PROTECT & GROW

SUMMER 2024 | ISSUE 19

NEW PENSION TAX FRAMEWORK

Pivotal shift changes you need to know commenced from 6 April 2024

ALSO INSIDE THIS ISSUE

BRITONS PROCRASTINATE ON MAKING A WILL
Research identifies that over half of adults do not have a Will

MIND OVER MATTER
How behavioural investing can shape financial futures

COSTS OF LATER-LIFE CARE
Establishing a thorough wealth strategy is key to ensuring financial readiness

KINGSWOOD
PROTECT AND GROW YOUR WEALTH

WELCOME

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

Beginning on 6 April 2024, a pivotal shift in pension benefit taxation commenced. The Lifetime Allowance (LTA) was replaced by a new structure comprising three distinct allowances: the Lump Sum Allowance (LSA), Lump Sum and Death Benefit Allowance (LSDBA) and Overseas Transfer Allowance (OTA). On **page 10**, we look at how the implications of these changes will largely depend on individual circumstances, such as the aggregate value of one's pension savings, any prior withdrawals from pension schemes and existing lifetime allowance protections.

Recent research has uncovered that a staggering 51% of adults in the UK have neither written a Will nor are they in the process of doing so. This statistic encompasses 13% of individuals affirmatively declaring no future plans to undertake this task. Alarmingly, a significant portion of the older demographic, with 30% of those aged 55 and above, also finds themselves without a Will, including 9% who have decisively chosen not to create one. Read the full article on **page 07**.

In the world of investing, where numbers and market analyses typically dominate, a crucial element often remains veiled in the backdrop – our behaviour. On **page 13**, we consider how behavioural investing emerges as a pivotal field, merging the realms of finance and psychology to scrutinise how our emotions, cognitive biases, backgrounds and worldviews intricately influence our investment decisions. It ventures into the less discussed but significant spectrum of how our psychological makeup can mould our financial futures, for better or for worse.

The financial implications of care in later life are often underestimated, leaving many unprepared for the substantial costs associated with care homes. In England, individuals with assets exceeding £23,250 are currently required to self-fund their care home expenses. However, a new government proposal aims to introduce an £86,000 lifetime cap on care fees starting from October 2025, designed to simplify care fees planning and potentially reduce the financial burden on individuals. Turn to **page 08** to read the article.

Wealth Management and Investment Solutions Tailored for You

At Kingswood Wealth Management, we understand that business owners, professionals, retirees and individuals with significant assets face unique financial challenges and opportunities. We support you in building a robust financial foundation for both you and your loved ones. From estate planning and tax optimisation to retirement planning and educational funding, our expert financial professionals demystify the intricacies of wealth management and investments. Our dedication is to your financial success – ensuring your present needs are met while paving the way for the prosperity of future generations. Please contact us to find out more or discuss your requirements.

INSIDE THIS ISSUE

03
CHANGES TO INDIVIDUAL SAVINGS ACCOUNTS IN 2024
Why savers and investors now have a more flexible approach

05
PRUDENCE OF PERSEVERANCE IN INVESTING
Maintaining an investment stance centred on the potential for long-term growth

07
BRITONS PROCRASTINATE ON MAKING A WILL
Research identifies that over half of adults do not have a Will

08
COSTS OF LATER-LIFE CARE
Establishing a thorough wealth strategy is key to ensuring financial readiness

10
NEW PENSION TAX FRAMEWORK
Pivotal shift changes you need to know commenced from 6 April 2024

12
GENERATIONAL WEALTH PERSPECTIVES
Whether through property, pensions or a blend of both, informed decision-making is crucial

13
MIND OVER MATTER
How behavioural investing can shape financial futures

15
ENHANCING PENSION CONTRIBUTIONS FOR A BRIGHTER FUTURE
New tax year, new you? Maximise your pension savings this new tax year

CHANGES TO INDIVIDUAL SAVINGS ACCOUNTS **IN 2024**

WHY SAVERS AND INVESTORS NOW HAVE A MORE FLEXIBLE APPROACH

Individual Savings Accounts (ISAs) offer a versatile and tax-efficient way to save for the future, whether for yourself, your children or grandchildren. Now that we have entered the new financial year, on 6 April 2024, significant changes to ISAs have been introduced.

Since 6 April, savers and investors have had a more flexible approach to using their ISA allowance. For the first time, individuals can open multiple accounts of the same type of ISA within a single tax year, from 6 April one year to 5 April the next, provided they do not exceed the annual ISA limit. This marks a departure from previous rules, which annually restricted savers to one account per ISA type.

PARTIAL TRANSFERS AND THE BRITISH ISA

In addition to this newfound flexibility, the rules now permit partial transfers of funds from current tax year ISAs into different types of ISAs, enhancing the ability to tailor savings strategies to personal needs. Furthermore, the government has proposed a new 'British ISA' featuring a separate £5,000 allowance aimed at investments in UK-based companies on the UK stock market.

The Chancellor's announcement of the British ISA during this year's Spring Budget seeks to complement the existing £20,000 annual ISA allowance. This initiative is still under consultation, with a deadline set for 6 June, signalling a potential boost for domestic investment.

DIVERSE SPECTRUM OF ISAS

The ISA regime offers a variety of options to cater to different financial goals and risk appetites. Whether prioritising safety, growth or a mix of both, there's an ISA type to match most requirements. From Cash ISAs, known for their simplicity and tax efficiency, to Stocks & Shares ISAs, which offer the potential for higher returns albeit with increased risk, choosing the right ISA depends heavily on individual circumstances.

CASH ISAS

Cash ISAs serve as a cornerstone for risk-averse savers, providing a straightforward, tax-efficient haven for cash savings. Cash ISA products can be easy access accounts that allow immediate withdrawals or fixed rate accounts that reward savers for committing their funds for a predefined period. Although these accounts typically offer lower interest rates than standard savings accounts, they present a valuable tax shield, especially for those who have maximised their savings allowance or anticipate doing so.

The allure of Cash ISAs lies in their tax advantages. Interest earned within these accounts does not contribute to the saver's personal savings allowance, thereby offering a tax-efficient growth environment for savings. This feature is particularly beneficial for higher rate taxpayers and those with substantial savings, making Cash ISAs an option despite potentially lower interest rates compared to non-ISA savings accounts.

STOCKS & SHARES ISAS

Stocks & Shares ISAs, sometimes referred to as 'investment ISAs', present an opportunity for individuals to diversify their investment portfolio across a broad spectrum, including collective investment funds, Exchange Traded Funds (ETFs), investment trusts, gilts, bonds, and stocks and shares. This form of investment carries an inherent risk since the value can fluctuate significantly; however, historically, the stock market has offered returns that surpass those of traditional savings accounts over extended periods.

Investors can choose investment funds within a Stocks & Shares ISA, where funds are amalgamated with those of other investors and managed by a professional fund manager, diluting the risk associated with individual investments failing.

Proceeds from Stocks & Shares ISAs are tax efficient. This encompasses both capital gains and dividends derived from the investments within the ISA. The convenience of not having to report these investments on a tax return simplifies the investment process, making Stocks & Shares ISAs an appealing starting point for newcomers to the investment world.

LIFETIME ISAS

The Lifetime Individual Savings Account (ISA) presents a unique opportunity for individuals aged between 18 and 40, potentially benefiting your children or grandchildren. For each pound deposited into the account, the government offers an additional 25p, tax-free. With an annual contribution limit of £4,000, savers can receive a maximum bonus of £1,000 per year.

This fund can be used to purchase a first home worth up to £450,000 or for retirement savings, functioning similarly to a pension scheme. It is important to note that funds can be freely accessed after the age of 60 to supplement retirement income. However, early withdrawals for other purposes incur a 25% penalty.

The Lifetime ISA is available in two forms: Cash ISA and Stocks & Shares ISA. The market for Cash ISAs within this category is limited, with only a handful of providers. The £4,000 contribution towards a Lifetime ISA is counted within the broader £20,000 annual ISA allowance.

JUNIOR ISAS

Turning our attention to Junior ISAs (JISA), these are designed for individuals under the age of 18. This financial year allows for an investment of up to £9,000 in either cash or stocks and shares. Access to the funds is restricted until the beneficiary turns 18, at which point full control over the account is granted. From the age of 16, they can manage the account, making it an ideal option for those looking to foster financial independence in their youth. From the start of the 2024/25 tax year, the minimum age to open a Cash ISA increased to 18.

THE LIFETIME INDIVIDUAL SAVINGS ACCOUNT (ISA) PRESENTS A UNIQUE OPPORTUNITY FOR INDIVIDUALS AGED BETWEEN 18 AND 40, POTENTIALLY BENEFITING YOUR CHILDREN OR GRANDCHILDREN.

ISA TRANSFERS

The flexibility to transfer across different ISA providers and types (from cash to stocks and shares or vice versa) enhances the appeal of ISAs. However, verifying transfer policies with your chosen providers is critical, as not all permit transfers. Direct withdrawals and transfers should be avoided to maintain the funds' tax-efficient status. Instead, the recommended approach involves initiating the transfer through the receiving provider, who will manage the process on your behalf through a straightforward form.

ISAS AND SPOUSAL INHERITANCE

When it comes to managing the financial aftermath of a loved one's passing, understanding the nuances of how Individual Savings Accounts (ISAs) can be inherited is key. An ISA can be transferred to a surviving spouse while retaining its coveted tax-free status, offering a silver lining during such difficult times.

However, it's important to note that no further contributions can be made to the ISA once the original owner has passed away. Nevertheless, any increase in account value during the probate period remains exempt from tax. For the surviving spouse, this transfer includes an additional ISA allowance, which is calculated based on the higher of two values: the cash or investments inherited or the market value of the ISA at the time of the original holder's death.

NON-SPOUSAL BENEFICIARIES

The situation becomes markedly different when ISAs are bequeathed to beneficiaries other than the spouse. In these instances, the value of the ISA may fall within the scope of Inheritance Tax (IHT), which is levied at a rate of 40% on portions of the estate exceeding the current £325,000 (2024/25) IHT threshold. This significant tax implication underscores the importance of proactive estate planning to effectively navigate the potential fiscal impact. ■

ARE YOU CONTEMPLATING OPENING AN ISA OR TRANSFERRING BETWEEN ACCOUNTS?
From the growth-focused Lifetime ISA to the foundational Junior ISA, understanding the nuances and options available is crucial for maximising benefits. Please get in touch with us if you're contemplating opening an ISA or transferring between accounts and require further guidance. We can assist you in navigating these options to secure your financial future.

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 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. The Financial Conduct Authority does not regulate tax planning.

PRUDENCE OF PERSEVERANCE IN **INVESTING**

MAINTAINING AN INVESTMENT STANCE CENTRED ON THE POTENTIAL FOR LONG-TERM GROWTH

For investors, the perennial question of whether to 'stick or twist' with their current investments or pivot towards the perceived safety of cash is fundamental. Numerous factors influence this decision, which plays a pivotal role in the journey towards financial prosperity.

The appeal of cash, particularly in uncertain times, is clear; however, a judicious choice to remain invested frequently emerges as the more astute strategy.

THE CASE FOR LONG-TERM INVESTMENT

The argument for maintaining an investment stance centres on the potential for long-term growth. Historically, investment options such as stocks have consistently outperformed inflation and delivered significant returns over prolonged periods.

The magic of compound interest, where your investments earn returns that, in turn, generate their own earnings, can dramatically increase the value of your initial stake, potentially leading to exponential growth over time.

THE FUTILITY OF MARKET TIMING

The endeavour to time the market, shifting to cash in downturns and returning in upswings, is beset with difficulty. Even the most experienced professionals often fail to make consistently accurate timing decisions – a fact highlighted by Warren Buffett, who attributes his success to a mere dozen 'truly good' investment choices.

Predicting market movements can be challenging, especially in bull markets – when the prices of stocks or other assets generally rise over a sustained period of time, usually accompanied by optimism and confidence among investors. It's like a market on the rise, where people expect good things to continue happening. Investors may sell at low points and miss subsequent recoveries or remain in cash during bull markets, thereby forfeiting potential gains. This underscores the principle that 'time in the market, not timing the market' is a more reliable pathway to capturing long-term growth.

DIVERSIFICATION AS A RISK MANAGEMENT TOOL

Diversification is a key tenet of sound investing. By allocating resources across a variety of asset classes, sectors and themes, investors can mitigate the risks associated with specific market segments.

Staying invested allows for the upkeep of a diversified portfolio, which serves as a buffer against market volatility. Such portfolios often experience smoother performance trajectories, as positive returns from certain assets can help offset losses in others. This proves particularly beneficial during economic slumps when specific sectors might lag.

HIDDEN COSTS OF HOLDING CASH

Holding cash may seem like a prudent financial safety net, offering immediate liquidity and a sense of security. However, this approach has drawbacks, as it effectively

THE INVESTING JOURNEY CAN BE FRAUGHT WITH EMOTIONAL UPHEAVAL, PARTICULARLY DURING MARKET VOLATILITY.

sidelines the potential for higher returns from other investment avenues.

Embracing a long-term investment strategy is key to preserving and enhancing the real value of your wealth over time, navigating past the limitations imposed by cash holdings.

EMOTIONAL TURBULENCE IN INVESTING

The investing journey can be fraught with emotional upheaval, particularly during market volatility. By committing to a long-term investment stance, investors are better equipped to sidestep the behavioural pitfalls of fear and greed, which often precipitate rash decisions.

A robust investment strategy, centred around long-term objectives, can help instil confidence that enables investors to endure the tempests of market fluctuations with composure.

MITIGATING TAX IMPACTS ON INVESTMENTS

The influence of taxation on investment outcomes cannot be overstated. Liquidating assets could trigger a Capital Gains Tax payment, potentially carving a significant slice from your profits. A commitment to remain invested, deferring the realisation of these gains, offers an avenue to mitigate tax liabilities, thereby bolstering the efficiency of your investment portfolio.

The annals of financial history are replete with instances of market resilience and the inevitable cycles of downturn and recovery. Although economic setbacks, such as recessions and market crashes, are inescapable, they can potentially set the stage for subsequent periods of growth. Staying the course allows investors to partake in the recovery, harvesting the rewards of economic upturns.

REMAINING INVESTED BECOMES INCONTROVERTIBLE

In light of the compelling arguments for long-term growth prospects, the psychological steadiness afforded by a consistent investment approach, tax advantages and the historical patterns of economic recovery, the logic for remaining invested becomes incontrovertible.

While maintaining a reserve of cash for emergencies or imminent expenditures is wise, the strategy of continued investment is eminently sensible if it matches your risk profile, needs and circumstances. ■

DO YOU WANT TO DISCUSS PLANNING OPPORTUNITIES FOR YOUR INVESTMENT PORTFOLIO?
Ensuring the alignment of your financial plan with your investment portfolio and periodically reviewing your investment strategy is key to ensuring it remains aligned with your financial aspirations and risk tolerance. To discuss how we can help you take advantage of long-term investment, 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 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. The Financial Conduct Authority does not regulate tax planning.

BRITONS PROCRASTINATE ON MAKING **A WILL**

RESEARCH IDENTIFIES THAT OVER HALF OF ADULTS DO NOT HAVE A WILL

Recent research has uncovered that a staggering 51% of adults in the UK have neither written a Will nor are they in the process of doing so[1]. This statistic encompasses 13% of individuals affirmatively declaring no future plans to undertake this task.

Alarmingly, a significant portion of the older demographic, with 30% of those aged 55 and above, also finds themselves without a Will, including 9% who have decisively chosen not to create one. The primary deterrent for many is the perception of insufficient assets or wealth, cited by 26% of respondents, indicating a widespread misconception about the necessity of a Will.

COMMON MISCONCEPTIONS AND FEARS

A considerable number of Britons, 23%, procrastinate on making a Will under the assumption that there is ample time to address this matter. Additionally, the subject of Wills, intertwined with the discomfort of contemplating mortality, deters 15% of the population. Others express reluctance to engage with legal professionals (8%) or incur the costs of drafting a Will (14%).

The apprehensions surrounding the absence of a Will are significant; 27% fear leaving behind a cumbersome amount of paperwork for their loved ones, while 23% worry about the misallocation of their estate.

IMPACT OF NOT HAVING A WILL

The repercussions of not having a Will extend beyond mere inconvenience. Many express concerns over the potential for lengthy resolution processes (18%) and fears of familial disputes (15%). Interestingly, a sizeable 41% of respondents claim to harbour no worries regarding the lack of a Will.

Among those who have taken the step to create a Will, 55% employed the services of a solicitor. By contrast, a smaller fraction, 16%, opted for a DIY approach, including handwritten attempts and online services. Despite the autonomy of creating one's own Will, 61% did not seek legal or financial counsel during the process.

IMPORTANCE OF CREATING AND UPDATING YOUR WILL

The hesitancy to draft a Will often stems from various reasons, including perceived time abundance, misconceptions about wealth requirement and apprehensions regarding costs or equitable estate division.

Nonetheless, the importance of drafting a Will transcends these short-term concerns, offering long-term peace for your loved ones by mitigating potential burdens in unforeseen circumstances. For those who have taken the proactive step of creating a Will, it is crucial to periodically review and update it, particularly following significant life events such as divorce, to reflect current wishes accurately. ■

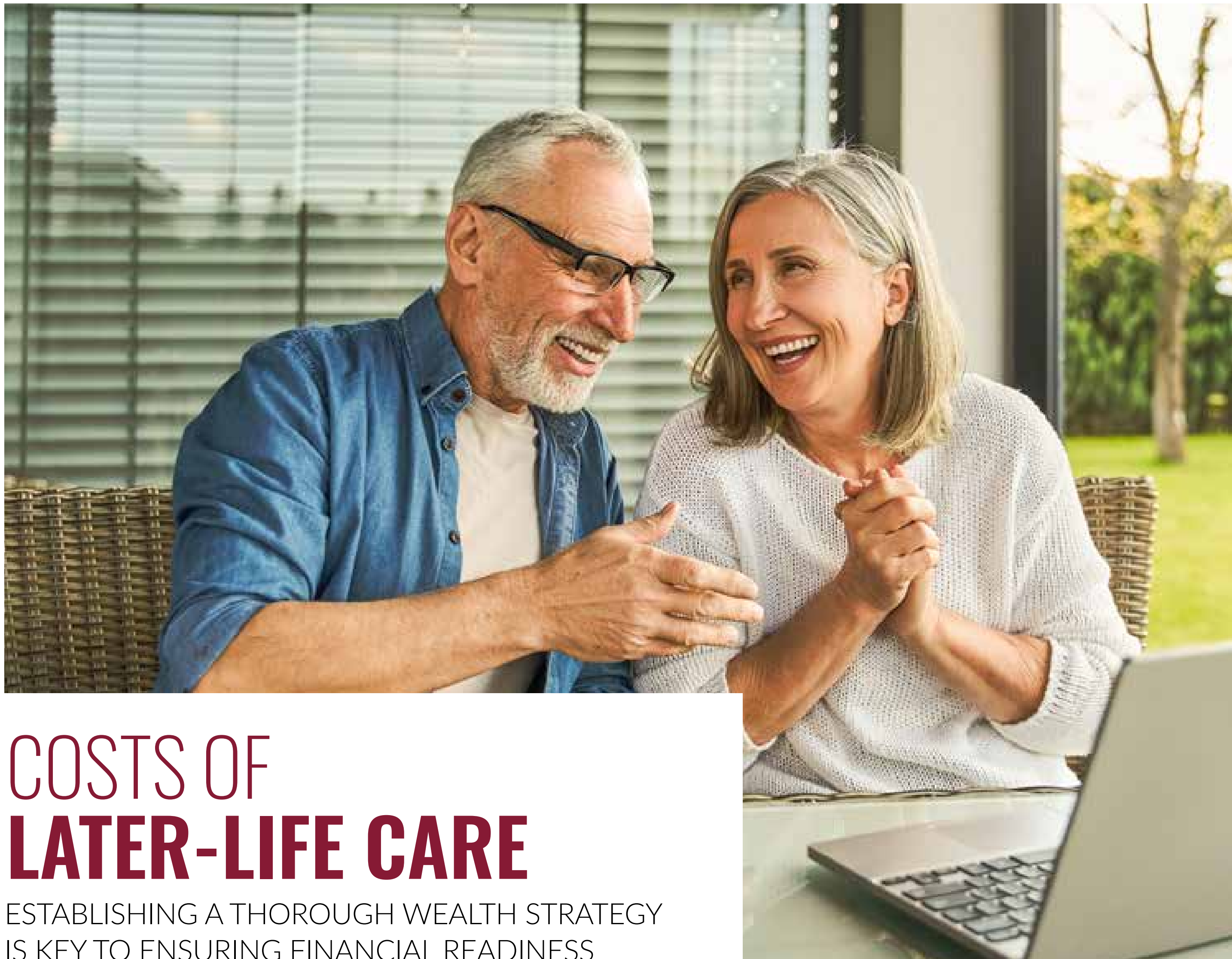
TIME TO TAKE THE NEXT STEP TOWARDS PEACE OF MIND?

Preparing or updating your Will is crucial in securing your legacy and ensuring your wishes are honoured. If you have any questions, need further information or require professional assistance with drafting or revising your Will, we're here to help. We look forward to assisting you every step of the way. Don't leave your future to chance.

Source data:

[1] The survey conducted by Opinium among a national representative sample of 2,000 UK adults between 23–27 February 2024.

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.



COSTS OF **LATER-LIFE CARE**

ESTABLISHING A THOROUGH WEALTH STRATEGY IS KEY TO ENSURING FINANCIAL READINESS

The financial implications of care in later life are often underestimated, leaving many unprepared for the substantial costs associated with care homes. Establishing a thorough wealth strategy is key to ensuring financial readiness for long-term care needs.

In England, individuals with assets exceeding £23,250 are currently required to self-fund their care home expenses. However, a new government proposal aims to introduce an £86,000 lifetime cap on care fees starting from October 2025, designed to simplify care fees planning and potentially reduce the financial burden on individuals.

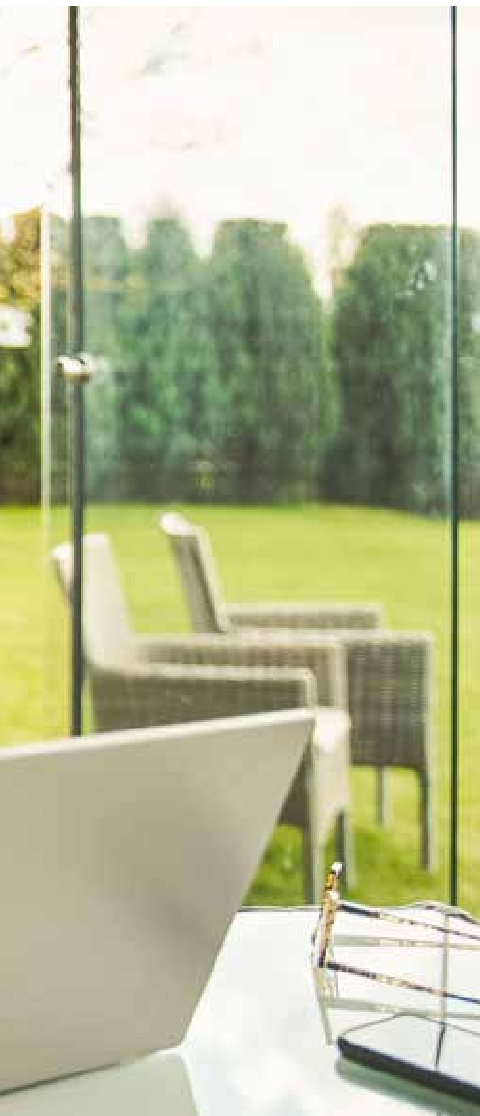
UNDERSTANDING THE £86,000 CAP ON CARE FEES

The proposed cap on care fees, often referred to as the 'social care' cap, intends to limit the personal financial contribution towards long-term care costs. At first glance, the cap appears to offer considerable relief; after an outlay of £86,000, further personal care costs would ostensibly be covered by one's local authority.

Yet, it's crucial to recognise that this cap exclusively pertains to personal care costs, leaving individuals responsible for additional expenses such as accommodation and living costs. Moreover, the intricacies of what expenditures count towards the cap mean that many may find themselves contributing significantly more than £86,000 for their care.

CHANGING LANDSCAPE OF SOCIAL CARE FUNDING

The government's proposal extends beyond the care fees cap and includes adjustments to the capital thresholds associated with means-tested social care funding. Key changes the government is proposing from October 2025 are introducing an £86,000 ‘cap’ on how much an individual has to spend on personal care costs over their lifetime and increasing the upper and lower capital thresholds for means-tested social



care funding to £20,000 and £100,000.

At present, the social care upper limit is £23,250, and the lower limit is £14,250 in England. If your assets are above £23,250 and you don't qualify for NHS support, you must pay full care fees. If your assets are below £14,250, then the local authority will pay for your care costs. Any income you do have will be used to pay part of your care fees.

FORWARD PLANNING FOR CARE COSTS

The thought of requiring long-term care and the financial implications that come with it is often met with apprehension. The unpredictability of needing social care in later life, coupled with potential changes in care requirements, underscores the importance of early financial planning.

Securing professional financial advice and incorporating care costs into your retirement plans can demystify the expenses involved, enabling you to address them tax-efficiently. This preparatory step clarifies cost implications and strategies for maximising tax benefits.

TAX PLANNING AND ANNUITIES FOR CARE COSTS

Addressing care home costs effectively involves a blend of strategies, including tax planning and considering annuities for care fees. Tax planning for care homes focuses on implementing measures to manage the tax implications of financing and affording care home expenses.

The goal is to optimise financial resources while ensuring necessary care is received without incurring excessive tax liabilities. Alternatively, annuities for care home fees offer a financial mechanism to cover retirement care costs, providing a regular income stream in exchange for a lump sum payment to an insurance company.

STRATEGIES FOR MANAGING CARE EXPENSES

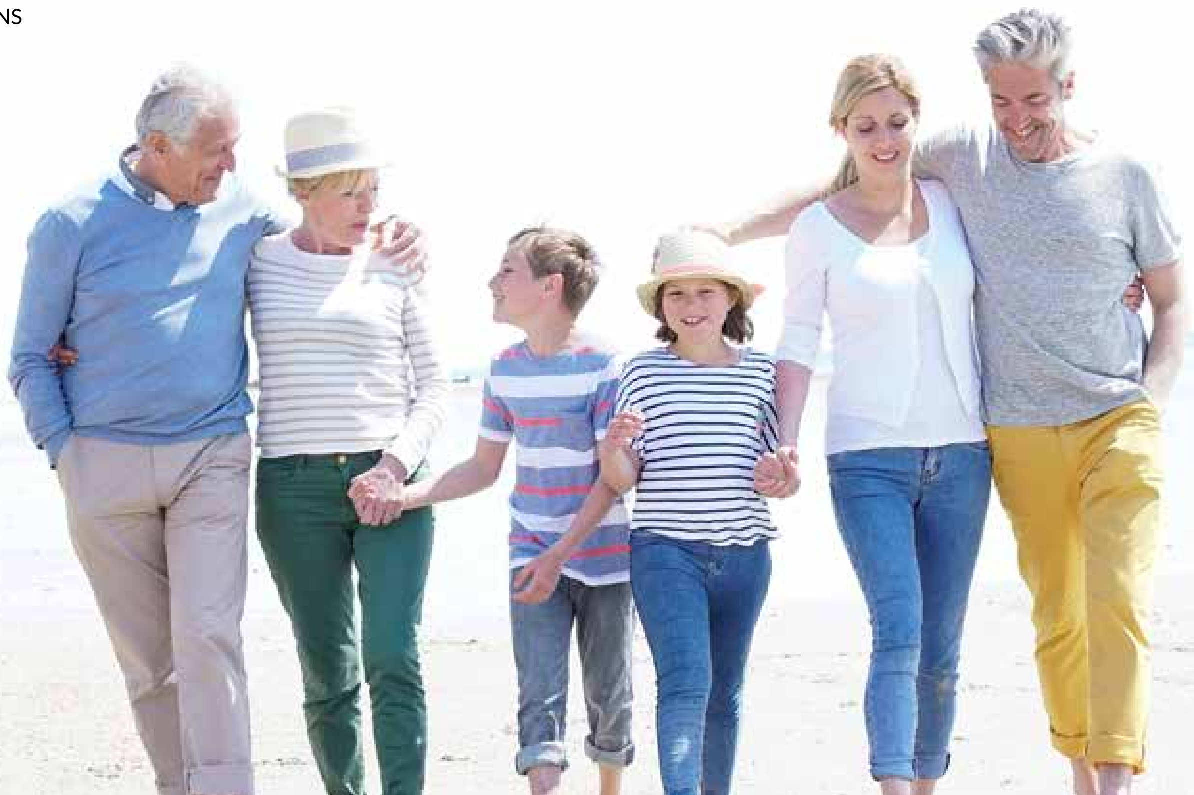
Annuities serve as a viable option for managing care home fees, offering a lifetime income following an initial lump sum payment, akin to purchasing any other annuity. The cost and subsequent income are determined by an assessment of medical records and expected lifespan, ensuring the arrangement meets the individual's needs.

Notably, if the annuity income is paid directly to a registered care provider, it may be tax-exempt, further enhancing its appeal. These financial products also afford flexibility, including provisions for spouses and adjustments for inflation, adding a layer of security to your financial planning for care. ■

DO YOU REQUIRE EXPERT GUIDANCE AND SUPPORT TO PLAN FOR FUTURE CARE COSTS?
We're ready to offer expert guidance and support if you require additional information or assistance in planning for future care costs. We are committed to helping you navigate the intricacies of care planning and financial management, ensuring your financial wellbeing and security in later life. Contact us today to explore how we can assist you in achieving your financial goals and providing a comfortable and secure future.

Source data:
[1] https://ukcareguide.co.uk/rise-in-care-home-costs/

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.



NEW PENSION TAX **FRAMEWORK**

PIVOTAL SHIFT CHANGES YOU NEED TO KNOW COMMENCED FROM 6 APRIL 2024

Beginning on 6 April 2024, a pivotal shift in pension benefit taxation commenced. The Lifetime Allowance (LTA) was replaced by a new structure comprising three distinct allowances: the Lump Sum Allowance (LSA), Lump Sum and Death Benefit Allowance (LSDBA), and Overseas Transfer Allowance (OTA).

The implications of these changes will largely depend on individual circumstances, such as the aggregate value of one's pension savings, any prior withdrawals from pension schemes and existing lifetime allowance protections.

DELVING INTO THE LUMP SUM ALLOWANCE

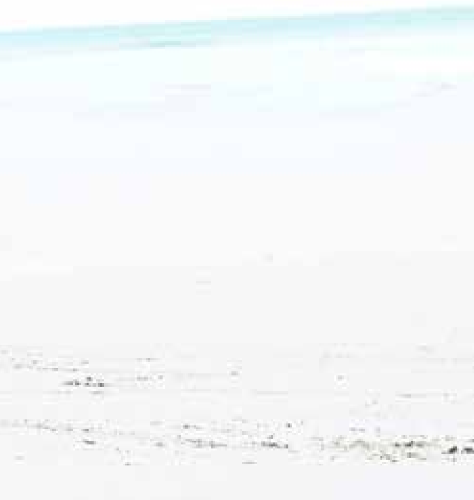
The introduction of the Lump Sum Allowance (LSA) aims to cap the tax-free sums that can be withdrawn from pension schemes. Set at a baseline of £268,275, this allowance may adjust based on factors including previous pension withdrawals or the presence of Lifetime Allowance protections or protected tax-free cash allowances. From 6 April 2024 onwards, tax-free lump sums taken will be deducted from the individual's LSA.

The LSA applies to both the Pension Commencement Lump Sum (PCLS) and the tax-exempt portion of any Uncrystallised Funds Pension Lump Sum (UFPLS), with these withdrawals also being assessed against the available Lump Sum and Death Benefit Allowance (LSDBA). Typically, the maximum tax-free lump sum accessible will be determined by the lowest of 25% of the benefits being accessed, the LSA and the LSDBA.

EXPLORING THE LUMP SUM AND DEATH BENEFIT ALLOWANCE

The Lump Sum and Death Benefit Allowance (LSDBA) further restricts the tax-free lump sums withdrawable from pensions and those payable to beneficiaries upon the policyholder's demise pre age 75. This allowance does not apply to benefits already in drawdown before 6 April 2024. Initially set at £1,073,100, the LSDBA may vary depending on previously taken pension benefits or existing Lifetime Allowance protections. The LSDBA covers the exact lump sums as the LSA but additionally applies to serious ill-health lump sums disbursed before age 75 and lump sum death benefits if the policyholder passes away before reaching age 75.

Posthumous benefits are only subject to the LSDBA when paid out as tax-free lump sums. Conversely, suppose benefits are allocated to provide a beneficiary with a drawdown pension. In that case, they are exempt from being tested against these allowances, with income typically remaining tax-free if the policyholder dies before age 75; however, lump sums will be tested. Despite previous



suggestions, these provisions will remain unchanged from 6 April 2024 as per the current legislation.

NAVIGATING THE NEW OVERSEAS TRANSFER ALLOWANCE

The introduction of the Overseas Transfer Allowance (OTA) marks a pivotal change in the landscape of overseas pension transfers. From 6 April 2024, individuals looking to move their pensions to a Qualifying Recognised Overseas Pension Scheme (QROPS) will find their transfers assessed against the OTA, a departure from the previous system that utilised the Lifetime Allowance.

The OTA is set to mirror an individual's Lump Sum and Death Benefit Allowance (LSDBA), with a key distinction: reductions to the OTA will only occur through the actual value transferred to QROPS, not by any tax-free lump sums withdrawn post-6 April 2024. Transfers that exceed the OTA threshold will incur a 25% Overseas Transfer Charge.

ADJUSTMENTS FOR PREVIOUS PENSION WITHDRAWALS

Individuals who began drawing down their pensions before 6 April 2024 will see an adjustment to their available allowances. For those who accessed benefits before 6 April 2006 without subsequent withdrawals amongst others, the calculation of new allowances will hinge on the annual income being drawn or entitled.

By contrast, pensions accessed after 6 April 2006 and evaluated against the Lifetime Allowance will see a reduction in available allowances. Specifically, the Lump Sum Allowance (LSA) and LSDBA will decrease by 25% of the total lifetime allowance utilised, with exceptions made for certain circumstances such as receipt of a serious ill-health lump sum before age 75 or disbursement of lump sum death benefits before 6 April 2024.

TRANSITIONAL CERTIFICATES AND AGE CONSIDERATIONS

Individuals may be eligible for a transitional tax-free certificate in specific scenarios, particularly where the maximum tax-free cash was not taken despite utilising the Lifetime Allowance. This certificate, likely relevant to those with final salary pensions or annuities without tax-free cash withdrawals, will delineate the adjustments needed for allowances based on received lump sums.

Furthermore, the significance of turning 75 shifts under these new rules. For those who reached age 75 on or after 6 April 2024, pension benefits will be tested against allowances only when taking a tax-free lump sum or making an overseas transfer, a change from the previous necessity of testing against the Lifetime Allowance.

SECURING LIFETIME ALLOWANCE PROTECTIONS

For those who meet the prerequisites, opportunities still exist to apply for Fixed Protection 2016 and Individual Protection 2016 until 5 April 2025. These protections safeguard individuals' pensions against potential tax implications by potentially enhancing allowances. This provision underscores the importance of timely action and consultation to ensure eligibility and application within the stipulated deadlines.

Professional financial advice is invaluable for those seeking additional information or clarity on how these changes might affect their pension planning or requiring guidance on applying for protections. ■

ARE YOU LOOKING FOR PROFESSIONAL ADVICE TO ASSIST YOU WITH YOUR RETIREMENT PLANS?

Please get in touch with us if you need to navigate these complexities or simply wish to explore how our financial planning services can assist you with your retirement plan. We are equipped to provide the insight and support needed to make informed decisions about your pension and financial future.

This article does not constitute tax or legal advice and should not be relied upon as such.

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.

The Financial Conduct Authority does not regulate tax planning.

GENERATIONAL WEALTH **PERSPECTIVES**

WHETHER THROUGH PROPERTY, PENSIONS OR A BLEND OF BOTH, INFORMED DECISION-MAKING IS CRUCIAL

A recent study suggests that a substantial proportion of Generation Z, born from 1996 to 2010, view property acquisition as their principal avenue to amass wealth for their retirement years[1]. This perspective is slightly more prevalent within this demographic than the reliance on pensions, with 33% of Gen Z individuals planning to utilise property as a retirement fund compared to 30% who favour pensions.

This inclination contrasts markedly with preceding generations; notably, Baby Boomers show a stronger preference for pensions (42%) over property (18%), and a similar trend is observed among Millennials, with a more significant number leaning towards pensions (36%) over property (22%).

EVOLVING FINANCIAL STRATEGIES

Moreover, the way different age groups perceive their home's financial role varies significantly. A notable 35% of Gen Z individuals regard their home as a wealth source accessible in times of need, especially during retirement – a view less commonly held by Millennials and Generation X (24%) and Baby Boomers (20%).

Despite the young adult population's intent to lean on property for retirement income, the feasibility of such plans remains questionable, given today's challenging housing and mortgage landscape. Only a minimal fraction of Gen Z (10%) currently holds a mortgage, and there is growing concern about the prospect of bearing mortgage costs into retirement.

HOUSING MARKET REALITIES

Based on current forecasts, the research anticipates that over 13 million individuals could face continued rental or mortgage expenses into their retirement years[2]. This insight into the prevailing preference for pensions among those nearing retirement age sheds light on the typical choices made regarding retirement income.

While each approach – property versus pension – has its merits, the younger generation's focus on property is understandable, considering the hurdles in accessing the housing market.

DIVERSIFICATION AND SECURITY

Nonetheless, relying solely on one asset for retirement is fraught with risk. It is advisable to achieve a diversified investment portfolio encompassing various funding options alongside the critical inclusion of pensions and easily accessible savings for emergencies.

Pensions offer several benefits, including tax relief on contributions and employer contributions for those enrolled in workplace pension schemes, potentially coupled with investment growth. However, limitations exist, such as the inability to access pension savings until reaching the minimum pension age, which is set to increase from 55 to 57 by 2028.

PROPERTY AS A RETIREMENT STRATEGY

On the property front, options include selling before reaching the minimum pension age. However, for many, their property doubles as their home, necessitating downsizing, relocating or exploring equity release to tap into their home's value.

While equity release might offer a solution for individuals without alternative assets, seeking professional financial advice to ensure it aligns with personal circumstances and financial goals is imperative. ■

READY TO DISCUSS MAKING AN INFORMED DECISION ABOUT YOUR RETIREMENT PLANS?
For those navigating the complexities of planning for retirement, whether through property, pensions or a blend of both, informed decision-making is crucial. Please get in touch with us for professional financial advice if you require additional information or guidance tailored to your unique situation.

Source data:

[1] Boxclever conducted research among 6,350 UK adults for Standard Life. Fieldwork was conducted 26 July–9 August 2023. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics.

[2] The Longer Lives Index https://www.thephoenixgroup.com/phoenix-insights/longer-lives-index/

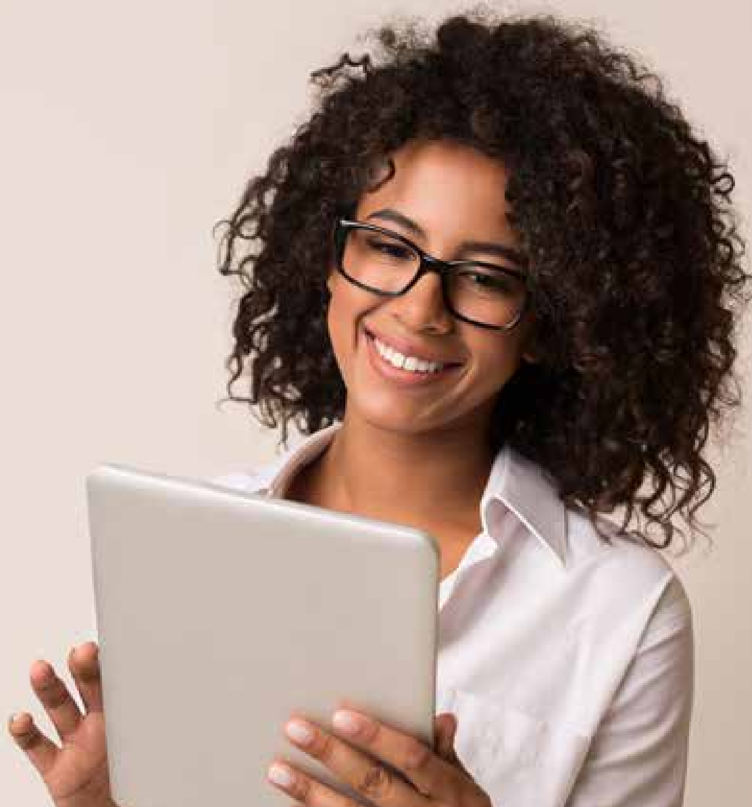
This article does not constitute tax or legal advice and should not be relied upon as such. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. for guidance, seek professional advice.

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.

Using equity in your home will affect the amount you are able to leave as inheritance. any means tested state benefits (both current amd future) may be affected by any equity released. Equity release is either a lifetime mortgage or home reversion scheme.



MIND OVER MATTER

HOW BEHAVIOURAL INVESTING CAN SHAPE FINANCIAL FUTURES

In the world of investing, where numbers and market analyses typically dominate, a crucial element often remains veiled in the backdrop – our behaviour. Behavioural investing emerges as a pivotal field, merging the realms of finance and psychology to scrutinise how our emotions, cognitive biases, backgrounds and worldviews intricately influence our investment decisions. It ventures into the less discussed but significant spectrum of how our psychological makeup can mould our financial futures, for better or for worse.

This discipline challenges the conventional notion that investors act solely on rational deliberations. Instead, it posits that psychological factors can precipitate predictable patterns of financial behaviour and biases. These inclinations can profoundly affect the outcomes of our investments, nudging us away from judicious, well-informed choices towards decisions that are more emotionally charged and, at times, harmful.

PSYCHOLOGICAL FOUNDATIONS OF INVESTMENT DECISIONS

The role of our subconscious is monumental, swayed by an array of elements such as familial upbringing, personal experiences and societal narratives. This profoundly influences our perceptions of risk, reward and security. For example, an individual raised in a financially unstable environment might develop a risk aversion, steering clear of potentially volatile investments that promise higher returns over time.

On the contrary, someone accustomed to financial security might display overconfidence in their investment choices, possibly neglecting the essentials of due diligence and risk management.

EMOTIONAL DRIVERS AND SHORT-TERM VIEWS

Emotions can significantly derail investment decisions. The potent forces of fear and greed can obscure rational judgement, prompting investors to make hasty sales during market lows out of panic or engage in buying sprees at market highs, spurred by the fear of missing out (FOMO).

Similarly, a short-term outlook might lead to impulsive reactions to market dips and rises, thwarting the advantages of a steadfast, long-term investment approach. These emotional reactions and myopic strategies can significantly diminish the value of investment portfolios over time.

POWER OF NARRATIVES

Our innate affinity for stories often transcends into the investment domain, where enticing narratives about a company or technology may eclipse solid fundamentals. Investors might find themselves heavily invested in portfolios rich with 'good stories' rather than a diversified mix of robust investments.

This propensity for narrative-driven

investment can subject individuals to more significant risks and foregone opportunities for consistent, long-term appreciation.

MITIGATING BEHAVIOURAL BIASES

Addressing and mitigating these behavioural biases is paramount for achieving superior investment outcomes. Awareness and understanding of one's own psychological predispositions can empower investors to adopt strategies that counteract these biases.

By fostering a disciplined investment approach, prioritising long-term goals over short-term fluctuations and embracing diversification, investors can navigate the psychological pitfalls that often beset the path to financial success.

IMPROVED INVESTMENT SUCCESS

When aiming for superior investment returns, the critical role of recognising and counteracting behavioural biases must be balanced. Practical strategies to combat these biases are paramount. Chief among these is the principle of diversification, which involves spreading investments across a variety of asset classes to minimise risk and soften the blow of any individual investment's performance on the entire portfolio.

Equally important is the strategy of long-term planning. By maintaining a long-term view, investors can better weather market volatility and reap the rewards of compound returns over time.

FOSTERING EMOTIONAL DISCIPLINE AND KNOWLEDGE

Cultivating emotional discipline is another cornerstone in overcoming behavioural biases. The ability to stay serene and adhere to an established investment plan through the market's highs and lows can avert the pitfalls of decision-making based on emotions, which often result in substantial financial losses.

Moreover, enhancing one's education and awareness about prevalent behavioural biases and making a concerted effort to identify and address them in personal decision-making can lead to more informed investment choices.

SIGNIFICANCE OF BEHAVIOURAL INSIGHTS

Behavioural investing provides crucial insights into the psychological elements that frequently go unnoticed in financial decision-making. By confronting and managing our biases, we are better equipped to make disciplined, objective investment decisions, thereby improving our financial outcomes.

Embarking on the path to becoming a more enlightened and rational investor requires an understanding of market mechanisms and a deep introspection into our own behavioural inclinations. ■

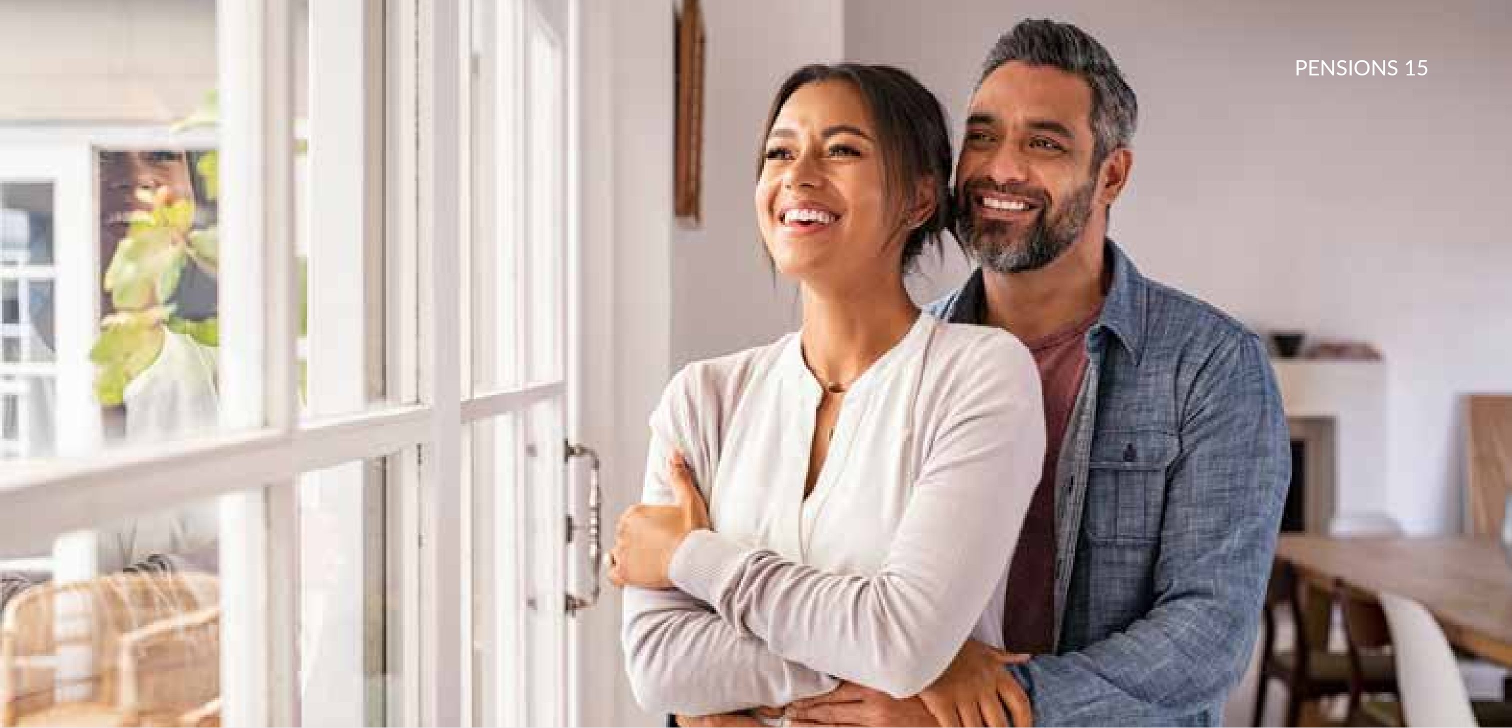
WANT TO DISCUSS HOW TO NAVIGATE THE COMPLEXITIES OF INVESTING?

If you require more information or wish to enhance your understanding of the psychological dimensions of investing, please get in touch with us. We can help you navigate the complexities of investing, ensuring that your decisions are grounded in financial acumen and psychological insight.

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 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.



ENHANCING PENSION CONTRIBUTIONS FOR A **BRIGHTER FUTURE**

NEW TAX YEAR, NEW YOU? MAXIMISE YOUR PENSION SAVINGS THIS NEW TAX YEAR

As we embark on the new tax year, it presents an opportune moment to review your pension savings strategy, setting a solid foundation for future financial stability. Early attention to your private pension at the onset of the fiscal year is not just about cultivating beneficial saving habits; it's also about ensuring you fully exploit the benefits and allowances available to you.

Delaying until the end of the tax year might seem convenient, yet acting early and promptly in this new tax year allows your investments more time to grow. Leveraging the power of compound growth can significantly bolster your pension pot and, by extension, your retirement prospects.

MAXIMISING YOUR ANNUAL ALLOWANCE

The annual pension allowance represents the maximum sum that your employer, you as the individual and any external parties can contribute to all your pension schemes within a tax year without triggering a tax charge. As established last year, this cap is set at £60,000 or 100% of your annual earnings, depending on which is lower.

For those without earnings, the maximum tax relievable contribution would be £3,600 gross, and for individuals who have commenced withdrawals from their pension funds, they might face the Money Purchase Annual Allowance, lowering their allowance to £10,000. If your financial situation permits, maximising your pension contributions early in the tax year enables you to fully utilise the annual allowance and potentially reduce your tax liability if your earnings are equal to the annual allowance or more.

SECURING EXTRA SAVINGS THROUGH TAX RELIEF

Tax relief stands as a compelling incentive, rendering pension plans amongst the most tax-efficient vehicles for retirement savings. For the majority of UK taxpayers, this equates to a government top-up of 20% on pension contributions, effectively reducing the cost of a £100 addition to your pension to just £80 from your pocket.

Higher and additional rate taxpayers may be entitled to further relief, though claims beyond the basic rate require a self-assessment tax return. It's worth noting that some workplace pensions may apply tax relief differently, such as through salary sacrifice schemes, so it's advisable to verify the specifics with your employer.

LEVERAGING WORKPLACE PENSION SCHEMES

Workplace pension schemes significantly enhance your ability to save for retirement, with compulsory contributions from both you and your employer. A minimum total

contribution of 8% of your qualifying earnings is required, including at least a 3% contribution from your employer.

Some employers may be willing to match your contributions up to a certain level, potentially doubling the investment in your retirement fund. Investigating whether increasing your contributions could lead to higher employer contributions is an astute strategy for maximising your pension growth.

LEVERAGING BONUS SACRIFICE FOR PENSION ENHANCEMENT

In the realm of financial planning, particularly regarding retirement savings, the concept of bonus sacrifice stands out as a strategic manoeuvre. Employees who receive work bonuses have the opportunity to allocate a portion or the entirety of these bonuses directly into their pension schemes.

This approach can lead to substantial savings on both tax and National Insurance contributions, effectively allowing more of the bonus to contribute towards long-term retirement savings.

OPTIMISING TAX-FREE PERSONAL ALLOWANCE

The tax year 2024/25 offers individuals a tax-free Personal Allowance of £12,570, a crucial figure in personal finance management. However, this allowance decreases by £1 for every £2 of income above £100,000, ultimately disappearing once income surpasses £125,140.

By strategically contributing to your pension, you can lower your taxable income and potentially reclaim any lost personal allowance. This results in receiving tax relief at an effective marginal rate of 60%, a significant advantage for your pension contributions.

SECURING CHILD BENEFIT THROUGH PENSION CONTRIBUTIONS

Adjustments announced in the March 2024 Spring Budget have positively impacted the High-Income Child Benefit Charge threshold, now raised to £60,000 from 6 April 2024. With the complete cancellation threshold also increased to £80,000, fewer families will find their Child Benefit reduced or nullified.

Enhancing pension contributions can effectively diminish taxable income for those with earnings within these brackets, thereby retaining Child Benefit entitlements. Even for earners above £60,000, applying for Child Benefit to accrue National Insurance credits remains beneficial, which is vital for the State Pension. ■

TIME TO EXPLORE HOW TO ENHANCE YOUR PENSION?

Navigating the complexities of pension contributions and tax benefits requires careful consideration and professional financial advice. If you need further clarification or wish to explore more personalised financial strategies to enhance your pension, we are here to assist. Please do not hesitate to contact us for support and guidance to help you achieve a secure and prosperous retirement.

This article does not constitute tax or legal advice and should not be relied upon as such.

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.

The Financial Conduct Authority does not regulate tax planning.

Kingswood, Kingswood Group and KW Institutional are trading names of KW Wealth Planning Limited (Companies House Number: 01265376) regulated by the Financial Conduct Authority (Firm Reference Number: 114694) and KW Investment Management Limited (Companies House Number: 06931664) regulated by the Financial Conduct Authority (Firm Reference Number: 506600) with a registered office at 10-11 Austin Friars, London, EC2N 2HG. KW Investment Management Limited is also regulated in South Africa by the Financial Sector Conduct Authority (Firm Reference Number: 46775). Both companies are wholly owned subsidiaries of Kingswood Holdings Limited which is incorporated in Guernsey (registered number: 42316) and has its registered office at Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW.

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results.