



Spring Clean your Finances

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As we approach the end of the tax year in April, spring is great time to optimise your financial planning to ensure you've made the most of all your allowances for this financial year and that you don't miss out on any benefits, or pay any unnecessary tax. Be smart in spring and you'll set the tone for your year.

Here are our 'top five' financial spring cleaning tips

- Make sure you maximise your ISA contributions. An ISA is a tax-free wrapper which helps you see more growth. The annual allowance for 2017/18 is £20,000 and this cannot be carried over, so if you don't use it, you lose it. You can have an investment stocks and shares ISA or money can be left in cash so you don't have to invest straight away if you want to beat the deadline but have some more time to think about your investment choices.
- "Carry forward" pension allowance from the previous three tax years if eligible. This could be up to £120,000 that you could carry forward and contribute to a pension plan on top of your 2017/18 annual allowance. The earliest of the three years (currently 2014/15) is lost after 5 April. The annual allowance is £40,000 per year but from 2016/17 onwards if your income is over the £150,000 threshold the annual allowance is tapered and reduced by £1 for every £2 of income above £150,000. The annual allowance can be reduced to just £10,000 so it is vital to make the most of every year's allowance. To illustrate this, it may be possible to carry forward up to £120,000 before 6 April but as little as £90,000 after that date.
- Use your spouse and children's ISA and pension allowances too. Married couples should take advantage of all the benefits of joint financial planning including using both of your pension and ISA allowances. You can also begin to save for your children, utilize their annual allowances and build for their future. The Junior ISA allowance is £4,128 in 2017/18 (£4,260 in 2018/19) and you can put £3,600 (you pay £2,880 net) into a child's pension each tax year. The Lifetime ISA is another string to the bow. This can provide a government bonus if you use the funds for house purchase or retirement.
- Consider making use of the annual gifting allowances to help keep a lid on your estate. Individuals can each gift £3,000 per tax year and if you didn't use last year's allowance you can also use that. So, married couples could potentially gift £12,000 as a one-off payment, immediately out of your estate. If you have a son or daughter getting married this year, up to £5,000 can be gifted and be immediately out of your estate.
- The nil rate band is the value of an individual's estate that is not subject to inheritance tax, and has been set at £325,000 since 6 April 2009. In April 2017, an additional residence nil rate band was introduced. The residence nil rate band is an additional allowance for those individuals with direct descendants who have an estate (including a main residence) with total assets above £325,000. The amount of additional allowance permissible is being phased in over 4 years starting at an additional £100,000 in 2017/18 and increasing by £25,000 each year - so by 2020/21 it will potentially add a further £175,000 of tax exempt inheritance tax allowance. However, it is not straight forward and advice should be taken as it will not apply to all estates.

At LFWM, we advise that a full client cash flow planning exercise is carried out to provide a realistic picture of your finances. Please contact andrewtricker@lfw.co.uk for more information on cash flow planning and how to achieve your financial goals.

Finally, it's good practice to regularly review your investments and pensions to ensure they remain fit



for purpose. What might well have been excellent advice previously, could, by either legislative or economic change or through new product development, be no longer be providing the outcome you had planned for.

Please note that this article is based on information deemed relevant at the close of the 2017/18 tax year and going into 2018/19 tax year. Allowances and regulations are subject to change and it is advisable to seek up-to-date advice before acting on these recommendations.





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