HMG HOWE MAXTED GROUP
INDEPENDENT INSURANCE BROKERS & FINANCIAL ADVISORS

NEWSLETTER

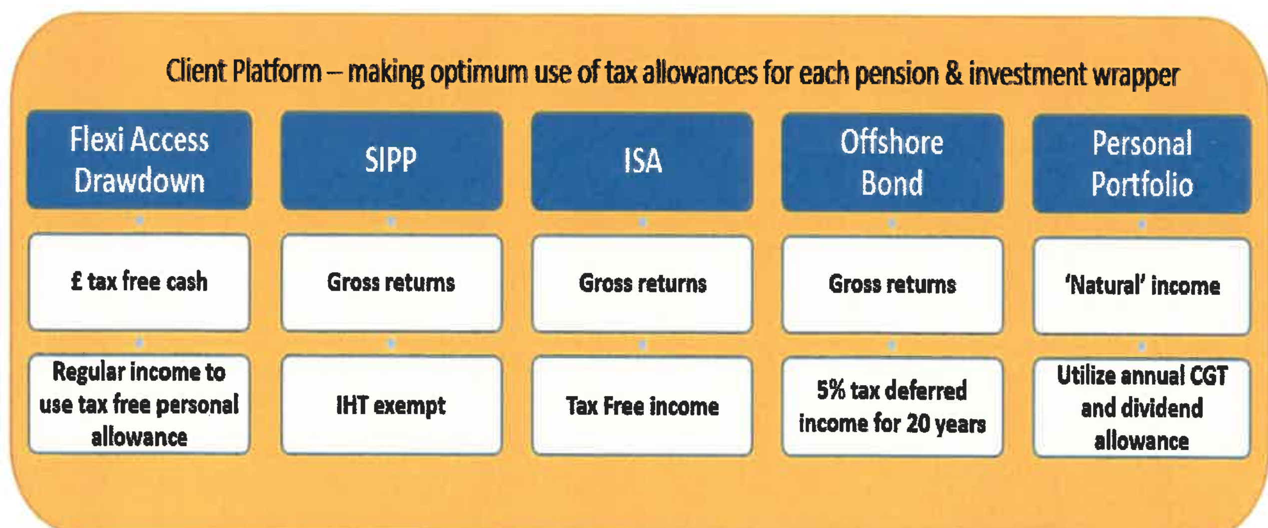
It's the Summer - Lets go all inclusive!

We have found one of the elements of our Wealth Management service that sets us apart from other Adviser firms is our comprehensive face to face, financial planning review we have with our clients. At this meeting we ensure all of the allowances available to you are utilised where possible to ensure your financial plan is robust, tax efficient and giving you the most positive outcome possible.

The Platform, Investment Proposition and Voyant Cashflow modelling tool we use at Howe Maxted Group enable us to do this, effectively and efficiently within our all-inclusive service.

We recognise that each client's circumstances, needs and aspirations are unique, as reflected in the bespoke plan we help to create using different 'tax wrappers' offering flexible, efficient solutions. Howe Maxted actively review and reallocate funds between the various wrappers held within a Platform to maximise use of the valuable annual tax allowances which are lost if not used. Indeed, many clients regard their Platform as a 'Financial Planning Bank Account' containing a series of complementary sub accounts, each of which plays an important role in both accumulating wealth and generating tax efficient income in retirement. So, far from being a static plan, it continuously evolves to meet the changing requirements of the various lifetime stages.

MAXIMUM TAX EFFICIENCY - FINANCIAL PEACE OF MIND – POSITIVE LONG-TERM CLIENT OUTCOMES



The above is illustrative only, and is not intended as a personal recommendation. Full details are available on request. The rules applying to different tax wrappers is complex, but fortunately your qualified HMG adviser is on hand to guide you through the maze of wrappers & allowances!

Change at Howe Maxted Group – but still the same values and drive to achieve positive outcomes for all our clients

Some of you may have noticed we have added a little more colour to our logo. We hope you like it. This will be rolled out within all our client facing materials this year including new document folders and business cards. Any thoughts you have on the quality of our documentation would be welcome.

We are pleased to announce the arrival of a new Senior Paraplanner, Tammy Stevens Dip PFS and a new Administration Support member, Lauren Hammond to assist us in delivering a first class service to our clients. Hopefully some of you will get to speak and or meet with them at some stage.

2017 Charity Walk

We all had a fantastic day walking for the David Hall Memorial Malaria Challenge at Bewl Water on the 13th May 2017.

A big thank you to all those who supported us. The Challenge has raised £3640, including gift aid. This has been split, £2462 for REMIT, £581 for Rotary Hospice Holidays and £597 for Chislehurst and Sidcup Sea Cadets.

Peter from the Rotary Club estimates we have raised approaching £50,000 since the first Challenge in 2006. Not bad for an idea hatched over a post squash drink between him and John! We need some more ideas like this!

Exam Success

We are pleased to announce, after lots of hard work, Laura has now achieved the status of Chartered Financial Planner. Tammy has passed the Advanced Diploma Pension Planning exam, moving one step closer to also attaining Chartered status.

Forthcoming event

Howe Maxted Group Golf Day – we look forward to seeing some of you for this on the 29th September 2017.

Enjoy the Summer
John, Laura, Paul, David, Carole, Lynn, Mark, Mike, Tammy and Lauren

The state pension explained

How much do you know about changes to the state pension?

At first glance the state pension is much simpler than other types of pension. You pay national insurance contributions (NICs) throughout your working life in return for a steady income once you reach state pension age.

Without having to make decisions about your contributions, types of investment or how you access it; the state pension is unlikely to be a priority in your retirement planning.

However, an increasing state pension age and changes to the system may mean that what you are entitled to and when you'll receive it may not be what you expected.

Age

The state pension age of 60 for women and 65 for men is a thing of the past.

Increased life expectancy and a baby boomer generation reaching retirement age have seen the cost of providing the state pension shoot up for the government.

To tackle this, women's state pension age has been gradually increasing so it will be the same as men's by 2018.

After 2018, the state pension age will gradually increase for everyone until it reaches 68 between 2044 and 2046 – and there may be further increases in the future.

This means your state pension age is determined by date of birth and gender. Women born in the 1950s are most significantly affected by the recent changes.

The table below illustrates how women born just a few months apart may reach state pension age at very different times and ages.

Name	Date of birth	Reach state pension age	Age
Margaret	17 January 1952	6 November 2013	61 years, 9 months, 20 days
Jean	17 January 1953	6 November 2015	62 years, 9 months, 20 days
Eva	17 January 1954	6 May 2019	65 years, 3 months, 19 days

How much?

How much you get will depend on when you reached (or reach) state pension age. A flat-rate state pension replaced the two-tier system for people who reached state pension age on or after 6 April 2016.

If you reached state pension age before 6 April 2016, you'll get your pension under the old rules.

The two-tier system

The pre-6 April 2016 state pension was made up on two parts: **the basic state pension** and the **additional state pension**.

The maximum basic state pension is £122.30 per week in 2017/18 if you have 30 qualifying years on your national insurance (NI) record.

If you don't get the full state pension you may qualify for a 'top-up' through your spouse or civil partner's NICs.

The additional state pension is based on NICs, earnings and whether you've claimed certain benefits.

The new state pension

You will be eligible for the new state pension if you are:

- a man born after 6 April 1951
- a woman born after 6 April 1953
- and you have at least ten qualifying years on your NI record.

You'll need 35 qualifying years of NICs to receive the current maximum amount of £159.55 a week.

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The state pension explained

A qualifying year is a tax year in which you've paid or have been credited with enough NICs to qualify for the state pension.

	Old state pension	New state pension
Minimum NICs	1 year	10 years
NICs needs to get full amount	30 years	35 years
Maximum weekly amount	£122.30*	£159.55

*plus any additional state pension

Calculating the new state pension

At first glance the new system appears easy to understand but the flat rate is in fact a misnomer – you may get more or less than £159.55 a week even if you have the full 35 years on your NI record.

The government uses your NI record to calculate what it calls your 'starting amount'.

The starting amount will be the higher of either:

- the amount you'd receive under old state pension rules
- the amount you'd get if the new state pension had been in place when you started working.

The government says your starting amount won't be less than under the old system. However, if you were 'contracted out' of the additional state pension scheme at some point in your career you may have a lower starting amount.

Conversely, if you have built up additional state pension under the old rules you are likely to get more. If your starting amount is more than the full state pension, the difference is called a 'protected payment' which is paid in addition to your state pension and increases each year in line with inflation.

Steps to take now

The state pension is likely to be just one part of your retirement income, but knowing what you are entitled to and when you will get it will help you plan your retirement strategy. Here are some things to focus on:

Check your state pension age online at www.gov.uk/state-pension-age

Find out how much you'll receive by getting a state pension forecast either online, by phone or post. Visit www.gov.uk/check-state-pension for more information on how to do this.

Find out if you have any gaps in your contributions or credits by checking your NI record. You can do this online or request a print copy. Visit www.gov.uk/check-national-insurance-record to find out how to do this.

Increasing your state pension

If your state pension income is less than you anticipated, you may need to revise your retirement saving strategy to achieve your retirement income target.

There are many ways to increase retirement income and it is important to consider all sources of income, not just the state pension.

Ways to increase your state pension include:

Working and continuing to pay national insurance will build the number of qualifying years on your NI record and boost your entitlement to the state pension.

Make voluntary national insurance contributions if you have gaps in your NI record. You can usually make voluntary contributions for the last six tax years. For example, you have until 5 April 2018 to fill in any gaps from 2011/12.

Deferring your state pension claim could increase how much you receive when you decide to take it, although a decision to defer can also be complex. Someone who reaches state pension age on or after 6 April 2016 should see their state pension increase by around 5.8% for every full year they defer

This equates to £479 a year for someone entitled to the full new state pension. However, you should seek professional advice to understand how this would affect you.

As you don't receive your state pension automatically once you reach state pension age – you have to claim it – there are no specific steps take to delay taking it.

National insurance credits can fill in gaps in your NI record. You may be entitled to them if you are not paying NI because you are ill or unemployed.

Talk to us about retirement planning.

Important Notice

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. Eligibility for state pension benefits depends upon individual circumstances.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation.

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Estate planning

Your guide to effective estate planning: writing your will, executorship and tax-planning.

Developing a plan for what happens to your assets after you die is something everyone has to do. Whether you're in possession of a multi-million pound estate or your assets are worth less than the £325,000 inheritance tax (IHT) threshold, estate planning is vital to ensure your assets will be inherited by the people you intend.

For those that own an estate valued at more than the IHT threshold, ensuring the transfers are done as tax-effectively as possible becomes a consideration of equal importance.

This guide will provide information on three of the key elements of estate planning: writing your will, executorships and tax planning.

Making a will

Deciding who you want to inherit your assets is the first stage to planning your estate. This is achieved through a will, which is a legal document that determines how your estate will be distributed after you die and when the assets will be transferred.

You should consider not just who you want to inherit your estate, but when they will be able to access the assets and whether you want to place any limitations on their use.

Why write a will?

Making a will is important for several reasons:

Ensuring the financial security of your family

Wills ensure your estate will be inherited by who you choose, helping to provide financial security for your family and their descendants. They can also be used to outline guardianship arrangements for children under the age of 18. Failure to write a will before you die will result in your estate becoming subject to intestacy rules. Your estate will then be distributed according to fixed rules and will not take your personal wishes into account.

Preventing disputes

Dying without a will – or leaving a poorly-written will – can result in conflict between family members. Making your wishes clear and unambiguous will mitigate the potential for family disputes.

Minimising inheritance tax

The amount of IHT charged on your estate may be reduced by careful planning (for example, writing a trust into your will).

Writing your will

You have several options when it comes to writing your will. Firstly, you can go to a will-writing service. While this is a low-cost option, your will writer may not be legally qualified and such services aren't subject to the same regulations as legal professionals.

If you have a large and complex estate that exceeds the IHT threshold you should consult a professional. Legal professionals can be expensive but it is essential to get expert advice if you have a large estate or a complicated family situation.

You can also write your will yourself, but you should only do this if you are confident you have the necessary legal expertise. Without consulting a professional you run the risk of writing a will that isn't legally valid.

Choosing your executor

Although making a will is an essential component of estate planning, it will be of limited use if nobody is responsible for ensuring your wishes are carried out. This is the job of the executor.

The executor is responsible for dealing with your estate, ensuring the beneficiaries receive their inheritance and paying any taxes charged on your assets.

Estate planning

You can name anyone aged 18 or above to be an executor of your will – even if you have included them as beneficiaries of your estate. The main thing to remember is your executor must be someone you trust – both to deal with family members and handle the legal and tax matters.

You are able to appoint up to four executors, so you could choose both a member of your family and a professional – such as a financial adviser – to manage the administrative work.

Inheritance tax planning

Keeping as much of your estate out of the taxman's hands should be a top priority during the estate planning process. An IHT charge of 40% is charged on estates worth more than the nil-rate band (£325,000). IHT is levied on any amount exceeding this threshold, rather than the total value of the estate.

There is also an additional nil-rate band (currently £100,000) available when a family home is passed to a direct descendant.

If your estate valuation exceeds the nil-rate band, the main goal therefore is to reduce its value below £325,000. **Gifting assets** and **placing assets into trust** are two effective ways to achieve this.

Gifts

Making charitable donations and gifts carry tax advantages.

Reducing the rate of inheritance tax

Gifting a minimum of 10% of your estate to charity will see your estate charged a reduced IHT rate of 36%.

Tax-free gifts

Each tax year you can make the following IHT-free gifts:

- gifts of up to £3,000
- marriage and civil partnership gifts worth £5,000 (for parents), £2,500 (for grandparents) and £1,000 (for non-relatives)
- normal gifts out of income (such as Christmas and birthday presents), as long as your standard of living is not affected by the gift
- small gifts up to £250 per person (as long as you haven't used another exemption with the same person in the same tax year)
- financial assistance to family members or friends, to help with their living costs
- gifts to charities and political parties.

Potentially exempt transfers and the taper relief

Potentially exempt transfers (PETs) are gifts made out of your estate that may be fully exempted from IHT should you live for seven years after making the transfer. Taper relief will be applied should you die within seven years, although the rate of IHT charged will depend on the time of death.

Taper relief

Years between gift and death	Taper relief rate
0 – 3	0%
3 – 4	20%
4 – 5	40%
5 – 6	60%
6 – 7	80%
7+	100%

Trusts

Trusts are legal arrangements in which the ownership of assets from your estate are passed on to a single trustee or a group of trustees. The trustees are responsible for administering these assets and any income they generate, while ensuring they are distributed according to your wishes.

Bare and discretionary are two common types of trust, both of which are treated differently for IHT.

Bare trusts are the simplest type of trust. The beneficiaries of a bare trust get access to its assets and income when they reach the age of 18. Bare trusts are often set up to hold assets for children who are not yet old enough to control them.

Asset transfers into a bare trust are treated as PETs and thus will be exempt from IHT as long as you survive for seven years after the transfer date.

Discretionary trusts provide more power to trustees to manage and distribute its assets. Beneficiaries of a discretionary trust do not have an automatic entitlement to a share of the assets. Instead, trustees can decide how to distribute the income and sometimes the capital, depending what was agreed in the deed. This includes which beneficiary to pay, frequency of payments, payment amount (income or capital) and any conditions to impose. Transfers into discretionary trusts (and all other types of trust) are treated as chargeable lifetime transfers, which are taxed at a reduced IHT rate of 20%.

We offer estate planning services.

Important information

FCA regulation applies to certain regulated activities, products and services, but does not necessarily apply to all tax planning activities and services. The FCA does not regulate advice and services in respect of establishing trusts, IHT planning not involving regulated products or services, or will writing services.

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