It's all about LLL!

"No act of kindness, no matter how small is wasted."
Aesop, Greek storyteller

It's hard to imagine anyone disagreeing with the wisdom of Aesop's fables, especially when it comes to the importance of nurturing our children.

At Equilibrium, our mission involves helping our clients to live the life they want, look after those they love, and leave a powerful legacy or the three L's as we know them. Invariably, these are entwined with our family and how we can make their lives better, be it with large gifts to help them on the property ladder or assisting with children or grandchildren's education costs. However, there are three key areas where even modest support can lead to substantial benefits.

Live the life they want

When it comes to our mortgage, we all strive for the day when it is paid off giving freedom to enjoy life that little bit more.

In the UK, the average mortgage is £132,378[1] which at a rate of 4.54%[2] and a term of 30 years equates to a monthly payment of £673. For those lucky enough to be mortgage free with surplus income, even a small monthly contribution towards a loved one's mortgage can have a transformative effect.

For example, if made a contribution of £100 a month for 10 years, your loved one could pay off their mortgage over four years earlier, saving a remarkable £22,099 in interest! (see calculation below from Nationwide.co.uk) Additionally, if this gift comes from surplus income or utilises your annual allowance, it could potentially save you 40% in inheritance tax.

Amount without overpayments	Amount with overpayments
Monthly payment **£673.89**	Monthly payment **£773.89**
Total interest **£110,222.32**	Total interest **£88,123.97**
Total to repay **£242,600.32**	Total to repay **£220,501.97**
Length of mortgage **30 years 0 months**	Length of mortgage **25 years 10 months**

Look after those you love

Imagine if we told you that spending over £13,000 could bring you financial reassurance without any tangible benefit—would you think we were crazy? Yet, when it comes to safeguarding your family, the value of peace of mind is priceless.

While it's estimated that around 30% of people in the UK have life insurance (3), this is just the beginning of what is needed to protect our families. Many individuals take out life insurance when securing a mortgage, believing it to be sufficient. However, only 10% of adults in the UK have critical illness coverage[3], and a startling 6% have income protection[4].

Critical illness cover provides crucial financial assistance if you are diagnosed with a covered condition, allowing you to manage treatment costs, mortgage payments, or necessary home modifications. While we hope this is never needed, having this safety net can ease the financial burden during difficult times.

Family Income Benefit offers a tax-free monthly income until the end of the term upon the death of the insured or a terminal illness diagnosis. Unlike traditional life insurance, this policy helps cover everyday living expenses, even if the mortgage is already settled.

If your loved ones are reticent to paying for life cover due to cost, given life can be expensive in our younger years, it is a great way to provide peace of mind for both you and your family.

Example: Quotes from Avelo.co.uk

	Life cover	Critical illness cover	Family income benefit
Premium per month	£7	£35	£16
Benefit	£100,000 lump sum	£100,000 lump sum	*£30,000 per annumn

* Based on a 35-year-old male, level premium and 20-year term
** The income is only payable for the remaining term after death. Therefore, if you died after 18 years only 2 x £30,000 would be payable

Leave a Legacy

Since the introduction of auto-enrolment in 2012, workplace pensions have grown to cover over 22 million employees, up from 9.7 million. While this was a step in the right direction to address declining pension provisions, there's still more that could be done to support our families.

Currently, employers must contribute a minimum of 3% of salary, while employees are obliged to contribute at least 5%. However, more than half of large employers provide the option for above the minimum contributions, typically if employees also increase their own contributions[5]. Many of those eligible, typically in their 30s and 40s, discount this option due to the financial pressures of raising children, which presents an opportunity for you to help build a robust legacy.

For instance, if you were to contribute £80 monthly to a loved one's workplace pension the final outcome could be lifechanging.

So for your total contribution of £9,600 towards your loved ones pension, they will have nearly an additional £200,000 to help fund their retirement. In addition, if they are a higher rate tax payer, they will have also benefitted from £2,400 in higher rate tax relief.

Additional Pension Contributions:

			Total contributions after 10 years
Pension contribution age 30-40	£200 p/m total made up of -	**£80 – your contribution**	£9,600
		£20 – tax relief	£2,400
		£20 – employer contribution	£12,000
Pension value at age 65 with no further contributions			***£198,191 - your legacy**

* Assumes annual growth rate of 7%

From tiny acorns, mighty oaks grow

We're not suggesting that you must do all of this or to such a high degree, but initiating a conversation with your loved ones can lead to impactful changes.

If you would like us to provide further information on how you can help your loved ones, please call us on **0161 383 3335** or reach out to your usual Equilibrium contact.

This article is intended as an informative piece and should not be construed as advice.

Past performance is for illustrative purposes only and cannot be guaranteed to apply in the future. Investments will fall as well as rise.

(1) www.finder.com
(2) Nationwide 10 year rate as at 30 October 2024
(3) Ascot Lloyd
(4) Royal London
(5) Office of National Statistics
(6) Financialfairness.org

From heart to hand: Giving when it counts

EQUILIBRIUM Masterclass

What would you say if someone told you that you can buy a house and tuition fees for the price of a Tesco 'meal deal'?

The Tesco 'meal deal' is one of the nation's favourite lunchtime treats, and for £3.40, it's easy to see why.

However, imagine being offered a trade: your usual sandwich, snack, and drink for not only university tuition fees but also a house deposit for your child or grandchild - many would gladly accept the trade.

Amazingly, you could also have a few quid left over for them to buy a new sofa and television!

So how does it work?

For simplicity, I've discounted inflation (or shrinkflation based on the way Yorkie bars are going) and reduced the expected investment return to account for inflation. So, instead of assumed returns of 8%, less inflation at 2.5%, I've just used a flat net figure of 5.5%.

Instead of spending the £3.40 a day on your meal deal, you could invest £103.41 every month in a fund made of global shares (equities) such as the Equilibrium Global

Equity fund. As previously mentioned, these funds typically target a return of 7-10% (the average annual return of the global stock market over the past 25 years is around 9%), so what would an inflation-adjusted return of 5.5% give for forsaking my lunch of choice?

Fast forward 18 years of contributing, and the investment would be worth £38,191, which any child or grandchild would be more than overjoyed with as an 18th birthday present, and gladly buy their first legal drink for you at the pub to celebrate.

What about university tuition fees?

After 18 years, you can stop making contributions to the General Investment account, and open a Lifetime ISA (LISA).

The main conditions of a LISA are that you must be between age 18-39 when established, £4,000 is the maximum annual contribution, and the proceeds must be used for a first home or retirement. They can be accessed at any time for any other reason but with a 25% penalty.[1]

Each year the child or grandchild then decides to roll £4,000 from their investment pot into a LISA, which the government generously gives them a 25% bonus of £1,000 instantly to invest.

After finishing university, your newly qualified child or grandchild is left with a hefty tuition fee bill of £28,000 to settle. This doesn't have to be repaid immediately, but the debt will be subject to interest at RPI, and recent changes to the terms of tuition fees mean the government expect 61% of students to fully repay their loan compared to 27% under the previous regime.[2]

Luckily, they have the General Investment account to fall back on, which will cover the bill in its entirety and leave the LISA valued at around £25,000. To be able to come out of university with no debts from tuition fees is a fantastic way to start their working life.

Home is where the heart is

In the UK, the average deposit for a first-time buyer is a staggering £45,000 with the typical age of a purchaser being 34.[3]

Now, remember that £25,000 held in a Lifetime ISA?

Fast forward to age 34, and with no contributions since age 22, this is now worth just under £49,000! Again, having this readily available deposit would have a significant impact on getting on the property ladder and relieve one of the greatest financial burdens that young professionals have.

When it comes to helping your nearest and dearest along the pathway of life, our experience is that the earlier you can help them, the better. It is in the infancy of your child or grandchild's journey when they need the help. In too many instances our clients inherit money in their late 50s when their life is settled, and the emotional impact of a windfall has little to no impact.

Being able to see the benefit of your generosity is no doubt a heart-warming feeling and can eliminate potentially awkward conversations should your child or grandchild need financial help but not feel comfortable asking for help.

At Equilibrium, our Financial Planners take great pride in ensuring that not only are you well catered for but so is your family.

In the words of a famous supermarket, 'every little helps', and in this instance it really does.

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(1) www.gov.uk
(2)www.confused.com
(3)www.uswitch.com

We are here to help

If you would like to explore your intergenerational plan, please contact us on **0161 486 2250** or by reaching out to your usual Equilibrium contact.

If you know someone you may benefit from speaking with us and are new to Equilibrium, please ask them to call **0161 383 3335** for a free, no-obligation initial chat.

EQUILIBRIUM

Lifetime ISAs

starting early

How you decide to invest your money can have a profound effect on what it is worth in the future. You can, for example, choose to help your children and invest funds in a Lifetime ISA to take advantage of the bonus the government add to the pot.

In the illustrations below, twin sisters Ella and Anna want to invest funds for their two children; Anna takes advantage of investing in a Lifetime ISA for her son Jake, but Ella does not. From an initial investment of £12,000, Jake ends up £42,933 better off because of Anna's wise choice of tax vehicle.

Ella

Ella: aged 35 years old
Ben (son): aged 1 year old

Ella invests £12,000 in a unit trust for the benefit of Ben.

The fund achieves 7% per annum growth

The fund is left to grow with no contributions or withdrawals.

At age 33 Ben wants to buy his first house.

The value of the investment is now £111,988.

Ben's salary is in line with the UK average of £34,226.

Therefore he has to pay <u>£17,793</u> capital gains tax.

This leaves £94,195 for Ben to use towards his property purchase.

Anna

Anna: aged 35 years old
Jake (son): aged 1 year old

Anna invests £12,000 in a unit trust for the benefit of Jake.

The fund achieves 7% per annum growth .

When Jake reaches age 18, the value of the investment is £39,308.

Every year from when Jake is age 18 until age 33, he transfers £4,000 into a Lifetime ISA and the £1,000 bonus is added.

Jake pays a small amount of capital gains tax each year and uses his £3,000 allowance.

At age 33 Jake wants to buy a house.

As he has used his allowance throughout there is no further tax due.

Jake therefore has £137,128 to use towards a property purchase

This example is intended as an informative piece and does not constitute advice. Past performance is for illustrative purposes only and cannot be guaranteed to apply in the future.

EQUILIBRIUM

Lifetime ISAs

Planning from age 18

How you decide to use your money can have a profound effect on what it is worth in the future both financially and emotionally. You can, for example, choose to help your children in reducing the burden of finding the deposit for their first property.

In the illustrations below, two brothers want to help their children get onto the property ladder. Jim prefers to move a single lump sum into a Fixed Rate account and forget about it. John however prefers to invest regularly and uses a Lifetime ISA for his son Archie.

Jim

Jim: aged 40 years old
Callum (son): aged 18 years old

Jim earmarks £28,000 for a property purchase for his son Callum.

The total value of £28,000 is placed into a Fixed Rate deposit account offering a 4% per annum interest rate.

When Callum reaches age 25 the value of the cash is £37,030.

At age 30 Callum wants to buy a house and Jim subsequently makes him aware of the amount he has earmarked.

Callum now has £45,213 to use towards a property purchase.

John

John: aged 41 years old
Archie (son): aged 18 years old

John invests £4,000 per annum into a Lifetime ISA for Archie for 7 years.

The fund achieves 6% per annum growth investment growth in a medium risk portfolio. John uses the Lifetime ISA to give Archie some responsibility and insight into investing.

When Archie reaches age 25 the value of the investment is £44,786.

At age 30 Archie wants to buy a house using the Lifetime ISA.

Archie now has £60,410 to use towards a property purchase.

For the same contribution, Archie has over 33% more to use towards a property purchase than Callum.

Archie has also benefitted from understanding the tax and investment benefits of Lifetime ISAs.

This example is intended as an informative piece and does not constitute advice. Past performance is for illustrative purposes only and cannot be guaranteed to apply in the future.

BY MARK BARLOW

When less is more!

Don't get caught in the childcare tax trap. Find out how...

"Less is more" a famous quote by Ludwig Mies van der Rohe, encapsulates the essence of minimalism in design and architecture. Many agree with the concept in design as it is subjective but amazingly this can also be the case when it comes to the government's help with childcare!

Based on the gov.uk website, there are just under a million people in the UK who earn between £75,300 to £96,400, most of which are aged over 35.[1]

Certainly, for many people, this would be viewed as a substantial income. However, it's interesting to note that our peak earning years often coincide with the period when raising children is most costly. With the average family size hovering around two children, a lot of us can empathise with the financial struggles that come with the early years of parenting.

Fortunately, the government acknowledges the financial challenges that parents face and has put measures in place to support them. Working parents can benefit from free childcare, with families of children aged 9-months to 2-years old eligible for 15 hours per week. For those with children aged 3-4 years old, they can receive 30 hours each week. Additionally, you could receive up to £2,000 per year per child in tax-free childcare, where the government contributes £2 for every £8 paid by the parents (subject to eligibility and certain income criteria). Undoubtedly, these initiatives have significantly aided parents in achieving financial security, whilst also positively impacting the economy by boosting workforce participation. A joint study by PwC and the Salvation Army[2] in 2017 revealed that the increase in state-funded childcare support that year contributed an estimated £22.3 billion to the UK economy and led to a rise of 286,000 individuals in the labour force.

That being said, for those earning £100,000 or less, there is a peculiar circumstance in which earning more could, ironically, cause financial loss.

Meet Anna

Anna is 40 and recently returned to work following the birth of her second child last year. Anna works in IT and has a basic salary of £95,000 which makes her eligible for 45 hours free childcare and also tax-free childcare.

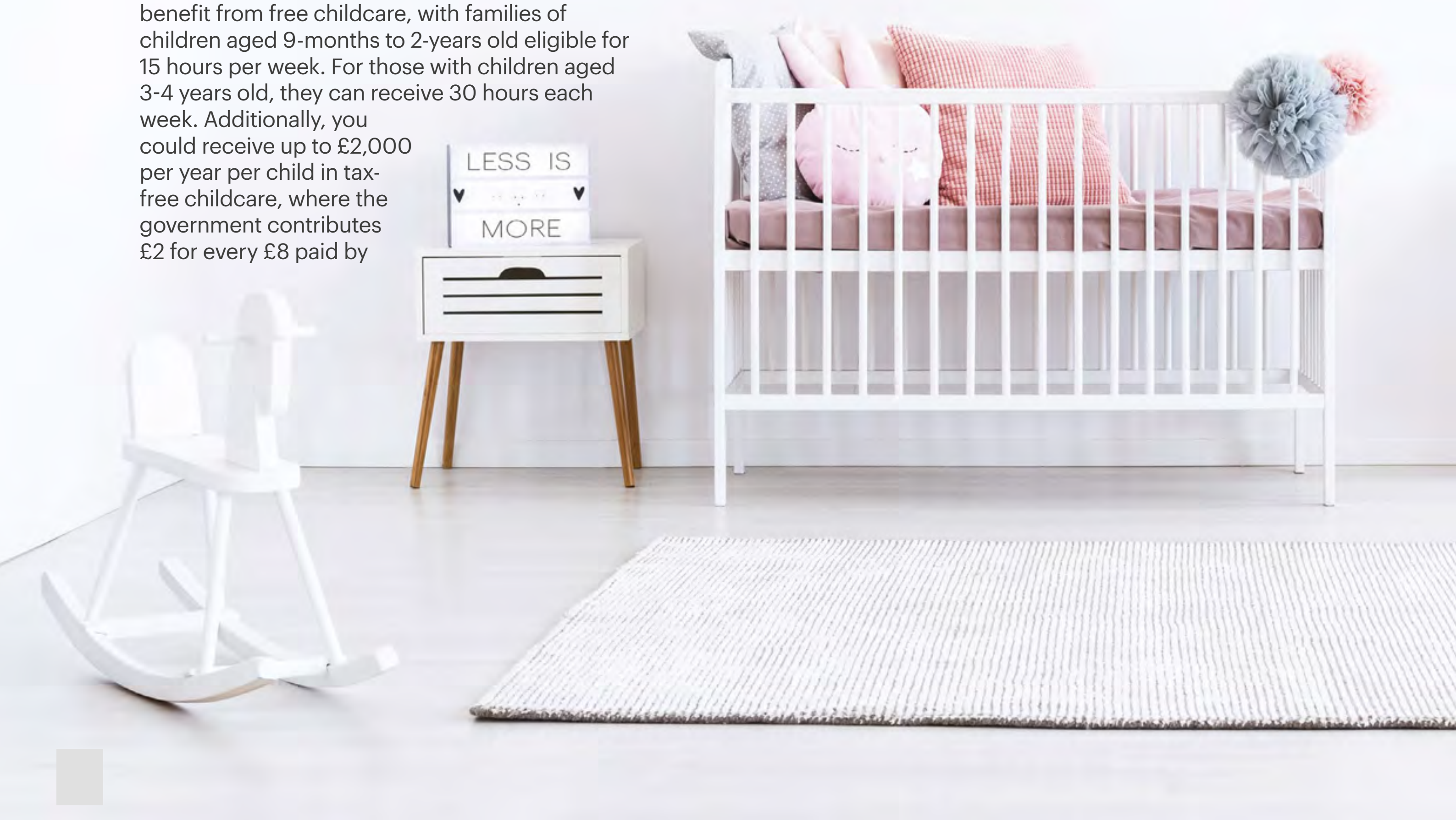

Table one: Comparison table of Anna's childcare costs with and without a company bonus

	Without bonus	With bonus
Gross Income	£95,000	£95,000
Bonus	£0	£25,000
Tax	(£25,432)	(£39,432)
NI	(£3,910)	(£4,410)
Net income	**£65,658**	**£76,158**
*Cost of childcare for two children[3]	(£40,404)	(£40,404)
**Free childcare for two children aged 1 and 3	£13,288	£0
Tax-free childcare	£4,000	£0
Residual net income	**£42,541**	**£35,754**

*Equates to £7.77 per hour for 50 hours a week for each child and paid for 52 weeks.
** Equates to £7.77 per hour for 45 hours a week and paid for 38 weeks.

Source: Equilibrium Financial Planning

Several months later following the completion of a project, Anna is delighted to find out she will receive a bonus of £25,000 which will be a massive help to the family finances.

However, Anna will actually be in a worse position as a result of the bonus because the current government system creates a cliff edge where anyone who earns over £100,000 loses access to these two lucrative forms of childcare support and some, or all, of their tax-free personal allowance.

As detailed above, by receiving the bonus, Anna is £6,787 worse off in terms of net income!

What if I told you that there is a solution for anyone who faces this predicament which ensures that a bonus doesn't cost you a penny, and also helps towards a plan for your future?

Consider this...

If Anna's employer made a £25,000 contribution to her pension instead of paying her the bonus, the outcome could be exceptionally better.

The contribution is made via salary sacrifice, and her employer rebates the national insurance savings of 13.8% to Anna resulting in a gross pension contribution of £28,450. The immediate benefit is that Anna no longer falls foul of the £100,000 threshold as this is based on income minus pension contributions.

The longer-term benefit is the potential boost in her retirement pot. If Anna plans to retire in, say, 25 years (at age 65), she may feel comfortable to take a reasonable level of risk with this contribution. Let's say she invests this in our Equilibrium Global Equity fund, which has a target return of 8% per annum.

Astonishingly, the £25,000 bonus payment (which results in a gross pension contribution of £28,450) could be worth as much as £208,828 of which £52,207 could be taken tax-free (under 2024/25 legislation), should the target growth level be achieved.

Knowledge is power

Instead of Anna accepting a bonus which would make her financial situation worse, she not only keeps her childcare benefits and net income position, but she also significantly boosts her pension fund for the future!

By having the knowledge and foresight to protect the childcare allowances and fusing them with pension planning, we can help plan not only for today, but also for the future and ensure that more is most definitely more!

If you know anyone who could potentially get caught in the childcare tax trap, please ask them to call us as we are here to help.

Investments will fall as well as rise. This article is intended as an information piece and should not be construed as investment advice.

*For more information or to speak with one of our experts, call **0161 383 3335** or reach out to your usual Equilibrium contact.*

(1) www.gov.uk
(2) www.statista.com
(3) Based on hourly rate in Coram Childcare report

"Our peak earning years often coincide with the period when raising children is most costly"

EQUILIBRIUM

Pension + IHT = ?

Without doubt Rachel Reeves Autumn Budget and the potential changes to pensions and IHT has caused somewhat of a stir in the financial planning arena. But what could be done to minimise the impact?

In the illustrations below, twins Jack & Jill age 70 live near identical lives. The main difference between them is that Jill has decided to gift £40,000 gross income to her son from her pension valued of £400,000, whereas Jack is of the opinion his daughter will will get whatever is left on his death and leaves his pension of £400,000 invested with no withdrawals.

Sadly they both die at age 80 with their pensions subject to inheritance tax. Following Jill's foresight to make the regular gifts from her surplus income compared to Jack's stance of inertia, their children have significantly different inheritances.

Jack

Jack: aged 70 years old
Pension Value £400,000

Jack's pension value on death at age 80 - £803,864
Net value in pension after IHT at 40% - £482,318

Daughter has no income but withdraws full amount

Net amount in her pocket - £267,415

Jill

Jill: aged 70 years old
Pension Value £400,000
Withdraws £40,000 gross per annum
Taxed at 20% so £32,000 in pocket.

Gifts £32,000 to son as surplus income

Son and his spouse each earn £50,000 (£39,250 net)
They each salary sacrifice into pension - £20,000
Net income now £23,520 each
Net income + Jill's gift (£16k each) = £39,520 each

Therefore net income position broadly unchanged after salary sacrifice

Jill's pension value on death at age 80 - £245,192
Net value in pension after IHT at 40% - £147,115

Son's Pension value on Jill's death - £364,758
Son's spouses pension on Jill's death - £364,758
plus Jill's inherited pension = £876,631

They both have now retired with no income, but fully withdraw all pensions.

Net amount in their pockets - £573,904

*All investment figures are based on a 7% annual growth rate and 2024/25 UK Tax Rates

This example is intended as an informative piece and does not constitute advice.

BY BEN HARRISON

Planting trees you will never see

Associate Financial Planner, Ben Harrison, explains how you can ensure your children are better off than the generation before.

The book "Legacy" by author James Kerr is not just a book about rugby, it's about the principles behind one of the most outstanding and successful teams in world sport, the New Zealand All Blacks. One of the principles they adhere to is "*Whakapapa*" – a Māori word which is summed up as: "Be a good ancestor. Plant trees you will never see."

How can we "plant a few trees" for our future generations?

Pensions for toddlers... really?

Although not the most exciting of topics, pensions are a fantastic long-term wealth building tool, with an instant return of 20% as soon as you put money into it.

For a child, you can make a maximum contribution of £2,880 a year into a pension, which would then receive tax relief of £720 from HMRC, giving a total of £3,600 into the pension pot.

Pensions are a long-term investment which a child or grandchild will unlikely access for at least 57 years (based on current pension rules) - a considerable time frame to allow compound returns to work their magic. After all, Albert Einstein called compounding the eighth wonder of the world for a reason.

Compared to 1970, the average house price is now 65 times higher."

If, for example, you made just four maximum pension contributions of £2,880 for a new-born child/ grandchild over the course of the first four years of their life, this would cost you £11,520. Each contribution would receive tax relief of £720, building a grand total of £14,400 in their pension pot.

You may then wish to invest the pension pot into, say, a basket of global equities, which has historically returned 8% p.a. on average over the long term.

Based on this return, your grandchild's pension pot could be worth as much as c.£1.53m by their 60th birthday and £2.28m by age 65, which in today's money equates to c.£630,000 (accounting for inflation at 2%).

Although the level of returns is not guaranteed, I still find it pretty remarkable that the difference between £11,520 and £2.28m is essentially the time frame and the right allocation of your money to equities. Furthermore, your child/ grandchild can't access their pension until their own retirement and hence doesn't interrupt the compound effect.

Snakes and property ladders – Lifetime ISAs

The UK has a bias for buying property, compared with the rest of Europe. It feels like such an aspirational achievement for anyone to get themselves 'on the ladder' and over the past 30 years, it's getting increasingly difficult for savers to do this without financial support from their families.

Put into context, compared to 1970, the average house price is now 65 times higher, while average wages are only 36 times higher.[1]

Back in 2016, the government announced a way to address the first-time buyer crisis and help savers build a deposit for their first home. A Lifetime ISA (or 'LISA') can be opened by a person aged 18 or over, but they have to be under 40. You can put in £4,000 per year and the government will add a bonus of 25% to contributions (up to a maximum of £1,000 per year).

You can hold stocks and shares or cash in the LISA and you are able to use the proceeds to help towards the deposit for a first home (up to a purchase price of £450,000). The caveat being that if you don't use the Lifetime ISA to buy a house, you cannot usually access this, without losing your 25% bonus, until age 60.

Repackaging a classic - Junior ISA

Junior ISAs (which replaced Child Trust Funds) are an individual savings account for children under the age of 18. These can be invested in stocks and shares or left in cash. Junior ISAs, much in the same way as regular ISAs, are very tax efficient products with no tax on growth or withdrawals. The maximum you could put into a Junior ISA is £9,000 per annum.

We have seen our own clients use Junior ISAs to help fund anything from driving lessons, buying their first car, living costs at college or university, or a house deposit.

One key point to note is that your child or grandchild will have full entitlement to their funds at age 18. In theory, they could go and spend this on anything, but this leads me on to my final point...

Knowledge is power – financial literacy

Leaving a legacy might not be just financial: giving the younger generation the power of knowledge could be just as important.

Preparing your children or grandchildren for financial responsibility is something we take a lot of pride in as part of our intergenerational planning, and we are always happy to get them involved in conversations to start them on a path of financial education.

This article is intended as an informative piece and does not constitute advice. Past performance is for illustrative purposes only and cannot be guaranteed to apply in the future. Investments will fall as well as rise and investors may not get back the amount originally invested.

(1) How many people had help from their parents to buy their first home? | YouGov

Find out more

Here at Equilibrium, we offer free financial literacy skills training to primary schools to provide children with the foundations to build a sound financial understanding that they can carry with them throughout their life. Visit **www.equilibrium.co.uk/charity/educating-the-nation** to find out more.

Pensions for grandchildren

How you decide to invest your money can have a profound affect on what it is worth in the future. You can, for example, choose to invest funds in a pension plan to take advantages of the tax benefits available.

Bill

Bill: aged 65 years old
Son: aged 40 years old
Grandson: aged 4 years old

Bill invests **£11,520 in a unit trust**.

The fund achieves **7% per annum** growth net of tax on the gains.

He dies age 80. The fund is worth £31,784 following 15 years of growth.

Less inheritance tax at 40% this is reduced to £19,070.

His son, now aged 55 invests the cash in a unit trust at 7% growth.

He dies age 80. The fund is worth £103,501 following 25 more years of growth.

Less inheritance tax at 40% this is reduced to £62,101.

Bill's grandson, now aged 44, invests the cash in a unit trust at 7% growth.

When he retires 21 years later, at age 65, **the fund is worth £257,133**.

Ben

Ben: aged 65 years old
Son: aged 40 years old
Grandson: aged 4 years old

Ben invests **£11,520 in a pension** for his grandson.

Because he has invested in a pension, **tax relief** is available on the contribution and the **investment is grossed up to £14,400**.

Rather than the 7% annual growth obtained by Bill's fund, **the growth in this pension is not taxable and so is able to grow at 9%**.

When Ben and his son die, there is no inheritance tax to pay and the investment is outside of their estates.

So, when Ben's grandson retires 61 years after the initial investment, at age 65, **the fund is worth £2.76m!**

From this he could obtain an annual income of roughly £28,000 in today's terms.

So for every £2,880 invested by Ben, his grandson could receive £7,000 per annum in retirement income.

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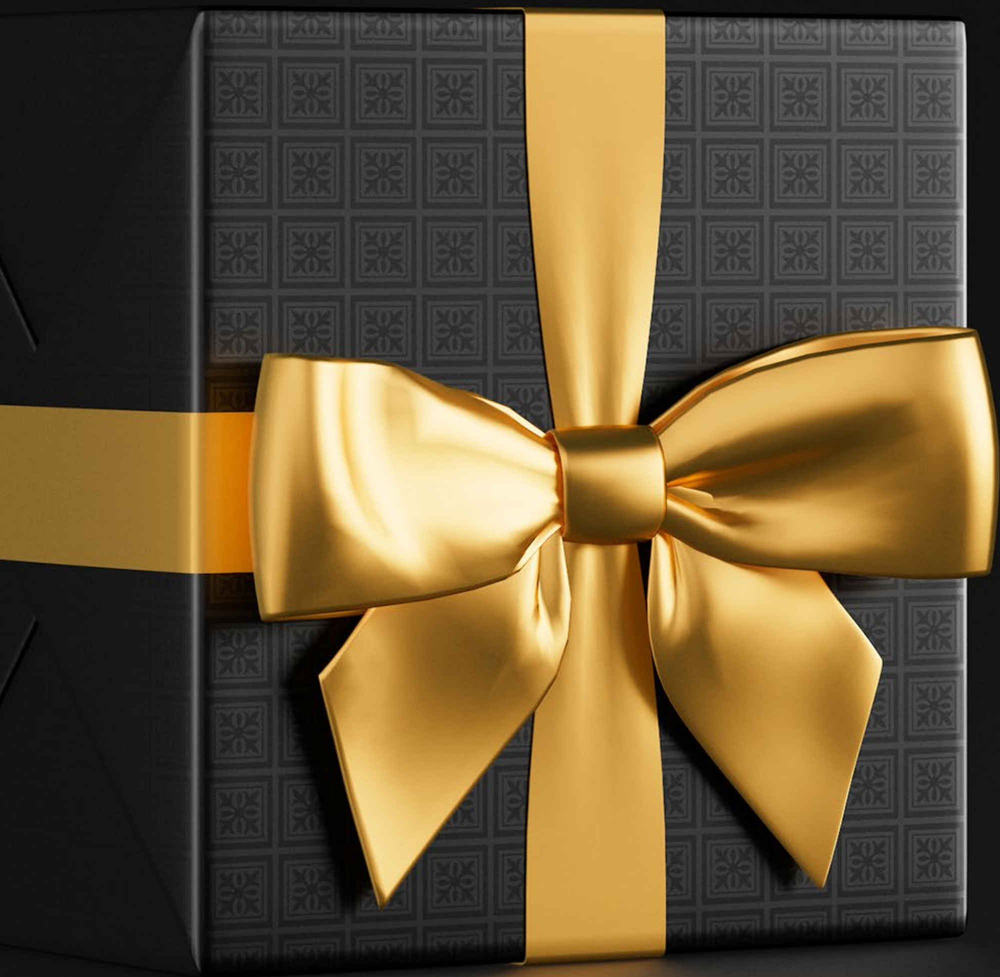
How to gift well



EQUILIBRIUM

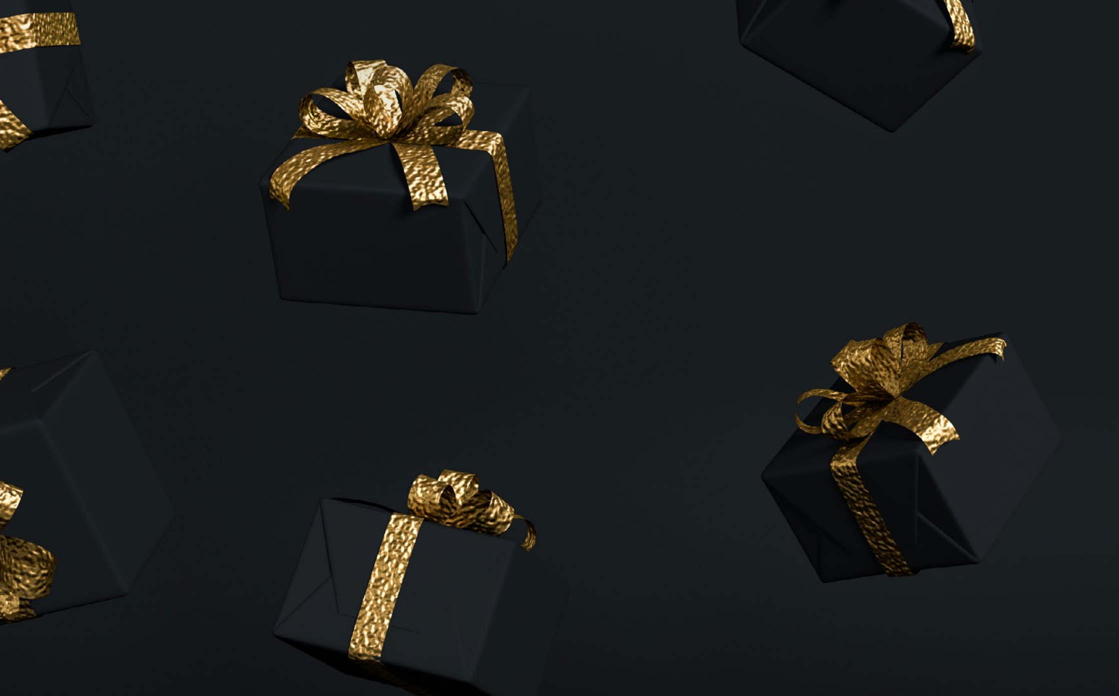
12 useful things to know when gifting to charity

People give to charity for a variety of reasons, whether it be for self-worth, to give back, spread the love or just because you can. The result is the same – providing much needed income to a worthwhile cause.

Never has this incentive been more thought provoking than during the pandemic which saw people and communities come together. No matter how big or small a donation, time or monetary, the collective is powerful.

Knowing how to gift well not only helps the cause you want to support, but also empowers you too.

With this in mind, we thought we'd share our 12 useful things to know when gifting to charity.



1. Choose what you value

There are 185,000 charities registered just in England and Wales. They do amazing work in a whole variety of fields - from education to healthcare, relief of poverty to ecological protection. But not every charity is for everybody and not even the wealthiest of us can change all areas of human life through our giving.

It's worth taking a moment to think about the areas you can make a difference with your gift and the causes that matter to you most. Don't feel you have to give to the same things as everybody else - give to what you believe in.

2. Take care over your impact

A gift to a big national or international charity will always make a difference however there are also smaller charities closer to home.

Many of us are increasingly buying goods and services more locally, how about extending this to supporting local charities too? A gift of a few hundred pounds to a volunteer-run charity close to home, could make an enormous impact to that organisation. New start-ups and smaller charities often don't have the scale to advertise and attract lots of donors.

3. Involve your family

Technology is the way of the world. Whilst it's incredibly useful, it can often interfere with quality family time, each watching one screen or another. Giving is something you can do together.

Why not arrange a family meal or get together, and talk about the causes you could give to as a family? You might be interested in slightly different things which can provide a real opportunity to talk about the things that motivate or worry you. It can even open up opportunities to volunteer together.

4. Make your cause more secure

Particularly for smaller charities, knowing they will have some income every month for a year or every year for three years, makes an enormous difference to how well they can plan. Regular giving helps charities to employ staff; take on a building; upgrade an IT system; or start a new area of work, with confidence the bills can be paid. Furthermore, regular giving helps you develop a relationship with a cause and see the difference that your gifts are making.

5. Do your due diligence

All UK registered charities must go through a rigorous process to get registered and demonstrate that they are spending their money on things that are genuinely charitable.

It's important to always look for a charity which has a charity registration number. You can visit the Charity Commission's website and see a charity's accounts and list of trustees. This can help you understand how much they spend on fundraising, whether the charity has large reserves or investments, and how much they pay senior staff for example. A little bit of research may help your peace of mind.

6. Consider a DAF to give to many causes

A donor advised fund (DAF) is a charity that distributes funds in accordance with the wishes of people who make donations. When you donate to a DAF, it attracts relevant tax relief (e.g., Gift Aid) immediately. However, the money does not have to be distributed to the recipient charities immediately - it can be invested by the DAF for capital growth or income. When you are ready to make a charitable gift from the fund, you can advise the trustees of the DAF who then make the donation.

It's important to remember that once you have placed money into a DAF it is an irrevocable donation - you cannot get the money back. Using a DAF is much simpler than setting up your own charitable foundation and enables you to efficiently plan your donations over a prolonged period.

7. Gift aid is a gift

Gift aid brings benefits for both your chosen cause and your tax bill. Gift Aid means that charities can claim an extra 25p from the government for every £1 you give.

If you are a higher-rate and additional-rate taxpayer, remember you can also claim back 20% or 25% of the donation respectively via a tax return. So, for an additional rate taxpayer, a gift of £100 to a charity would end up costing you just £68.75. If the charity claims Gift Aid, they can end up receiving £125 in total.

8. Gift to bring back valuable benefits

If you give money to charity, your taxable income is reduced by the amount that you choose to give.

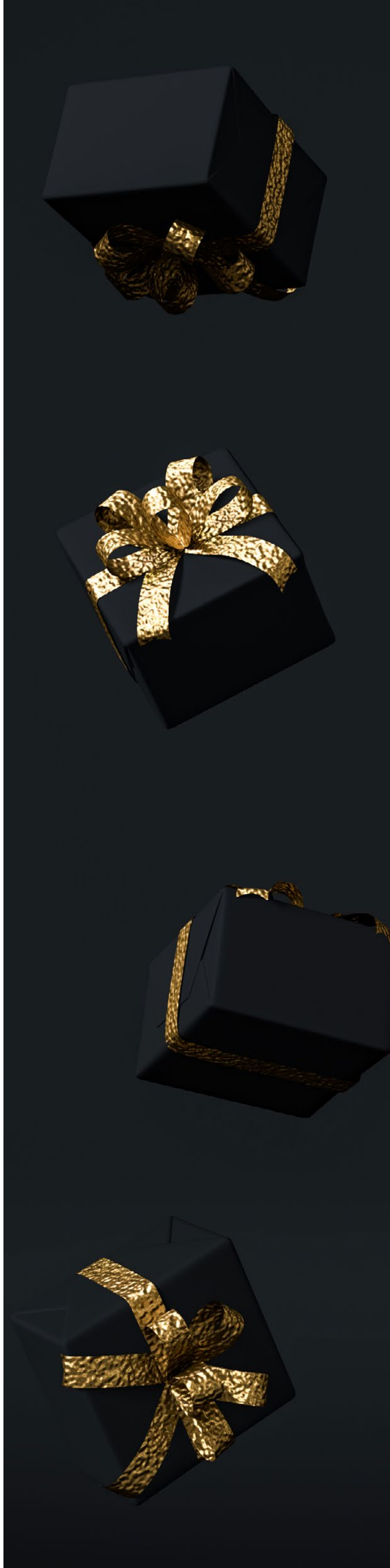
For those with higher earnings, charitable donations could result in your income falling below a higher tax threshold, meaning you could get valuable benefits such as Child Benefit or Tax-Free Childcare reinstated.

9. Make every day pay

For those in full-time employment, giving as you earn at work means your donation goes further, it costs you less and your charity gets a regular income. Giving through payroll means the donations you make to charity are taken from your pay before income tax is deducted.

10. Give and shop – win/win

Easyfundraising.org.uk and similar schemes turn your everyday online shopping into free donations for your favourite cause. To get started, search for a cause on their website and create an account, specify your chosen retailer and shop as normal. Retailers will then make a small donation to say, “thank you.”



11. Be in the business of giving

If you own a business and wish to gift, then consider gifting from the business rather than your personal account. Donations directly from a business are deductible as an expense and will serve to lower your corporate tax liability. This could be mean that you can afford to give more to the charity of your choice.

12. Give when you're gone.

When you give to charity directly from your will, the money is free from inheritance tax. Not only that, if you were to leave just 10% of your taxable estate, but the rate of inheritance tax also reduces from 40-36%. The result - those you love pay less tax and those you choose to support receive more.

Potential IHT liability	Pre donation £	Post donation £
Total assets	1,800,000	1,800,000
Taxable estate post reliefs	815,000	500,000
Charitable gift %	0.0%	10.0%
Charitable donation amount	0	81,500
Revised taxable estate	815,000	733,000
IHT rate applying	40%	36%
Revised estimated IHT liability	326,000	264,060
Total assets less IHT & gift	1,474,000	1,454,440
Effective cost of gift	0	19,560
IHT saving	0	61,940

The above illustrative guide shows that, by gifting 10% of the taxable estate (post reliefs), not only removes £81,500 from the estate, it also benefits from a reduced rate of inheritance tax from 40% to 36%. The person in this example saves £61,940 of inheritance tax despite gifting £81,500. The effective cost of the gift is therefore £19,560.

EQUILIBRIUM
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Timeless trusts

You can use your wealth to benefit several future generations of your family – all it takes is a little trust.

When crusaders hoisted their spears and swords to forge war on their enemies in the 12th century, what happened to the land and properties they left behind? Many chose to leave it in the safe hands of their friends and family, trusting them to protect their home and property for them and their heirs. However, when they returned, some found that those so-called friends and family had taken the properties for themselves – they had betrayed their trust.

Thankfully for the crusaders, the courts stepped in and ordered that the properties be returned. The temporary owners were only supposed to be guardians or 'trustees' after all.

With that, the concept of a trust was born, and nine centuries later there are many types of trusts for many purposes. These days, whilst we don't have too many crusaders setting up trusts at Equilibrium, we do have a number of clients who use them as part of inheritance tax and intergenerational planning strategies.

The process of setting up a trust still works largely the same way as it did in the 12th century. There are "three certainties" required for a trust to be valid which are: the intent to create one; the subject matter (that is, the property or asset itself); andthe object (who is going to benefit). If you have these three posts covered, then you have a trust. These certainties should be outlined in a trust deed and, whilst costs will vary depending on the solicitor or specialist you choose, our research indicates that it costs on average around £750 plus VAT and legal fees.

Sadly, for any crusaders out there, one fundamental difference in 21st century trust planning is that, once in a trust, they cannot take ownership of their property back. Retaining a claim on the property or asset placed into trust would be a reservation of benefit, so affordability is a key factor in trust planning.

So, if you don't get to keep the property, then who does? The decision of which beneficiaries get what and when lies with the trustees. An individual creating a trust (known as the settlor can name themselves as a trustee to retain some control, they can also create an 'expression of wishes' to guide any other trustees as a trust can continue beyond their death. Beneficiaries can be named individually, or can be a class, for example children, grandchildren and remoter issue (your grandchildren's children). Naming a class of beneficiary provides greater flexibility and in some cases protection of the assets from, for example, divorce, as there is no named beneficiary with an entitlement to the trust assets.

The inheritance tax rules are not always simple, but tax planning can be relatively straightforward:

- Keep the level of gifts to a discretionary trust within £325,000 per settlor (the nil-rate band) within a seven-year period and you will not be subject to the 20% entry charge.

- From day one, any growth in the value of the gift does not count towards your estate. The original value will fall out of your estate seven years after you initially make the gift.

Whilst tax charges can apply throughout the life of a trust (and are dependent on individual circumstances of the settlor, trustees and the beneficiaries), a simple trust strategy like this using tax allowances and rates in 2019 could save up to £260,000 in inheritance tax after seven years if made by a married couple using their combined nil rate band of £650,000.

What's more, a discretionary trust can last for up to 125 years, meaning you are creating a legacy for your children, their children and beyond. As an experiment, at one of our recent inheritance tax seminars we asked attendees to stand if they could remember their parents' first and middle names and then their grandparents'. No one was standing by the time we got to great grandparents, but they all agreed they might have remembered if their great grandparents had paid for their education or helped them onto the property ladder.

Much like the legacy given to us by the crusaders, a modern-day discretionary trust invested over the long term, taking advantage of the potential for compound growth, can be capable of life-changing results for future generations of your family.

This article is intended as an informative piece and should not be construed as advice.

Past performance is for illustrative purposes only and cannot be guaranteed to apply in the future. Investments will fall as well as rise.

We are here to help

If you would like us to provide further information on how you can help your loved ones, please call us on **0161 383 3335** or reach out to your usual Equilibrium contact.