WAY Investment Services Limited

Things to think about today, things to deal with in the future

In a new working environment, with large swathes of the world order turned upside down, finding focus and order can be challenging. For many, working at home is not necessarily new – but working at home surrounded by family certainly is. One approach that may be helpful is to categorise tasks into two lists – things that can be done now, and things that will need to be dealt with at some unspecified point in the future.

Thinking about things we can do today, it's worth remembering that it is always a good idea to have ones financial and legal affairs in order. This was true pre-pandemic and is doubly true now. If we can do something about it, there is no time like the present.

For those who haven't already, it is worth considering putting in place Lasting Power of Attorney (LPA) arrangements – which can be created for Health and Welfare, and Property and Financial Affairs. These can be set up online directly with the Office of the Public Guardian at a cost of £82 each (see www.gov.uk/power-of-attorney). The Property and Financial Affairs LPA in particular can enable an attorney to manage a bank or building society account, pay bills, collect benefits or a pension or sell a home in the event that a family member is incapacitated for a number of weeks or months. Some clients may prefer to use the services of a solicitor to help – and there are plenty of solicitors available online and working from home just like the rest of us. Registering an LPA with the Office of the Public Guardian can take up to 10 weeks according to the Government website. Under current circumstances it is difficult to feel confident even in that timeline, therefore giving further reason to get started sooner rather than later.

Making, updating or reviewing a Will is rarely near the top of anyone's to-do list, but distributing an estate via the intestacy rules will rarely provide an outcome none of us would choose. For those who have a Will in place, it is worth checking when it was last reviewed and/or updated. Advice teams might also consider reminding clients that a Will is not voided on divorce. If the Will does not specify what should happen under the new circumstances, intestacy rules may be applied instead with the estate not divided up as one might have wished. Any clients wishing to avoid this situation need to act now and ensure their wishes for how their dependents, new partner and previous partner are provided for, are documented. Again, there are plenty of experts available with a computer and internet connection who can make this happen even if they cannot get to their usual office. One question we have been addressing is in the witnessing of documents. If this cannot be done in person, we are exploring how this can be done via videoconference. Clear documentation, evidence and pragmatism are good principles to follow.

A third aspect of financial tidying-up is making, reviewing, and updating Pension Death Benefit nominations. Again, this is especially pertinent for divorcees, but also for those who are yet to make a nomination. We all have things on our to-do list that we have never yet quite got around to getting done, but this month we might be able to find the time to work through some of them. Advice teams can help here – by checking, reminding and following up.

On a technical point, we have found that the current situation has focused the minds of some clients whose advisers have previously identified that they have a significant Inheritance Tax liability, but so far have procrastinated in addressing it. Some have been advised that their net estate does not currently qualify for all of the Residence Nil Rate Band (RNRB) available (£175,000 in the current tax year), as it exceeds the £2m threshold where tapering begins – reaching zero at £2.35m for a single person or £2.7m for a married couple / civil partnership. As an example, if a single person with a net estate of £2.3m were to gift their NRB of £325,000 and, if available their Annual Gift Exemptions of £3,000 for the current and last tax year, thereby gifting £331,000 in total, their net RNRB-assessable estate is immediately back below the £2m threshold where tapering commences. This would 'claw back' all the available £175,000 RNRB allowance (assuming the other qualifying criteria are met), immediately saving £70,000 in IHT (40% of £175,000). For a married couple /civil partnership, the figure would be £140,000 (40% of £350,000). It is worth noting that investing the same amount in a Business Property Relief (BPR)-qualifying investment would not have the same effect, as the RNRB assessable estate would remain above the £2m tapering threshold. This is because what is included and excluded from the RNRB calculations hinges on who owns the asset. Once something is gifted the Donor (Settlor if a trust is used) does not own the asset anymore; they have given it away and therefore the gift immediately reduces their RNRB-assessable estate. In contrast, a BPR investment is and always will remain in the RNRB-assessable estate as the investor still owns the investment personally (unless it is gifted away, prior to demise).

All of these can be difficult conversations to have under any circumstances, and we need to approach these topics with sensitivity and care. Now, however, could be a good time for advice teams to remind clients of their importance.

The second to-do list is about looking ahead. At the point people can emerge from this period of almost-hibernation, we can expect to see notable changes to tax regimes as the Government seeks to restore its financial position. It is too early to anticipate what these might be, let alone plan for them however by ensuring the financial affairs of our clients (as well as our own) are organised as much as possible , we will at least be in a better place to deal with changes when they arrive.

It might be more achievable to start planning some of the constructive things we will do at work- a wish-list of projects for when we are all able to return to our normal offices. Further, it is comforting to think about some of the normal things that we might look forward to – seeing family and friends, popping to the shops, an unhindered walk, and working closer to colleagues and clients. Planning ahead can be a great way to introduce a little optimism into an extraordinary time and remind ourselves that today's situation is not forever.

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