



ST. JAMES'S PLACE
WEALTH MANAGEMENT



The time is ripe

USE BY 5TH APRIL

Retirement Top Tips

WELCOME TO OUR TOP TAX-SAVING TIPS FOR RETIREMENT

In this booklet, we're passing on our best tips for making the most of all your tax allowances. Since allowances are set by tax year, there's no better date than 5th April to make sure you're on track for the day you stop working and start enjoying retirement.

Getting the most out of the current tax breaks

To encourage us all to plan for our retirement, the Government contributes 20p in tax relief for every 80p paid into your pension pot. For higher or additional rate taxpayers, this relief is even higher; an extra 40% tax relief for higher rate taxpayers. For additional rate taxpayers this rises to 45% with any tax relief over the basic rate being claimed via their annual tax return. The annual allowance set at 100% of your earnings, capped at £40,000 in most cases. And you do need to be under 75.

This means that a £1 pension contribution effectively costs an additional rate taxpayer just 55p.

Tax reliefs and allowances can change with every Budget announcement, so it's a wise move to prioritise pension contributions now if you can afford to, especially if you are a higher rate, or an additional rate taxpayer.

Use up any outstanding annual allowances

Your annual allowance – the most you can put into your pension each year and still claim tax relief – consists of what you pay in yourself, and what your employer, or anyone else, pays on your behalf. For the vast majority of people, this annual allowance is £40,000. You might not know, however, that you can put more into your pension by using up any outstanding allowances from the last three tax years, as well as this year's allowance. Which means that you could pay up to £160,000 into your pension and still receive tax relief at your highest marginal rate.

Check that you don't have an 'adjusted income' of more than £240,000.

Your 'adjusted income' includes your taxable income plus the value of any pension contributions made by your employer, including any paid as a result of salary sacrifice. Once you reach the £240,000 threshold, your annual allowance falls away sharply, from £40,000 down to as low as £4,000. If you think you might fall into this bracket, cross reference the table on the next page to see your annual allowance and speak to your St. James's Place Partner who'll be happy to help.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time. Tax relief depends on individual circumstances.

The tapered annual allowance

ADJUSTED INCOME*	ANNUAL ALLOWANCE
Up to £240,000	£40,000
£250,000	£35,000
£260,000	£30,000
£270,000	£25,000
£280,000	£20,000
£290,000	£15,000
£300,000	£10,000
More than £312,000	£4,000

* In summary, adjusted income includes your taxable income plus the value of any pension contributions made by your employer, including any paid as a result of salary sacrifice.

Save on your tax bill – and hold onto your personal allowance

Every pension contribution you make, or your employer makes, brings comfortable retirement for you and your family one step closer. But there are other benefits too.

Take, for instance, your personal allowance. Everyone is entitled to earn £12,570 tax free. If you earn over £100,000 however, your personal allowance is tapered at a rate of £1 for every additional £2 you earn. This equates to paying 60% tax. And by the time your earnings reach £125,140, you would effectively lose your allowance altogether! However, if you put those extra earnings into your pension, you can keep your taxable income stable at £100,000. This way, you can claim your whole personal allowance – plus the tax relief you get on your pension contribution. That's a win-win situation.

If you're already a higher rate taxpayer, you can claim an extra £5,028 in tax relief when you file the self-assessment tax return.

You can also use a significant pension contribution to keep your Child Benefit too – you begin to lose this benefit if either parent or partner earns over £50,000. By paying into your pension, you can lower your income below £50,000 – which means you can hold on to your Child Benefit.

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Put a bit more into your workplace pension

Asking for a lower salary may sound strange, but did you know that you can request a lower salary, and request that your employer pays the difference into your workplace pension in return?

This has a knock-on advantage for both you and your employer. Both of you will pay lower National Insurance contributions (NICs) as a result and if your employer agrees that additional saving can go into your pension as well.

The big win for you is that your taxable income is reduced. As we mentioned earlier on page 5, bringing your taxable income below a certain level could help you hold on to your Child Benefit, or keep your entitlement to the personal allowance.

If you're also lucky enough to receive an annual bonus, you could either enjoy spending it today, or put it away into your pension for an even better tomorrow.

Beware of cashing in your pension pot

Even if you are getting close to retirement

Greater choice and flexibility mean that a defined contribution pension – one based on how much is paid in – is an attractive way of saving for the future. If you decide to cash in earlier rather than later, at 55 not 65 for instance, you run the risk of running out of money too soon or finding yourself bumped into a higher tax bracket.

It can be tempting to take your pension in one lump sum. But it may be much more tax-efficient to spread the withdrawals over several tax years. That way you can avoid paying higher rates of Income Tax.

At St. James's Place, all our guidance is based on making sure you get the best out of your investments and your retirement.

Tax year end is the perfect time to speak to your Partner about those later life goals.

How many workplace pensions have you got?

As you change jobs and even careers, you may end up with more than one workplace pension through different employers. Keeping an eye on how they are performing isn't always easy if you don't work for that employer anymore. But you do need to check that those investments are still performing well and are on track.

Some pensions might be doing okay, others not as well as you'd hoped. Tax year end is the time to review the pensions you hold, to see if they are still working as hard as they can for you.

We're always here to help you assess your pensions and recommend ways to keep your pensions performing – and your retirement plans on course.

Passing money on to your family through your pension

Pensions are a good way to pass on money to the next generation tax-efficiently. In most cases, a defined contribution pension can pass tax-free to any beneficiary, so long as the pension holder dies before they are 75.

Even if the pension holder is older, most beneficiaries only pay Income Tax at their marginal rate when the money is withdrawn from the pension. As pensions sit outside a person's estate, they are legally exempt from Inheritance Tax.

What's more, a pension can be left to anyone, not just a dependant, and it can even pass down several generations.

It's worth thinking about using other assets, such as your cash or ISA investments, to fund your retirement before you touch your pension. That way you can make the most of this opportunity to pass the maximum amount of money on to the next generation.

Give your St. James's Place Partner a call if you have more questions or want to talk over your options.

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Working out your State Pension

It can be a sobering thought to realise that not everybody has built up enough National Insurance contributions to qualify for the full State Pension. This is even more applicable to anyone who has ever been self-employed, or parents who took career breaks to bring up children. Before you retire, it's important to get a State Pension statement to find out how many qualifying years you have on your National Insurance record and how much State Pension you'll receive. This will determine how much income you'll need to take from any private or workplace pensions. You can check your State Pension online at www.gov.uk/state-pension-statement. Under the new, single tier regulations, you need to show 35 years' National Insurance credits to get the full State Pension. This is five years more than the old basic State Pension. The good news is that if you don't quite make the 35-year mark, you can still buy additional years to make up the difference.

Retirees can also defer their State Pension and get a higher income when they claim it later into retirement. If you can live comfortably off other savings or income, delaying the State Pension can be attractive because the benefits can really add up. For instance, your State Pension will rise by 1% for every nine weeks that you defer taking it, which works out at just under 5.8% for every full year you delay claiming. However, you don't want to delay for too long. Most people reaching State Pension age in good health will benefit, but if you have medical problems or a lower-than-average life expectancy, you may not get the same gain. Deferring your State Pension may affect other areas of financial planning and some other welfare benefits, so before you defer it's a good idea to talk it over with your St. James's Place Partner.

What to do if you're nearing your lifetime allowance

If your accumulated pension pots exceed £1,073,100, and you decide to take it as a lump sum, you'll pay 55% tax on the excess. This £1,073,100 limit is called the 'lifetime allowance' and it is the ceiling above which pension savings become less tax-efficient. If you're a top earner, or have a long-standing final salary pension, you may well go over and above this ceiling. Even savers in their 30s and 40s – with relatively modest pension pots – may hit the lifetime allowance by retirement, if they have made some good investment choices.

The lifetime allowance is now frozen at £1,073,100 until April 2026 – which means it could impact more people. If you think you are approaching the limit, or are already over it, there are plenty of other, tax-efficient options for your retirement savings. You might choose to put the excess into someone else's pension pot. It's possible to pay up to £2,880 each tax year into a pension for a non-earning spouse, or child; and basic rate tax relief increases that to £3,600. You could invest the surplus in an ISA, or if you are comfortable with a higher risk investment, there may be other Investment Schemes you could consider. Deciding on the best option is something you should talk to your St. James's Place Partner about. We're here to make sure that your wealth is the retirement asset it was always meant to be.

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The levels and bases of taxation, and reliefs from taxation, can change at any time. Tax relief generally depends on individual circumstances.

Do you have more questions?

**Make sure you're in the best possible
financial position at tax year-end.**

**Get in touch with your
St. James's Place Partner today.
We're always happy to talk.**



ST. JAMES'S PLACE
WEALTH MANAGEMENT

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