



MANNING & COMPANY

Independent Financial Advisers

OCTOBER 2023

DON'T BE SPOOKED BY INVESTING

As the days shorten and the eerie chill of October evenings descend, this haunting season might have you reflecting on your fears surrounding the world of investing.

NAVIGATING INHERITANCE TAX

A Look at the Rumoured Reforms that could be actioned by the UK Government.

THE UK'S INTEREST RATE LANDSCAPE

Recent deliberations have sent ripples through the financial market.

PLANNING TO RETIRE IN THE NEXT YEAR

8 careful planning tips to ensure a comfortable and worry-free retirement.

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WORKING WITH US

For over 30 years Manning and Company has been giving clients trustworthy, proven and personal financial advice.

Based in Ivybridge near Plymouth, we're a respected and well-established name in Plymouth and South Devon – but we also work with clients throughout the UK.

We provide financial guidance to individuals and businesses alike. We're completely independent of any financial institutions, and we offer financial products from across the whole of the market – so our clients always get fully-informed, impartial advice. We firmly believe good financial advice should be available to everyone, not just wealthy clients – and all our clients receive the same level of attention and respect.

From a first-time mortgage to a complex investment portfolio, we have the breadth and depth of experience to help.

- Manning & Co

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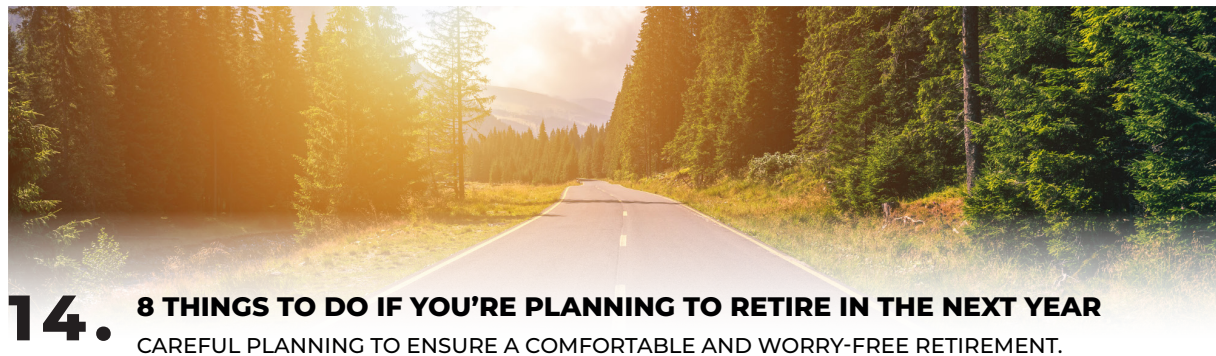
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INSIDE THIS ISSUE

Welcome to the October edition of our Newsletter! We start with a dive into the current interest rate landscape in the UK. We reflect on recent discussions about UK interest rates which have triggered ripples through the financial market. This sets the stage for our next stop, where we talk about how goal-oriented financial planning can be your roadmap to financial success. Whether you're saving for a home, planning a family, or anticipating a comfortable retirement, having clear financial goals is like having a GPS in the world of personal finance.

Now, speaking of what's down the road, inheritance tax may be on your radar. Our article sheds light on the rumoured reforms around inheritance tax and offers some strategies to make passing on wealth to the next generation a smoother ride.

With the autumn season rolling in, it's natural to feel a chill in the air, especially when it comes to investments. We tackle common investment fears head-on and offer insights to help you brave the spooky unknowns, ensuring your investment journey is more treat than trick.

Next up, we hop into the realm of trusts. Our piece will walk you through the how's and why's, making the concept of trusts a little less mysterious.

And last but not least, if retirement is peeking over the horizon for you, we've got your back. Our final article lays out eight essential steps to make transitioning into retirement a breeze, ensuring you're set for a cosy, worry-free chapter of life.

We hope you find this month's roundup informative, but also a friendly aide in navigating the personal finance landscape. Here's to making strides towards a financially secure and savvy future, together!

THE INTEREST RATE LANDSCAPE

Recent deliberations over UK interest rates have sent ripples through the financial market, with an unexpected dip in inflation casting shadows on the anticipated 15th consecutive rise. However, the Bank of England's latest decision to hold the interest rates at 5.25%, announced on 22nd September, has halted the series of rate hikes that had been in effect since December 2021 [1]. This decision highlights the delicate balance between reining inflation and fostering economic growth. The profound implications of interest rates on mortgages, loans, and savings make it imperative for individuals to closely monitor these unfolding events to successfully steer their financial strategies. It is worth noting that the Bank of England's cautious approach could signify a stabilising economy that is ready to embrace a more stable interest rate environment that is conducive to both corporate investment and consumer spending. This illustrates an optimistic scenario in which prudent interest rate management could lead to sustainable economic growth. The following discussion will broaden the lens on UK interest rates, shedding light on their wider repercussions across various financial areas.

MORTGAGE IMPLICATIONS

Interest rates are fundamental to the cost of borrowing. Their movement, whether up or down, impacts the cost incurred by mortgage holders, especially those with variable or tracker mortgages whose rates are directly tied to market interest rates. A rise in interest rates typically means higher monthly repayments, while a decrease could lead to lower monthly charges. Homeowners with fixed-rate agreements may find themselves unaffected in the short-term, though those nearing the end of their deals or tied to variable rates may face different circumstances. Given the potential for change, seeking advice from a mortgage adviser to understand

the implications and establish a personalised course of action in the current climate appears to be sensible.

RIPPLES ON LOANS AND SAVINGS

Interest rate adjustments extend beyond mortgages to impact other areas of personal finance, including loans and savings. Higher interest rates generally signify increased loan costs across personal loans, car loans, and credit card rates, making borrowing more expensive. Conversely, savers could potentially enjoy improved returns on their investments when rates are on the upswing. Moreover, a rise in interest rates could reflect a strengthening economy, which could enhance the earning potential of individuals and businesses alike, potentially leading to higher levels of savings and investments. The contrasting dynamics of interest rate changes underscore the importance of a balanced financial strategy. Consulting with a financial adviser could reveal tailored approaches to navigate these economic waters, whether it's adjusting loan repayments or reallocating savings and investments.

BANK OF ENGLAND'S ROLE

At its core, the Bank of England is tasked with preserving monetary stability. Through fine-tuning interest rates, it strives to govern inflation while bolstering economic growth. The recent unexpected descent in inflation to 6.7%, juxtaposed against the halted [1]. rate, unveils the Bank's pivotal balancing act. The actions of the Bank of England are aimed at ensuring a smooth transition in economic phases, minimising shocks, and facilitating a conducive environment for investments and economic expansion. This optimistic perspective could help individuals and businesses to plan effectively, building robust financial strategies aligned with

long-term economic forecasts. Each verdict comes from thorough analysis, casting ripples across the financial spectrum. Engaging a financial adviser will shed light on these economic tides, assisting individuals in aligning their financial strategies with the larger economic narrative.

NAVIGATING THE CHANGES

In the midst of a landscape of fluctuating interest rates, an individual strategy is of the utmost importance. Venturing into fixed-rate mortgage deals, reevaluating loan obligations, or revisiting savings and investment allocations are wise steps. The guidance of a financial adviser can provide tailored advice, ensuring informed choices amidst economic turbulence.

Recognising the potential positive impacts of interest rate adjustments, such as the possible stimulation of economic growth, can empower individuals to make informed decisions and optimise their financial strategies. By grasping the broader economic mechanics and harnessing professional advice, individuals can skilfully sail the financial storms, potentially leading to both stability and growth in their personal financial portfolios.

THE VALUE OF INVESTMENTS AND ANY INCOME FROM THEM CAN FALL AS WELL AS RISE, AND YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

SOURCE DATA:

[1] Financial Reporter - Bank of England votes 5-4 to hold interest rates at 5.25% - September 2023



YOUR FINANCIAL PLAN

THE ROLE OF GOAL-BASED FINANCIAL PLANNING

83% of people who use a financial adviser believe the support is useful. [1] Financial serenity is possible for all, but it requires a plan.

Much like entrepreneurs plan their business goals and objectives, individuals should plan their personal finances. Goal-based financial planning is a personalised financial strategy that helps individuals navigate through their different stages of life and achieve their financial goals.

WHAT IS GOAL-BASED FINANCIAL PLANNING?

Goal-Based Financial Planning is about directing your finances towards defined objectives. Unlike traditional planning that emphasises wealth accumulation, Goal-Based Financial Planning is a more tailored approach that revolves around your unique financial goals - be it buying a home, securing a comfortable retirement, funding education, starting a venture, or establishing a sustainable income stream.

Goal-Based Financial Planning begins with identifying these distinct financial objectives, evaluating personal circumstances such as age, income, risk tolerance, and then crafting a personalised strategy to reach those milestones. It's about creating a financial plan, infused with personal aspirations and checkpoints to ensure the journey is achievable and rewarding.

HOW GOAL-BASED PLANNING OUTSHINES TRADITIONAL APPROACHES

Unlike the conventional methods, which for some, may lack clear objectives, Goal-Based Financial Planning starts with a clear destination in sight. It's a more structured, client-centric approach that

tends to resonate well with individuals who are goal-oriented by nature. It provides a clear sense of direction, helping to prioritise financial objectives based on personal circumstances and inspirations. According to a study by the Financial Planning Association, using a goals-based framework can lead to a 15.09% increase in utility-adjusted wealth for a household, compared to a strategy focused solely on funding retirement. This enhancement is likened to generating an annual alpha of 1.65% for the household over a lifetime, underlining the substantial value that Goal-Based Financial Planning could bring over traditional financial planning approaches [2].

STEPS TO GOAL-BASED FINANCIAL PLANNING

Embarking on this personal financial journey involves six important steps:

Financial Destinations: The journey begins with setting clear financial objectives, further segmented into short, medium, and long-term goals. For instance, a vague aspiration like "I want to buy a home" morphs into a precise goal - "I aim to save £50,000 in the next five years for a home down payment."

Personal Financial Goals: Delving deeper to understand the emotional and practical significance of each goal makes them more tangible and motivating. It's about envisioning what success looks like and why it matters on a personal level.

Prioritised Financial Milestones: Not all goals are created equal. Prioritising

them based on urgency and importance ensures effective resource allocation towards accomplishing the most critical goals first.

Detailed Financial Objectives: Defining the specifics of each goal, determining the requisite funding, and analysing the risk tolerance forms the foundation of a realistic financial plan.

Action Planning: This stage involves plotting the investment strategies, saving plans, and timelines for each goal, ensuring they align with personal risk tolerance and life objectives.

Regular Monitoring and Adjustments: Regular monitoring and adjustments ensure you stay on track. Adapting to changing circumstances is key to staying aligned with your financial goals.

BENEFITS AND DOWNSIDES OF GOAL-BASED PLANNING

Goal-Based Financial Planning provides a structured approach, assisting individuals in avoiding financial missteps and successfully directing them towards their financial goals. It fosters better financial decisions, amplifies motivation, and potentially elevates financial wellbeing. However, like any strategy, it's not without challenges.

The rigidity that sometimes accompanies goal-based planning could hinder responsiveness to changing circumstances or unforeseen opportunities. There's also a risk of over-focusing on specific goals, potentially overlooking other crucial financial aspects of setting unrealistic objectives. The pursuit of financial goals should not overshadow the essence of living a fulfilling, balanced life.

DRAWBACKS AND MITIGATION STRATEGIES

Goal-based financial planning is a powerful tool, but it's important to be aware of potential drawbacks. One challenge is that goal-based planning can be rigid. If your circumstances change, it may be difficult to adjust your plan. Another challenge is that there is a risk of over-focusing on specific goals at the expense of other important financial considerations.

To mitigate these drawbacks, it's important to be flexible and realistic when setting your goals. It's also important to have a holistic view of your financial situation and consider all your financial needs, not just your specific goals. Finally, it's important to regularly review your financial plan and make adjustments as needed.

Achieving financial serenity isn't solely about wealth accumulation; it's about having a well-charted plan aligned with personal financial aspirations. Goal-based financial planning provides a personalised approach that helps individuals navigate through their unique financial journey.

Whether it's manifesting a dream home, ensuring a comfortable retirement, or launching a business venture, Goal-Based Financial Planning brings clarity, direction, and purpose to the financial journey. It's about aligning the financial course with life's aspirations, ensuring the journey is not just prosperous, but also fulfilling.

The financial journey is complex, but with a tailored plan, individuals can navigate their financial challenges with clearly defined goals.

THE VALUE OF INVESTMENTS AND ANY INCOME FROM THEM CAN FALL AS WELL AS RISE AND YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

SOURCE DATA

[1] Standard Life - Half of UK consumers find pensions information overwhelming as cost of living hits confidence - 2023

[2] Financial Planning Association - The Value of Goals-Based Financial Planning.



NAVIGATING INHERITANCE TAX

A CLOSER LOOK AT THE RUMOURED REFORMS

In a recent development, rumours have surfaced about Prime Minister Rishi Sunak's plans to potentially phase out the Inheritance Tax (IHT) in the UK.

The proposal to abolish the 40% tax rate has ignited a discourse on its ramifications on wealth distribution and the broader economy. Given the evolving landscape, understanding the nuances of IHT and seeking professional financial advice has never been more crucial.

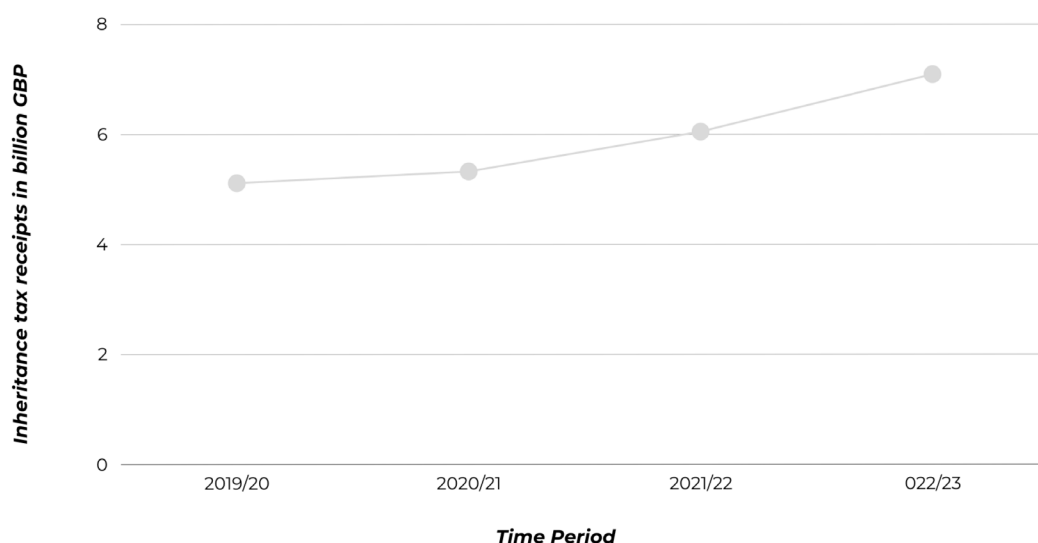
Inheritance tax is a tax paid on an estate (which can include property, money and

possessions) when someone dies. The current threshold is £325,000 per person, with a tax rate of 40% on anything above this amount, although the rate may fall to 36% if 10% or more of the estate is donated to charity. However, with the rumoured abolition of this tax, the financial implications for inheritors could be significant.

The debate surrounding IHT is multifaceted. Critics argue it is a form of double taxation, as the assets in an estate have already been taxed during the lifetime of the deceased.

They believe the tax is unfair and detrimental to family businesses. On the flip side, advocates of IHT see it as a necessary tool for wealth redistribution, ensuring a level playing field and helping mitigate the wealth gap within society. The revenue generated from IHT amounted to £7 billion in 2022/23, which contributes to national funds, helping in public service funding.

The following graph shows how much HMRC has made in the last 5 years from inheritance tax receipts in the UK. [2]



Moreover, proponents of the rumoured abolition argue that eliminating or reducing the IHT could stimulate economic growth. By reducing the tax burden on inheritances, there could be a surge in investments, as individuals might be more inclined to invest their inherited wealth in businesses, property, or the stock market. The abolition could particularly benefit small and family-owned businesses, which often struggle

with liquidity issues upon the death of an owner, helping them continue and potentially leading to job creation.

On the other hand, the potential abolition of IHT could significantly affect wealth distribution, potentially widening the wealth gap. Without the tax, estates would pass on to heirs without deductions, possibly maintaining wealth concentration within certain families

or groups. This scenario amplifies the importance of understanding the dynamics of IHT and its implications for its potential reform.

What the recent proposal underscores is the necessity of seeking professional financial advice. The complexity of IHT, coupled with potential changes, could significantly impact estate planning strategies.

Financial advisers are well versed in navigating the complex terrain of estate taxation and can provide invaluable insights into how to manage, protect, and pass on wealth in the most tax-efficient way. They can help individuals understand the impact of IHT on their estate and develop strategies to minimise the tax burden and ensure a smooth transition of assets to the next generation.

Financial advisers can also keep individuals informed of the latest developments in tax laws and reforms, and ensure they are well positioned to adapt to changes. Given that estate taxation is seemingly on the brink of

change, it is vital to be well informed and have a sound financial strategy. Whether or not the reform will be implemented, the discussions surrounding it will serve as a poignant reminder of the complexity of estate planning and wealth transfer. Therefore, engaging a financial adviser to navigate these complex waters is a sensible step towards protecting your financial legacy and ensuring a fair and efficient transfer of wealth to the next generation.

THE VALUE OF INVESTMENTS AND ANY INCOME FROM THEM CAN FALL AS WELL AS RISE, AND YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

HM REVENUE AND CUSTOMS PRACTISE, AND THE LAW RELATING TO TAXATION ARE COMPLEX AND SUBJECT TO INDIVIDUAL CIRCUMSTANCES AND CHANGES WHICH CANNOT BE FORESEEN.

SOURCE DATA

[1] Financial Times - The calculations behind Rishi Sunak's potential inheritance tax shake-up

[2] Statista - Inheritance tax receipts in the United Kingdom from 2000/01 to 2022/23



DON'T BE SPOOKED BY INVESTING

As the days shorten and the eerie chill of October evenings descend, this season might have you reflecting on your fears surrounding the world of investing.

A recent survey found 66% of Brits are nervous about investing [1]. The uncertainty, the risks, the volatile nature of the market can indeed cast a dark shadow over your financial aspirations. However, venturing into this unknown with a trusted financial adviser can help, turning the spooky unknown into a profitable endeavour.

Investing, while beneficial, represents one of many approaches towards achieving financial stability. Investing is a crucial step towards reaching significant financial milestones, whether it's purchasing a home, funding a comfortable retirement, or even securing a financial legacy for the next generation. By overcoming your fear of investing, you can pave the way toward achieving these fundamental life goals.

UNMASKING THE COMMON FEARS OF INVESTING

Investing often carries with it a cauldron of fears, with the fear of losing money the dominant one that can lead investors to behave irrationally and make bad decisions, such as holding onto a stock for too long or little time [2].

Market crashes and investments going south are enough to scare away many.

Besides, the frightful swings of market volatility can make even the bravest of investors quiver. Add to that economic uncertainties, and it becomes a spine-chilling endeavour. The mere lack of knowledge or experience in the financial domain can amplify these fears, keeping many on the outskirts of the investment world.

It's important to acknowledge that the risks associated with investing may not suit everyone's financial situation or temperament.

TRICK OR TREAT: THE RISKS AND REWARDS OF INVESTING

Investing has its share of risks and rewards. For many, the treasure chest of rewards waits for those who dare to venture. A diversified portfolio is what can act as your shield against risks, ensuring you don't put all your eggs in one basket. Moreover, long-term investing can often ride out the sinister storms of market volatility, turning potential tricks into treats over time. Additionally, it's important to understand the different types of investment risks. Market risk, for instance, is the risk of investments declining due to economic trends or other events that affect the entire

market. Interest rate risk revolves around changes in interest rates affecting the value of investments, and credit risk is associated with the ability of issuers of securities to meet their obligations. Understanding these risks helps craft a more robust investment strategy.

However, it's crucial to underscore that a diversified portfolio doesn't guarantee protection against loss and the emotional turmoil following a market downturn can be significant.

PUMPKIN CARVING: CARVING OUT YOUR INVESTMENT STRATEGY

Every Pumpkin has a tale, much like your investment strategy, which should narrate your financial goals, risk tolerance, and time horizon. Carving out a precise strategy requires understanding and clarity on your financial ambitions.

A crucial aspect of this strategy is rebalancing your portfolio regularly to ensure it remains aligned with your risk tolerance and financial goals. A financial adviser can play the role of an experienced carver, helping you etch out a strategy that most resonates with your unique financial needs.

Moreover, for those not inclined towards the stock market, considering alternatives like savings accounts, bonds, or other lower-risk financial products is a prudent strategy.

GHOSTBUSTERS: HOW FINANCIAL ADVISERS CAN EASE INVESTMENT FEARS

Investing is less spooky, with a financial adviser by your side. Their experienced outlook can provide the clarity to see through the market fog. By offering education to demystify investing, and by providing a comprehensive financial plan, they can help rid the fear that haunts many investors. Financial advisers can help develop a solid financial plan, choose the right investments, and manage risk, making the journey less frightful. Their expertise enables you to navigate with a map and flashlight, through the rocky terrain of investment fears towards a more secure financial future.

It's worth noting that financial advisers, while beneficial, come with their own set of fees which may not be affordable for every investor.

CONQUERING THE HAUNTED HOUSE: TIPS TO OVERCOME INVESTMENT ANXIETY

Education is the key to unlocking the haunted house of investing. The more you know, the less you fear. Establishing clear financial goals and regular consultation with financial advisers can turn investing into a less daunting

place. Practising patience and staying committed to your long-term strategy can also help ward off fears, making the investment journey a rewarding one.

Remember that investing isn't the sole path towards financial security. Prudent saving and budgeting are equally important, and might be better suited to certain individuals.

ALTERNATIVE AVENUES FOR BUILDING WEALTH

Investing in stocks is a common way to work towards financial stability, but it's far from the only option. Depending on personal circumstances and risk tolerance, individuals might find comfort in other financial strategies. Savings accounts, government or corporate bonds, mutual funds with lower risk profiles, property, or even starting a small business could be alternative avenues. Each of these methods has their own risks and rewards, and understanding them is crucial to making informed financial decisions. It's advisable to consider a wide range of financial strategies to find what aligns best with your individual goals and risk tolerance.

Vanquishing the fear around investing requires a blend of education, a clear strategy, and professional guidance.

This Halloween season, don't let fears deter you from venturing into investing. Consult a trusted financial adviser, arm yourself with knowledge, and carve out your investment strategy to take control of your financial future. Your journey through the eerie fog of market uncertainty could lead to a treasure trove of financial security and prosperity.

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PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE AND SHOULD NOT BE RELIED UPON.

SOURCE DATA

[1] Wealthify - Fear of investing: Dispelling investment myths as new research shows 66% of Brits are nervous about investing- May 2023 Research conducted on behalf of Wealthify by Savanta amongst 2,000 UK adults that have £5,000+ in savings and have not invested before in March 2023.

[2] Investopedia - Loss Aversion: Definition, Risks in Trading, and How to Minimise



EXPLORING GENERATIONAL WEALTH WITH TRUSTS

Trusts have long been viewed as an advantage of the wealthy, a sophisticated financial means accessible only to those with estates vast enough to warrant such complex planning. However, this perception is a myth that conceals the numerous benefits trusts offer families across a range of financial standings.

Estate planning is a crucial step in securing a family's financial future, and trusts play an important role in this process.

THE VERSATILITY OF TRUSTS

Asset Protection

Trusts serve as a robust shield, safeguarding assets from creditors, lawsuits, and other unforeseen financial adversities. In the UK, as of March 31, 2022, there were 198,000 trusts and estates registered, showcasing the extensive use of trusts in asset management. The total income and chargeable gains of all trusts and estates for the tax year ending 2021 stood at £6,510 million, underscoring the significant financial activity managed through trusts. Additionally, trusts and estates contributed £1,455 million in Income Tax and Capital Gains Tax during the same period, highlighting their role in the broader financial landscape [1].

Succession Planning

Succession planning is the strategic process of preparing for the transfer of assets, leadership, and decision-making to the next generation in a family or organisation. Trusts are crucial tools in this process, providing a structured framework for asset distribution, minimising potential disputes, and ensuring a seamless transition. Research indicates 60% of business succession failures are due to lack of trust or communication, and 25% to unpreparedness. Moreover, 90% of

younger workers value clear succession plans, highlighting the broader positive impact on engagement and morale when structured transition plans are in place [2].

EMPOWERING THE NEXT GENERATION

Educational Support

Trusts can be designated to finance the educational endeavours of beneficiaries, establishing a strong foundation for their future. In the UK, educational trusts can provide tax-efficient ways to save for education expenses, while ensuring funds are utilised as intended. By establishing an educational trust, families can secure a portion of their wealth to support the academic aspirations of the next generation, contributing to the long-term development of individual family members.

Financial Independence and Responsibility

Trusts are adept at promoting financial independence and responsibility among younger family members. They can be structured with specific conditions for distributions, such as reaching a certain age or achieving particular milestones, which encourage cautious financial behaviours. Moreover, trusts provide a platform for financial education, allowing younger beneficiaries to learn about asset management, investment strategies, and fiscal responsibility under the guidance of trustees. In challenging

times, trusts also serve as a financial safety net, ensuring sustained support for your loved ones. By setting up trusts, families not only safeguard their wealth, but also develop a culture of financial literacy and independence, equipping the next generation with the skills necessary to manage and further grow the family's assets responsibly.

PRESERVING FAMILY WEALTH

Keeping Assets Within the Family

Family dynamics in today's society can be complex, often changing due to circumstances like divorces, remarriages, or the integration of step-families. Amidst such complexities, trusts provide a robust framework to ensure that assets stay within the family lineage. They can be structured to specify the beneficiaries who will receive assets, and under what conditions, providing a layer of protection against external claims outside the family, such as claims from ex-spouses or creditors. For instance, in the event of a divorce, assets held within a trust may be protected from division, ensuring they remain within the family as intended. Additionally, trusts can be used to define how assets are to be managed and used, providing further assurance that family wealth will be utilised in accordance with the grantor's wishes. Through the strategic use of trusts, families can create a well-defined plan to safeguard their wealth, ensuring it remains within the family and continues to support the family's overall financial objectives across generations.

Creating a Legacy

Trusts enable the creation of lasting legacy that spans generations and fosters a lasting legacy. The Rockefeller's trust is a testament to how trusts can engender a lasting family legacy. The Rockefeller trust comprises two trusts managed by Chase Bank, holding interests in Standard Oil descendants and other investments like real estate. They established Rockefeller Financial Services for professional management of their fortune. Their method of estate planning, involving a family constitution and well-funded irrevocable trusts, has preserved their wealth for over six generations. [3] This example could provide a blueprint for families looking to create a lasting financial legacy.

TAX EFFICIENCY AND TRUSTS

Reduction of Estate Taxes

Trusts play a significant role in reducing or even avoiding estate taxes, allowing more wealth to be passed down to subsequent generations. By strategically allocating assets into trusts, families can minimise their estate tax liability, leveraging allowances and exemptions provided under UK tax laws. The efficacy of trusts in tax planning is well-recognised by tax authorities, making them a cornerstone in sensible estate planning. Understanding and using the tax benefits associated with trusts can significantly improve the financial legacy left to heirs, maximising the

family's wealth preservation generation after generation.

Income Tax Planning

Incorporating trusts into income tax planning can yield substantial tax benefits, making them an effective tool in a family's financial toolkit. Charitable trusts, for instance, not only support philanthropic causes, but also offer tax deductions, creating a win-win scenario for charitable families. In the UK, trusts can be structured to take advantage of various tax allowances and reliefs, effectively reducing the overall income tax liability. Additionally, trusts allow income to be distributed among beneficiaries in lower tax brackets, potentially leading to significant tax savings. By consulting with tax professionals and exploring the diverse trust structures, families can devise a tax-efficient strategy that aligns with their financial and philanthropic objectives, optimising the benefits gained from trusts in managing and preserving wealth.

PROFESSIONAL GUIDANCE AND TRUST MANAGEMENT

Navigating the intricacies of setting up and managing a trust requires professional guidance to ensure compliance with legal and tax regulations, and to optimise the benefits trusts offer. The roles of trustees and trust protectors are

essential for the effective management and control of trusts, safeguarding the assets and ensuring they are managed in accordance with the guarantor's intentions. Reputable trust management firms and advisers in the UK, such as those listed by the Financial Planning Association, provide invaluable expertise in setting up, administering, and managing trusts. They offer tailored advice, ensuring trusts are structured effectively to meet the unique needs and objectives of each family. Furthermore, professional advisers can provide ongoing management and review of trusts, adapting to changing legal landscapes and family circumstances, ensuring the enduring efficacy and relevance of the trust arrangement. Engaging professional guidance in trust management not only enhances the security and efficiency of the trust setup, but also empowers families to make informed decisions, laying a robust foundation for wealth preservation and generational financial stability.

CHALLENGES AND DOWNSIDES OF TRUSTS

While trusts offer many benefits in estate planning and wealth preservation, they are not without their challenges. It's essential to understand the potential downsides and complexities involved in setting up and managing trusts.



Costs

Setting up a trust can be costly. The initial setup involves legal fees, and there may be ongoing fees for the management and administration of the trust. The costs can escalate depending on the complexity of the trust structure and the expertise required to manage it effectively.

Legal Complexities

The legal framework surrounding trusts is complex and requires a thorough understanding of the laws and regulations governing trusts. This complexity can be daunting and may require the engagement of legal professionals specialising in trust and estate law, adding to the costs.

Potential for Mismanagement

Trusts are managed by trustees, whose role is pivotal in ensuring that the trust assets are managed and distributed according to the terms of the trust. However, there's potential for mismanagement if trustees lack the expertise or integrity. Mismanagement can lead to financial loss and disputes among beneficiaries.

Lack of Flexibility

Once a trust is established, it can be challenging to amend its terms. This lack of flexibility can be a downside, especially in changing circumstances where the terms of the trust no longer align with the grantor's or beneficiaries' needs and objectives.

Tax Implications

While trusts can provide tax benefits, they also have tax implications that need to be carefully considered. The tax treatment of trusts varies, and inadequate or incorrect understanding of tax obligations can lead to unintended tax liabilities.

Other Estate Planning Tools

Unlike trusts, other estate planning tools may offer greater flexibility. For instance, a Will can be more easily altered as circumstances change.

The setup and maintenance costs associated with trusts may also be higher compared to other tools. While trusts offer a robust structure for asset protection and tax efficiency, other instruments like wills or joint ownership may provide simpler, cost-effective solutions for asset transfer. Additionally, the complexity and formalities involved in trust creation and management can be more complex compared to alternative methods. The choice between trusts and other estate planning tools should be made based on an individual's financial situation, long-term objectives, and the level of control desired over assets post-transfer.

Privacy Concerns

Although trusts can provide privacy in financial affairs, the requirement for certain disclosures and filings with tax authorities might not sit well with individuals seeking higher confidentiality.

Conflict Among Beneficiaries

Trusts can sometimes become a source of conflict among beneficiaries, especially if there are perceived disparities in the distribution of assets or disagreements on the management of the trust.

Understanding these challenges is crucial for anyone considering the establishment of a trust as part of their estate planning strategy. It underscores the importance of engaging knowledgeable and experienced professionals in setting up and managing trusts, to navigate the legal, financial, and personal complexities.

Trusts are a solid pillar in estate planning, offering a structured approach to managing and preserving wealth across generations. Their multifaceted nature addresses various financial and familial objectives, making them an invaluable asset in a family's financial portfolio. By exploring the countless possibilities trusts offer and arming yourselves with professional advice, families are well-poised to enhance their financial security, laying a robust foundation for a prosperous legacy that will support and inspire future generations.

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HM REVENUE AND CUSTOMS PRACTISE, AND THE LAW RELATING TO TAXATION ARE COMPLEX AND SUBJECT TO INDIVIDUAL CIRCUMSTANCES AND CHANGES WHICH CANNOT BE FORESEEN.

SOURCE DATA

[1] Gov.uk - Statistics on trusts in the UK October 2022 - 2023

[2] Webinar Care - Succession Planning Statistics 2023 – Everything You Need to Know - September 2023

[3] Trust & Will - Rockefellers v. Vanderbilts: How It Started & How It's Going

RETIREMENT

8 THINGS TO DO IF YOU'RE PLANNING TO RETIRE IN THE NEXT YEAR

As we enter the autumn season, the winds of change carry the promise of freedom for those eyeing retirement. The allure of free time, unburdened by the 9 to 5 routine, beckons.

The financial landscape ahead requires careful planning to ensure a comfortable and worry-free retirement. For those on the cusp of this significant life change, these steps aim to steer you clear of common pitfalls, while lighting the path towards a financially secure and fulfilling retirement:

SET A RETIREMENT DATE

Zeroing in on a retirement date sets the financial planning wheels in motion. A concrete date helps structure financial goals, align savings plans, and explore the feasibility of a phased retirement. However, before circling a date on the calendar, it's essential to consider your personal circumstances. Evaluate your health, financial situation, and any lingering career goals that might influence your retirement timing.

Engage in a frank discussion with your spouse or partner to ensure your retirement plans are aligned. It's crucial that both of you are on the same page regarding the transition, as it will invariably affect your shared lifestyle. A phased approach to retirement could also be a sensible option, depending on your circumstances. Transitioning to part-time employment or pursuing a less demanding role can offer a smooth transition into retirement while maintaining a degree of income.

ENVISION YOUR RETIREMENT LIFESTYLE

Whether it's travel, hobbies, or embarking on new learning ventures, the freedom retirement provides is exhilarating. However, it's vital to consider the costs associated with your desired retirement lifestyle. Do some research and craft a preliminary budget, including your planned activities. Whether it's travel expenses, costs for hobbies, or contributions to causes you care about, having a clear financial outline will help you gauge your income needs accurately.

CALCULATE YOUR INCOME NEEDS

Now that the retirement lifestyle has a shape, it's time to attach a price tag to it. This involves meticulous assessment of expected daily expenses, one-off splurges, and the cost of fulfilling bucket-list adventures. A clear understanding of these financial dimensions is essential to map out a sustainable income plan.

Start by estimating your monthly expenses in retirement. Break down your expenditures into fixed expenses, such as mortgage or rent, utilities, and insurance, as well as variable expenses

like food, transport, and entertainment. This exercise provides a realistic view of your regular outgoings, which is fundamental in determining the income necessary to sustain your desired lifestyle.

According to latest government data, the average weekly income for pensioners was £304, accounting for direct taxes and housing costs, which translates to around £15,080 net per year. ^[1]

It's always important to remember that inflation erodes purchasing power. Factors in living costs will increase over time and should be considered when calculating your income needs. Including inflation estimates will provide a more accurate representation of the income required to maintain your standard of living throughout retirement.

This phase of calculation, which includes a thorough evaluation of expenses, accounting for inflation, and preparing for the unforeseen, lays the groundwork for a financial framework that supports a fulfilling and worry-free retirement.

PREPARE FOR CHANGING INCOME NEEDS

As mentioned above, the cost of living, influenced by inflation and evolving personal circumstances, is likely to shift. Anticipating and planning for these inevitable changes is crucial to preserve financial security and the desired lifestyle through the various phases of retirement.

It's essential to contemplate how your income needs may change over time. For instance, healthcare expenses often rise as we age, and accommodating these costs is necessary for maintaining a good quality of life. Other life changes, such as family dynamics or personal aspirations, may also influence your financial needs.

Consequently, creating a flexible plan to adjust your retirement income in response to your changing needs is sensible. This plan could involve various strategies, like working part-time, downsizing your home, or cautiously drawing on your savings. Considering a phased retirement can provide added financial security, while still allowing you to slow down.

By forecasting potential changes in your income needs and devising a dynamic plan to address them, you can mitigate financial risks and ensure a smooth transition through the diverse stages of retirement.

CONSIDER LIFE EXPECTANCY

The latest statistics show that life expectancy at birth in the UK stood at 79.0 years for males and 82.9 years for females, underscoring the necessity of a well-planned financial strategy to support a long retirement. [2] In the backdrop of advanced healthcare, living beyond average life expectancy is plausible. Therefore, financial plans need to be robust enough to withstand the possibility of a longer-than-anticipated retirement span. This foresight reduces the anxiety of outliving savings and

ensures a cushioned financial landscape through the later years.

One method to secure a steady income stream regardless of life expectancy is to consider the purchase of a longevity annuity. A longevity annuity is designed to provide a guaranteed income for the rest of your life, starting at a future date of your choosing, typically when you reach a certain age. This financial product can serve as a safety net, assuring you of reliable income even if other sources of retirement funds are exhausted.

EVALUATE LUMP SUM WITHDRAWALS FROM YOUR PENSION

The lure of a lump sum withdrawal from your pension pot is understandable. It presents an immediate financial buffer. However, it's important to consider the ripple effects this decision could have on long-term retirement income. A balanced assessment of the immediate advantages against future income implications is essential for a well-informed decision.

The effects of a lump sum withdrawal extend beyond the immediate influx of funds. It's crucial to understand how this choice may affect your tax situation, your eligibility for public benefits, and your financial stability in the longer term.

Given the complexity and long-term impact of this decision, it's highly recommended to seek professional financial advice. Engaging with a financial adviser can provide clarity on the outcomes of a lump sum withdrawal from your pension, and help you evaluate whether this choice aligns with your broader retirement income strategy.

UNDERSTAND YOUR STATE PENSION

The State Pension serves as a steady income stream in the retirement

financial ecosystem, provided by the government to individuals who have reached the State Pension age. Grasping the amount you're entitled to and understanding the age of eligibility is crucial. The amount of State Pension you receive depends on your National Insurance contributions, making it necessary to have a clear understanding of your accrued benefits.

To get a better insight into your anticipated State Pension, you can check your State Pension forecast on the GOV.UK website. This forecast provides an estimate of the amount you'll receive, based on your current National Insurance record. It's a valuable resource that can help you plan accurately for your retirement.

Armed with this knowledge, one can better prepare for how to supplement the State Pension with other income sources to meet financial needs. Understanding your State Pension and its interaction with your overall financial picture is a fundamental step in crafting a robust retirement income plan that caters to your lifestyle and long-term financial goals.

REVIEW AND CONSOLIDATE YOUR PENSIONS

A concerning 38% of working age people, equivalent to 12.5 million individuals, are under saving for retirement [3]. Regularly reviewing and consolidating your pensions can play a pivotal role in avoiding under saving and ensuring a financially secure retirement.

Over the span of a career, it's common to accumulate multiple pension pots from various employers or private arrangements. As retirement dawns, it becomes crucial to have a firm grasp of each of these pots to prepare for the financial road ahead. Reviewing your pensions regularly, and considering the consolidation of them into a single pot, if possible, is a wise step towards simplifying your financial management.

Consolidation can offer a clearer picture of your retirement income, reduce the administrative burden, and possibly lower management fees. Furthermore, having your pensions in one place can make it easier to manage your funds, estimate your future income, and plan your retirement more accurately.

Take the time to assess the benefits, terms, and conditions of each pension scheme. It's important to understand any potential implications, such as loss of guarantees or benefits, which could arise from transferring or consolidating your pensions.

Through regular review and prudent consolidation, you can create a streamlined, easily manageable pension structure that will serve you well in the years ahead.

The golden horizon of retirement, filled with promises of leisure and self-exploration, calls. However, the road leading to it requires careful financial mapping to ensure a smooth journey. The detailed steps above provide a sturdy framework for individuals to confidently step into retirement. With careful planning, the dream of a financially secure and fulfilling retirement is well within reach.

Note: The insights provided in this article serve as general guidance and do not constitute professional financial advice. It is advisable to consult with a financial adviser to tailor a retirement plan that is consistent with individual circumstances and long-term goals.

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SOURCE DATA

[1] Unbiased - What is the average UK retirement income? - September 2023

[2] Office for National Statistics - National life tables – life expectancy in the UK: 2018 to 2020

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READY TO TAKE CONTROL OF YOUR FINANCIAL FUTURE?

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