

VIEWPOINT

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Working out your CGT

Calculating CGT can be confusing, as you will need to have the details for each capital gain or loss, along with information about the costs involved in the sale and what you received for each asset. You'll then have to factor in your income tax band and the percentage of CGT you'll have to pay on the gains you've made.

Because it's so complex, a financial adviser is best placed to help you get this all done easily. They will also be aware of any tax reliefs you may be entitled to claim during the calculations, or whether there are other ways to reduce or eliminate your CGT (like gifting to your spouse or civil partner).

What is capital gains tax?

If you're selling certain assets of high value or a second property, you'll probably have to pay capital gains tax on your profits. Here's how it works.

Capital gains tax (CGT) is a tax on the profits earned from selling an asset or a property belonging to you (excluding your main residence). You only pay CGT on your overall gains above your tax-free allowance – known as the 'annual exempt amount'. In the 2021/22 tax year this amount is £12,300, so you can make this much in profit before you pay any tax. Married couples or those in civil partnerships can double this to £24,600 by pooling their allowances together. The government announced in its 2021 March Budget that these levels have been frozen until 2026.

Depending on your income tax band, you will pay the following levels of CGT when you sell an asset or property:

Basic rate taxpayers	Higher/additional rate taxpayers
The CGT to pay on assets is 10%	The CGT to pay on assets is 20%
The CGT to pay on property is 18%	The CGT to pay on property is 28%

Difference between assets and property

CGT affects assets and property differently when it comes to how much you'll pay:

Assets

An asset could be a piece of art, jewellery or an antique to name a few – but several assets are exempt from CGT, such as your family home, any personal belongings worth less than £6,000 or a car that is for personal use. Investments are assets, and if you're selling things such as shares, funds, investment trusts or other financial products you will be charged CGT if you go over your annual allowance (depending on your tax band).

Property

You will have to pay CGT if the property you are selling is a second home or a source of rental income. CGT needs to be paid within 30 days of completion of the sale or disposal of the property. You won't pay any CGT on the sale of your main residential home, providing that it's never been used for business purposes while you've lived in and owned it, and it covers less than 5,000 square meters (including the grounds).

There are rules around CGT if you live in the UK but are selling an asset or a property abroad (you may be liable to pay CGT on gains made from the sale). It's worth getting advice about a sale abroad if this affects you.

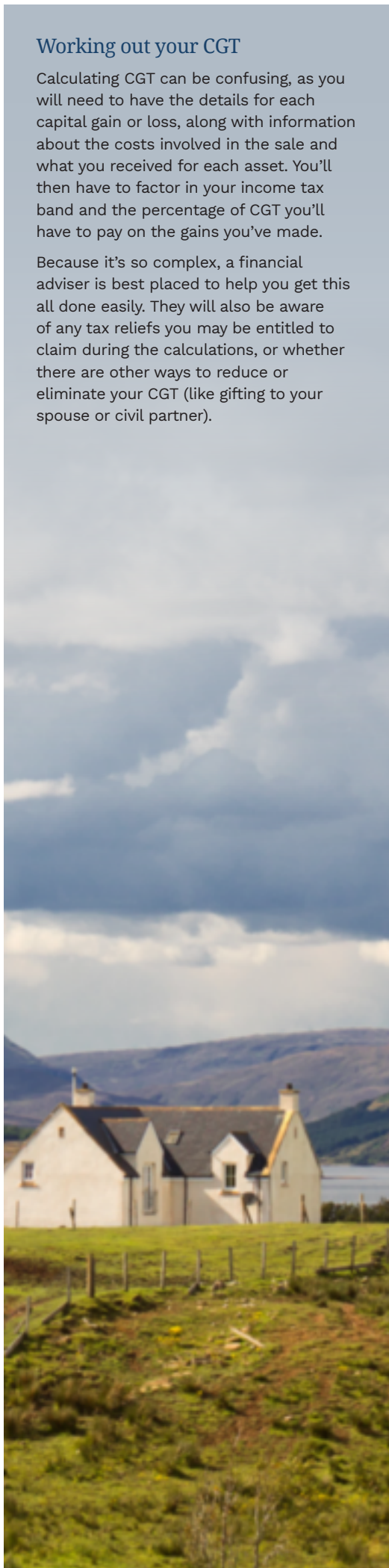
When is CGT not required?

You won't need to pay CGT on a gift to your spouse or civil partner, or to a charity. You're also not required to pay CGT on certain financial assets, including gains made from ISAs or PEPs (the forerunner of ISAs), UK government gilts, Premium Bonds and winnings from betting, pools, or lotteries.

Our advisers can help you make sense of any CGT affecting you and your assets, helping you to arrange your investments in the best way to make the most of their potential, including when you sell them.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

For specific tax advice please speak to an accountant or tax specialist.



Can your pension sustain your retirement?

Working out how long your pension pot will need to last – as life expectancy rises – is worth thinking about sooner than later.

The lockdown caused many people to reassess their lifestyles, which for some meant choosing early retirement. But what retirees have found is that pension pots are not matching the period of time needed to enjoy a comfortable life.

Life expectancy is going up. The Office for National Statistics offers an online calculator which gives an estimate of life expectancy – and with it an idea of how many years people will need their pensions to sustain them.

What's your number?

The 'Class of 2021' report from Standard Life Aberdeen lays out how much value an average pension pot needs – around £366,000 if you multiply the average annual amount retirees surveyed said they would spend (£20,000) by 20 years of post-retirement time. A third said they had less than £100,000 saved.

Retirees need more than they think

The survey reported that two thirds of retirees were at risk of running out of money post retirement. Along with people living longer (on average, people aged 55 today will live to their mid-to-late 80s) there is the issue of rising inflation which raises the cost of living as years go by. Volatility in the investment markets also adds to the concern for people approaching retirement when it comes to pensions.

How to plan for the years ahead

Those surveyed did have plans to tackle this issue, however. Half of the those surveyed aimed to reduce the amount of money they spent on a day-to-day basis in order to save for retirement. Other considerations include downsizing their home and seeking part-time work after retirement in order to generate an income.


There is concern among almost half of those surveyed about being financially ready to finish working in the coming year. Yet many are aware of the need to be prepared when it came to their finances post-retirement, making any necessary adjustments – ideally with help from a financial adviser.

Keeping track of workplace pension plans and thinking about consolidating them into one pot might be a good place to start planning towards the goal of making your retirement as financially worry-free as possible.

Our financial advisers can help you review your pensions and advise on how to make the most of your pension.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.





Feel more secure with income protection

When it comes to insurance, we're more likely to protect our pets than our income. Here's why it's important to have some income protection in place.

What is income protection?

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. It gives you a buffer between finding yourself without an income, paying the bills and protecting your family's security. Building an emergency fund (which covers around three months' worth of bills and essentials) is a good start to give you some financial back-up, but income protection insurance can also provide peace of mind.

How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end. We can help you determine how much coverage you'll need.

How much does income protection pay?

It could be anything from 60% to 65% of your pre-tax income, and the regular payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter and the percentage of your income is larger. This type of protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead provide one-off lump sums in the event of your death or the diagnosis of a critical illness.

Do you need income protection?

With the rise in the cost of living and cost of borrowing right now, many people are worried about paying the bills should anything happen that leaves them unable to work. Recent surveys have shown that the average UK family doesn't have enough in savings to be financially secure for long if they're no longer receiving an income.

That's where income protection can give you some financial resilience, especially if your workplace does not provide statutory sick pay (or only starts to pay out after a period of several months). Your adviser can help you navigate the income protection policies that could best suit you and your needs, weighing up how much your premiums might be with the amount of cover you're after.

As with any insurance policy to do with your life and health, things like your age, health, occupation and other factors (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

We can guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

Your adviser is best placed to help you find an income protection policy to suit your needs and provide some security for you and your family.

Peace of mind for the self-employed

Sarah is self-employed and she approached her financial adviser for some advice. As a single mum, she worried that her emergency savings fund wouldn't be enough to cover the rent or bills if she found herself unable to work. Sarah's financial adviser found her an income protection plan with an affordable monthly premium that covers 65% of her earnings.