

KENNEDY BLACK

WEALTH MANAGEMENT

QUARTERLY PRIVATE CLIENT NEWSLETTER

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Welcome to the latest edition of Kennedy Black Wealth Management's Private Client Newsletter.

We are delighted to be able to announce the launch of our brand new in-house will-writing service. After endless meetings with clients trying to drill home the importance of having a Will, we have decided to take matters into our own hands.

And we wouldn't want to starve your thirst for pension news, so we include a short overview of our thoughts about the appointment of Ros Altmann as the new Pensions Minister. An interim Budget has been announced to happen on 8th July – as ever, we will keep you posted.

HAVE YOU GOT A WILL?

Having reflected on many client meetings over the past couple of years, it has become clear that Wills are an important but often neglected task that can remain overlooked.

One of our most important roles at Kennedy Black is to make our clients' lives easier. Hence, we are delighted to announce that we now offer an in-house Wills and Trusts service.

We hope this frees up our clients' time and lets them tick one more item off their to-do lists.

FREE WILL REVIEW

A handful of our readers may be reading this and thinking, "I have a Will." In which case, we salute you.

However, if your Will is a simple "100% to spouse and then the children," then please pay careful attention to the following.

We are therefore offering a FREE Will review to highlight whether your Wills are set up effectively and, if not, what can be done about it.

WHAT ARE THE THREATS TO YOUR HARD-EARNED WEALTH?

A 'simple' Will passes assets absolutely. That means the donor loses all control, leaving the assets open to various threats. The following sets out the five main threats, where there is a significant risk that someone else could get their hands on your hard-earned wealth.

Re-marriage

When a husband dies, it is typical for everything to pass to his widow.

However, if she re-marries, the new husband stands to benefit. And if they subsequently divorce, he could walk away with half of the deceased husband's wealth.

Long Term Care

If the husband dies and the widow goes into Long Term Care, then the whole estate is assessed for care cost purposes. This could see the estate deplete rapidly instead of being passed to the intended next of kin.

Children getting divorced

If children inherit assets absolutely then their share is at threat from gold-digging spouses. A divorce could see half disappear.

Bankruptcy

If a spouse or child were to go bankrupt, then the inheritance is also at risk.

Successful children

If children turn out to be successful in their own right, then their inheritance (which could be subject to Inheritance Tax) will simply inflate their estate further and create a second charge to Inheritance Tax when they eventually pass the assets on to their grandchildren.

Effective estate planning is not just about minimising Inheritance Tax. It is about ensuring that wealth passes to the right people in a manner that offers protection and control.

WHAT CAN BE DONE ABOUT IT?

The first, obvious step towards effective estate planning is a Will. A Will can ensure that assets are distributed in line with your wishes. Failing to draft a Will, as Rik Mayall's family recently found out, creates unnecessary heartache, risks incurring unnecessary tax and leaves you at the mercy of the clumsy Rules of Intestacy as to who will ultimately benefit.

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The next step is to ensure that the assets are distributed in the most effective manner. We have already highlighted the limitations of giving assets absolutely. An alternative may be to pass the assets into a family trust.

Assets in a trust are legally owned by the trustees but for the ultimate benefit of someone else (the beneficiary/ies).

It is sensible to appoint trustees you can trust (e.g. family members and/or a professional trustee) so that you can be confident that your wishes will be borne out.

As long as the trust is drafted properly, then the beneficiaries (e.g. the spouse and children) can benefit from the use of the assets without ever actually owning them. For example, a trust can extend loans on completely negotiable terms.

And because the assets remain ring-fenced, they are protected for the next generation.

Get in touch if you would like us to review your family's circumstances and advise on the most effective generational planning.

THE NEW PENSIONS MINISTER

The election took most people by surprise, not least Baroness Ros Altmann who was swiftly invited to the post of Pensions Minister.

Baroness Altmann is a well-known figure in the pension community and the industry broadly applauded the appointment. It is good to see someone with direct pensions experience given responsibility for our ever-more-complex pensions system.

It is also encouraging to note that Baroness Altmann agrees with our criticism of certain

aspects of our pension system. For instance, as recently as March, Baroness Altmann was calling for the Lifetime Allowance to be scrapped on defined contribution (i.e. money purchase) pensions.

We agree that it makes little sense to put a limit on pension contributions (the Annual Allowance) AND the amount that can be built up in a pension over a lifetime (the Lifetime Allowance).

It will be interesting to see whether Baroness Altmann can push through such a change. It could be politically sensitive – it is, after all, only two months since George Osborne last cut the Lifetime Allowance.

Also high up the agenda will be the Tory manifesto promise to cut tax relief on pension contributions for those earning over £150,000.

An interim Budget has been announced for 8th July. Watch this space.

WHY AM I DOING THIS? #1:

"Financial Independence"

The starting point of any financial plan and accompanying investment portfolio are your financial goals and objectives.

Yet promising to clients that, "We can help you achieve your financial objectives," is both trite and meaningless. Financial planning done properly should identify *specific* issues that are important to you. Only then can you understand what your wealth is trying to achieve.

We want our readers to start thinking longer-term. Research from the Journal of Happiness Studies (really!) has concluded that setting goals makes you happier.

Yet when we first ask our clients: "What are your financial goals?" they often haven't given it much thought.

We hope that some suggestions that come up regularly with our clients can inspire you.

The first in our series is one we refer to a lot: *'Financial Independence,'* defined as:

"Where work is optional and your desired lifestyle is affordable for the rest of your life without the fear of running out of money."

Or to frame it another way: if you were to win the lottery tomorrow, how much money would you need, and how should you live, in order for it to last a lifetime?

If you think that sounds like something worth striving towards (or maybe you want to know if you're there already), get in touch and we can explain how we might be able to help make it happen.

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