WISE INVESTMENT
PLANNING FOR LIFE

Whitley Stimpson
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

Welcome

Keeping it in the family - a guide to generational wealth planning - Part 1

Thursday 17th February 2022

WISE INVESTMENT

PLANNING FOR LIFE

Independent financial planning and investment management

Founded in Chipping Norton in 1992

Employee-owned since 2013

Focus on building long-term client relationships

Services include:

Pension advice and retirement planning

Investment portfolio management

Protection

Inheritance Tax planning

About Whitley Stimpson

Leading Independent Firm of Chartered Accountants

Founded in Banbury in 1931

Now expanded along the M40 corridor

Offer complete range of services including:

- Business advisory
- Tax planning
- Accounting and tax compliance
- Auditing
- Specialist sector services

The Legal Stuff

The content of this presentation represents the personal views of our speakers. It should not be construed as financial or investment advice.

All information is based on our understanding of current law and practice, which may be subject to change in the future.

Past performance is not an indication of future performance. Any investments you make can go down as well as up - you might not get back the full amount invested.

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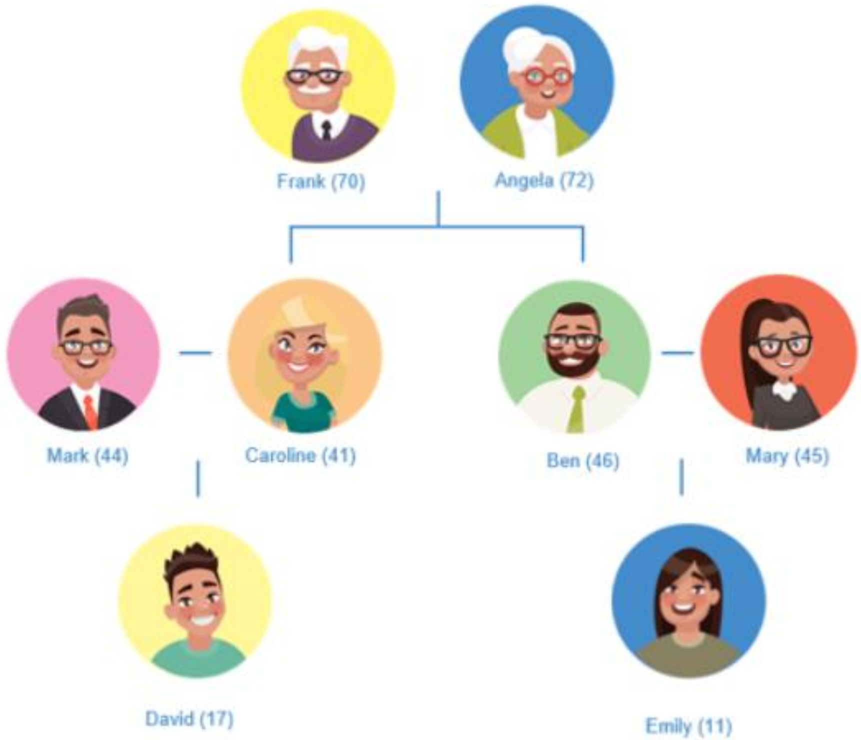
The Montague family background



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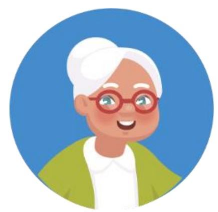
What's next for Angela and the family?

How can I help the family now?

Frank used to deal with the finances



What if I need care?

I don't understand all of this jargon

How will I have enough income?

How can I ensure the family benefits as much as possible?

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Angela’s assets (and income)

Assets

House	£950,000
Stocks & Shares ISA	£250,000
Frank's S&S ISA	£250,000
Cash savings	£150,000
Total	£1,600,000
Personal pension (not yet taken)	£150,000
Frank's pension fund (drawdown)	£350,000
Total	£500,000

Income (per year)

State Pension	£6,000
Widow's pension (net of tax)	£12,000
Total	£18,000

Angela’s requirements:

- Income of £40,000 a year net of tax
- To help her grandchildren financially in some way with education costs and/or savings
- To reduce the potential inheritance tax on her estate and maximise the amount going to her family on her death
- Concerned to have enough to cover care costs in the future if needed

Angela’s spending needs

Angela’s basic living costs	£24,000 a year
Discretionary spending – fun!	£16,000 a year

Sources

Stocks & Shares ISAs	£500,000
Angela’s personal pension	£150,000
Frank's pension	£350,000

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What about the pensions?

Angela's own pension

25% tax-free lump sum (£37,500)

+

Regular income via drawdown or annuity purchase

Income is taxable

OR

No initial tax-free lump sum

Regular income via 'UFPLS' – 25% of each payment is tax-free, 75% is taxed as income

UFPLS – Uncrystallised Funds Pension Lump Sum

Frank's drawdown pension

Because Frank died before the age of 75, anything Angela draws would be entirely TAX-FREE, for her lifetime

Income from an annuity bought with part or all of the fund would also be tax-free

The pensions after Angela's death

	Angela nominates Ben & Caroline (B&C) to receive 'successor's benefits'	Angela makes no nomination – assuming it just goes to her children anyway
Angela dies before age 75	B&C each have the choice of taking their share as a lump sum OR As a 'Successor's Drawdown' TAX-FREE in either case	B&C are only entitled to a lump sum. Successor's drawdown is not an option TAX-FREE
Angela dies age 75+	B&C each have the choice of taking their share as a lump sum OR as a 'Successor's Drawdown' TAXED as income for the recipient	B&C are only entitled to a lump sum. Successor's drawdown is not an option TAXED as income immediately, at up to 45%

Ben & Caroline can draw income from their Successor's Drawdown immediately, even though they have not reached minimum pension age.

But they don't have to…

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Pension income – annuity rates

72-year-old female in good health

Level income for life, no guarantee period

To provide £6,000 p.a. costs £96,000 (6.25%)

Income for life, no guarantee period, increasing 3% per year

To provide £6,000 p.a. initially costs £134,000 (4.48%)

Income for life, no guarantee period, increasing by RPI each year

To provide £6,000 p.a. initially costs £160,000 (3.76%)

Annuity rates as at December 2021 and are indicative only

Back to the income – a simple plan
Option 1

State and Widow’s pension (net of tax)	£18,000
Stocks & Shares ISAs at 3% yield	£15,000
Annuity from Frank’s pension (level, cost £96,000)	£6,000
Draw from remaining Frank's pension (£254,000) at 3% pa	£7,620
Cash interest at 0.5%	£750
	£47,370

Surplus income £7,370 a year

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A not so simple plan
Option 2

State and Widow's pension (net of tax)	£18,000
Angela's S&S ISA at 3.5% yield	£8,750
Annuity from Frank's pension (increasing by 3%, cost £67,000)	£3,000
Draw from remainder of Frank's pension (£283,000) at 6% p.a.	£16,980
Cash interest at 0.5%	£750
	£47,480

Frank's ISA untouched

Surplus income £7,480 a year

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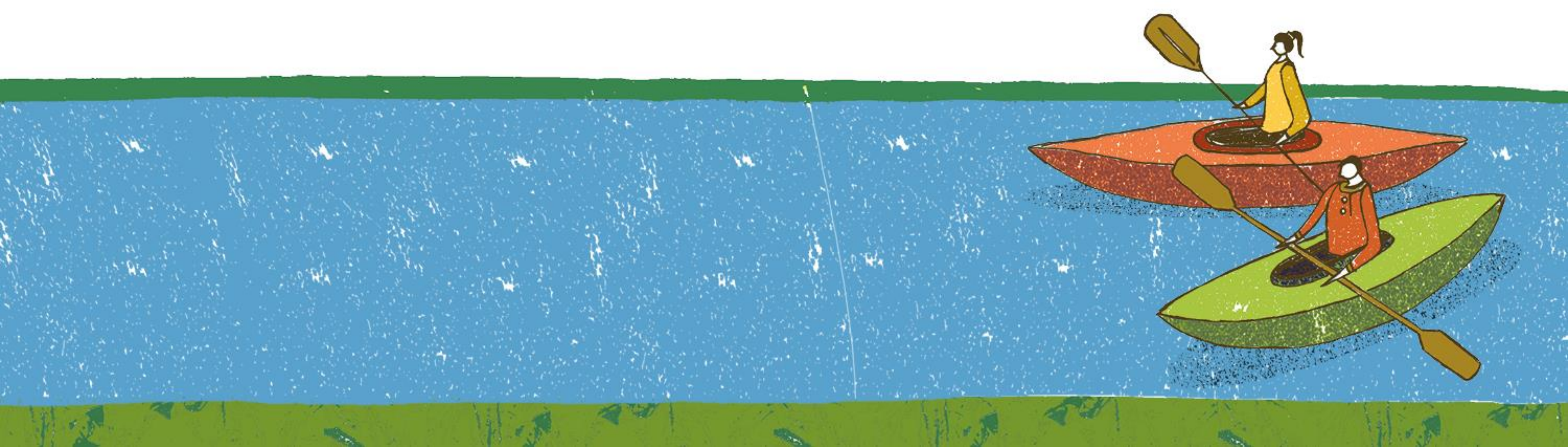
Q&A



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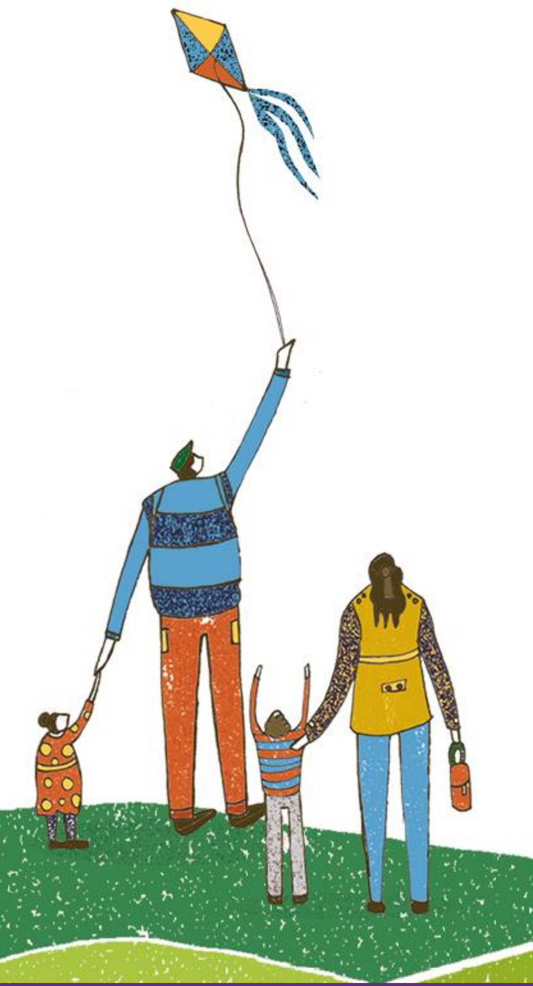
Thank you



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