



## **QUARTER ONE 2020 OPPORTUNITIES:**

### **1. End of Tax Year Check List:**

- a. £20,000 ISA allowance.
- b. £12,000 Capital Gains Tax exemption.
- c. £3,000 Annual Inheritance Tax gift exemption.
- d. £40,000 gross maximum Pension contributions.
- e. £50,000 Premium Bond maximum.
- f. £4,368 Junior ISA allowance for those under age 18. Child Trust Funds can be transferred to Junior ISAs since 6/4/2015. Child Trust Funds and Junior ISAs cannot be held together.
- g. Other allowances: Personal Savings Allowance & 0% Dividend band.

### **2. Online services:**

- Use our website at [www.pwcltd.co.uk](http://www.pwcltd.co.uk) for monthly investment commentaries, fund bulletins, external financial views and news from Positive Wealth Creation Ltd. Aegon investors can access their accounts or register through this site.
- **New service:** Access our Personal Finance Portal for online valuations for your plans (where available), to make your own changes to our records and to exchange secure messages and documents. Register at [pwcltd.mypfp.co.uk](http://pwcltd.mypfp.co.uk).
- Follow us on Twitter @pwcltd and on Facebook @positivewealthcreationltd.

### **3. For all investors:**

**The ISA allowance is £20,000 for all investors.** ISAs are a good way of saving since they offer tax-free interest and capital gains tax free growth opportunities. The allowance is now fully interchangeable between cash and investment. **No spare funds to use the allowance?** Usually your existing taxable investments such as Unit Trusts can be switched into the ISA wrapper to benefit from the tax advantages.

### **4. For Business Owners:**

From October 2012 Auto Enrolment into Pensions was introduced for all Employers, as a means of compulsory pension saving. **Businesses pay a contribution of 3% of band earnings**, which is between £6,136 and £50,000 for all employees aged 22 and over earning at least £10,000. Some employers might prefer the control offered by their own pension scheme. This would need to meet the exemption requirements.

### **5. Lessons Learned from Troubled Times:**

#### **Defending your capital**

- **The Financial Services Compensation Scheme (FSCS) limit increased to £85,000 per person per FCA registration for bank deposits from 30 January 2017. One registration may cover many leading brands.** Make sure deposits are within the new limit or invested with other institutions with a government guarantee such as National Savings.

- **FSCS limit increased to £85,000 per fund manager from 1 April 2019 for investments.**
- If you take income from your investments, withdrawals from Insurance Company Bonds and from Pension Drawdowns are usually fixed amounts. If the investment does not perform, the money you receive comes from your capital.
- Clients with Scottish Widows Bank Direct Transfer Accounts notified that the interest rate reduced to **0.25% gross** from 22 October 2019. **Consider alternatives.** Scottish Widows Bank no longer has a separate banking licence to Lloyds Bank from October 2017.
- You need enough capital on deposit to meet your short-term needs for emergencies or contingencies. **Consider profit taking from share based investments.**

### **Making money**

- Pension contributions continue to attract income tax relief at up to 45% dependent upon your income tax position, up to **once times your earnings**, subject to the annual allowance of £40,000 unless you have unused relief in the last three tax-years. If income exceeds **£110,000**, consider whether the **tapered annual allowance** from 6 April 2016 reduces ability to make future pension contributions.
- **Those with pension funds who are approaching taking benefits** should select more **cautious investments**, if not already chosen.
- **Flexi-Access Drawdown from pensions since 6 April 2015** allows unlimited taxable withdrawals from pension schemes from age 55.
  - However, if the flexibility is used the annual allowance for contributions to a pension scheme **reduces to £4,000 from £40,000.**
  - Tax-free cash remains at 25% of fund and just withdrawing this does not reduce the annual allowance.
  - Investors already in Capped Drawdown should not exceed their existing maximum drawdown of 150% of the GAD rate in order to maintain the annual allowance at £40,000.
  - **Improved death benefits from pension schemes:** tax free payouts in the event of death before age 75, and thereafter income tax due only when the beneficiary of the pension scheme takes out money.
- **It may be time to review your Inheritance Tax (IHT) position.** Single people have a tax-free allowance of £325,000 and married couples, civil partnerships and widow(er)s can have up to twice this amount. However, the allowance is frozen until 2021 and above this IHT is charged at 40%.
- An extra IHT nil-rate band **for main residences** passed on death to **direct descendants**, rises to £150,000 per person from 6 April 2019 with further increases to £175,000 by 6 April 2020. There remains much that can be done to mitigate inheritance tax with appropriate planning.

**CONTACT US FOR MORE INFORMATION ABOUT CURRENT OPPORTUNITIES!**

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