

■ Time spent now optimising your tax position pays dividends on retirement

Planning for the great escape



● **Chris Floyd**

WHEN starting a career or business there will be many things to think about but something that is often overlooked is moving on or retirement writes *Chris Floyd, tax manager at Landers the Accountants*. Most people think that retirement is something to start planning for when it is within touching distance. However, that can often be too late to make the most of the available tax reliefs.

Like a will (put this top of your to-do list if you do not already have one), your escape plan has to be flexible and will certainly change over time. Without a plan you will miss opportunities along the way.

You should have a milestone for retirement. This may be a specific date or age or could be when you have become worth a specific sum of money. Working back from this, you will be able to put measures in place to ensure that you decide what happens to your wealth and when, rather than letting the tax man dictate this.

The first thing you will need is a pension of some sort. The investment and tax rules for pensions are lengthy and complex so it is important to get good advice on what is right for you.

As you enter retirement, you may want to think about helping younger

generations to get on to the pension ladder. You can put up to £2,880 per annum into a pension fund for your children or grandchildren which will be grossed up for basic rate tax and can also sit outside your estate for inheritance tax.

For those in business for themselves, you will have to consider whether you are willing and able to pass on that business. Early planning will ensure that:

- You get the maximum price for the business if you decide to sell;
- You employ and train the right team to look after your interest if you keep a stake but sit back from the day-to-day running;
- You maximise the amount of relief you receive from capital gains tax. This may include ensuring your shares qualify for entrepreneurs relief; making the most of your and your spouse's annual exemption; extracting surplus cash from the business before a sale in a tax efficient way.
- Any business assets that you retain are protected from inheritance tax and capital gains tax.

When you finally reach the point in your life when you decide that you

no longer need or want to work, there are further steps that enable you to enjoy your wealth and allow it to be passed on to loved ones without the fear that half of it will end up in the government's coffers:

- Using the right investment trusts and bonds can protect hard-earned funds from long-term care fees;
- Using spare income to help with grandchildren's pensions and school fees helps to preserve your IHT nil rate band;
- Using the right Enterprise Investment scheme or Venture Capital Trust investment to qualify for IHT relief while also getting a welcome income tax reduction

Set aside some time to make a well-tested plan. It is a nice feeling to see all your ducks in a row.

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