

Labour Changes Could Mean More Tax

The Labour party is proposing further changes to Inheritance Tax (IHT) laws that could mean families across the UK will pay even more tax if they are elected to power.

The new regime would include:

- Adjusting the tax-free allowance so that it is based on the recipient and not on the person who dies
- Reducing the tax-free allowance from £325,000 (current), to £125,000
- Taxing anything above the allowance via income tax (which potentially could be more than 40%, which is the current IHT tax rate)

I am sure there will be many more proposals to come but, luckily, there are some actions you can take now to plan for Corbyn's potential rule changes and protect your family's future wealth:

1. **Give your money away** - make gifts to your children or other beneficiaries in your lifetime if you can. And if you do, we always recommend you do so through a trust arrangement for protection and future IHT purposes.
2. **Make sure your Will is up to date** - Wills should have been reviewed post-2015 when the Residential Nil Rate Band (RNRB) was introduced, to make sure that the full RNRB can be claimed even if your estate exceeds £2m.
3. **Set up a Probate Trust** - put money into a trust to pay probate fees, which are planned to increase by 2000%.
4. **Spend, spend, spend** - the best way to avoid tax. Been thinking of taking a big trip? Do it!

If you think you need more advice on how to structure your estate for your family's benefit, get in touch with us so we can help.

Recent Phone Scam

Please be aware that over the last few weeks we have received reports of a phone call scam. This scam involves an automated phone call in which the receiver is prompted to

"press 1 if you did not authorise the claimed transaction". The transaction has been consistently reported as a withdrawal of £600.

We believe this could be linked to the recent Visa fraud scam, where an automated phone call, claiming to be from the client's bank or service provider, states that there has been a suspicious transaction from their account. Upon acting, the receiver is transferred to an "agent", a fraudster,

who tries to obtain personal data and account information. There are also reports of consumers being transferred to a premium phone line and being charged extremely high rates for the call.

Please be aware that your platform nor your bank will not contact clients through any automated phone call system. It is important if you receive unsolicited calls like this, or any other questionable calls, to always check with your bank or service provider first instead of following instructions. We advise clients to end the call and then contact the bank/platform in question to check that no transactions have been made.

Safety First: Are You Insured?

Protection is one of the foundations of financial planning, but it is often overlooked as one of the least exciting elements, with pensions and investments at the forefront of many people's minds. But what good is building the pillars and the roof if the foundations aren't in place yet?

If you take a moment to consider how much you are worth over your lifetime, you are most likely to be the most expensive asset that you own. For example, if you started earning £30,000 at age 20 and this rose with inflation each year (approx. 2.5%), by the time you retire, say at 65, you would have earned £2.5m! If you owned something worth £2.5m would you get it insured? You are darn right you would!

Insurance can be a bitter pill to swallow for many, because so many types of insurance rely on something bad happening. For example, with insurance for critical illness cover you will pay a monthly premium, but you will only get a pay-out if you have a critical illness. Now, no matter how high the premium per month, nobody will be praying they get that pay-out. But having the reassurance of insurance such as critical illness cover, and the knowledge that you and your family won't have to worry so much about paying the bills, could certainly put you in a better frame of mind for your recovery.

Assurance, on the other hand, is something that will pay. For example, whole-of-life assurance that pays out on death will pay out - newsflash: we will all die at some point; sorry to burst the bubble of the eternal optimists. This form of insurance may be more comfortable for people - knowing that they will get some of their premiums back at some point, at least for the family they leave behind.

What type of insurance you need will depend entirely on your situation: those with young families will have different priorities, affordability and needs than those whose children have left home and who may be retired, or even those who have no children. Whether it be family protection, income protection, critical illness cover, life cover for inheritance tax, life cover to pay the mortgage... it is worth considering what type of insurance you may need when looking at your financial situation as a whole. Make sure your foundations are solid and can withstand the storm that life throws at you before you build your life on top of it.

Avoid the Inheritance Battle

In a recent case, two stepsisters disputed which of their parents died first. Both parents, who were married, died together and it could not be determined who died first. In such a case, usually the eldest of the couple are deemed to have died first, leaving everything to the younger spouse, therefore meaning that the estate will pass according to the younger spouse's Will.

In a situation where two families have been brought together by marriage, where there are children from previous relationships, as in this case, the result can be that whole sides of families are cut out, causing hostility after the death of the parents. In this particular instance, the father did not have a Will and the mother's Will did not leave any assets to her stepdaughter. As the mother was deemed to have died last, her stepdaughter received no inheritance and, in addition, was ordered to pay most of the other stepdaughter's legal bills as well as her own.

There were many issues that attributed to this very difficult situation, including how their joint property was held, the fact that one of the parties did not have a Will and the existing Will neither accounted for this situation nor included all of the correct clauses required to prevent this from happening.

The importance of having a professional and well-written Will in place is only heightened when these types of situations arise. This is further intensified when families are combined from previous relationships or are made up of more complex dynamics than would be considered "the norm". The urge to get a DIY Will or not to have a Will at all may be strong when you think that you may not be around to see if it works, but when we consider those we leave behind and how it may affect them, it really is worth paying the cost of drawing up a Will to make their lives easier.

Estate Planning Solutions That Are "Win-Win"

Recently we have had increasing numbers of clients contact us about how they can invest whilst also giving something back - effectively entering a "win-win" scenario.

This led to some research which directed us to an alternative estate planning solution where your funds could be invested in a mixture of corporate client loans and leases to public-sector organisations.

The need to "give back" and be more socially aware of what we can do and how we can be responsible for our actions is a growing trend in our society and is becoming more prominent in investing, although there is still quite a way to go.

Whilst these investments don't claim to make the world better, they do help in leasing to such institutions as Local Authorities and the NHS, so you could be involved in providing the ambulances that frequent the streets of the UK or local community transport.

These types of investments provide an associated Inheritance Tax (IHT) benefit in that after they have been invested for two years they are outside of the estate for IHT purposes, as long as they are still held on death. However, these investments are not for everybody; they are more high risk and need to be considered carefully with your financial advisor to ensure they are suitable and appropriate for each individual.

If this is something that sparks an interest or you think may be suitable for you, then get in touch and we can arrange for you to speak to your advisor in more detail.

Notes on Brexit

With the deadline of 31st October fast approaching, sentiment and headlines are changing daily and in some cases even hourly, so things may well have moved on significantly by the time you read this!

Despite the hour-by-hour updates we're getting on Mr. Johnson's approach to the Brexit negotiations, the bottom line is that there is still no agreement in place for how we will manage our relationship with the EU after we exit from it, things will just...stop.

However a breakthrough seems to have appeared, with the glimmer of a suggestion that the EU might be willing to reopen the Withdrawal Agreement if a solution to the Irish Backstop issue can be presented AND that Boris is willing to accept the rest of the agreement, £39billion settlement and all, if they can be flexible on the backstop. The backstop itself is only designed to be used in a worse-case scenario where the UK and EU cannot negotiate an alternative trade deal by December 2022; if that is the case then the UK will stay in a single customs territory with the EU until a satisfactory resolution can be reached. The problem parliament has with this is that this "union" cannot be dissolved unless both the UK and the EU agree an alternative that will work to keep the border "borderless".

So, we have 45 days to:

- Find a way to make a "borderless" customs border between Ireland and Northern Ireland from December 2022 as a backup plan if the main trade negotiations are not resolved by then;
- Get both the EU and the UK MPs on side with whatever that might be finalise another version of the Withdrawal Agreement using this backstop replacement service;
- Get the Withdrawal Agreement through UK Parliament via a "meaningful vote";
- Adopt the legislation in the UK for the implementation of the Withdrawal Agreement;
- Get it through the European Parliament and, finally, Brexit the EU.

Is it possible? I think so. Is it likely? Infrastructure planning isn't our forte - just look at HS2. But I don't think Boris wants to be remembered as the man who broke Britain so I'm sure he will be pulling out all the backstops (!) to make something work in any way, shape or form. It's 'do or die' time!

Book of the Month

You will notice that I don't recommend much fiction here; generally focusing on inspirational biographies, business and self-improvement books that I think will make our lives better.

Occasionally a piece of fiction comes along that isn't just a story, but opens our eyes to a different perception of life. Ramez Naam's 'Nexus' is one such fiction book. Naam, who I can only describe as perhaps being the love child of Dan Brown, Lee Child and Peter F. Hamilton, takes us into a world some 20 years from now. Far enough for the technology to be scary, close enough for it to be conceivable.

Nexus, essentially the internet of the brain, is a technology that allows humans to link into the brains of others, in the same way that the world wide web allowed computers to speak and share with others. This opens up a scary new world of possibilities. If you are interested in the future, I would

strongly recommend you read this book. It opens up your mind to the possibilities, and they are both scary and exciting to say the least. Woven into a story that has more fight scenes than The Matrix, I for one cannot wait to see this on the big screen, which Paramount have purchased the rights for.

Charlie's Mini Blog

On Saturday, I attempt to tick off probably the biggest 3-year goal I have ever set. Whilst setting a 3-year goal to write a book back in 2012 seemed scary at the time, I think I had more confidence that I could work my way through it. I initially lacked the confidence, but as I fell upon my subject, mapped out the areas I wanted to cover, the pieces seemed to fall into place.

Having been into cycling for 4 years prior, at the end of 2016 I was looking for a new challenge. Just completing the 142 mile ride through the Welsh mountains, known as The Dragon Ride, I wasn't sure that it was another longer ride. Reading Rich Roll's book, Finding Ultra, I started to think about triathlons, and the ridiculous thought of completing an Ironman. I say ridiculous, because I'd barely run or swam since school, and I was never good at either then! I was cycling fit, but a long way from run or swim fit.

That said, completing an Ironman went on my 3-year goals, and there it stayed. The commitment was made! In 2017 I did my first triathlons, and whilst it wasn't pretty, I fell in love with the training, the people and race day. 2018 was a year of building capability in this new sport, and by the end of the year I had the courage to book my first Ironman, but that was ok, because it was 11 months away.

Those 11 months have involved an incredible amount of training, a huge amount of reading, and countless coffees, lunches and WhatsApp messages with my fellow crazy people getting my head around how you complete a 2.4 mile swim, a 112 mile bike ride, followed by a marathon. And yet, here I am. This Saturday, it all happens, and I get to see whether I can tick off a goal that seemed a million miles away back in 2016. That is the magical thing about setting goals; what seems wholly unachievable becomes reality, because by setting goals, and then breaking them down into bite size chunks, you achieve far more than you think. We overestimate what we can do in the short term, and massively underestimate what you can achieve in the long run.

At Efficient Portfolio, we want to help you create a better future through inspirational financial planning, and part of that is about setting clear goals, and then achieving them. That's why we will be working with our clients to set clearer goals, and then helping them achieve them through their financial planning.

If you would like to sponsor me to help motivate me through my Ironman, I am raising money for MNDA, a charity very close to our hearts. There is still time, and you can do so here. Many thanks for your support.