



QUARTER THREE 2020 OPPORTUNITIES:

1. Tax Year Check List:

- a. £20,000 ISA allowance.
- b. £12,300 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. £9,000 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 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.
- 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 can be switched into the ISA wrapper to benefit from the tax advantages.

4. Troubled Times Toolkit:

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. **In light of the pandemic if your expenditure has gone down consider reducing the amount taken out.**

- Some regular natural income from shares and share based funds will reduce in 2020 owing to dividend cuts, which means that any cash built up now might need to be used to supplement income in the future. Nevertheless those clients reliant on their ongoing natural income will find that the wide diversity of income sources in their portfolio will mitigate some of the impact of dividend cuts.
- Shorter-term investors such as those who in 2020 have capital requirements that are not known to us or who owing to the circumstances are re-assessing plans such as bringing forward retirement, still need to be in contact with us.
- You need enough capital on deposit to meet your short-term needs for emergencies or contingencies.

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 **£200,000**, 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** is £175,000 per person from 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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