

# VIEWPOINT

PINK FINANCIAL CONSULTANCY

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# What does a financial adviser do?

A financial adviser can help with your investment goals, but they can also offer many more ways to understand and make the most of your money.

You might think that people who use financial advisers are just investing in the stock market or need someone to manage their portfolios. But a financial adviser can do a whole lot more.

## Different types of financial advice

For an adviser, it's their aim to help you achieve your financial goals, but that doesn't just cover building wealth through investment – their expertise can apply to everything from mortgages to life insurance, pensions, saving for retirement or handling an inheritance. Advisers can vary in what they specialise in, and fall under a large umbrella of services including:

### Pensions

You may have several workplace pensions that you'd like to consolidate, or you could have questions about drawing an income from your pension. Whatever your circumstances, a financial adviser can examine the details within your pensions to guide you on how to approach them, considering how much you will need to live comfortably when you retire.

### Tax

You might think that there is little difference between another area where expert help is needed is tax. From inheritance tax to capital gains tax or working out how much you should be paying (and if there are ways to minimise your tax bill) – is tricky. With the help from an adviser, you can become more tax-efficient and make the most of any tax breaks available to you. An adviser is best placed to help minimise your tax bills and get you the best returns.

### Inheritance

An adviser can help you with leaving a legacy – an important part of planning the future of your estate and making sure your wishes are carried out when the time comes, and your wealth is passed tax efficiently. This advice could range from inheritance tax mitigation to making or updating your will.

### Mortgages

Mortgages can be a tricky area, whether you're a first-time buyer, searching for the best remortgage deal or looking for an investment property. A financial adviser can help you navigate the process, find the right type of mortgage and map out how your mortgage will work over the years (and when it could be a good time to review your mortgage). They'll also be able to let you know your tax obligations if your property is an investment.

### Investment

A financial adviser can help you navigate the world of investing safely, helping you take your first steps in investing or reviewing and managing your existing investments, as well as making you aware of any risks along the way and making sure you keep focused on the long-term goals through any market highs and lows. Our advisers have a broad breadth of experience and take an objective approach – offering ongoing advice and expertise – both of which are crucial to seeing your investment and retirement objectives come to fruit.

*Our financial advisers are here to help you make sense of your finances, build, and manage your wealth and protect what you have going forward – to the benefit of you and your family.*

***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.***

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



**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE**



## 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.

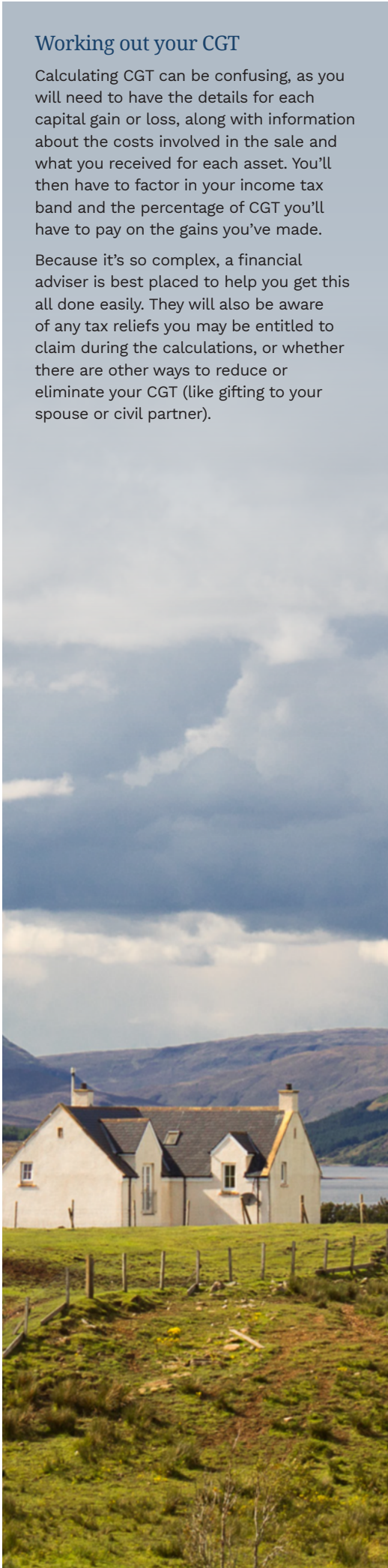
## When is CGT not required?

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.**





# Protect your peace of mind when moving home

Moving home can be a hectic and exciting time, but don't forget about protection – taking out the appropriate policies can save you a lot of stress in the long term.





If you've just moved home or are about to, it probably feels like you've been caught up in a bit of a whirlwind over the past few months. With searching for a property during a pandemic, making the move before the stamp duty holiday ends and potentially getting caught up in the resulting conveyancing backlog, protection policies are probably not top of your priority list.

Yet it's important to take the necessary precautions to ensure your new home and possessions are looked after – now more than ever. Here are some of the main types of protection you should be thinking about.

## Mortgage protection

If you're unable to work due to illness or injury or because you've lost your job, mortgage payment protection will cover the cost of your mortgage each month. These policies usually last for a year or until you return to work – whichever is soonest.

You can pick how much you want your policy to pay out each month, and this can include a buffer for other expenses, such as bills. It's important to bear in mind though that providers usually set monthly limits of between £1,500 and £2,000. You won't always be able to claim straight away, and there's usually a waiting period of one or two months. The cost of mortgage protection will depend on:

-  your salary;
-  the size of your mortgage repayments;
-  the type of policy you choose; and
-  how soon you want to be covered.

## Income protection

Income protection provides you with a regular income if you've lost your job or are unable to work due to illness or injury. There's usually a minimum wait of four weeks before you can start receiving payments. There are different types available:

- A short-term plan covers you for involuntary redundancy, but is usually limited to a set time period.
- A long-term plan will usually cover you until you return to work, retire, die, or the policy ends – whichever is soonest.

## Buildings insurance

If you've got a mortgage, you're likely to have buildings insurance to cover the cost of repairing damage or rebuilding the structure of your home if it's damaged. But have you looked carefully through the policy and made sure that it definitely covers everything you need it to? Once you've moved, you may realise that your new home has a slightly more complex structure than you first realised, and it's important to make sure your buildings insurance takes this into account. If you're lucky enough to not have a mortgage, it's still a sensible idea to invest in this type of insurance for peace of mind.

## Contents insurance

If you've bought new furniture and gadgets for your home, you might need to review your contents insurance. This type of insurance covers the cost of replacing possessions in your home if they're stolen, destroyed or damaged. It's a good idea to double check which of your items are covered so that you're not caught out if something does go wrong.

## Act now

When you're caught up in the excitement of moving, thinking about protection might be the last thing on your mind. But remember that your circumstances can change quickly and it's important to make sure you're prepared now in case things don't go to plan in the future. For more information about protection and to talk about whether your current policies are right for your situation, speak to your financial adviser today.