

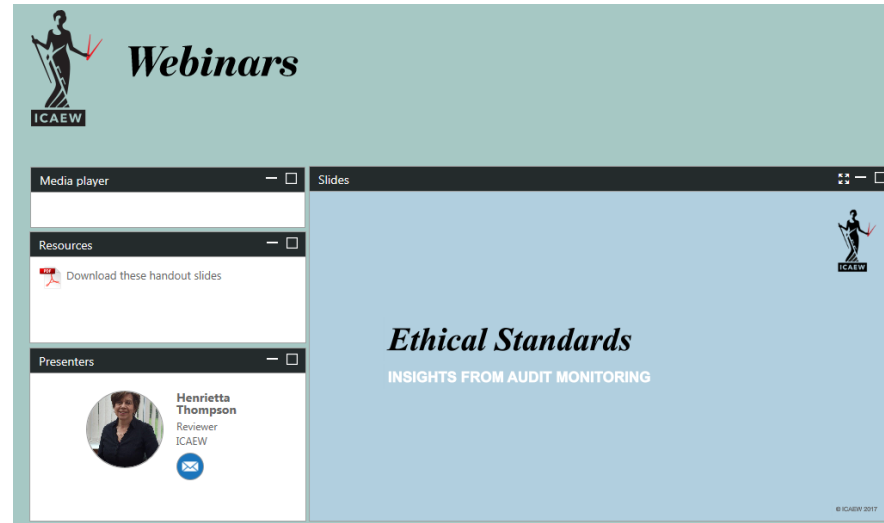


# *Passing your wealth to the next generation: the power of gifting*

IN ASSOCIATION WITH NETWEALTH

FACILITATED BY RICHARD BERTIN, MEMBER OF THE ICAEW  
PERSONAL FINANCIAL PLANNING ADVISORY GROUP

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# *Today's speaker*



**THOMAS SALTER**  
**COO**  
**NETWEALTH**



**MATT CONRADI**  
**HEAD OF CLIENT ADVISORY**  
**NETWEALTH**



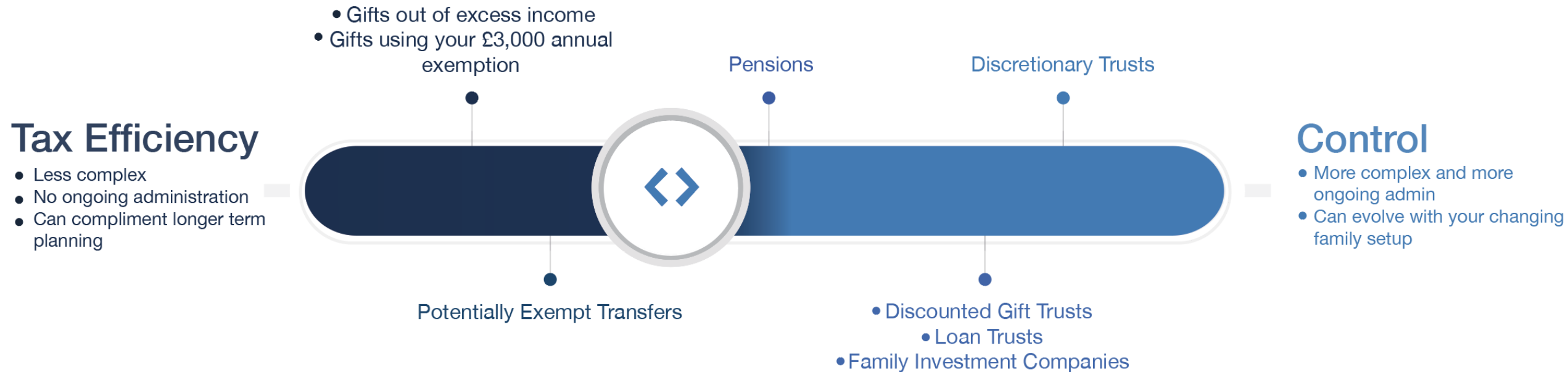
network

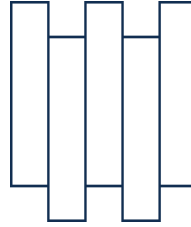
Wealth management as it should be

Passing your wealth to the next generation



# Passing wealth to the next generation is often a trade off

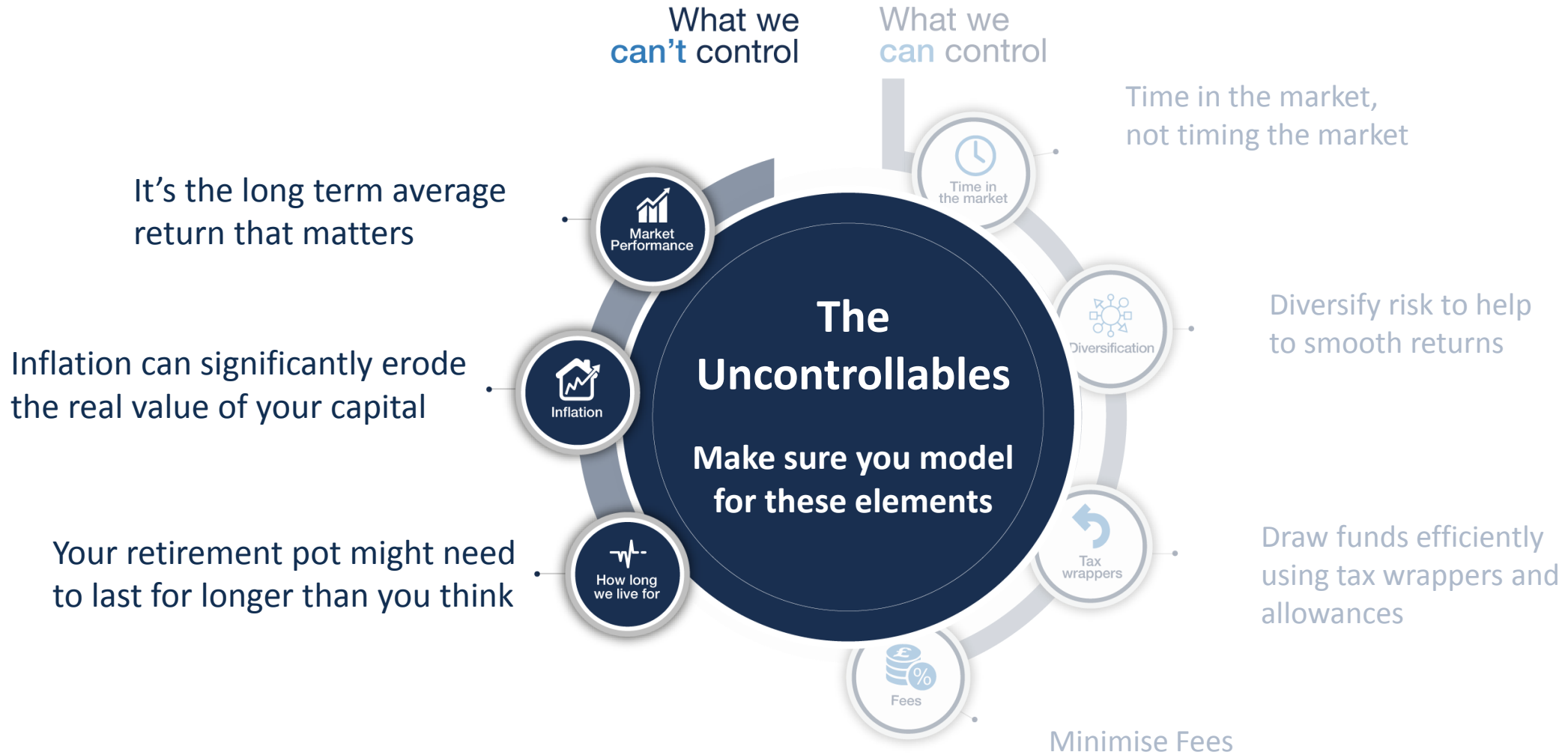




How much can you afford to gift



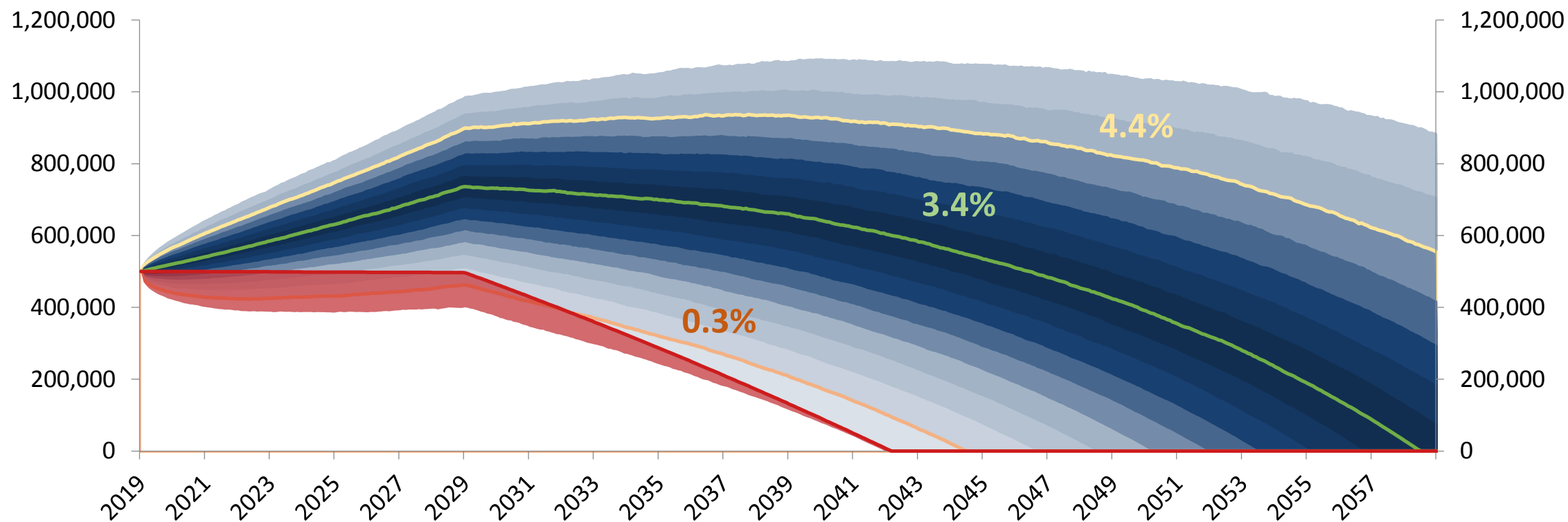
# The challenges: How much will you need





# Market Performance

Small changes in the average return make a big impact over time



Source: Netwealth, £500,000 invested in a RL 5 pension for 10 years then withdrawals of £2,000 gross per month inflated by 2% per annum for 30 years

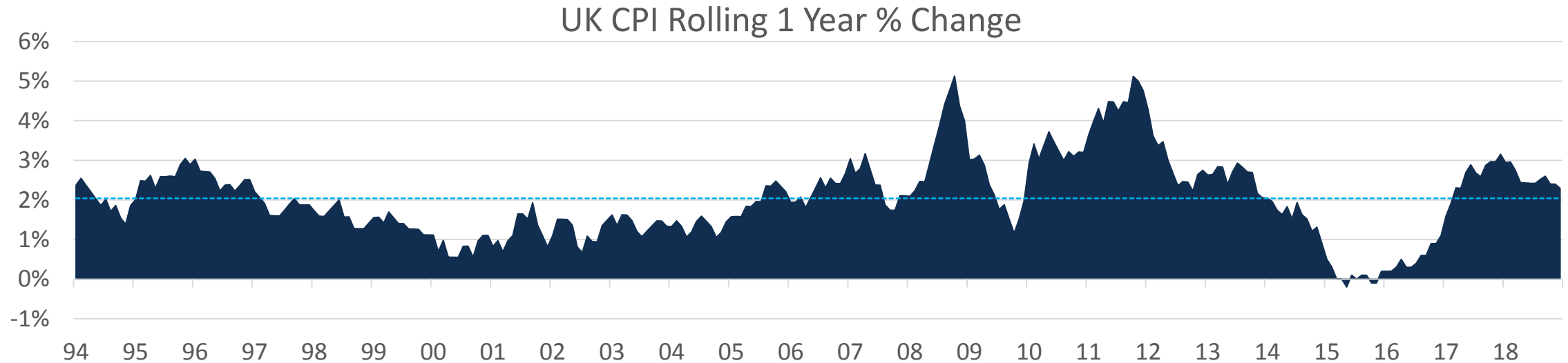
Simulated historic and future performance numbers should not be relied upon as an indicator of future performance.





# Inflation

We all experience our own unique inflation rate dependent on our sources of expenditure. Whatever the rate, it is likely to be positive.



What does this mean?

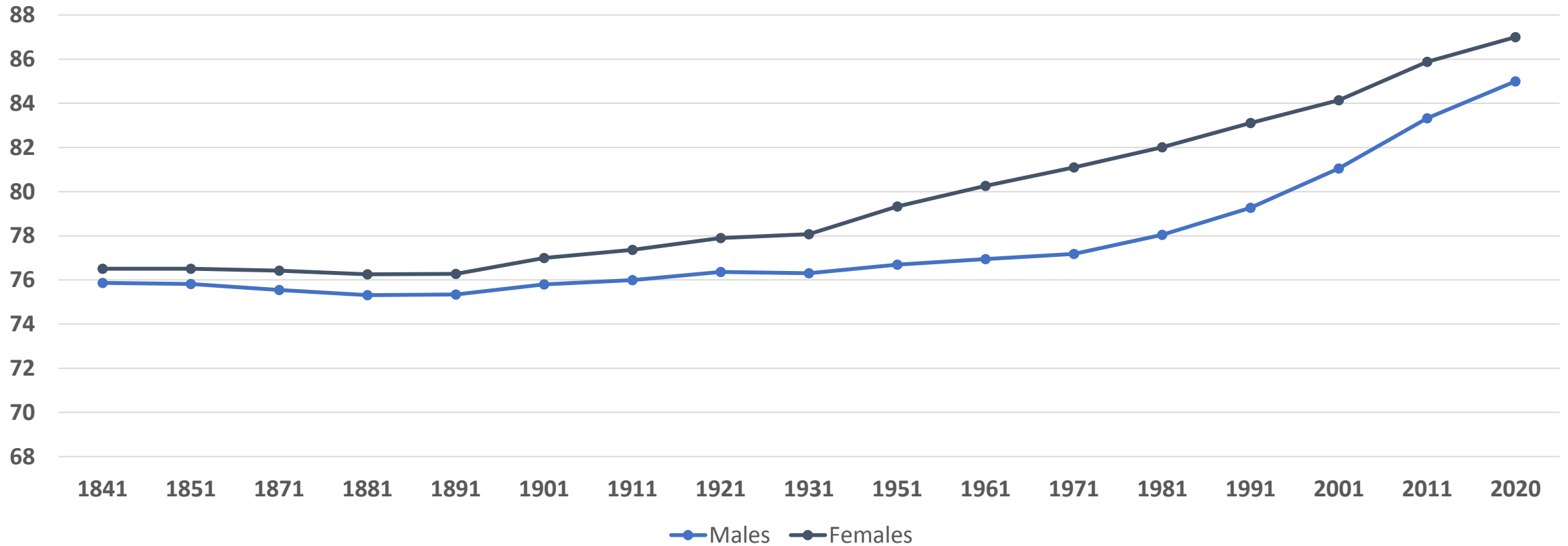


Source: <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation>



# We are living longer

UK Life Expectancy at age 65



Source: ONS



# Longevity: The risk is you live longer than the average

● **94 years**

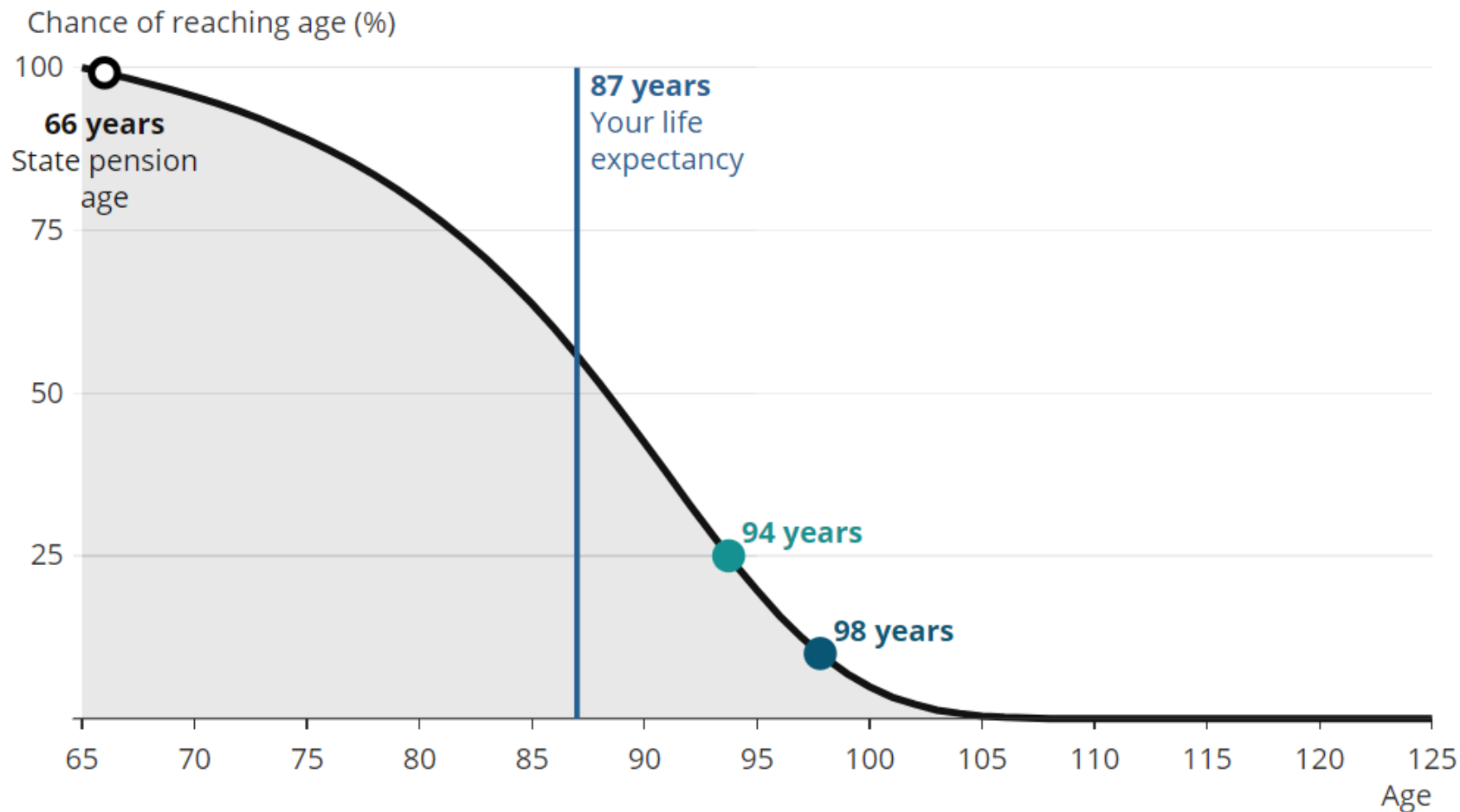
1 in 4 chance

● **98 years**

1 in 10 chance

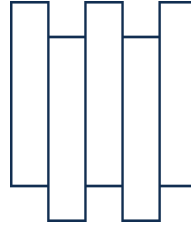
● **100 years**

4.9% chance



Life expectancy source data ONS:

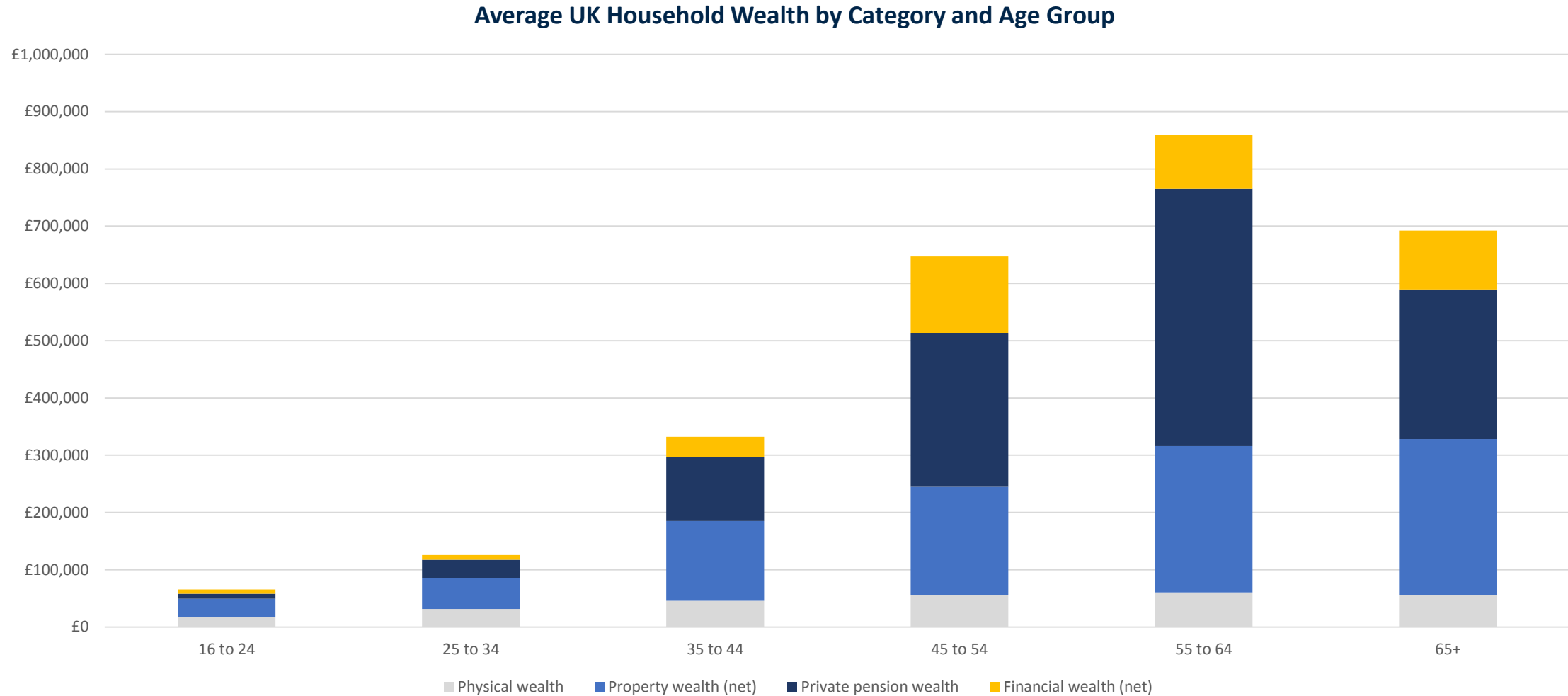
<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/articles/lifeexpectancycalculator/2019-06-07>



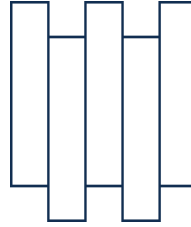
When to make your gifts



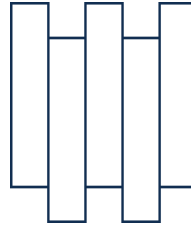
# Wealth increases with age – When does a gift have most impact?



Source: ONS



## Online case study



Impactful gifts:  
Balancing control and tax efficiency



# Gifts that are structured in a smart way can have a bigger impact

How to turn £50,000 into £66,000 for your family

<b>Initial Cash Lump Sum</b>	<b>£50,000</b>
Net Pension Contribution	£32,000
Tax relief paid directly into the pension	+£8,000
Tax relief paid claimed in tax return	+£8,000
<b>Gross available pension contribution</b>	<b>£40,000</b>
Cash remaining for other savings	£26,000
<b>New investment total</b>	<b>£66,000</b>

**Pension:**

£40,000 gross contribution

**ISA:**

£20,000 contribution

**2x Junior ISAs:**

£6,000 contribution (2x £3,000)

You have immediately increased the value of your funds by 32%...  
... And moved the money into tax-free wrappers!



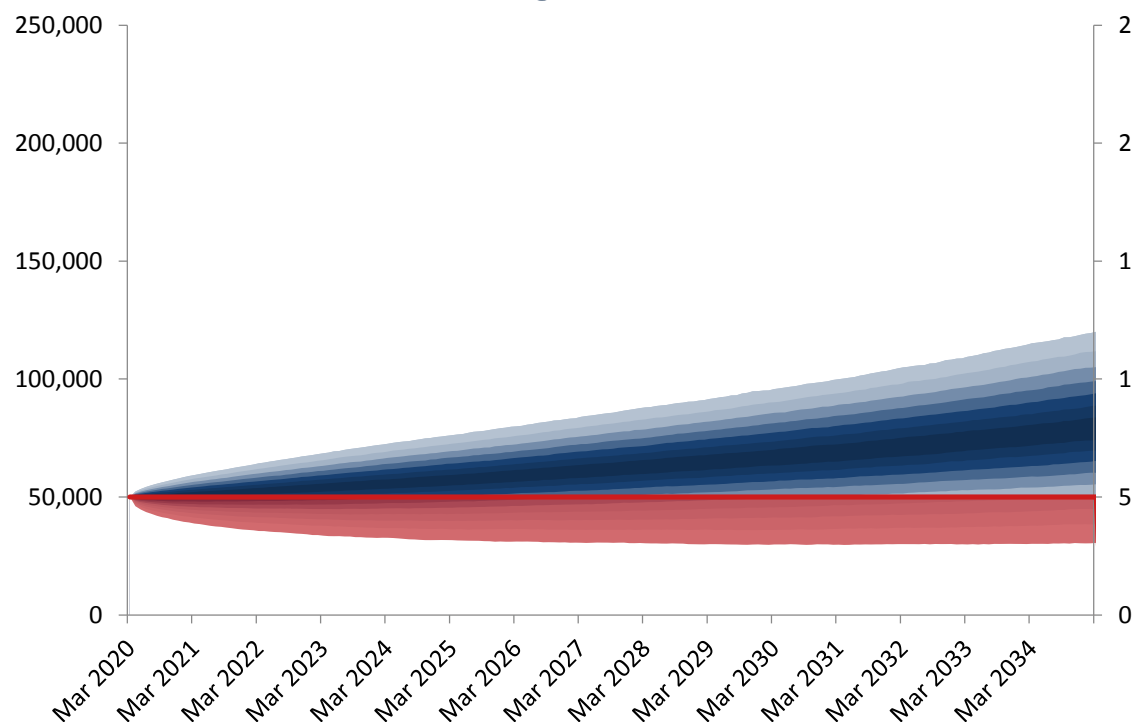


# The benefits of using tax wrappers to your advantage

Placing your savings in tax free wrappers can significantly improve your net returns and help you to achieve your goals.

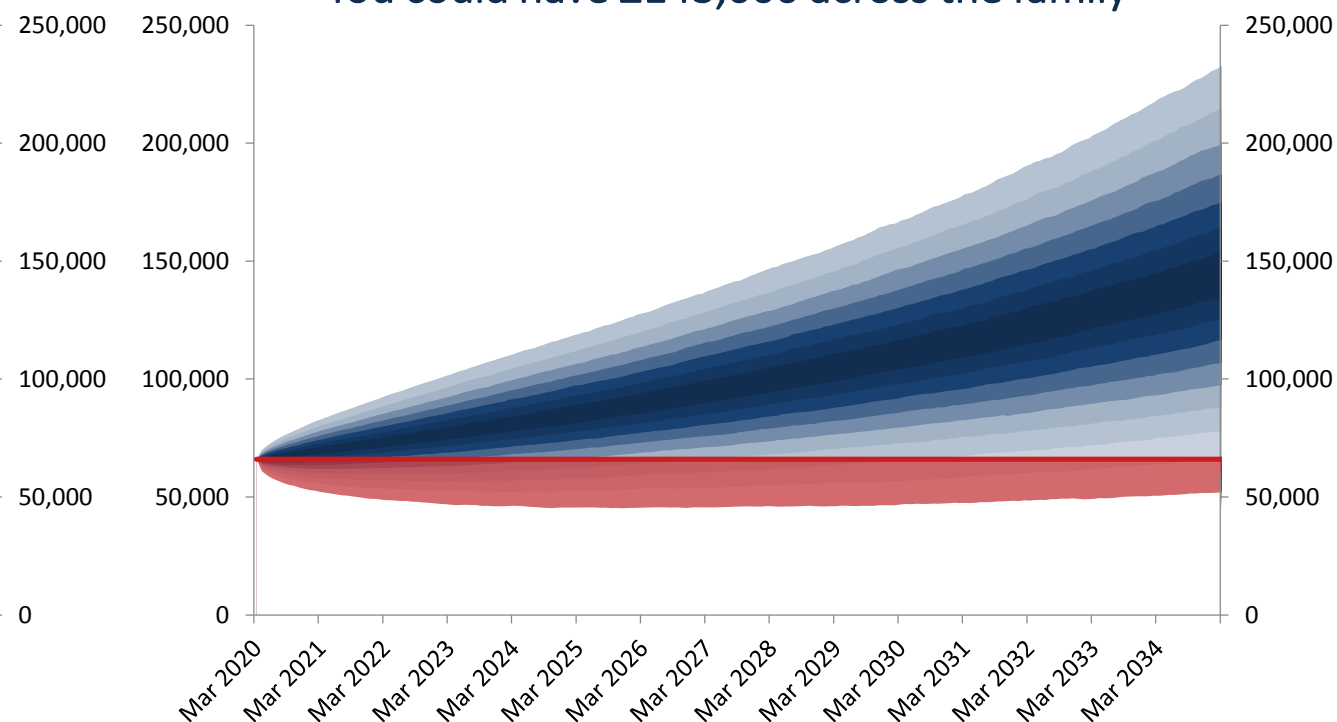
£50,000 invested for 15 years in a taxed account

Could grow to £78,000



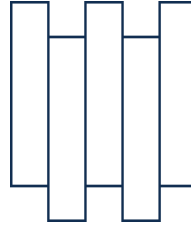
Smart structuring into tax wrappers

You could have £143,000 across the family



Source: Netwealth. Assumes an investment in a Risk Level 7 portfolio with marginal tax rates of 40% on income and 20% on capital gains.

This is an illustrative performance scenario only and should not be relied upon as indicative of future performance.



# Your Pension as an IHT Planning Tool



# Pension drawing options – Passing assets to the next generation

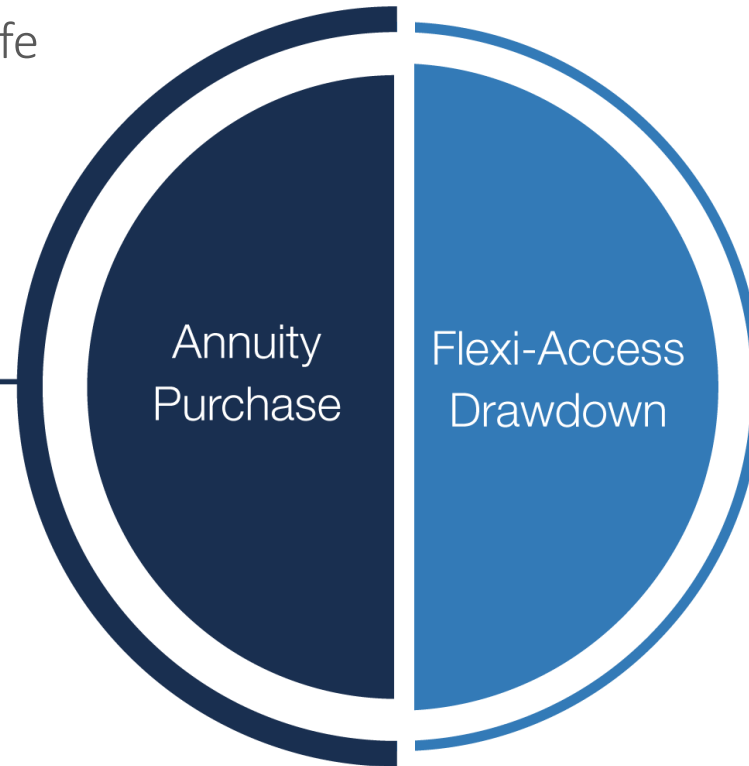
## Benefits

- Guaranteed income for life
- Can give you the confidence to gift more



## Bear In Mind

- Annuity rates close to all time lows
- No value upon death



## Benefits

- Assets remaining on death pass to beneficiaries
- Very flexible



## Bear In Mind

- Lifetime Allowance needs to be considered
- Risk of inflation and longevity
- Assets do not necessarily follow your will

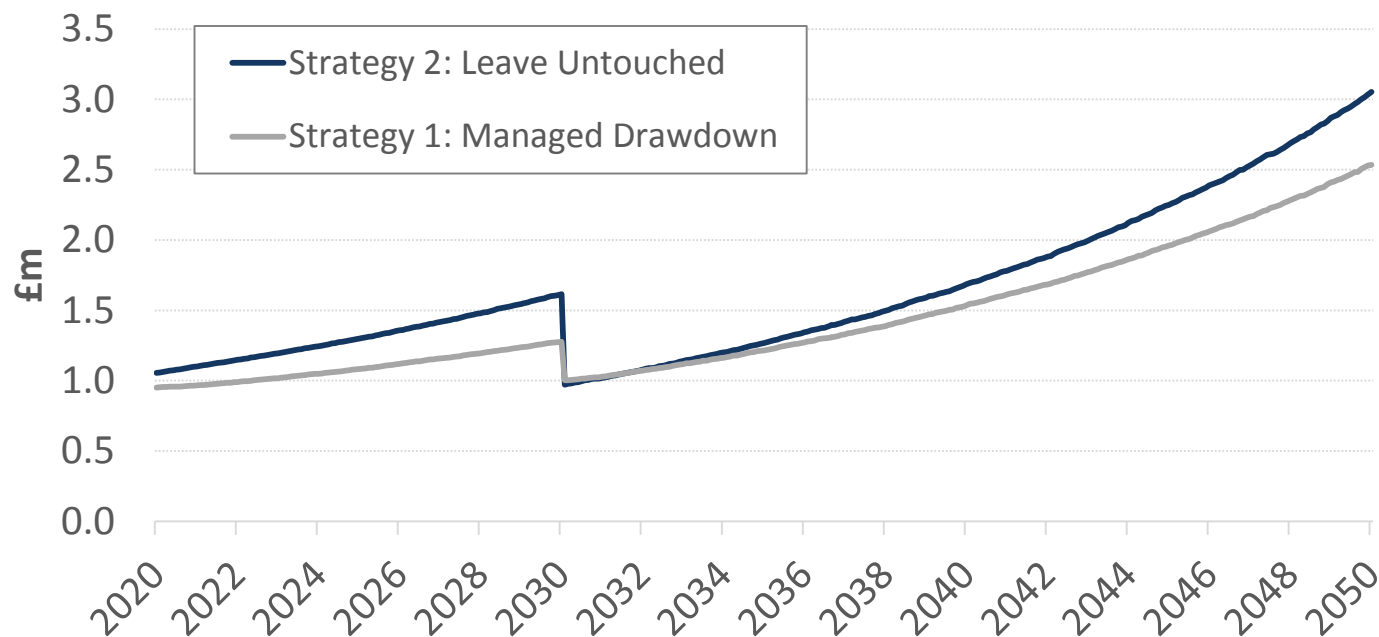


# When paying the LTA tax charge makes sense

If you wish to use your pension to pass on to your beneficiaries, retaining funds in the pension may offer the best outcome, despite the LTA tax charge

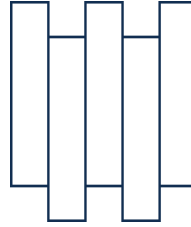
Strategy 1: Crystallise at LTA, take lump sum and manage withdrawals to avoid LTA tax charge

Strategy 2: Leave pension untouched, pay any LTA tax charge



Assumptions: Starting age 65, Netwealth Risk Level 7, lump sum and withdrawals invested via GIA with higher rate tax on returns, beneficiaries pay higher rate income tax on pension passed on post age 75.

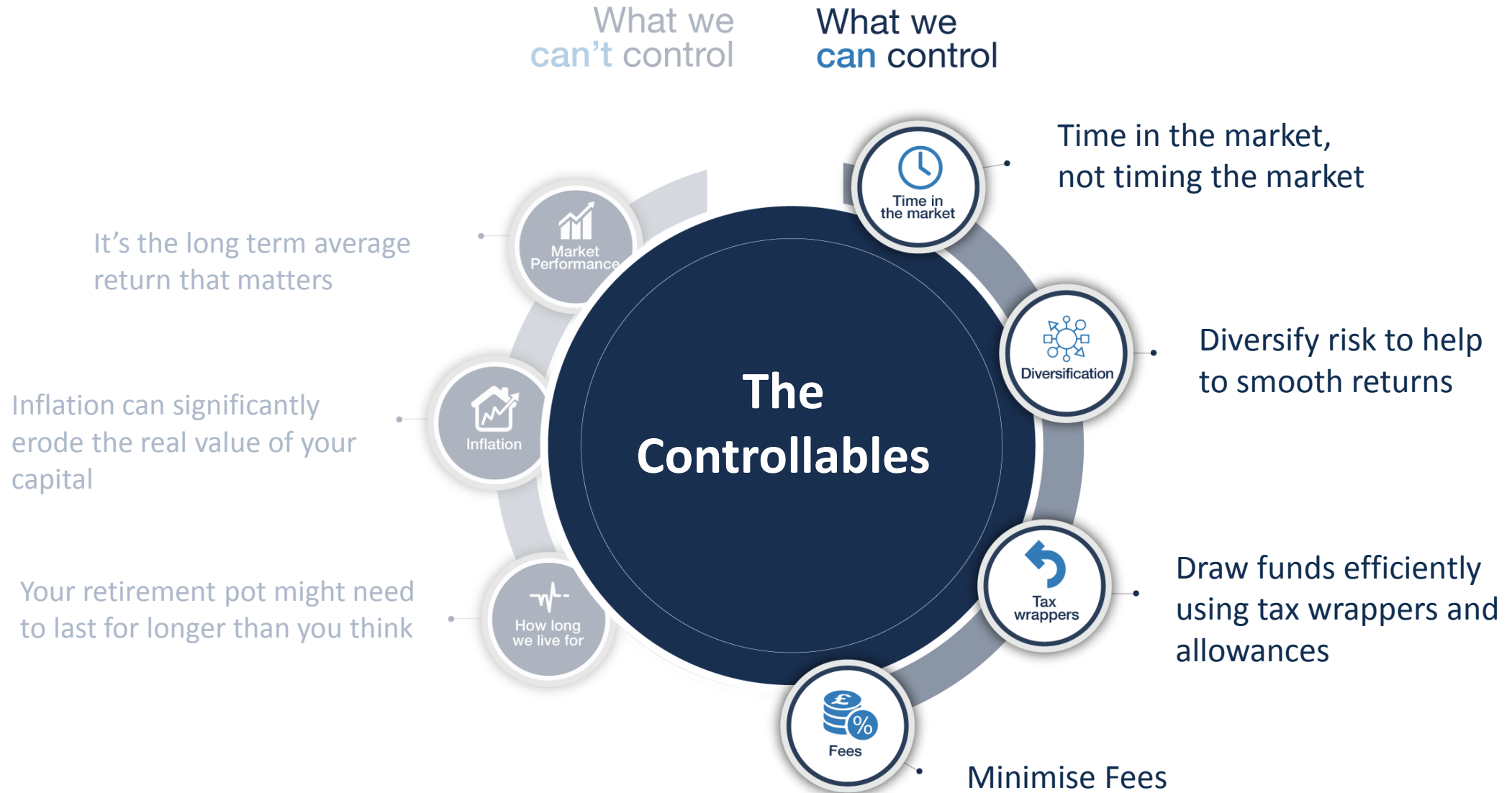
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Control the Controllables and  
You Can Pass More Wealth On



# When investing: Take control





## How you draw down your funds is important – Case Study

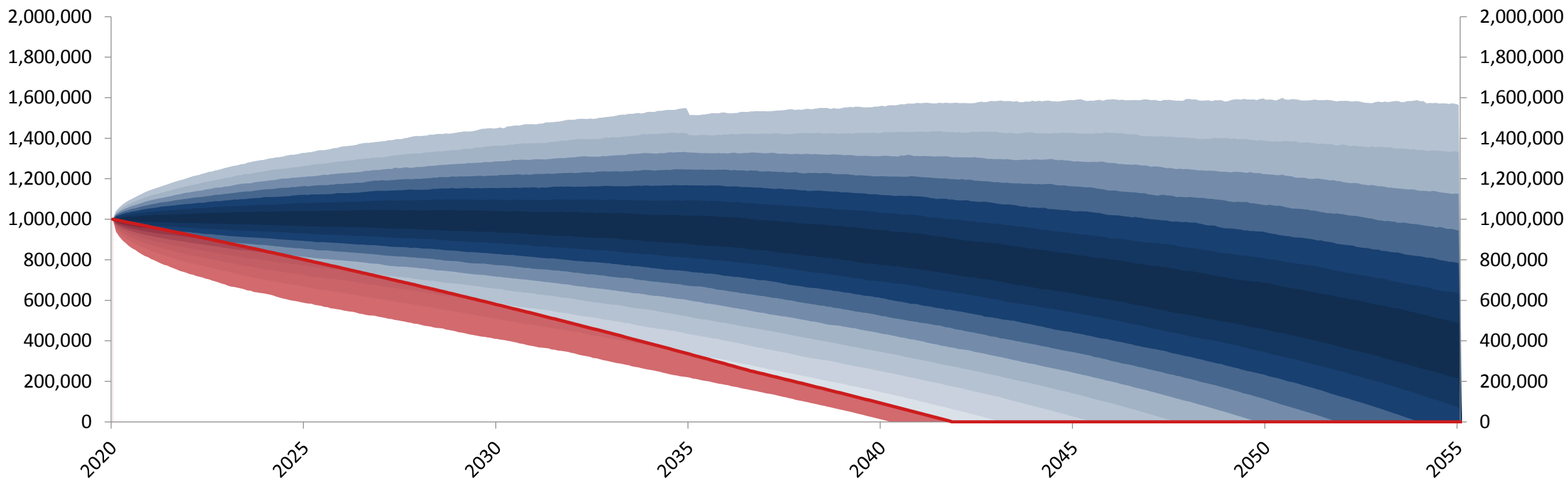
- Annabel is 60 and has just retired
- Pension valued at £1,000,000 and has crystallised the full amount into drawdown
- Targeting a net income of £2,750 a month increased by 2% per annum for inflation
- The 25% tax-free cash has been invested in a GIA to help support her income target
- Each year she will make use of her available ISA allowance from the GIA
- Annabel plans to invest into a globally diversified portfolio with 60% allocated to Equities and 40% to Bonds and Cash
- Annabel's primary objective is to provide income for her retirement and then she would like to pass any remaining funds on to her 3 children



# Drawing from the pension first

## Assumptions

- £2,750 a month drawn net of tax from the pension until exhausted then from the GIA/ISA



**£350,000 remaining in Jan 2055 in the ISA, assuming the average scenario**

Simulated historic and future performance numbers should not be relied upon as an indicator of future performance.

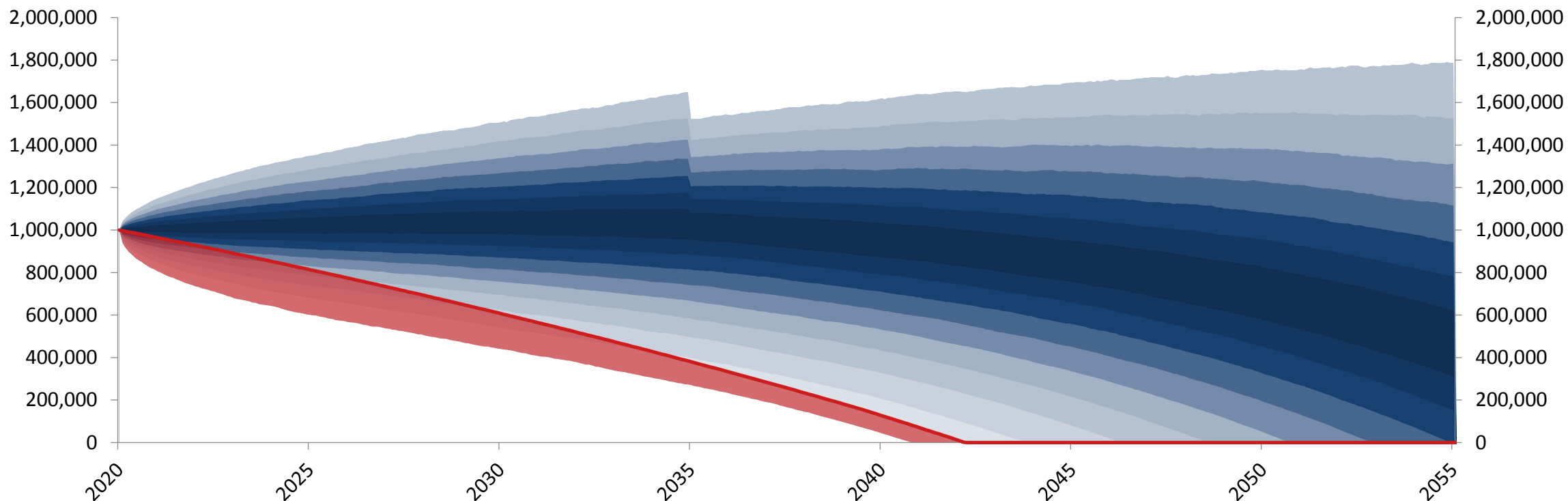




# Drawing from a combination of pension and GIA/ISA

## Assumptions

- £2,083 a month (£25,000 a year) gross drawn from the pension with the remainder for net target drawn from the GIA until exhausted then from ISA.



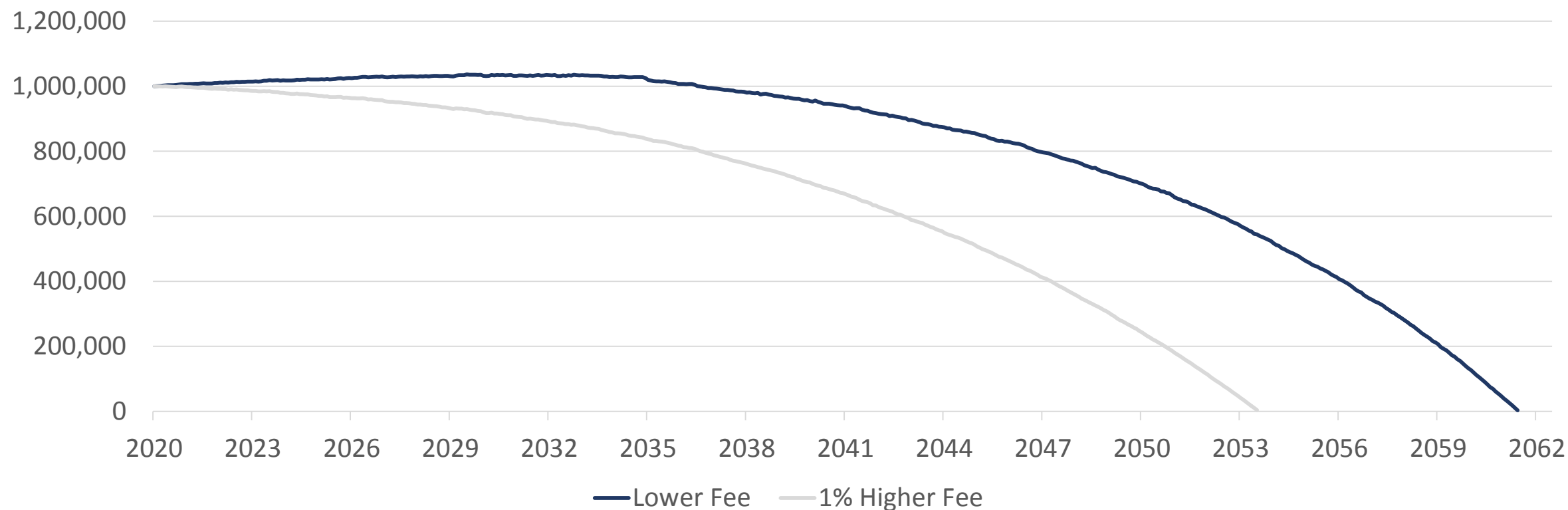
**£461,000 remaining in pension in Jan 2055, in the average scenario**

Simulated historic and future performance numbers should not be relied upon as an indicator of future performance.



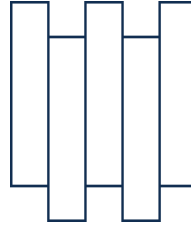
# Fees can have a significant impact on your retirement

Looking at the same example of Annabel's retirement we consider the impact of paying 1% more in fees each year by looking at the average outcome in both scenarios.



**Another 8 years of income**

Simulated historic and future performance numbers should not be relied upon as an indicator of future performance.



# The Netwealth Approach



# The Netwealth Approach

A combination of technology and team helps you plan, invest and review your portfolios so you can achieve your financial goals.



## Financial Planning

Plan for each of your goals either online or by working with an adviser

## Investment Management

Our experienced team build and monitor your portfolios

## Better Net Returns

Keep costs low and take advantage of tax allowances



# Netwealth Fees & Costs of Investing

We believe in providing full transparency and charge a true all in fee which includes:

- Investment Management
- Custody and administration
- Transaction fees & 3<sup>rd</sup> party execution charges
- Tax reporting
- VAT

Total Invested Amount	£50,000 - £249,999	£250,000 - £499,999	£500,000+
Netwealth Management Fee	0.65%	0.50%	0.35%
Current Underlying Fund Costs	0.20%	0.20%	0.20%
Estimated Annual Costs of Trading	0.10%	0.10%	0.10%
<b>Total Annual Costs of Investing</b>	<b>0.95%</b>	<b>0.80%</b>	<b>0.65%</b>

## Financial Advice Fees

Not all of our clients want or need financial advice so this can be taken as and when required either on a one-off or ongoing basis

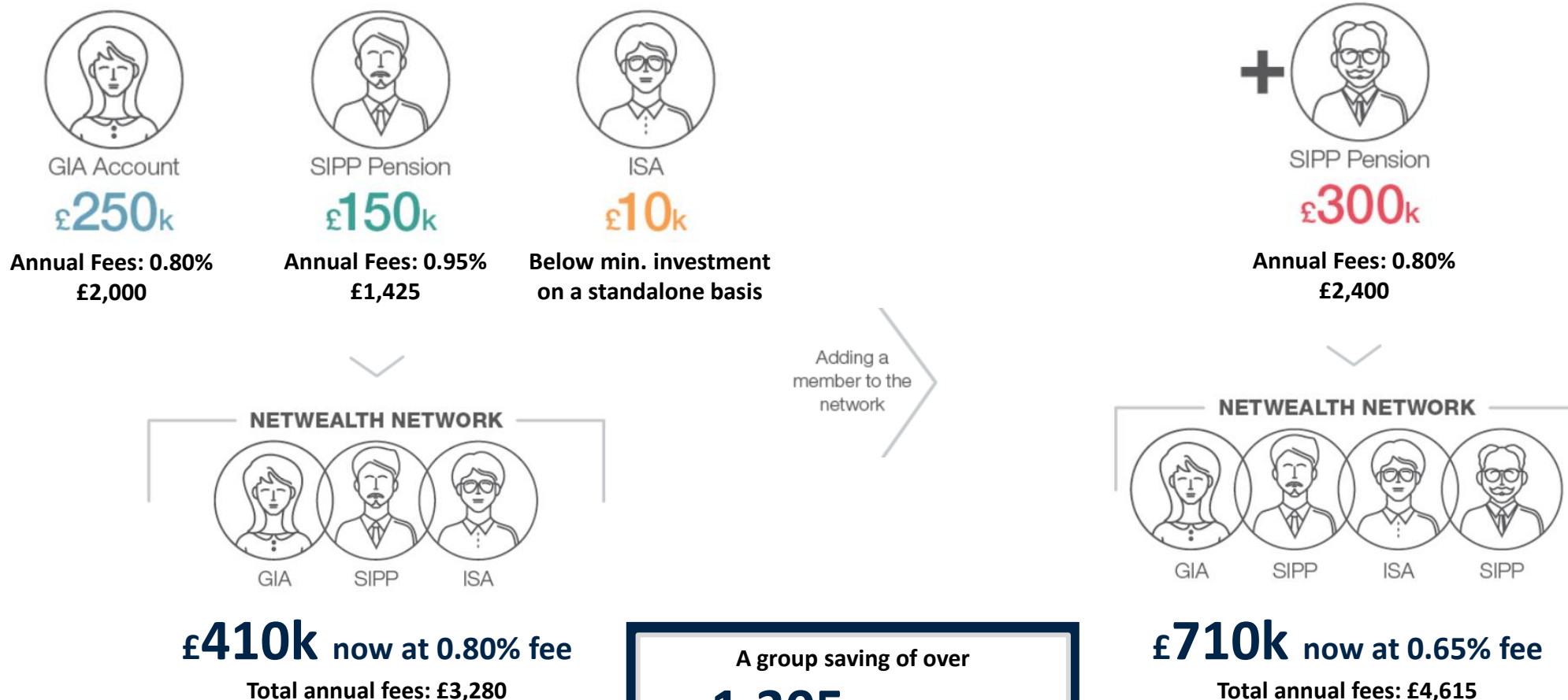
Description	Fee Rate Including VAT
One-off Advice	£125 per hour, subject to a minimum of £250
Ongoing Advice	0.2% per annum on the value of your Account, subject to a minimum of £1,000 per annum

Source: Netwealth



# Investing as a Family – The Netwealth Network

Investing as a family can help to get the next generation started and drive down the overall costs of investing



A group saving of over  
**£1,305** in year one  
Compared to investing independently



# Summary

- Gifting often involves a trade-off between control and tax efficiency
- Working out how much you can afford to gift – model for the uncontrollables
- Think about when and how to make your gifts so they have the most impact
- Pensions can be a helpful tool for passing on your wealth
- Control the controllables when investing so you can give away more

Any questions please get in touch via [advice@netwealth.com](mailto:advice@netwealth.com)



# Important Information

Netwealth Investments limited is authorised and regulated by the Financial Conduct Authority with firm reference number 706988.

When investing your capital is at risk. The value of investments may go down as well as up, so you could get back less than you invested.

Netwealth offers advice restricted to the services provided, and does not provide independent advice across the market.

Netwealth is covered by the Financial Services Compensation scheme (FSCS). In the event that we have stopped trading or are declared to be in default and cannot meet our obligations, a client may be able to claim compensation. This depends upon the type of business and the circumstances of the claim. The FSCS offers different levels of cover for different types of business. Most types of investment business are currently covered for 100% of the first £85,000. Further information is available from the FSCS website ([www.fscs.org.uk](http://www.fscs.org.uk)).





*Any questions?*

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- Keep abreast of topics affecting the PFP sector.
- Access resources covering regulation, pensions, investments, estate planning and business & practice development.
- Book your place on our webinars, workshops and conferences.



# *Upcoming PFP Events*

- SAVE THE DATE:
  - ‘PFP SPRING CONFERENCE: *Probate and Beyond*’, 21<sup>st</sup> May: 9am – 5pm
- Retirement Planning Workshop, 8<sup>th</sup> June: 9am – 2pm
- Webinar in sponsorship with Prudential UK: ‘*Budget Update from Prudential UK*’ – 18<sup>th</sup> March 1.30-2.30pm

- What did you think of this webinar?
- Let us know by completing our survey. Click the icon highlighted below.



- You can complete it now, or it will appear at the end of the webinar.
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