

Your top 10 personal finance actions

With the ongoing challenges we are all currently facing, now is the time to reflect on our personal financial circumstances. Regardless of your level of wealth, it is essential to plan for the future. We have created a simple personal finance action list to help you.

1. Set financial goals and do an annual check up

Consider your personal financial priorities:

- What do you want to achieve in your lifetime?
- What lifestyle would you like in retirement?
- What would you like to be able to leave your family?
- What can you do now to help you prepare and get there?

Your plans and priorities are likely to change throughout your lifetime. Review your finances and goals annually and adjust accordingly to keep on track.

2. Write a Will and keep it up to date

If you have not written a Will, now is the time to do so. If you have young children, you may wish to appoint guardians in your Will.

For those who do already have a Will - when did you last review it? Have you had any changes to your personal circumstances since it was written?

This may be the right time to review and determine if it needs to be updated to ensure it remains up to date and continues to reflect your wishes.

3. Consider a Lasting Power of Attorney (LPA)

An LPA is a legal document and is a safe way of maintaining control over decisions should you no longer be able to make them yourself.

There are two types of LPAs, 'Property and Financial Affairs' and 'Health and Welfare'. We recommend you sign both versions as it is vital your finances and future welfare are covered to protect your best interests.

Have you got a Power of Attorney in place?

4. Review, update and invest in your pensions

As our report shows, pensions are a significant way to fund your retirement.

Review your state pension

A large proportion of individuals are unaware of how much they may be entitled to under the current new state pension or previous entitlements and what date they would qualify for it. Check this for free at: www.gov.uk/check-state-pension

Collate your old pension arrangements

Many individuals have old pension policies, perhaps from previous employers, to which they no longer contribute. These accumulated benefits could make a real difference towards funding your retirement – you can track these down using the government's free 'Pension Tracing Service'.

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Update your pension beneficiary forms

Where the benefits under a pension are paid at the discretion of the pension trustee they do not usually form part of your estate for inheritance tax purposes and are not usually inherited under your Will.

It may be the case that nominated beneficiaries are able to retain the tax advantageous pension wrapper in the form of a beneficiary's pension.

Who do you wish to inherit your pension policies? Complete an 'Expression of Wish' form with your pension providers to ensure this is documented and keep this updated.

Invest in your pension

Investing in company and/or private pensions throughout your lifetime is one of the most effective and reliable ways to plan for and fund your retirement. Review your pension fund regularly. Will this enable you enough funds for the retirement you are aiming for? If not, consider investing more or finding alternative funding methods.

5. Review and consider your insurance policies

Existing insurance policies

Review your existing policies regularly to ensure you are adequately covered in the event you have to claim. If you cannot locate your original policy documents, contact your insurance provider.

Check if your life insurance policies are written in trust.

Where policies are written in trust it may mean that when funds are paid out they may not automatically form part of your estate and may not be subject to inheritance tax.

Consider new insurance policies

There is currently a 'protection gap' in the UK meaning a large proportion would be left financially vulnerable should they or their spouse pass away prematurely or suffer an illness or injury that would affect their earnings.

If you haven't already taken out cover, consider life insurance, critical illness, or income protection cover to protect yourself and your family.

6. 'Future plan' your role in a business

We recommend that those who own all or part of a business consider its future plans, their ambitions as part of the business, and how a future exit might be structured. This will help ensure that both the business and you are ready for the exit, maximising value where appropriate, and minimising the various tax exposures.

Business owners should also consider the formalities associated with the business (for example a partnership agreement or shareholders' agreement) and how this interacts with their personal affairs, in particular their Will. There are significant tax exemptions for qualifying business assets, and these should be considered when drafting your Will and business documents.

You may wish to consider a Business Lasting Power of Attorney and Key person insurance to ensure your business interests are protected.

7. Understand your inheritance tax exposure

Complete a periodic review of your financial position from an inheritance tax perspective and understand your current potential exposure. Consider lifetime giving as a way to mitigate your estate's liability sooner rather than later to make the most of the seven-year period for a gift to be exempt from inheritance tax.

Make sure you understand the tax implications before gifting assets to family or friends. Inheritance tax, capital gains tax and stamp duty land tax may all be relevant on a non-cash gift. For cash gifts only IHT needs to be considered.

Consider your income and capital before making gifts.

Making gifts must not be to the detriment of your general living – consider what you need for the longer term as part of this process.

8. Making charitable donations

There has been overwhelming support for some charitable causes recently. If you are doing so it is worth remembering that you may be able to elect to make donations via gift aid,

enabling the registered charity to receive an extra 25% at no extra cost to you if you pay sufficient tax.

If you are a higher or additional rate taxpayer you may also be eligible to claim the difference between the rate of tax you normally pay and the basic rate on your gross donation, so should always note this figure for entering within your self-assessment tax return. There may also be inheritance tax benefits of leaving 10% of your estate on death to charity.

9. Review your expenditure and budget

As a result of current circumstances many households' income and expenditure has changed. For many there will be cost savings in the areas of transport, holidays, eating out and entertainment, which may present an opportunity to increase or start savings arrangements. Consider how to invest your money.

10. Create an 'in case of emergency' document

It can often be the case that family members are unaware of where important documents are held and/or who to contact upon event of incapacity or death.

This situation can be alleviated by containing this information all in one document, listing appropriate wealth managers, accountants and solicitors, with their contact details along with anything else you think may be relevant or could help should something happen to you.

It is incredibly important to plan for your future throughout your lifetime, whether for yourself or for the benefit of your loved ones. Whether you are accumulating, growing, managing, preserving, protecting or transferring your wealth, we are here to support you for what really matters. Guiding you and your family to a brighter financial future.

This action list is not exhaustive and is intended as general information of the key elements to consider. Independent, professional advice tailored to your own particular situation should always be taken before making any decisions.

Contact us today so that together we can discover what steps you need to take to achieve your personal financial goals whether you are accumulating or distributing wealth.

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