributions is often a savvy move if there's room in your budget. You can also add one-off lump sums to your pension, within the scope of annual allowance rules.

The pension landscape is constantly changing, and your funding pattern and investment approach needs to reflect these changes to ensure that you're on track. Speak to your adviser to get some support with your financial spring clean and ensure you're on track to meet your retirement goals.
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Supercharge your ISA allowance

Your annual ISA allowance of £20,000 means those savings or investments are sheltered from tax and can grow more quickly.

Furthermore, investing into a Stocks and Shares ISA in the springtime, as soon as the tax year ticks over into the next, could help boost its growth potential over time.

Analysis by broker Hargreaves Lansdown in 2024 found that those who invest earlier in the tax year produce better returns than those who wait until the end.

The research found that someone investing their full ISA allowance in the Legal & General International Index fund on the first day of the tax year every year from 2014 until 2024 would have seen their pot grow to £360,500. Investing on the last day of the tax year over the same period would see a return of just £322,500, a difference of £38,000.

Write or review your will

Writing a will isn't something you should put off. It's a legally binding way to control what happens to your money and property when you die, and failure to do so can have serious financial consequences for your loved ones. For instance, if you have a young family and are unmarried, your wealth may not automatically go to them without a will, potentially jeopardising their financial security.

And it's not a one-and-done process. It's a good idea to review your will at least every five years, or whenever you go through a significant life event such as marriage, divorce, or the arrival of a new child or grandchild.

Put your excess cash to work

Inertia is one of the biggest barriers to financial success. If you're lucky enough to have surplus funds beyond what's needed for expenses and your emergency fund, make sure this cash is working for you.

With inflation eroding the value of idle cash, you'll lose purchasing power unless you put your money to use.

Investing wisely will help grow your wealth more effectively and build a stronger financial future.

Pensions to face inheritance tax:
What you need to know.

In the Autumn Budget, Chancellor Rachel Reeves announced the Government's intention to bring unused pension funds within the value of an individual's estate for inheritance tax purposes from 6 April 2027.

These proposals have far-reaching implications for pension savers, their beneficiaries and estate planning strategies.

What's the current state of play?

Under existing rules, pensions are a tax-efficient way to plan for retirement and pass on wealth, as they are not generally included when working out the total value of your estate for IHT purposes.

How much tax your beneficiaries will pay on your pension depends on how old you are when you die. Generally speaking, if you die before turning 75, your pension can be inherited tax-free. Over the age of 75, the inherited pension is taxed at the beneficiary's personal tax rate, for example, 20%, 40% or 45%.

Crucially, pensions are not subject to inheritance tax (IHT), making them a useful option for wealth preservation.

What's on the table?

It's important to note that the proposed legislation won't come into force until 6th April 2027, and the pensions industry (providers and advisers) will consult on the planned changes ahead of its implementation.

If all proposed changes do go ahead, pension funds will be treated as part of an estate being valued for IHT purposes, bringing more people into the IHT net and potentially making it more complex to pass on your wealth.

While you can still draw down 25% of your pension as a tax-free lump sum (up to £268,275), any unspent pension will potentially be counted – and taxed – as part of your estate when you die from 2027. -

The proposals are expected to apply to defined contribution pensions, which are currently the most common type of pension. Defined benefit pensions, which often do not leave large lump sums on death, might be less affected. Discussions around potential exemptions are ongoing.

What does this mean for savers?

Savers may be driven to explore alternative strategies to pass on their wealth, such as making gifts during their lifetime, or using trusts. These proposals may also mean some are less likely to maximise pension contributions if perceived inheritance benefits are reduced.

What action can you take?

Review your pension to make sure you know how it's structured and get to grips with how these changes could affect its value after your death. Stay informed by keeping up to date as the proposals progress through Parliament.

It's important to have expert advice as you navigate this more complex and tax-heavy inheritance landscape. Our financial advisers are on hand to help you understand what the changes could mean for you and your planning, and to work with you to put together a strategy to protect your financial legacy.

AIMing for inheritance tax relief

Investing in AIM shares has long been a cornerstone of inheritance tax planning.

These shares have proven to be an attractive option for those looking to reduce IHT liability. This is because until recently they qualified for Business Property Relief which granted 100% IHT relief after only two years of ownership.
This compares favourably to making gifts, which must be survived by seven years to be exempt from the tax.

The Alternative Investment Market is a sub-market of the London Stock Exchange, designed to help smaller companies raise capital by offering shares to investors. The rationale behind this tax break was that such companies are often in their infancy and most in need of capital, and the investor would be rewarded with the IHT relief for incurring the extra risk associated with such investments.

What's changed?

During the Autumn Budget, Chancellor Rachel Reeves halved the IHT tax relief on AIM shares, announcing that the potential tax relief would drop from 100% to 50% from April 2026.

This change means that IHT on these shares will be reduced to 20% compared to than the usual inheritance tax rate of 40%.

Looking ahead, eligible shares held for at least two years will still qualify for 100% relief if death occurs before April 2026. After that, a 20% Inheritance Tax (IHT) will apply, provided the nil-rate band has been fully used by other assets in the estate.

New investors wouldn't meet the minimum two-year ownership requirement if they pass away before April 2026 IHT will be charged at 40%. For deaths after April 2026, the tax rate will be 20%, provided the shares have been held for at least two years.

Are AIM shares still a worthwhile investment?

Qualifying AIM shares still offer valuable inheritance tax relief – just not as much as has historically been the case.

If you want to consider taking advantage of the benefits of investing in AIM, which includes the potential for higher growth along with IHT relief, it's important to talk to an expert before doing so.

There are a diverse range of companies listed on AIM, and not all qualify for the tax relief. Of the investment opportunities which are eligible, not all will be suitable for certain investors.

AIM shares are likely to be high risk and volatile. Their value, and the income arising from them, may go down as well as up, and past performance is not an indicator of future success.

Talk to us

We're here to help you achieve your investment goals. If you have questions about existing or potential investments in AIM shares, please do let us know and we can arrange a call, Zoom or face-to-face meeting at your convenience.

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Important information