Natalie Smith – Jody Banks

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NS – Natalie Smith
JB – Jody Banks

NS: Welcome. Thank you for coming along to listen to us, to our presentation on focus on finance. As Darren said, my name's Natalie and I work for Lodders Solicitors and this is Jody, who is an owner of Caple Banks Wealth Management.

Hopefully you will see you that you have all got some bags on your seats and inside there are actually some bound packs which have a bit more information about us, because we are a bit short on time today, but also at the back you'll find the slides with sections for you to write on. So if you do want to make any notes or anything, they are in your bags. There should be a pen in there as well.

So as I said, we are a bit tight for time today so we are just going through some of the basic information, but we are around for the rest of the day and actually here this evening so by all means we would be delighted for you to come and talk through any particular questions you have about more specific things.

So today I'm going to talk to you about wills and lasting powers of attorney. Just starting with wills then. For me, it's obviously a common nag as a lawyer. I think nowadays most people realise that they need a will yet statistics show that there are still about two-thirds of the population that don't have wills in place. So today I'm just going to go through some of the problem areas that we come across and particularly we are now seeing a lot more contested estates, a lot more people unfortunately falling out about money when parents, grandparents aren't here anymore. So again, for us, it is very important people consider what can go wrong.

So I'm just going to go through some of the problem areas today. People not having a will at all. People also not getting proper advice about a will. And also not keeping wills under review can be just as problematic sometimes.

So I have included this slide. I am not expecting you to read this at all. It is pretty much up there just to show you the intestacy provisions if you do not have a will are actually quite complex. This flowchart is actually in full-size in your packs if you do want to have a read through them properly but basically it is really there to show, as I said, it is not as simple as people think.

The main issue being there is a common misconception that your spouse will get everything and I think most people still think that's the case and actually it is not. So if anything happens to the spouse whilst that couple have children, or the deceased has children, your spouse would get £250,000. They would then get half of the residue and the other half would go to the children. And again I do not think that most people realise that. It can cause problems and we can come onto some case studies just to give an example of that. But also it might not be the best thing for tax planning purposes as well.

There is also a common misconception still that a common law spouse exists. So again where people are not married, aren't in civil partnerships or indeed step-children are not included in the intestacy provisions. I think it is still very archaic; and we were just talking about how the law does go back a very long way and quite often hasn't been updated. Family structures have probably changed quite a lot compared to these intestacy provisions.

So why don't people make a will? Those of you that did meet us last night we had a few chats about this and some of the usual excuses came up but these are just some of the common ones I've come across. Some people say they do not have enough time to do one, they know they need to do one, they've thought about it but they just haven't got around to doing it.

Particularly some of my younger clients don't think they've got enough money to warrant doing one. Again, I'd say you are not just looking at finances but things like appointing guardians for children can be a very important aspect of doing a will.

Also a prime example I've actually had in recently whereby some beneficiaries have fallen out about their mother's £10,000 estate. So no matter how little you've got people can still fall out about it. Probably more sad about that case is the likelihood is the children will never speak to each other again and that's quite sad for something that probably could have been sorted out by mum when she was around.

Also people saying they don't know what to do in their will and, for me, most of the people who don't know what to do is usually because their affairs are quite complex which means there's even more reason why they should do one because they know there are potentially problems when they are not around.

Also people are concerned about the cost of it and I will come on later to an example. In my experience the cost of actually dealing with an estate where everyone falls out far exceeds the cost of actually getting your will done in the first place. And not to mention the emotional destruction as well.

I am afraid I am going to be a bit sexist here. The usual male answer is that it is not going to be me. I'll be around. Nothing's going to happen to me. I'm not going to have that car accident or whatever. And again, I'm being a bit sexist in that women quite often do not like talking about it because they think they will tempt fate or something will happen because we had that conversation. I completely understand and it is obviously not a very nice thing to talk about but hopefully we are not that scary and we will make it as easy as possible for you to go through.

So just to give you a bit of an example of how the intestacy provisions work. Meet David. He's a jolly old chap and he's a widower with no children. He's got distant relatives that live in Australia he's never met. He's got a house with no mortgage and some savings. He actually had a friend that lived with him for ten years and cared for him in his later life. Ultimately under the intestacy provisions his very distant relatives in Australia would inherit his whole estate. Poor friend would be kicked out of the house so that it could be sold to send some money off to Australia.

If we just take that a step further. Let's say that the friend that was living with him was actually his step-daughter Sally, who'd he brought up as his own child, from his wife. Ultimately that wouldn't change things. The distant relatives in Australia would still inherit his estate and she would have inherited nothing from her mother and nothing from her step-father.

Just from putting in place either mirror wills between them to make sure that that's what they would have wanted to have done or if Mum had at least put in place what we'd call a 'life interest trust' will, Mum could have at least protected her assets for her daughter irrespective of what step-dad did later down the line. So you can see how wills can just change the outcomes down the line.

Just to give you another case study then. We've got Brian and Jane. They also don't have wills. They are a married couple in their sixties. They have just retired. They've got two adult children with an estate worth a million but the house is worth £750,000. Brian dies. Sorry chaps, I'm writing him off first. It's statistically more likely to happen. And because he doesn't have a will, as I said, under the intestacy provisions, Jane automatically gets a legacy of £250,000. She's then entitled to a half of the rest of his estate. Their children are entitled to the other half.

Now we all hope that our children won't then go and kick Mum out of the house but unfortunately we do come across situations where families either do not get on or the children's circumstances mean they have to have the money. So in this example, we said one of the children was reckless with money. He had a bit of a gambling problem, he didn't really like his parents very much and the other child had learning difficulties and was being looked after by the local authority. Ultimately if either of them insisted on having their money or their share Mum would have to sell the house to be able to release that money which clearly would not have been what her husband would have wanted but just through not doing a will.

Just to take that a stage further, imagine if this couple were younger. Both sides of the families don't get on. If they hadn't made wills they would not have appointed legal guardians for the children and so it would be up to the families to war it out as to who got to look after them and, again, we do see families falling out about things like this unfortunately.

Moving on then to the second point which was not taking proper advice about wills. Obviously there are legal formalities to make sure a will's valid. Again, with our claim culture nowadays, with Google, people are looking up what they are entitled to a lot more. We are seeing that a lot more people's estates are being disputed whether that's through how the will has been done, whether that was the advice that was received, whether that's whether the person should have signed it in the first place.

But things that I quite often find. People are now looking at £9.99 W H Smith wills, other wills available, but there is a big difference and certainly there's a lot of homemade wills that we end up dealing with because they are not quite done right. Some of the common themes are mirror provisions. Quite often if I say to a husband and wife "What do you want to do?" They'll say "Well everything to each other". And if not, the children. Great.

Then I say "What if you are all gone. What if you had a car accident? Something happened to all of you?" And they both usually say, "Well my bit would go to my family." "My bit would go to my family." What they don't consider is if you just wrote your will that way if you had an accident, one of you would have inherited from the other and you would create a lottery as to which family inherited your joint, combined wealth. Usually that's not what people want but they hadn't really thought that far ahead.

Also, looking at substitute provisions and one of my favourite things I think as I said last night was my favourite word in most client meetings is 'what if?' I'm sorry I'm very morbid but I keep writing people off and you do have to look and say, "Okay that's fine, great, it all goes to the children" and that's really what we would hope to happen but if you are on that bad plane, you are in that car accident, if something happens to you and your family then what happens? And that’s usually something that people haven’t really thought about until they are questioned that bit further.

Also considering the suitability, boring things, suitability of executors and guardians and also looking at administrative powers to make sure that your executors and trustees can do the job that you have given them to do.

Just to give you an example of this, this is a genuine paragraph from a will we ended up dealing with. So this was a homemade will. So I give to Mr and Mrs X and Mr and Mrs Y, to each couple a half share in my estate i.e. my property, property one, also savings and monies in my bank account at Barclays and Halifax Building Society. Also property, property two to be divided equally between the above couples, the other 50% is Mrs Z’s.

Now actually what the deceased meant and had actually explained to Mr and Mrs X and Y was that Mrs Z owned half of his property number 2, so what he meant is that his half would go to his beneficiaries and she would have her half. Now actually the legal construction and the reading of a will is as it is written and so ultimately Mrs Z actually got half of his share because that is technically what he’s written even though that’s not what he meant.

Also you’ll see that he’s clearly said that he doesn’t want his brother to inherit from his estate but he actually died leaving an investment. Because he’s only mentioned his bank account at Barclays and Halifax, this means that he’s created a partial intestacy of his estate because he has not mentioned that investment and he hasn’t used what we would call a residuary estate clause. Ultimately, because his brother is his next surviving relative under the intestacy rules, his brother would inherit that investment product even though he has categorically stated that he would not want his brother to get anything.

So you can see how it is very easy to think that you have written what you want but it’s on a legal level interpreted in what can be a very different way and have a different outcome.

Great if you have got your will done. One of the things that I do say to clients is make sure you have a read through it. I do encourage clients not to do anything about their will if they don’t need to. So I do have clients who come in with wills from the 60s / 70s, we have a look through them, nothing’s really changed and they are still happy with them. That’s fine. But also there are wills where people quite often say, “Oh we didn’t do it that long ago” and they pull them out and realise actually it was 15-20 years ago. The executors are no longer our friends and we’ve actually had children or grandchildren since then.

So all I say to people is pull them out and read through them. If you’ve got them sit and just spend five minutes reading through and making sure you remember what you put but also just reviewing your circumstances.

So for me at least read them every five years but these three are really when you should absolutely go and look at them. So changing family circumstances, new children, grandchildren, family members having died before you. Also getting married. A lot of people forget that even though you’ve made the effort to go and do a will if you have then got married it completely revokes your old will and it is not effective. Also changing financial circumstances. Making sure the legacies you have left are still relevant to the amounts nowadays and also changing legislation which can change the advice that you would probably get in relation to your will.

Just to give you again a genuine example of this. We had a client that made a will with a solicitor in 1992. She died in 2012 never having amended that. The executor had already died in her lifetime and as the family didn't get on, it was a bit of a struggle getting everything administered because everything was a bit of a row. They also had named grandchildren but one of them had been born since and so, because the family wouldn't agree to make a variation of the will that grandchild did not get a legacy that all the other grandchildren got which, again, would probably not be the deceased's intention but that's what happened just because she hadn't updated it.

This is beyond the scope of today just because I don't want to run out of time but some of the other things that you would generally have to think about at the same time as doing your will would include inheritance tax planning. So looking at whether you have inheritance tax issues, and this is something that Jody is going to talk to you about shortly. Also looking at whether deeds of variation in parents or grandparents estates is relevant. Looking at letter of wishes for any trusts that you set up. Chattels which is your personal belongings or indeed family issues , and I'm sure everyone has read lots about people trying to disinherit family members and again writing letters of wishes can be very helpful with that. Also looking if you've got foreign assets. That can make a difference about advice. And also at the same time we recommend that people review their pensions, death in service benefits and life insurances because most of the time people think that these would pass under what they have done in their will and usually that wouldn't be the case.

Just moving on then to powers of attorney. So your will deals with your affairs if you die. Your powers of attorney deal with your affairs whilst you are still alive and perhaps you are not capable of doing it. This is a big question that we ask everyone. Most people think that their family would just help them out if they couldn't look after their own affairs and unfortunately the legal answer to that is they don't have actually have any right to do so.

We then look at the legal routes and we get two routes that open up. Again, beyond the scope of today, is court of protection applications for a deputy to be appointed. But if you are not able to appoint an attorney yourself, the court can appoint a deputy for you to manage your affairs. All I'm going to say on that is it is a very time consuming and expensive process at a time usually when your family is having to come to terms with you not being able to do things yourself. So it is really a route you just don't want to be going down and you can avoid that completely by having a power of attorney done, appointing your own attorneys.

There are two different types of power of attorney. The enduring power of attorney. You can no longer make them but for those of you who have perhaps made them in the past, they are still effective. The enduring powers of attorney deal with the property and financial side of things which I'll come onto in a second. You cannot make these anymore but if you have them, as I said, they are still valid.

The new style power of attorney are called a lasting powers of attorney and there are in fact two different types of lasting power of attorney that you can make. The first one is the Property and Financial affairs LPA and, as we can see up there, there are many different things that your attorneys can do for you but ultimately, financially, your attorneys can do anything you could do. So you do have to make sure you pick someone you trust but you will be glad to know they are under a legal obligation to do what's best for you.

The Property and Financial Affairs LPA has to be registered and if you pick the option in your power of attorney they can be used from any point from when they are registered. So, for example, if I was out of the country, had my bag stolen, I could ask my attorney to go into the bank and deal with my finances for me and sort everything out for me. When I came back off holiday, they wouldn't have taken over my affairs. They are still my bank accounts and I would carry on using them as before.

Equally, I'm a bit of a horsey person so if I'm off horse riding at the weekend and I break my back and put myself in intensive care for six months, because I was then no longer able to make those decisions myself, my attorney could go into to my bank, probably like most people nowadays money going in here, there and everywhere, and pay my mortgage, pay my bills, make sure everything was hopefully okay if I ever make it back out.

So it's quite an important thing and for me, lasting powers of attorney for financial affairs are almost, in some cases, more important than your will so a really serious thing to consider having in place.

There is then a second type which is your Health and Welfare LPA and again is does exactly what it says on the tin. So your attorneys that you decide to appoint can make decisions about your health and welfare. These can be anything from switching off life support to making decisions about where you live. The old style enduring powers of attorney didn't cover this so if you do have the old ones, you might still want to look at the Health and Welfare LPA.

I'm just going to quickly skip through those because I've run out of time but, just to give you an idea, and I've got a case study in your packs. Great Aunt Ethel goes into a care home with dementia. Ultimately people always think that as their family members or their neighbour or the person that's been looking after them, you can sort out their affairs. You will just see from this very simple table, that when the house needs to be sold, the care home fees paid, jewellery stored, shares sold, there needs to be that legal appointment of an attorney for anybody to be able to do that.

Just to end up then on why the two of us are here. As a lawyer, we cannot give you financial advice. One of the questions clients always ask me when I suggest that they get some financial advice is: why do I need a financial adviser? And some of things that I always recommend is when we are looking at inheritance tax, some of the options are very relevant to financial advice rather than legal advice.

Also, as an attorney or a deputy, you do have a legal obligation to take professional advice not just make decisions yourself. So again, there's an obligation there and also looking at pensions and financial planning, which, as a lawyer, I can hopefully guide you in the right direction but it is certainly not my area of expertise and I am unable to give clients financial advice.

Just to end to pass over to Jody. This just gives you an example of ways that we work together. So actually, I am going to use a separate example because Darren and Louise have very kindly said that we can use them. I got introduced to Darren and Louise. They came to me to get their wills in place. Both on second marriages. Both have got their own children. And the idea was to look after their own children but also to look after each other. And so part of that was getting wills, powers of attorney in place, but also looking at inheritance tax and investment opportunities as well which is where the introduction to Jody came in. We were all able to sit down together, work things out together and, from my point of view, I think it gives clients a very good service without having to go through things with various different people. You get advice all in one go basically.

So without further ado I'm going to hand over to Jody who is going to talk to you a bit more about those things.

JB: Good morning. My name's Jody as Natalie introduced. I am a Director of Caple Banks Limited. We are wealth managers, independent financial advisers and I look after clients from all over the UK.

The topic I've been asked to talk about today is managing your money, which is quite a broad subject to discuss so I've tried to narrow it down to two areas that I am hoping will be of interest to you.

The first is in and around investments. I'm going to look quickly at the pros and cons of investing money, things to look out for and a few top tips that I'm going to share with you. And the second area is in and around tax and how you might be able to look at structuring your investments to make them as tax efficient as possible.

Now over the years I've been to enough financial presentations myself to know that you are not going to want to be bombarded with too many facts and figures and graphs and financial jargon, so I'll do my best today to keep that to a minimal. To which end I am going to start by talking about wine. Now contrary to popular belief, and rumours circulating last night, I'm not going to be recommending that people put all their money into wine but wine does have a lot of similarities in my mind with investments and there are a number of things that if you think about wine, and you think about investments, and you'll remember some of my top tips I hope.

So first off, can I just have a quick indication in the room who is a red wine drinker? White wine drinkers amongst you? Brilliant. People that don't like wine at all? Oh, very few. Okay. Okay brilliant. Thank you.

Wine, in my mind, is very much like investments in that it is all down to personal taste. There is absolutely no right or wrong with how much level of investment risk people are willing and comfortable to take. It is all down to the level of investment risk you personally are comfortable with.

However, just like with wine, a good wine paired with the correct food can bring out the wine and the food. A good investment paired with your objectives can make all the difference and the best way for me to show this for you is just to show you with one graph. This, I promise, is the only graph I will show you today and to go through different investment performances of different types of investments over a ten year period. So the blue line, number A, is showing you the return of stocks and shares, UK stocks and shares, over a ten year period. If you go down the line B is showing you the return of UK gilts, so lower risk, fixed-interest investments. C is RPI, so RPI is basically inflation. It's showing you how much the cost of goods is going up over a period of time. And what that line is basically showing you is over the ten years that we've got there, it's costing you more and more to buy things for the same amount of money. D is retail property and E is the Bank of England base rate and that gives you a relatively good idea of what kind of investment returns you could expect if you were keeping your money just in straight forward bank accounts.

You can see that over that ten year period the All share, that's the All share, has done the best and performed the strongest. It would have earned you the most money over that ten year period and cash, at the bottom, would have earned you the least amount of money. If you plot that ten year graph back all the way to the beginning of every ten years down to the beginning of the 1900s, it would have given you very very similar results. That is by absolutely no means to say that everybody should therefore go away and invest their money into stocks and shares.

If you look at the blue line you can see that over that ten year period it has had some significant ups and downs. If you had needed money out in the point where you see the bigger dip, 2007 to 2009, you would definitely not wanted to have your money inside of that type of investment. You would have, in all likelihood, to have seen your money go down in value during that period.

So this goes back to my original point, you need to make sure that the types of investments you are holding match the objectives that you have. Are you looking for growth or are you looking for income? Are you potentially going to need that money out in a short period of time or have you got a nice long timescale in place so that you can ride out the up and downs of the investment market that does go up and down.

Now a little competition for you in the room. Does anybody know the connection between these two pictures, the tulips and the ostrich? Natalie you are excluded from that and there is actually a bottle of wine if anyone does know or wants to take a guess? Any takers? Go on sir, I think you are quite close actually.

M1: The crash in stock markets.

JB: Absolutely, yes. So I've picked these two because they are very, very good and quite memorable examples of two types of investments that have experienced a really significant boom and bust.

So, looking at the tulips, if you go all the way back now to 17th century Holland and tulips were introduced to Holland from Turkey and when they were introduced they were the first flower of their type. They were very, very bright. Very, very colourful and everybody wanted them. Everybody wanted to plant them in their gardens and they became a sign of wealth.

Because the time it takes for a tulip seed to become a tulip bulb, seven years, people began to speculate on the price of the bulbs and people were buying the bulbs in advance of the following year's crop. Very, very soon the cost of tulips increased very rapidly, to the point that a single tulip bulb is recorded in history to have been sold for the equivalent of 35 times the average wage at that point in time.

Eventually common sense prevailed and people realised there was absolutely no way these tulips, however nice they looked in the garden, were worth the amount of money that was being paid for them. And consequently the bottom of the market fell very, very quickly and people lost a lot of money.

Fast forward all the way to the 1990s and you see something very, very similar happening in ostrich farming. People began to think that ostriches were the next new meat. They were very lean. A bird produced not just meat but feathers and eggs along the way and ostrich farms sprouted up all over the world and people began to plough a lot of money into them.

But, again, what people began to do was speculate on the price and the worth of those ostrich birds and, at some point, again, it is recorded that a single ostrich was being sold for as much as £16,000. It bore no reference to what that ostrich was actually worth. Again you see a correction in the price happen very, very quickly and you subsequently see the bottoms of the market fall out.

I give you these two examples because you see this a lot in investment markets and you also hear a lot of stories about people that have lost sizeable amounts of money when they invest. I guess the way I see it as a financial adviser is quite often people come to me and they have things like pensions investments that they haven't looked at for a period of time and when they do start to look at them, often what I find is they are invested into just single areas. So one of the easiest ways to avoid your investments being exposed to just a single area, where you could see quite a steep price rise and a price drop, is to make sure you spread your investment risk by spreading money over different areas.

You always, always hold back cash. You must always have enough cash to cover any short term needs and any emergency needs.

The next stage on, actually investing your money, depends on your risk appetite. What I would always recommend is that if you are low risk you still try and get a broad spread of different investment holdings to get you that low risk investment.

What you would do if you were higher risk is weight your investment to higher risk areas to get you the investment returns you were looking for. But it is all about spreading investment risks and matching, ultimately, your risk and return. And again I am going to go back to wine analogy because I do think it works quite well. The way to think about this is if you were to going to buy wine for a collection of people, if I was buying wine today, if I did not know what you all liked today I would spread my risk by buying a set of red, a set of white and I'd probably chuck some rose in there for good measure to make sure I balanced that out. So make sure that you have got your wines well matched, your investments well matched. Make sure that you have got a comfortable idea of what your taste is, how happy you are with investment risk. And then make sure that you have spread that.

And the final point, Natalie mentioned in her presentation that she'd always recommend reviewing your wills on a five yearly basis. I nag my clients more often than that. I say you must review your investments every year as a minimum. The reason for this is when you look at your investments you need to make sure they account for your circumstances at the point in time that's relevant to. So every year make sure it is capital growth that you are still after. If you are going into a period of time when it is likely that you will be requiring income, your investments should be reviewed accordingly.

Also to avoid, and again, my last wine analogy I promise, just as with wine you get years when harvests were particularly good and wines were particularly good, it's exactly the same with investments. You'll get some years when particular investments are doing well and you'll get some years when investments do poorly. If you review them regularly you can start to avoid making your money exposed too much to unnecessary investment risk.

So that's investments in a nutshell. I am going to move on now to talk a little bit about taxation and I am going to cover off three main types of taxation and then I'll focus a little bit more detail on inheritance tax. I am going to run you through an inheritance tax case study and then I'll bring a few pieces together.

So income tax. Broadly speaking, income tax is a tax you pay on earnings. So think pension income, think earned income wages, that's what you are going to pay income tax on. You are also going to pay income tax on dividends so any returns you make from shares you'll pay dividend income tax.

The figures on the far left hand side of the screen as you're looking at them, 20% is the amount of income tax you pay as a basic rate tax payer, going all the way up to 45% if you are a highest rate tax payer. And the figures in brackets are just the amounts you'll pay on dividends.

Capital gains tax is a tax that's not necessarily as well-known as income tax but that's tax that you pay if you are selling any forms of assets. So most often it's things like second properties or any type of asset that you own, paintings, jewellery ... those kind of things where you are making a profit. And again the rates are 18% if you are a basic rate tax payer and 28% if you are higher rate tax payer. And finally inheritance tax, typically chargeable on the remainder of your estate at 40%.

I am not here to say you have to try and avoid paying tax but what I would say is there's many different ways to make sure that your investments are constructed in such a way to save you paying unnecessary tax. And I think that for me is very important.

So just looking firstly at income tax. There are a number of things just to bear in mind and areas I'd ask you to consider. The first is making use of your ISA allowances. So money is invested into ISAs gross tax free and when you take an income from them later on they also pay income tax free. You have an annual allowance. At the moment the annual allowance is £15,240. It doesn't necessarily seem like a lot but over the years if you regularly use that ISA allowance you can start to build up quite sizeable pots of ISA monies which can come in particularly useful later on in retirement when you are looking to take incomes.

Structuring pension income. I mention pension income because I am getting a lot of enquiries over the last few months because pension rules have changed and people are able to access their pension monies more freely then they were able to in the past.

I would just put a little bit of a warning out there that it is very rare that it actually works out tax efficient to take large withdrawals from your pensions because of the way they are taxed coming into your pocket. There are some really simple ways of minimising that tax. As an example, staggering those payments over consecutive tax years or reducing the income that you are getting from other sources in order to give you a little more tax thresholds to use can make sure you do withdraw pension monies if that's what you are looking to do as tax effectively as possible.

And finally investment bonds. There's a lot more to this. I've just picked areas that I think are good examples, but investment bonds are very useful for higher rate tax payers if they are looking to take income. They have an added benefit in that monies inside of investment bonds, as long as it's been put in for genuine investment reasons, would not fall into your estate for means-testing purposes if you are having an assessment on your estate for care purposes. So they are not means-tested investment bonds. As I said a very good way of having an extra income source that you do not immediately pay tax on if you are a higher rate tax payer.

Capital gains tax. Similarly just a couple of things to be aware of. You can gift assets between husband and wife or common-law spouse without having any capital gains tax to pay. I'll give you a recent example of this. I had a client come to me a few months back that had a property. He was a higher rate tax payer and he'd just ploughed ahead really. He was about to sell the property keeping it in his name. When we got involved we said look if you gift a portion of this house to your wife you'll able to share that capital gains tax across the pair of you and she was actually a non-tax payer. It brought the tax bill down considerably.

You also have an annual allowance when it comes to capital gains tax which is relatively unknown. You can make a gain of up to £11,100 every year without paying any tax. Husband and wife again both have that allowance so, in that instance, sharing that asset across two people we were able to offset two lots of annual allowance. It's a use it or lose it allowance as well so for many of my clients I do make sure they use that every year so you make use of that as much as possible.

The last piece I'm going to look at is inheritance tax. Inheritance tax is tax that you pay, actually your beneficiaries pay it, you don't. Your beneficiaries pay it on the remainder of your estate after you have died once the nil rate band is taken away. So everybody has an allowance of that they can offset against inheritance tax and at the moment that allowance is £325,000. Husband and wife have this or husband and common-law spouse. So let's just use an example. If your estate jointly will be worth £750,000 you would take away your two nil rate bands. £650,000 would come off. It would leave £100,000 taxed at 40% so you would have a £40,000 tax bill.

The government over the years have recognised that people's houses more and more are starting to use up a lot of this nil rate band. So they have now introduced what's called a transferable main residence allowance. I always have to look at that because of the catchy term they have given that new allowance. It's actually worth £125,000. The common misconception is that your nil rate band has gone up to half a million pounds each. That is absolutely not the case.

First off, it is very important that the house itself is gifted only to direct descendants. Must going to children or grand-children. And this links very much back to what Natalie was saying about the importance of making sure your will reflected who you want your money to go. It's also staged. It's being brought in in stages so I'll just say a word of caution on that one. It's not quite as straight-forward as it perhaps appears and reported in the press. But the good thing about inheritance tax is that it is one of the easiest taxes to mitigate which is why I'm going to focus on it in a little bit more detail.

That 40% rate also just as a bit of an aside, does come down to 36% if you leave more than 10% of your assets to charity so again just something that's worth noting.

Three basic ways to mitigate inheritance tax. The first way is to simply spend your money. I am definitely not one of those financial advisers if I have made you money, saying you must invest it all again, keep it all going. You've earned that money, worked hard to get that money, enjoy it. It seems very straightforward but what I would say if you have got an estate that's approaching inheritance tax threshold, look at spending some of that money yourself.

The second way is gifting and it is a little bit beyond the scope of today's presentation to go through that in too much detail but there are gifts you can make every year that are exempt from paying inheritance tax on and so you could gift money.

And the third is what we call Estate planning. The Estate planning terminology covers the types of investment planning and financial planning that Natalie and I would do to structure a set of changes to your estate to reduce the inheritance tax liability. These are things like putting money into an investment or gifting money into trust which starts a seven year clock off which will remove that money from your estate for IHT purposes entirely if you survive that seven year period.

There are shorter term things you can do over two and three years. Investments into things that qualify for business property relief that will also remove that money from inheritance tax within your estate.

All of these things depend upon your risk appetite and your circumstances but I guess what I am trying to get across is that there are things you can do if it is an area of interest for you.

I was going to use David naturally as a case study but Darren and Louise kindly said we can share their example with you. So when I started to look after Darren and Louise they came to me with two needs really. They wanted to extract money from the Thalidomide Trust tax effectively and they were looking actually to make sure that their estate was lower in value for inheritance tax purposes.

As Natalie mentioned they also have each other that they wanted to make sure they were looked after in the event of anything happened to one of them. And then they wanted to make sure their monies went to their individual children in the event they passed away.

For Natalie and Darren what we were able to do was construct two investments that had a seven year clock ticking on them. Assuming that they would survive those seven years, all of the funds we'd invested for them both would be outside their estate for inheritance tax purposes.

There were some added benefits we have been able to provide some form of access to them which was particularly important to them both in case they wanted money back over that period so there's a degree of money they can bring back to themselves if they wanted to during that seven year period. It also ensures the monies go to the people they have decided they'd like that money to go to in the long run so it addresses that need as well.

In this instance, Natalie and Darren have effectively can have their cake and eat it so it's something just worth considering the 40% slice that the inheritance tax takes off is really quite large.

I'm just going to wrap up by saying professionally this is why I do think solicitors and financial advisers and indeed accountants actually, can work very well together. The joined up approach when you get your professionals working together can save costs because you are not duplicating workloads. It can absolutely make sure that something your legals have been doing don't conflict with financial advice that's been provided for you. And fundamentally it can make sure that overall if there is something you have missed it does get spotted because your professionals also are looking at your individual needs.

So Natalie mentioned earlier on that we've put together some more information and fact sheets in the packs we are giving because we were a bit short of time getting all this information to you. We've also left a feedback form on your tables so we are more than happy to come and talk to you afterwards, we are around all day. We are also happy to do any kind of meeting you want on a one-on-one basis in your homes if it is more convenient for you. So please indicate on the feedback forms if that's something you'd be interested in. And it does help us actually if you do give us feedback in terms of the presentations themselves. It's always good for us to just hear back what has and hasn't been of interest to you all.

So I'm going to end there. If you've got any questions please ask away both Natalie and I have got about five or ten minutes Darren? If anyone has got any questions then we'll hand over to Jenny. Good, good. Any questions?

M2: Yes. Can everyone hear me? Yes. Okay. So my question is about lasting power of attorney. Can it be given to a group of individuals rather than an individual?

NS: The answer is you can appoint one or up to four attorneys and you can appoint one or up to four replacement attorneys. And how you decide to make those people up is entirely up to you. They also can be completely different in the different types of power of attorney. So you could decide that you want your children to make decisions about your health but you might think they are not sensible enough to deal with your finances so you'll maybe appoint a friend to deal with that and vice versa.

M2: Thanks. A follow up question. When should we do this?

NS: Now!

M2: What time is it now?

NS: For me, most people that do know about powers of attorney always just think it's for Great Aunt Ethel in her care home with dementia. She's the person who needs the power of attorney. That's the example because the reality is we'll never know what will happen tomorrow. You could have a car accident and be unconscious for however many months; somebody needs to deal with your affairs and actually that is usually a lot harder to do than if you die. If you die and you don't have a will it's not as easy but we can fix that whereas actually if you don't have a power of attorney in place, if you are unconscious for two months, no-one can access your bank accounts, no-one has the right to do that.

JB: Michael Schumacher is actually a really good example of that. So, a racing car driver – who would have thought that he was going to be, you know, inflicted with an injury that was nothing to do with racing car driving, it was skiing, but he actually had no powers of attorney and it was nigh on impossible for the families to deal with his estate whilst he's been unconscious.

M2: Thank you.

F1: [Unclear 45:04] and hasn't got Power of Attorney I don't think.

NS: Yes, if there's a deputy appointed. A deputy and attorney pretty much have the same job but the monitoring of a deputy is usually stricter because ultimately the deputy has been appointed by the court rather than you so there is a slight difference. So, for example, deputies have to pay annual fees for the privilege of doing it. They have to file accounts to the court and they still have to go back to the court to make some decisions. Whereas actually if you've picked your attorney, they have all those freedoms without having to go back and account to the court. They very much actually do the same job and fulfil the same role but just in a slightly different way.

F1: Would we still be able to draw up our will?

NS: Generally you can still do a will if you have the capacity to sign a will. If the Court of Protection are managing your affairs you could not do a power of attorney because ultimately the court has appointed someone to do that for you. But if you have capacity to sign a will you can still sign a will.

F1: [Unclear 46:28]

NS: If you can't do a will there is, probably beyond the scope of today, there is something called a statutory will which ultimately the court of protection can prove for somebody to put in place. So there is an option if there's a concern.

F2: Mine is just a comment really of where a lasting power of attorney which was written by my step-father into his will years ago has really worked out well because he is 80-something but he's diagnosed with Alzheimer’s and had a stroke which suddenly worsened his condition. But, in his own opinion, there's nothing wrong with him. But actually he's got loads and loads of money but it's all in his name and my Mum can't access it. I was named as joint attorney with my Mum but because of his condition my Mum's wrapped up with his caring and she's 80 years old herself and she's not really interested in finances at all and very quickly I've been able to access his bank account, access his savings, do things like put, you know … basically he loses his bank card that was in his wallet it doesn't really matter because if anybody tries to use it it's invalid but potentially he may have to move into residential care where costs are enormous. You are talking about £500 to £1000 a week.

NS: If not more.

F2: And I've got access to his internet banking and I'm just able to pay day to day bills like putting oil in the gas tank. No not oil in the gas tank ... oil in the oil tank. I’m not trying to get rid of him! But like you said as a result my mother-in-law having cancer and losing her ability very quickly, both myself and my husband have done our powers of attorney because you just don't know. If you walk out on the pavement tomorrow and bang your head and have an acquired brain injury, you are incapacitated and your money is locked up so particularly for our Beneficiary group it might mean your other halves have no money to just pay the bills.

NS: Particularly in dealing with older clients where we act as attorneys and deputies sometimes, I've acted as attorney for one lovely old couple and again some of the things that probably to you or I, you just wouldn't accept. You see how much old people get badgered now as well. I had one chap came into me and when we started looking at his affairs and went through all of the direct debits coming out of his bank account …

he for example had five sets of Sky Box insurance. Unfortunately he burnt down his house six months earlier and he didn't have Sky. So he had all things that people rang him and got him to sign up for all these direct debits and actually when I cancelled them all and it call through with my details, the phone calls I got were sometimes intimidating and so you can see how these people get badgered into things and having somebody that's able to just sort things out for most people is actually a God send for them. They really appreciate just being able to hand over that to someone else.

F2: Can I just add to that, something I read? If somebody hasn't got mental capacity and if they are sold things over the phone that they shouldn't be sold, you can get that money back because they shouldn't have signed the contract.

NS: Yes. It comes down to evidence most of the time. But yes.

F3: This might be the most naïve question you have been asked today but how many times can an estate be taxed under inheritance? What I'm trying to say is if you have two people who are married, one leaves their estate to the other one, then eventually … so, if you like, the spouse inherits the other spouse's money or half the house or whatever, and they go on to ... they die and hand it onto the sole remaining child. Is it taxed first when the estate, the wife's or the husband's estate, taxed with the husband and then it is taxed again with the remaining child?

JB: That's a great question. Not naïve at all. The first movement of the money … as long as it's going from husband to wife in the first instance, no tax is due. So husband and wife can exchange that money without any tax being paid. Then when the money goes to the son in that example you used then, both nil rate bands will be available because your money would have gone to the husband and then to the son. So it will just get taxed the once in that instance when the money goes across to the son.

F3: So that initial figure you mentioned £325,000 for the two that is actually used within the marriage, that's used after both spouses have passed away?

JB: You'd normally … yes, normally, yes.

F3: Thank you for that.

JB: Great question. Any other questions?

M2: Another one sorry. It's about the lasting power of attorney and it's about cascading it. Can you in a will sort of say, right, the power of attorney should be for my wife first and if we should then both be in the same plane … well she should go in a plane and I'm still incapacitated, can it cascade then to the second people that you nominated?

NS: So just to the start with the power of attorney and the will are completely separate documents, so you can do one without the other and vice versa. They are actually completely separate documents but because of this replacement attorney, you can basically appoint, as I said, up to four when you can only do in effect one ‘what if ' but you can say for example, my spouse is my attorney but if she is not around then I've got these other people that I would want to step in to her place and they would only step in if she wasn't able to do that job.

M2: Thank you.

END OF RECORDING