Ellacotts
Wealth Planning

ELLACOTTS WEALTH PLANNING

www.ellacottswealth.co.uk

Ellacotts Wealth Planning provides independent financial advice to compliment the advice given to you by your Ellacotts accountancy team. Working closely with your accountant, we are able to ensure that your financial planning needs are aligned to both your personal and business requirements.

We are able to help you and your business plan for the future in terms of retirement and also planning for the unexpected. As Independent Financial Advisers, we review the whole of the market to ensure the recommendations we make are suited to your needs and requirements.

At our initial meeting, we will discuss at length your future objectives, timescales for achieving these, as well establishing your attitude to risk and capacity for loss. If you have existing plans in place, we would ask you to sign letters of authority so we can obtain information on these plans to assess whether they remain suitable for your needs.

Areas we can help

Pension planning – pre retirement
Using pensions still remains the most effective way of reducing tax. Up to £40,000 can be paid into a pension, with basic rate tax relief available at source, making the net cost £32,000. A pension fund does not pay tax within the fund, making the underlying investment extremely tax efficient. If you are a higher rate/additional rate tax payer, further tax relief may also be available. Up to 25% of the fund can be paid out tax free on retirement and death benefits are tax free up to age 75.

Pensions offer a lot of flexibility in the assets that can be held in them, for example, you can hold commercial property or land and direct shares within the plan, as well as investment funds.

Pensions – post retirement
We are able to help you plan your finances post retirement. Firstly, to make them as tax efficient as possible and secondly to help you make sure you do not run out of money. We use cash flow forecasting to help you see how much income you are going to need in retirement and, making certain assumptions, how long your money will last.

Using a combination of pensions and other investments and income sources, we are able to maximise tax allowances and reduce personal income tax liabilities.

Investing for the future
ISAs offer tax efficient capital growth or income. Like pensions, the funds held do not pay Income Tax or Capital Gains Tax, however, on death, the value of ISA assets will be included in the value of your estate. Married couples are now able to inherit ISA funds from their spouse on death, meaning the tax efficient status is retained.

General Investment Accounts (GIAs) are similar in structure to ISAs, however, income and gains generated by the underlying investments are liable to Income Tax and Capital Gains Tax (subject to the usual allowances). Investments held in a GIA can be moved seamlessly into ISAs at the start of a new tax year.

Investment management
Our portfolios meet a number of different risk levels. We have chosen our investment partners based on extensive due diligence to ensure they continue to meet our investment objectives, which are aligned with your long term requirements.

As people become more aware of the damage being done to our planet, we have a growing number of environmental, social and governance (ESG) portfolios available. These portfolios will only invest in sustainable investments, that consider the long term impact on society, environment and the performance of the business.

We want to build long term relationships with our clients and helping you achieve your personal investment objectives is key to this.

Business protection
Death or critical illness of a shareholder or key person can have a serious impact of the future of your business.

Shareholder protection
Shareholder protection allows a business to protect itself against the financial loss it may suffer from losing a major shareholder.

It is designed to cover the shareholding director of limited companies. The liability of these shareholders, 'the owners', is limited to the value of their unpaid share capital in the business and any personal guarantees.

Shareholders can have important voting rights, which directly affect the running of the business. Losing a shareholder normally results in these rights passing to the deceased shareholder's beneficiaries which would usually be their family.

Shareholder protection allows the surviving shareholders to purchase the available shareholdings meaning the business can continue without further disruption.

Key person protection
Key persons are people in a business who are vital to its profitability and continued financial success. There can be more than one key person within any one business.

Losing a key person can have a damaging effect on a business in several ways, both in the short term and medium to long term.

Key person protection plans involve the business taking out a 'life of another' policy on a key employee. This means that in the event of the key person's death, the value of the life cover is paid to the business. The business can then use this money to meet its financial needs while recruiting a replacement or reorganising the business.

Critical illness cover can also be taken out on the key person. This would allow the business to use any benefits if the key person suffers a critical illness to pay for a temporary replacement or cover a profit shortfall.

Business loan protection
Many businesses borrow money to fund their growth and development. The repayments will usually be covered by the business's income, but they could be affected by the loss of a key person or someone who has acted as a guarantor for the loan.

Key person loan protection can be arranged to provide payment in the event of death, critical illness, or both.

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Case Study - Using pensions to create a rollover claim

Following a land sale, we were looking at ways for our client to save some of the tax due by making a claim for Rollover Relief. The family had a Small Self Administered Scheme (SSAS), which held an investment portfolio as well as land. After discussion with the scheme members, it was agreed that the pension scheme would sell the land back to the farm. The pension provider needed an independent land valuation, which showed that the land had more than doubled in value since it was included in the pension. The land was then sold back to the farm without any Capital Gains Tax payable. The farm were then able to make a rollover claim on the land purchase. There were legal fees and stamp duty to pay on the purchase, but even after allowing for this, it was worthwhile doing, as the tax saving was higher than the costs.

Once the land sale had completed, we then closed the SSAS and set-up individual plans for the members which were invested in line with each persons attitude to risk.

Holding land or commercial buildings in pensions is extremely tax efficient, as any gains are free from Capital Gains Tax on sale of the asset. Rent payable is not liable to Income Tax within the pension. The drawback with holding physical assets rather than liquid assets is that to take benefits, sometimes it is necessary to sell the asset, which can take time.

Case Study - Inheritance Tax Planning

Our client had different types of assets, including agricultural land, a business park, residential property as well as investments. Once it was established what assets were likely to be eligible for Agricultural Property Relief, there were still a number of assets that would be liable for Inheritance Tax (IHT). The value of these assets was not insignificant and the potential IHT that would be due on second death was circa £3m. There was not enough cash available to pay this tax without having to sell capital assets. We looked at ways of mitigating the tax liability, but other than gifting assets to children, there was not much more we could suggest.

We then looked at ways of providing the children with a lump sum to pay the tax. We recommended a joint life second death whole of life plan. The plan was written under a discretionary trust so that benefits were kept outside of the estate. This type of cover does not pay out until both lives assured have died and less expensive than taking out a single life or joint life first death plan.

The benefit to the client here is that as long as they continue to pay the premiums, the plan will provide a guaranteed amount to help their children pay any tax due when the second parent passes.

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