The Five Ages of Financial Planning

Post 75: Supporting those who are just starting out

In a previous edition, we produced a brief guide to help you gain a better understanding of what you should reflect upon financially as you progress through your life stages. (If you missed it or wish to read it again, please click here.)

Following this, we are developing each section to offer some understanding of some of the points we made.

We considered the time when schooling finishes and you legally became an adult and we discussed heading into the brave world of career development, children, and mortgages.

We followed that with your push onwards through your career and family life and then looked at preparing and heading into the biggest holiday of them all: **retirement.**

By now, your retirement income and requirements would have been agreed between you and your financial planner.

This will also give you a clear understanding of how your assets can provide you with an income as well as any potential care costs.

Once this has been organised, anything over that can be distributed as you like. By now, you should have a good understanding of what your succession plan will look like.

We recognise that this can be a difficult conversation to have with your financial planner, but it is one that we strongly urge you to undertake. In our experience, people do have an interest in who (or what) receives the remainder of their estate upon their death.

It should also be noted that, from an Inheritance Tax point of view, it is also a wise thing to begin the distribution of your assets as early as possible.

Gifting money can be fraught with difficulties, especially when family are involved. The literal process of writing out a cheque, as it were, can sometimes feel a little 'sordid'? Therefore, do feel free to use a little imagination when distributing assets.

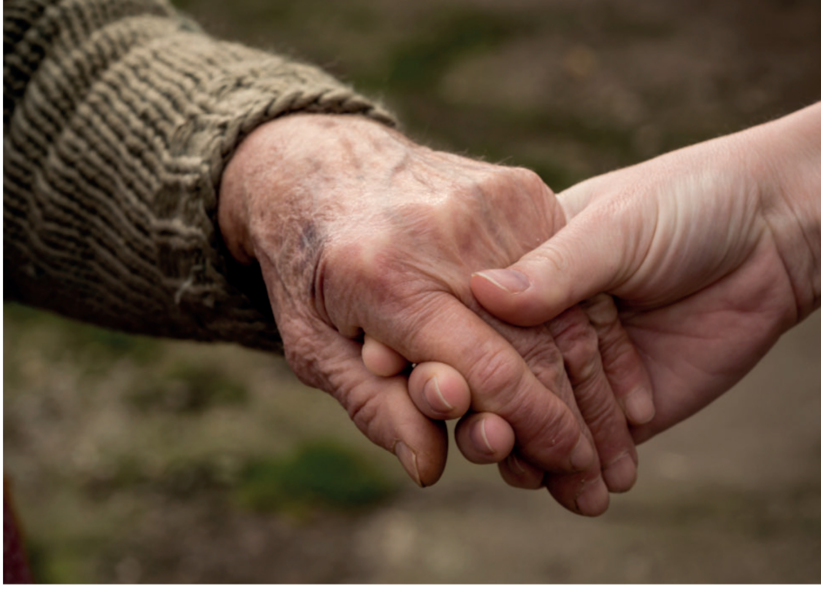
If you spend weekends with your children and grandchildren, then perhaps you could help with a house extension or a kitchen development. If your children chauffer you, then why not suggest that you could help with the purchase of a new car.

One of the most tax efficient ways to spend money is to buy 'experiences'. HMRC are yet to work out how to tax these as they have no immediate value once the money is spent - unlike a house, kitchen or car. Therefore, why not treat your children and grandchild to a holiday.

Many people will often want to skip a generation and look at supporting those who are starting out. Paying off student loans and providing deposits for houses can be considered but ensure you discuss this process with your children. They may be surprised to find that an inheritance that they may have been expecting is literally passing them by.

Finally, gifting to charity may also be considered and this can reduce your IHT liability, should the gift be substantial enough upon death. HRMC will reduce the IHT rate to only 36% (rather than 40%) if you gift 10% or more of your estate to charity on death.

Health is now a key issue as you plan, and very few people live through retirement without an element of health issues. Potential care costs are now a genuine issue and must be discussed. It is also important to keep planning as your health and care requirements will be a fluid situation.



Do ensure that you talk regularly about this, not only to your financial planner but also your executors.

If you haven't done so yet, do introduce your financial planner more formally to your family, as they will play an important in your financial affairs as you approach end of life care.

You have worked hard and saved hard, your planning should have ensured that you are having a fine retirement. Now is the time to make certain that the biggest beneficiaries of your estate are those who have given you so much joy. We would assume that you don't want this to include HMRC. Inheritance Tax is punitive at 40%, yet with good planning, it can be avoided.

This is the final article of five that discusses the Five Ages of Financial Planning. If you have missed some or all of the other articles and think they would be of interest, please click here or contact your financial planner for more advice.

If you would like to find out more, please email hello@pfgl.co.uk