



RELEASE  
FREEDOM

# VIEWPOINT

RELEASE FREEDOM LTD

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Thanks for reading our newsletter. If you want to discuss any of the articles in more detail, please get in touch.



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## Get to know your SVR

As a nation, we aren't great with our financial acronyms and terminology. Life is busy and our heads are often full of important things to get done to make it through the week, without having to worry whether we know our LTV from our ERC!

**Incase you were wondering....**

**LTV**

**Loan-to-value**

**ERC**

**Early repayment charge**

**SVR**

**Standard variable rate**

You're certainly not alone if you're feeling financially flustered. Recent research has found that more than a fifth of British adults are confused by everyday financial terms.

### **Worth taking the time to review your mortgage**

When you do find some time to settle down on the sofa with a cuppa or a glass of wine in hand, if you are a mortgage holder, it could be a good time to become familiar with one important acronym worth knowing - SVR or Standard Variable Rate.

You may find that you are automatically switched to an SVR when your existing mortgage deal, whether that be a tracker, fixed rate or discounted mortgage, comes to an end. Unfortunately, this could mean you're paying over the odds, perhaps without even realising.

SVR rarely offer the most competitive rates and the SVR interest rate is usually linked to a percentage above the bank's base rate, meaning the rate can rise and fall, which makes you more vulnerable to potential interest rate rises in the future.

### **Take advantage of record low mortgage rates**

After two Bank of England base rate cuts earlier this year, mortgage rates have remained at record low levels, so it makes sense to see if you can save money by switching to a better rate.

### **Good advice that cuts through the jargon**

In a complex environment, getting good, clear advice can really pay – so get in touch and we'll guide you through the process, without using jargon.

Don't worry if you're currently locked into a mortgage deal that has exit charges, you don't have to wait until it has come to an end as your adviser can help you find a deal three or six months before your lock-in period finishes.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS  
ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.



# How to plan for inheritance tax

Following the news that thousands more people are expected to pay the standard 40% inheritance tax this year because of the effects of the pandemic, we explore some of the ways to navigate the complexities of inheritance tax.

The complex laws around inheritance tax (IHT) caught many people off guard during the Covid-19 pandemic.

Along with the often-sudden loss of a loved one came the issues arising from IHT on gifts passed down to children and grandchildren.

This tax year marks the latest in a series where the number of people being charged IHT on gifts has increased.

Since 2009, beneficiaries have paid 40% IHT on estates worth more than £325,000.

## Inheritance tax facts

Following the Budget in March, it was announced that thresholds will remain the same for IHT until 2026:

For single people, the threshold is **£325,000**.

For those who are married or in a civil partnership, the threshold is **£650,000**.

Couples can also pass on their assets (like an owned home) worth up to **£1 million** in total if they leave it to children or grandchildren.

## Gift your way to less inheritance tax

There are ways to avoid passing on a large IHT bill to your family, whether it's through gifting or charitable donations:

- You can give away assets or cash worth up to £3,000 a year (known as the annual exemption) with no IHT to pay regardless of the total value of your estate when you die.
- You can give as many gifts of up to £250 to as many people as you want each year – although not to anyone who has already received a gift of your whole £3,000 annual exemption. To make use of this exemption, it's important to keep accurate records.
- If you are married or in a civil partnership, you can pass on your entire estate to your surviving spouse, tax free, when you pass away. Things could become more complicated, however, if your spouse was born in a different country.
- If you give a gift – of any amount – and live for a further seven years after the gift has been given, the beneficiaries will not have to pay any IHT if you pass away after that seven-year period.
- Leaving money to a charity means it's free of IHT and could cut the tax rate on the remaining amount in your estate.

## Transferring to a trust or pension

Setting up a trust to transfer some of your estate into for the benefit of your grandchildren is another way to reduce the IHT liability on your assets. However, the trustees could still encounter some income or capital gains tax.

While it may not be the most obvious choice, setting up a pension for your children or grandchildren could be a tax-efficient option. The fund will transfer to them when they turn 18 but they won't be able to access the money until they're much older.

As with anything tax-related, the rules are especially complex when it comes to where your inheritance goes and how much your beneficiaries will end up receiving. That's why it's so important to speak with your financial adviser to review all your options and find the most efficient ways to pass on your wealth.

*To learn more about how to make the most of your money this tax year and for more information about inheritance tax and your tax-free allowances, speak to your financial adviser.*

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

# The perks of protection

## What support do insurers offer after the event?

### Illness and bereavement help.

Many providers give free access to services offering practical and emotional support for those left behind after the death of the policyholder.

### Rehabilitation.

Insurers usually offer back-to-work support services, including physiotherapy, careers guidance or advice if you choose to go self-employed. If you're returning to work following a mental health issue, providers will continue to cover counselling sessions for a set period of time.

As well as peace of mind, many insurance providers offer additional benefits that you may not know about.

Whether we're crossing the road or getting on a plane, we encounter risks every day. For many of us, life has felt more uncertain than ever over the past year as we continue to deal with the coronavirus pandemic. Although we can't always control what's happening in our lives, we can plan for the unexpected.

By taking out a protection policy, you can safeguard your family's finances if your situation changes. The main types of protection include:

- Life cover – pays out a lump sum if you die
- Health insurance – pays medical costs at a private hospital or private ward
- Critical illness – pays a tax-free lump sum if you're diagnosed with a major illness
- Home contents and buildings – covers your home's structure (including fixtures and fittings) and contents (furniture)
- Income – pays out if you can't work due to illness or injury

As well as peace of mind, protection policies often come with added extras. We've highlighted examples of some of the perks you could receive when you take out a policy, even if you don't make a claim.

## Welcome gifts

When you sign up for a protection policy, some providers offer a welcome gift. For example, health insurers sometimes offer gadgets like an Apple Watch to help you track your activity – with some even offering a discount based on the amount of exercise you do each month.

## Discounts

Many health insurers offer discounts on gym memberships and weight-loss programmes to help you embrace a healthier lifestyle. Some also offer you the option of taking a health check to reduce the amount you pay each month.

It's worth noting that when you take out a protection policy, your provider is likely to offer you discounts on other products such as pet or travel insurance.

## Additional healthcare options

Some health insurers now cover complementary therapies such as osteopathy and acupuncture, giving you more treatment choices. In addition, counselling services are now included in most health insurance policies and many also give you the option to upgrade your hospital room if you need treatment.

## Will writing

Some providers of life insurance give new policyholders the opportunity to draw up a will free of charge.

## Cover for children

Many critical illness plans include free cover for dependent children.

Whatever type of protection you're looking for, get in touch and we can help

