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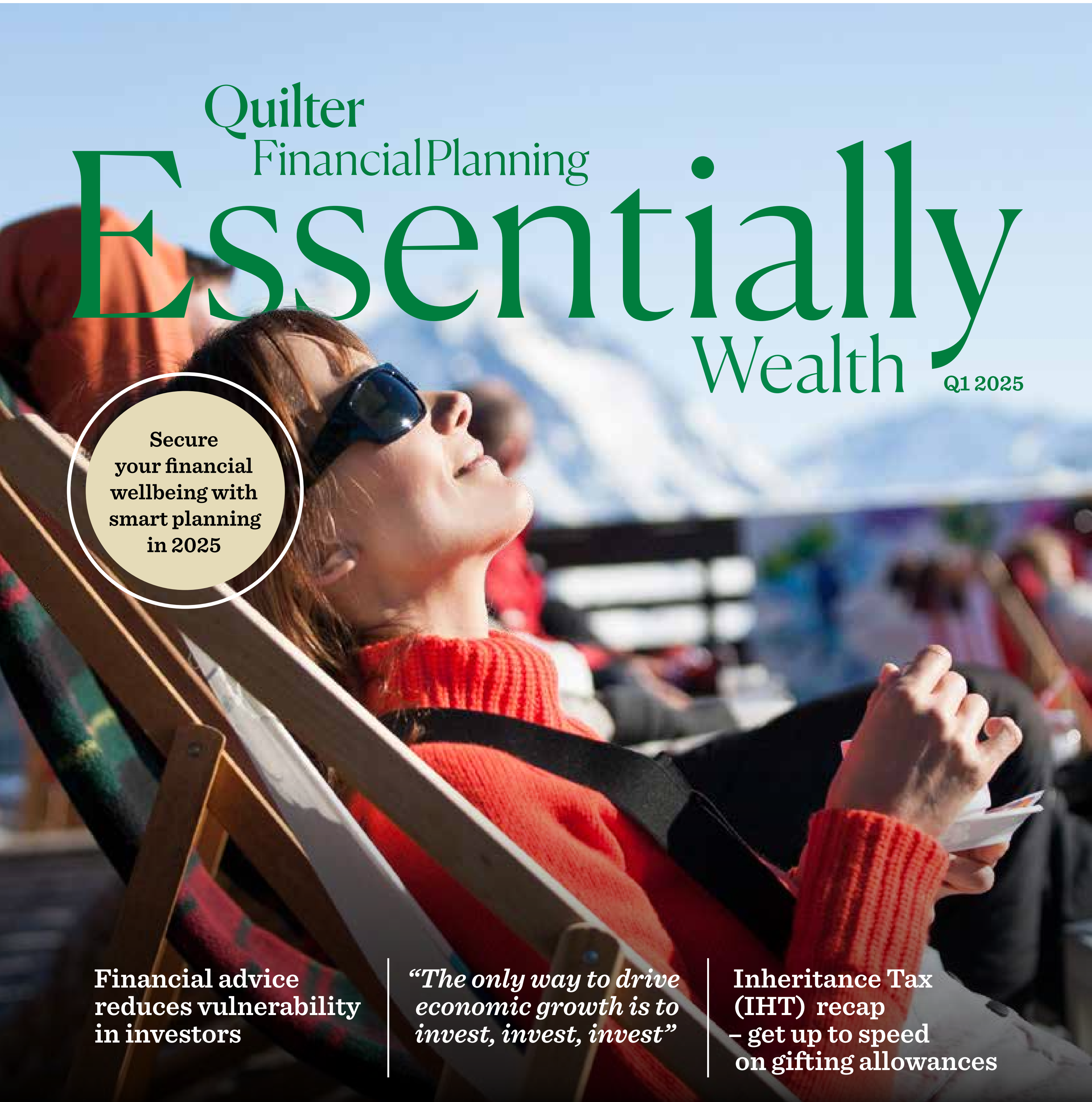

Quilter Financial Planning

Essentially Wealth

Q1 2025

Secure your financial wellbeing with smart planning in 2025

Financial advice reduces vulnerability in investors

"The only way to drive economic growth is to invest, invest, invest"

Inheritance Tax (IHT) recap – get up to speed on gifting allowances


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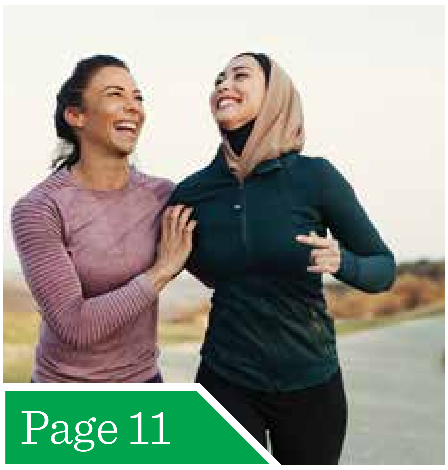
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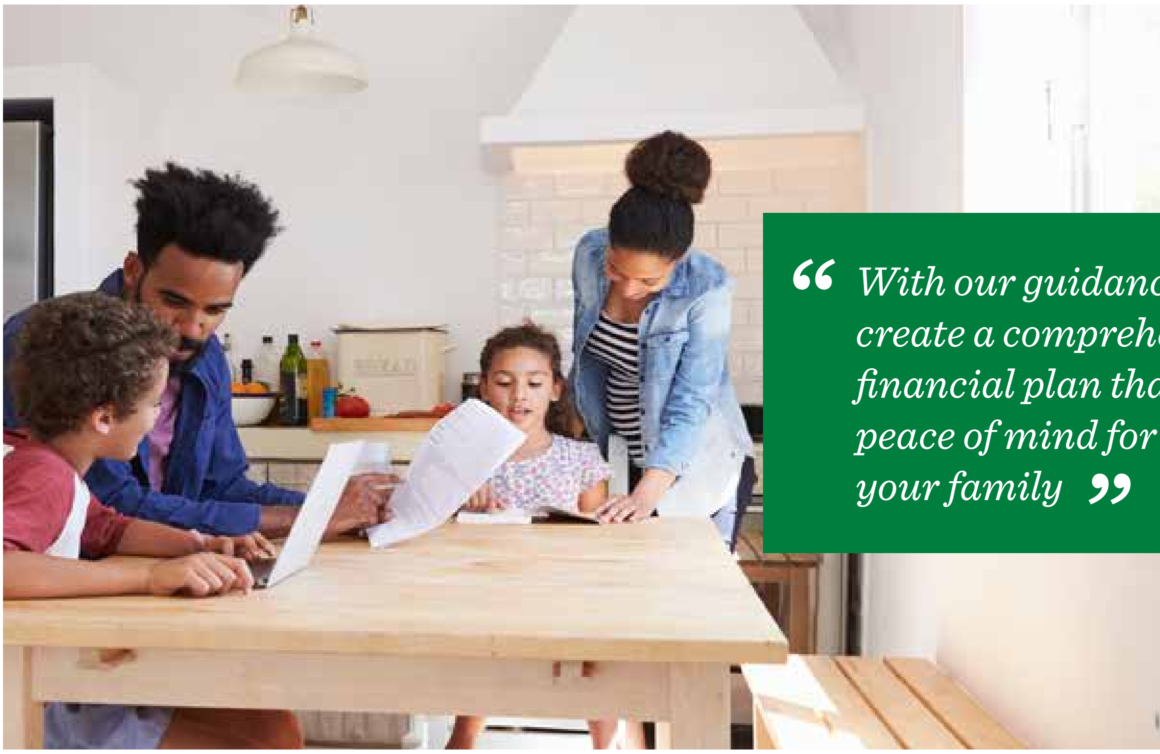


> *"With our guidance, you can create a comprehensive financial plan that provides peace of mind for you and your family"*

Secure your financial wellbeing with smart planning in 2025

A new year is an ideal time to organise your finances.

Financial wellbeing involves having a healthy relationship with your money, whilst feeling secure and in control of your finances. It allows you to maximise your resources while being prepared for the unexpected. Here we take a closer look at some key steps you can take to secure your financial future, protect loved ones, and boost your wellbeing – all valuable resolutions for the year ahead.

Your pension

How is your retirement plan shaping up? Reviewing your pension, including the assets it's invested in and the level of contributions you're making, is a great way to ensure you're on the right path. By taking these steps now, you'll be better positioned to enjoy the retirement you deserve.

Keep your beneficiary forms up to date

Regularly updating beneficiary forms for your pension and other assets ensures they reflect your current wishes, helps avoid unnecessary complications and ensures a smooth transfer of assets.

Secure more for your loved ones

By placing your life insurance policy in trust, you ensure that the payout remains outside your estate, making it exempt from Inheritance Tax (IHT). This straightforward step maximises the financial support your beneficiaries receive, giving you peace of mind and them a greater benefit.

Involve your family

Engaging your family in financial discussions ensures everyone is aligned with your long-term thinking and strategy. It promotes clarity, minimises potential misunderstandings, and fosters a sense of shared financial responsibility.

Think long term

Focus on a long-term financial strategy and avoid hasty decisions. With our guidance, you can create a comprehensive financial plan that provides peace of mind for you and your family. We understand the importance of taking control, having open conversations, and making small, impactful changes. Life is demanding, but together, we can face 2025 with confidence and clarity.

"The only way to drive economic growth is to invest, invest, invest"

Rachel Reeves delivered the first Labour Budget in 14 years on 30 October, during which she announced £40bn of tax rises. She outlined a series of new tax and spending measures, saying, "The only way to drive economic growth is to invest, invest, invest."

The Office for Budget Responsibility's (OBR's) economic projections outlined during the Budget predicted economic growth of 2.0% in 2025, before tempering to 1.6% by the end of the Parliament. Inflation is predicted to average 2.6% in 2025.

Some of the main personal taxation pledges included:

- The lower and higher main rates of Capital Gains Tax (CGT) increased to 18% and 24% respectively for disposals made on or after 30 October 2024
- IHT nil-rate bands will stay at current levels until 5 April 2030 (previously 2028)
- Unused pension funds and death benefits payable from a pension will be subject to IHT from 6 April 2027
- The government intends to reform Agricultural Property Relief and Business Property Relief from 6 April 2026
- AIM shares will no longer be exempt from IHT. The government is reducing the rate of business property relief to 50% in all circumstances for shares designated as 'not listed' on the markets of a recognised stock exchange, including AIM. An IHT rate of 20% will apply from April 2026
- Domicile status is to be removed from the tax system and replaced with a residence-based regime from 6 April 2025

In addition, the government has confirmed that Basic and new State Pensions will increase by 4.1% in 2025/26, in line with earnings growth (£230.25 a week for the full, new flat-rate State Pension and £176.45 a week for the full, old basic State Pension).

4.1%

State Pension increases in 2025

Basic and new State Pensions will increase by 4.1% in 2025/26, in line with earnings growth

Tax year end planning checklist

As the 2024/25 tax year draws to a close, it's the perfect time to get your finances in order. There's not long until the end of the tax year (5 April 2025), so let's prepare.

You could optimise your investments tax-efficiently through Individual Savings Accounts (ISAs) and Junior ISAs (JISAs).

During the Autumn Budget, annual subscription limits were unchanged at

£20,000

and

£9,000 respectively.

For experienced investors, exploring Enterprise Investment Schemes (EISs) and Venture Capital Trusts (VCTs) could be a valuable strategy.

You can consider making pension contributions

£60,000 (pension annual allowance)

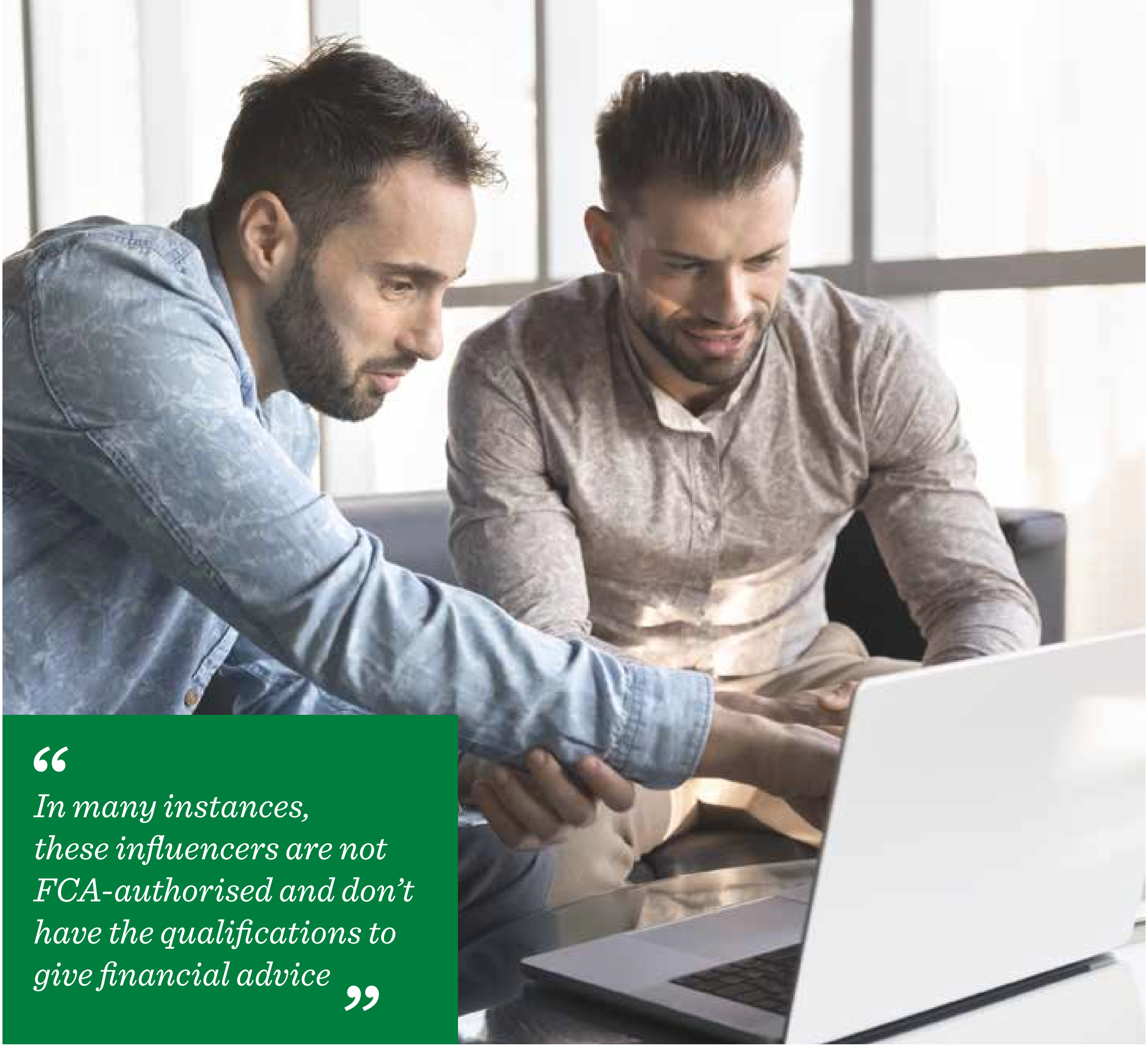
and using your Capital Gains Tax (CGT) allowance

£3,000 for individuals

It's also worth thinking about your Dividend Allowance (**£500**), and what about IHT planning? We explore gifting options in our article 'IHT recap – get up to speed on gifting allowances'.

"You could optimise your investments tax-efficiently through Individual Savings Accounts (ISAs) and Junior ISAs (JISAs)"

Enterprise Investment Schemes (EISs) and Venture Capital Trusts (VCTs) invest in assets that are high risk and can be difficult to sell. The value of the investment and the income from it can fall as well as rise and investors may not get back what they originally invested, even taking into account the tax benefits.



> "In many instances, these influencers are not FCA-authorised and don't have the qualifications to give financial advice"

Beware of the dangers of 'finfluencers'

While financial influencers, or 'finfluencers,' can help raise awareness about money-related matters, their rise has also highlighted the risks of unregulated advice.

In the UK, over one in four people turn to social media platforms, messaging apps, or online forums for investment tips, according to research[1]. A fifth of this group cite *'free access to financial experts'* as a key reason for seeking advice online, while a quarter appreciate the speed and convenience of these platforms.

The risks of online advice

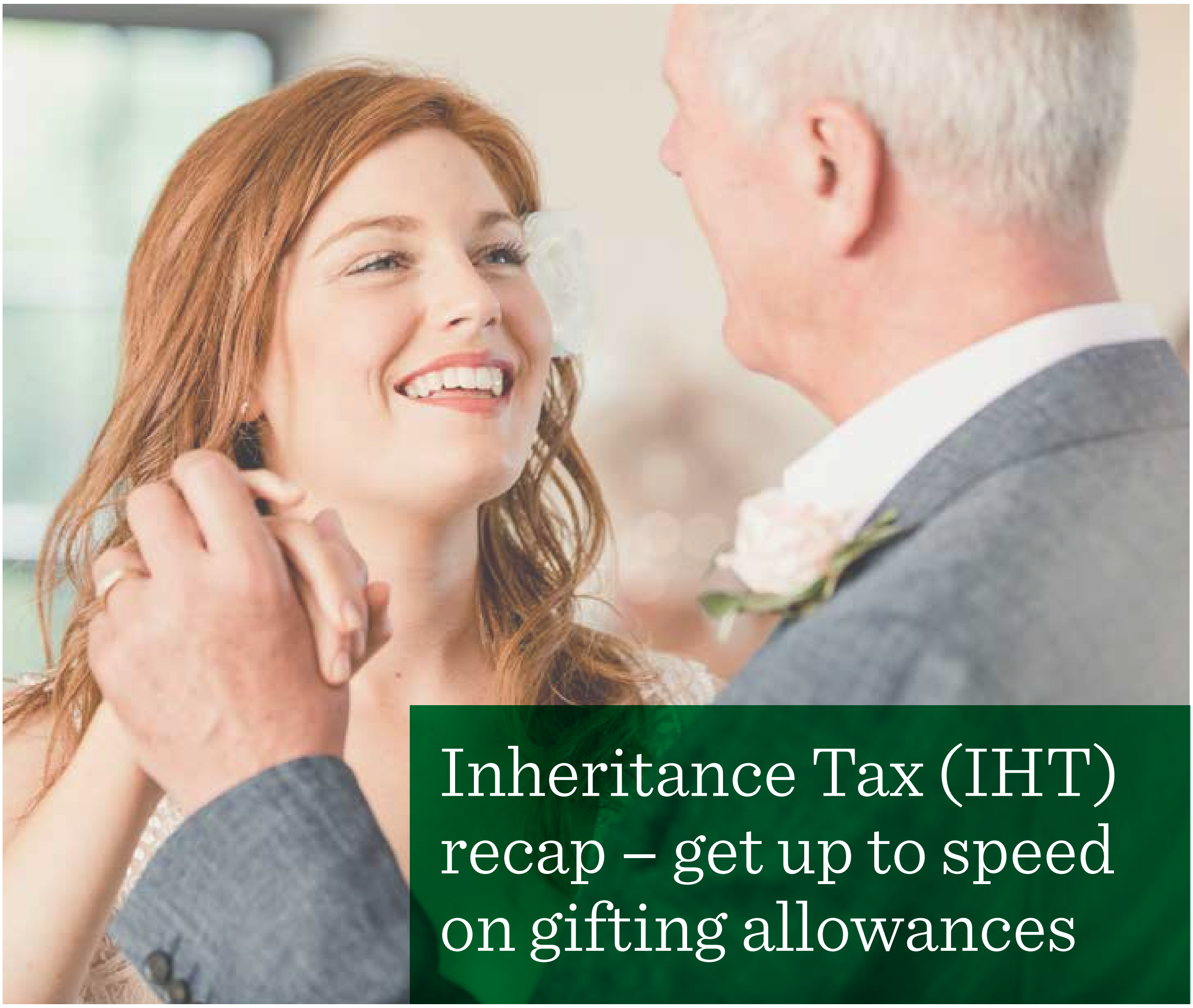
Turning to social media for financial advice comes with significant risks, particularly as many users do not verify the credibility of the advice they receive. Specifically, over half of UK adults who rely on social media for investment guidance admit they don't check the legitimacy of 'finfluencers' and their advice. Young people in particular are more prone to falling victim to scams which are often endorsed by unreliable influencers.

Actions against 'finfluencers'

The Financial Conduct Authority (FCA) has taken steps to combat this by issuing 38 warnings about social media accounts promoting potentially illegal financial products. In many instances, these influencers are not FCA-authorised and don't have the qualifications to give financial advice.

Social media has its advantages, but it's essential to make sure that financial advice comes from a reliable and accredited professional to avoid scams and unsuitable recommendations.

[1]Barclays, 2024



Inheritance Tax (IHT) recap – get up to speed on gifting allowances

HMRC data reveals a notable increase in IHT receipts, rising to £4.3bn between April and September 2024 – a £400m jump compared to the same period in 2023. It therefore makes sense to understand the key gifting allowances as we approach the end of the tax year.

Gifting allowances and exemptions

You can gift up to £3,000 in each tax year. These gifts will be exempt from IHT on your death, even if you die within the seven-year period that otherwise applies to lifetime gifts. You can carry forward any unused part of the £3,000 exemption to the following year but if you don't use it in that year, the exemption will expire.

There are also other gifts that don't count against this annual exemption and are free from IHT, including:

Wedding gifts: Up to **£5,000** for a child, **£2,500** for a grandchild (or great-grandchild), and **£1,000** for anyone else

Small gifts: Individual gifts of up to **£250** per recipient per year

Gifts from regular income: Christmas, birthday, or other gifts made from income that is regularly received, which can also be exempt from IHT.

While these allowances may seem modest, they are an effective way to gradually reduce the value of your estate, provided you don't compromise your own financial security. We can help you strike the right balance.

A settled pattern of gifts from surplus income can also be made. Conditions apply, and advice would be needed to ensure that the gifts are made and evidenced in the right way.

Financial advice reduces vulnerability in investors

Analysis[2] has revealed that investors who seek professional financial advice are four times less likely to be vulnerable than the rest of the population.

The study evaluated over 5,000 advised investors using a psychometric financial wellbeing questionnaire developed by an in-house behavioural psychologist. Vulnerability indicators were examined across areas including life events, health, capabilities and resilience. The findings showed that advised clients were significantly less vulnerable, even though they experienced a similar level of adverse events as the broader population.

Strong financial confidence

Advised investors demonstrated robust financial resilience, with six in 10 expressing confidence in their ability to handle financial difficulties. Additionally, nearly half considered themselves knowledgeable about financial matters, and almost eight in ten felt confident managing their finances.

Empowered to navigate any challenge

The study highlights that receiving financial advice helps to foster resilience and reduce vulnerability, empowering investors to navigate challenges with greater confidence and stability.

[2]Dynamic Planner, 2024

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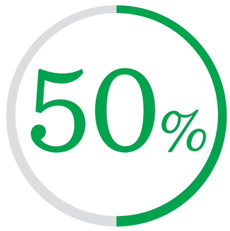

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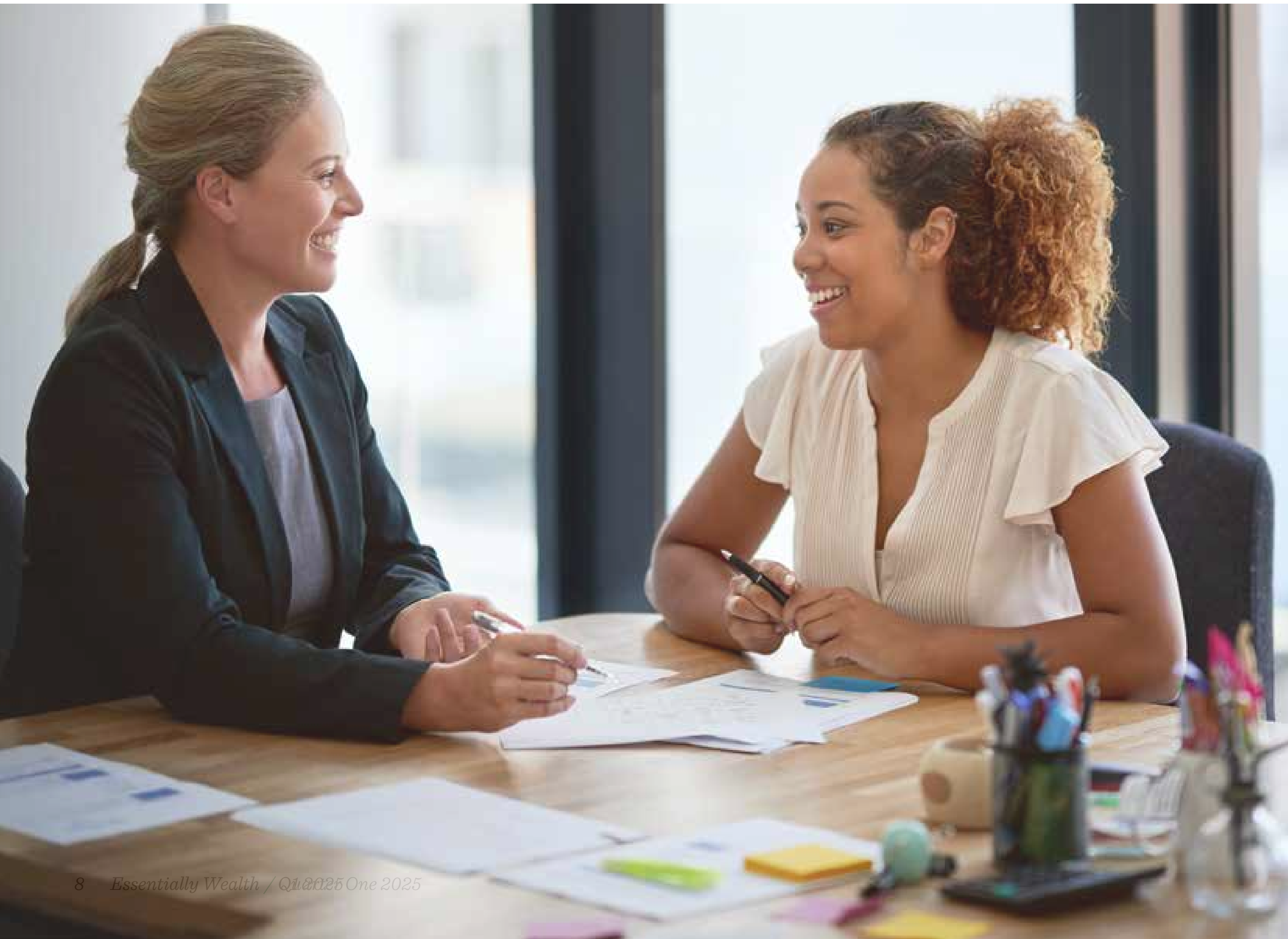


Don’t miss the chance to maximise your State Pension

The government is urging individuals to act now to maximise their State Pension by filling gaps in their National Insurance (NI) records for the years between 6 April 2006 and 5 April 2018. By making voluntary contributions, people can potentially increase their future State Pension payments. This option is available until the deadline of 5 April 2025.

Since launching its digital service in April 2024, the government has reported over 10,000 payments totalling £12.5m[3]. This online tool helps individuals identify gaps in their NI records, determine if making contributions could enhance their pension, and process payments conveniently.

Analysis reveals that 51% of users chose to top up one year of their NI record, with an average payment of £1,193. Some have increased their weekly State Pension by up to £107.44. However, after April 2025, voluntary contributions will only be permitted for the six most recent tax years.

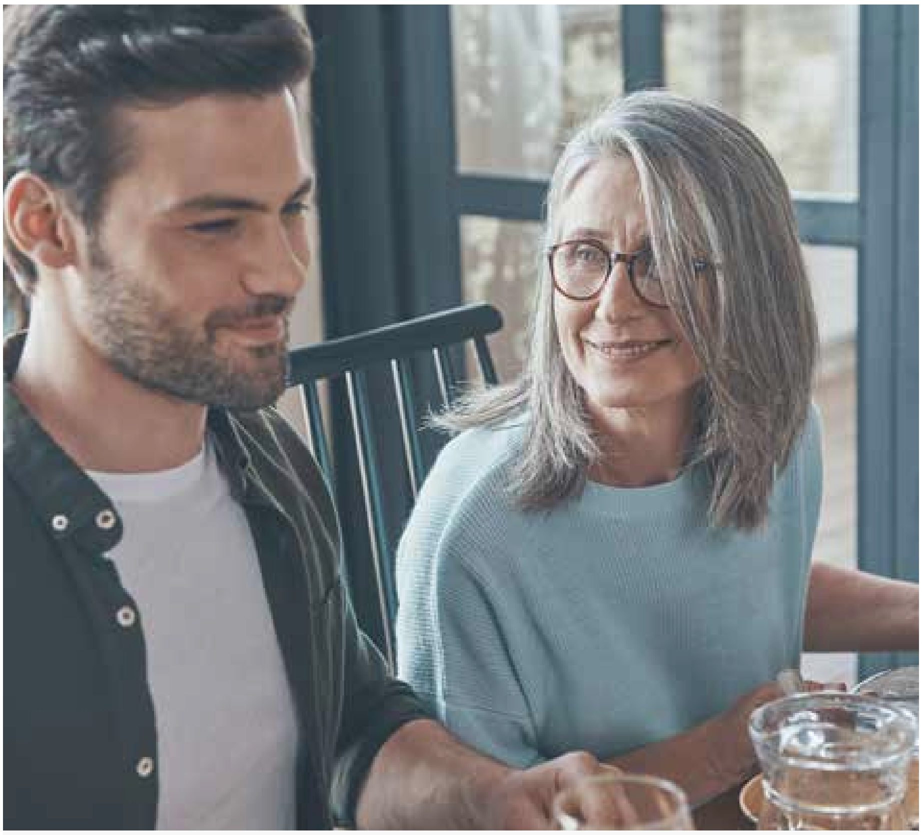
Pensions Minister Emma Reynolds encouraged action, *“We want pensioners of today and tomorrow to enjoy the dignity and support they deserve in retirement... I urge everyone to check if they could benefit from filling gaps before the deadline... A few clicks could make a huge difference to your future.”*

To date, 3.7 million people have accessed the online tool to check their State Pension forecast. You can do the same at:

www.gov.uk/check-state-pension.

[3]Gov, 2024

“ We want pensioners of today and tomorrow to enjoy the dignity and support they deserve in retirement... I urge everyone to check if they could benefit from filling gaps before the deadline... A few clicks could make a huge difference to your future ”



Breaking the taboo: Family tensions over financial matters

Many wealthy individuals avoid discussing financial planning with their family due to fears of conflict, with 10% avoiding the subject entirely and 27% admitting they find it uncomfortable[4].

However, avoiding these conversations can lead to misunderstandings, especially when family members have unrealistic expectations about their inheritance. Only 12% of wealthy individuals regularly talk about financial plans with family members, while 23% want to but find it difficult initiating the discussion.

Generational divide

Generational differences further complicate the issue. Nearly half of individuals under 35 expect to receive an inheritance, but 10% of those over 50 are concerned their plans will disappoint their families. Additionally, older generations are more nervous discussing money, with 27% believing younger generations are more comfortable talking about financial matters.

Financial pressures across regions

Inheritance isn't the only source of financial stress. A separate survey[5] identified three key pressures: maintaining a certain lifestyle in later years, investment values, and taxes. Wealthy Londoners experience the most stress, with 88% reporting financial pressure–20% of whom worry constantly.

The importance of open conversations

Regardless of wealth, open discussions about money and inheritance can alleviate stress, help set realistic expectations and prevent future disappointments. Honest conversations ensure your loved ones understand the reasoning behind your financial decisions. We can help you and your family take control of your financial future.

[4]Rathbones, [5]Arbuthnot Latham, 2024

Avoiding overspending in retirement

A fifth of retirees have consistently spent more than expected, with 11% overspending early in their retirement[6].

The primary causes of overspending include rising living costs (28%), housing expenses (21%), travel (14%), family support (7%), and leisure activities (6%). Retirement often brings a sense of freedom, both emotionally and financially, which can lead to overspending. With ample savings and free time, some retirees may find it challenging to manage their finances strategically. Without careful planning, this can lead to financial strain further down the line.

Be strategic

To prevent overspending, it's essential to plan ahead. By understanding your future spending needs, you can build a financial plan that keeps your retirement stress-free and sustainable. We can help you stay on track, so your hard-earned savings fund the retirement you want.

[6]PensionBee, 2024

Are you neglecting your cash savings?

We previously looked at how a regular savings habit can improve your personal wellbeing, whatever your income level. But data shows that over a quarter of adults are neglecting the 'wellbeing' of those savings.

A lack of interest

Research[7] released in September shows that over a quarter of adults keep their cash in accounts that pay no interest. With so many accounts on the market offering good rates of interest, why do so many of us neglect our hard-earned savings?

If it's the effort of shopping around or holding money in lots of different accounts that's stopping us, the solution could be a cash savings platform. There are many to choose from including Quilter's CashHub which can sit neatly alongside any Quilter investments you have.

[7]Building Societies Association, Sep 2024

"With so many accounts on the market offering good rates of interest, why do so many of us neglect our hard-earned savings?

A platform for success

The main benefit of platforms like these is that they bring together a variety of savings accounts from a range of banks into one place, saving you from having to trawl the internet for the best deals.

Other advantages include:

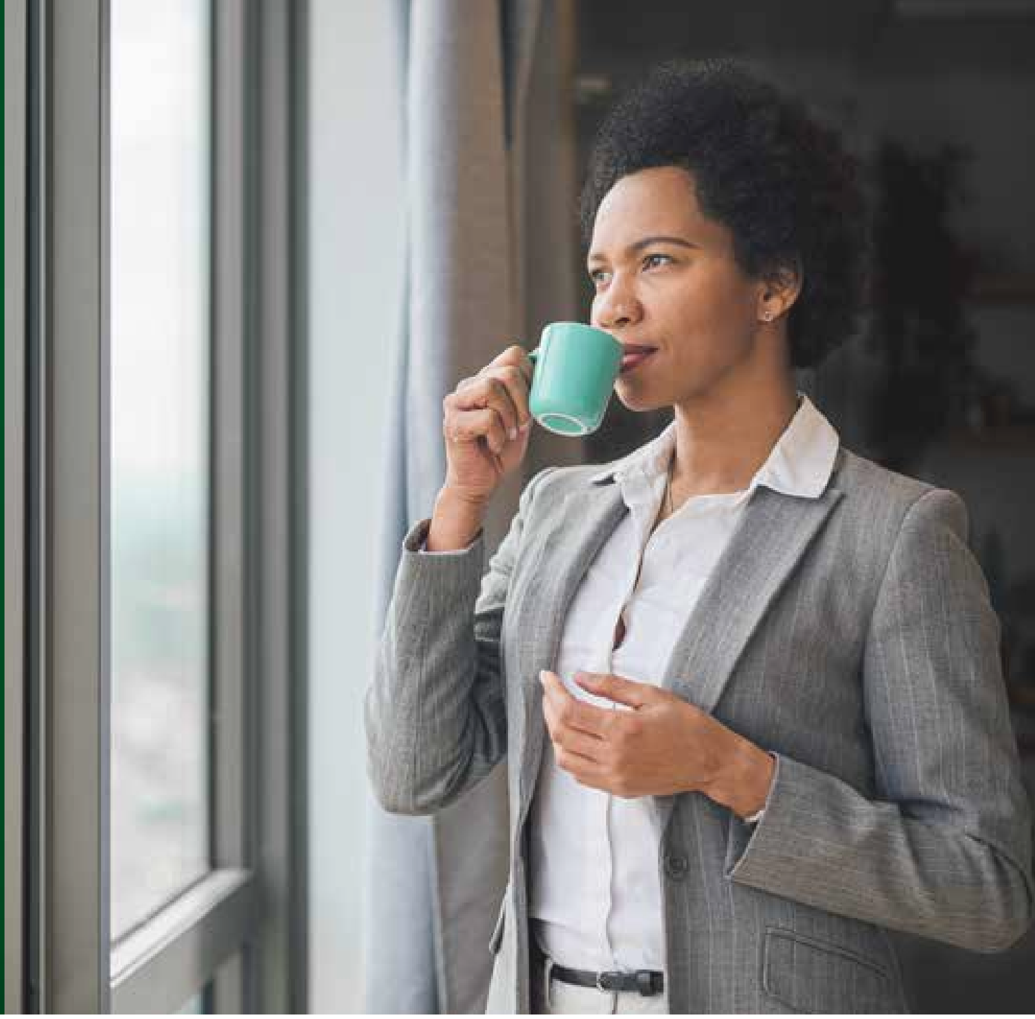
- It's easy to move money to new accounts when better rates come along.
- You can make the most of FSCS protection by spreading the risk across accounts.
- You can build a portfolio of accounts that balances best returns with control over access.

Neglect into growth

With so much choice, control and convenience, a cash savings platform could turn a neglected asset into a growing one, and boost both your financial and personal wellbeing.

Financing longevity is all in the planning

The start of a new year inevitably comes with thoughts of the future – and, with people living longer than ever before, it could be a rather long future for many. As 2025 kicks into gear, how should individuals and investors think about longevity financing?



Towards the end of 2024, the International Monetary Fund (IMF)[8] foresaw a period of 'stable but underwhelming' global growth for the year ahead. The prediction also included a return to a more neutral monetary policy stance as inflation in most economies steadily falls towards national targets in 2025.

Thinking through the 'longevity megatrend'

The IMF forecast also highlighted some structural challenges that are expected to temper global growth, with an ageing population being one of the most prominent. As well as impacting the economy, the unfolding *'longevity megatrend'* is a global phenomenon, which presents a financial challenge at a personal level too as we live longer.

Research[9] suggests most of us are vague when it comes to financing increased longevity – less than a third of 55 to 64-year-olds, for example, currently prioritise funding their retirement. Preparation and setting life goals typically makes us feel more in control of, and optimistic about our futures and is undoubtedly key to confronting the realities and practicalities of living longer. Such targets, though, do need to be focused beyond current life stages.

Advice helps longevity plans

Encouragingly, the research also found that people who use an adviser tend to be better prepared for later-life eventualities, whether that be financing retirement or providing support for loved ones.

Another element of longevity is successful communication. Advice helps clients successfully navigate the financial landscape as well as encouraging them to engage family in financial conversations; we can support you on all counts – it's all in the planning!

[8]IMF, [9]Canada Life, 2024

Approver: Quilter Wealth Limited, Quilter Financial Limited, Lighthouse Advisory Services Limited, Quilter Financial Services Limited & Quilter Mortgage Planning Limited. Quilter Financial Planning Solutions Limited. January 2025.