



SMALL THINGS CAN REALLY MAKE A BIG DIFFERENCE

It feels like this is becoming an increasingly regular refrain but the last 12 months really have been quite exceptional.

DAVID PENNEY, CHIEF EXECUTIVE

After the two unprecedented years of the pandemic, we had all hoped for a strong recovery that would kick-start the 'roaring' 20s and help us put the challenges of Covid behind us.

However, the fiscal hangover from that tumultuous period combined with an unstable Government and the war in Ukraine means we may have to wait a little while longer before we can start to celebrate any meaningful economic growth.

These are undoubtedly taxing times - in every sense of the word - and following the Chancellor's recent Budget, it is clear now that more people will be paying more tax in the coming years to help fill the hole in the public finances.

Although Jeremy Hunt announced very few direct tax rises in his Budget, by leaving tax rates and allowances unchanged, the fiscal drag this creates means that inflation will do much of the heavy lifting by dragging more people into the tax net over time.

According to HMRC's own figures⁽¹⁾, inheritance tax receipts between April and October were 14% higher than the same period in 2021, with Income Tax, National Insurance and Capital Gains receipts showing a similar trend.

It is clear that we have moved into an extended period of higher taxation and we shouldn't assume that there won't be further pain to come, so it really has never been more important to be as attentive as possible when it comes to tax planning.

When there are so many other distractions in life, it is easy to lose track of the continuous changes in tax legislation, and yet the action that every one of us can take every year, no matter how small, can make a tremendous difference.

Ensuring that you use all the available allowances and getting your money into the right tax efficient vehicles means that the Government is getting less of your money, while compounding gets to work its magic.

Taken over an extended period of time, the return on this diligence can be transformational.

As ever, taking advice is important and here are just four areas that you could talk about with your Penney consultant:

Capital Gains Tax allowance reducing from £12,300 to £6,000 in 2023 and then £3,000 in April 2024.

- Consider bringing forward property, business or share disposals to take advantage of the current higher allowance.
- Married couples and those in civil partnerships can transfer assets to each other to make use of both sets of allowances, as well as shifting a potential gain to whoever may be in a lower tax band.

Dividend Tax allowance reducing from £2,000 to £1,000 in 2023 and then to £500 in 2024.

- Regardless of tax rates, a married couple can still receive £4,000 in dividend income with no tax liability.
- Business owners should ensure they are drawing income in the most optimal way and striking the right balance between different sources.

Additional Rate Tax Band reducing from earnings over £150,000 to £125,140 from April 2023.

- Paying more into your pension can reduce your salary for income tax purposes.
- Take full advantage of your personal allowances.

Inheritance Tax (IHT) threshold will remain at current level of £325,000 per person until 2028.

- Ensure your will is up to date and tax efficient.
- Use up your available IHT exemptions every year.
- Consider larger outright gifts to reduce your estate.

The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief is generally dependent on individual circumstances.

Source: ¹Gov.uk, 22/7/22.

PROTECTION IT REALLY COULD BE YOU

When it comes to protecting our families, we would like to think that there is nothing that we wouldn't do.

SAM JOHNSTON, FINANCIAL CONSULTANT

Despite our families being the most important thing in our lives, too many people still don't have the protection in place that can be so important if the worse were to happen.

There are a number of reasons why people may not have the protection they need – they may think it is too expensive, too depressing to think about, have no faith that insurers will pay out or simply that they just won't need it.

From my own experience, none of the above should be a barrier to taking action today to get the protection you need.

When I got married five years ago, I took out life and critical illness cover to ensure the mortgage was paid if something was to happen to me. I also took additional cover that gave additional benefits should one of our children suffer a critical illness.

In 2019 my wife Lauren and I were delighted to welcome our first son James into the world, but in October 2020 we were given the worst news imaginable for any parent when James was diagnosed with a brain tumour.

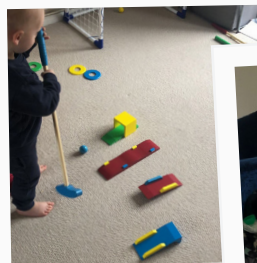
James underwent brain surgery and continues to undergo weekly chemotherapy and while his condition remains challenging, he has responded fantastically to treatment and his courage has been an inspiration to us all.

The impact of James's illness on our family has been huge and my wife has had to take a sabbatical from her work as a secondary school teacher, so that she can care for James.

However, the life and critical illness policy I took out also provided cover for James and has paid out a lump sum for James's critical care and maximum benefits for hospital stays and has also replaced around 75% of Lauren's income – and continues to provide cover for our mortgage in the event of my death or critical illness.

It is hard to describe the positive impact of this policy, which has cost a relatively small sum per month, or the kindness and professionalism of the provider who have never hesitated in ensuring that my family received the support it needed – they even sent James a brilliant mini golf set for his bravery.

Families really are the most precious things, and we shouldn't let anything get in the way of providing them with the protection they need and deserve.



WHAT IS KEY PERSON INSURANCE AND WHY DO YOU NEED IT?

A lot of small businesses insure their premises, equipment and machinery.

However, they often don't protect against the more important risk of key individuals dying or having serious health problems. Key person insurance addresses this critical issue by paying a cash sum if that happens.

A typical policy pays three to five years of that person's salary if they die or have a critical illness. Firms can use the insurance to cover any business issues that result from the individual's absence. This can include lost revenue, but also cover cash flow and costs, such as recruitment and training – buying you time to get the best possible replacement, which is essential to continuity and future success.

A key person need not be a director or shareholder. It might not even be an employee – for example, it could be a contractor or anyone else the business has an insurable interest in.

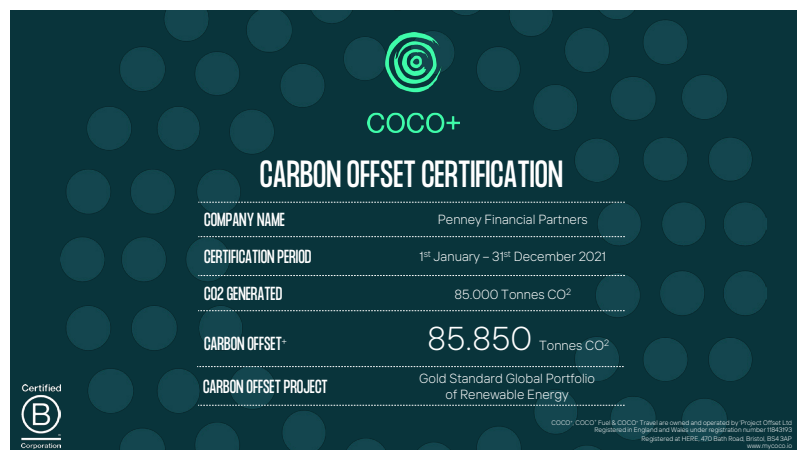
Key person insurance is only directly available to limited companies – not the self-employed. Partnerships can use key person cover, but that requires a more complicated arrangement involving trusts.

Also, if the business is unlikely to continue without that individual – for example, where it's just one employee, or a husband-and-wife team – key person cover would not make sense. Any claim is paid to the business, so if there is no business to pay to, personal life insurance and critical illness policies are more suitable.

WE'VE GONE CLIMATE POSITIVE

Over the past three years, Penney Financial Partners has been on a journey to become a carbon neutral business.

This means that we have committed in the short term to offsetting the carbon that we use by investing in schemes designed to make the equivalent reductions in carbon dioxide in the atmosphere. Over the longer term our vision is to become a net zero business, where we are adding no more greenhouse gases to the Earth's atmosphere than we are taking out – a really significant challenge for any business, but one that we believe is worth the effort.



Our quest to become a more sustainable business began in 2020 when we started to assess our operational carbon use – which includes the energy we use to run our two offices and for business travel, which includes our colleagues travelling to and from our offices.

Through 2020 we reviewed a range of business practices and took action to drive down our emissions including investing in communications technology to reduce the miles travelled by our consultants, flexible working, switching to renewable energy for our offices and reducing our overall energy use.

In 2021 we began to measure our carbon emissions and the result was that as a business we generated 85 tonnes of carbon dioxide over the 12-month period, which works out at just over 4 tonnes per employee. Since confirming our emissions, we have been working with offsetting specialists Coco and have now agreed an offsetting investment the equivalent of 85,850 tonnes of carbon dioxide, meaning that we were not just carbon neutral but climate positive for 2021.

The investment will be channelled into Coco's global renewable energy portfolio, which includes a wide range of projects that directly increase the global share of renewables in the energy mix while reducing emissions by displacing fossil fuels.

Throughout 2022 we have continued to measure our emissions and we will be hoping to see an ongoing reduction in the carbon we are producing, which in turn will minimise our offsetting obligations for the year. Our journey towards net zero means we have to challenge and interrogate every aspect of our business without it impacting our ability to deliver the great service our clients expect – but we believe it is undoubtedly worth the effort.

Global warming is not somebody else's problem and we are proud that we are taking the steps that we can to make a difference, and hopefully inspiring others along the way to take action themselves.

HOW SJP IS TACKLING THE ENERGY 'TRILEMMA'

Global power markets are experiencing a collision of three great forces, with simultaneous crises in energy security, prices and environmental impact.

The energy system is driven by a shifting balance between three pillars: security of supply; affordability, influenced by supply and demand; and the move towards clean energy to reduce the effect of harmful emissions on the environment.

Russia's invasion of Ukraine has fundamentally affected the first two pillars, making the main supply of natural gas into Europe less secure and fossil fuels much more expensive. In the short term, this will increase demand for coal and gas production outside Russia, with negative impacts for emissions targets as more CO₂-producing fuel consumption comes back online.

The reversion to carbon-based fuels is a setback for investors looking to support net-zero emissions targets, but SJP is still working to reduce carbon in investments by 25% by 2025 – and many others have a similar goal, including some fund managers.

Petra Lee, Responsible Investment Consultant at SJP, said: "We need to be flexible and respond to events to keep a balance between all three energy pillars. The trilemma will cause short-term pain points. Compromises must be made because, although the environment is a concern, so is people's wellbeing during the cost-of-living crisis.

"We want everyone in the world to have a comfortable living temperature. But the threat to energy security increases the emphasis on using our investments to support clean energy."

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THE FIVE THINGS EVERY TRUSTEE SHOULD KNOW

Earlier this year we spoke to a large number of clients to provide support in registering their trusts with the Trust Registration Service in line with new legislation.

REBECCA FURBER, FINANCIAL CONSULTANT

What we discovered is that while trusts remain a popular opportunity for people looking at efficient ways to pass on their wealth, there remained some knowledge gaps when it came to the role of Trustees and their obligations in terms of managing trusts. Here are five things every Trustee should know:

1. WHAT IS THE PURPOSE OF THE TRUST AND WHAT ARE THE BENEFITS IT BRINGS?

Put simply the purpose of a trust is to get the right money into the right hands, at the right time.

Through understanding the purpose and benefits of the trust, the Trustee will be able to make much more informed decisions in their role ie has it been established to pass money down through generations while retaining elements of control, for purely philanthropic reasons, or to minimise Inheritance Tax (or a combination of them all).

2. WHY HAVE YOU BEEN SELECTED AS A TRUSTEE?

The Trustee is somebody the Settlor trusts to execute their planning as they intended, often when they are not around any more to give an opinion or provide instructions. It is a critical role and reflects the regard in which they are held by the Settlor. Trustees are often family members and either beneficiaries themselves or related to beneficiaries, although being a family member does not automatically make somebody a good Trustee.

3. DO YOU FULLY UNDERSTAND THE SETTLOR'S WISHES?

To fully understand the Settlor's wishes, it can often require digging below the surface of what the Trust Deed says, so there is a better appreciation of how a Trustee might exercise their discretion.

This can be dealt with in an 'expression of wish' letter, which allows the Settlor to be more specific about timescales, ages when beneficiaries can receive money, or a specific purpose for the money – particularly if the trust has been established for a general purpose such as helping a group or supporting a cause.

4. WHAT ARE YOUR OBLIGATIONS AS A TRUSTEE?

A Trustee is responsible for what happens to a trust, how it is administered, how it is structured, how it is invested, any tax obligations and how it should be distributed. It is more than just supplying the occasional signature. It is a multi-faceted role and should you want to know more about the responsibilities of a Trustee, we would be happy to send you some appropriate literature that may be of use.

5. DON'T BE AFRAID TO TAKE ADVICE

There are numerous aspects to the role of a Trustee, much of which is relatively straightforward, but some of which can be rather complex. At Penney Financial Partners we can help with any questions, even if the trust being discussed was not set up with us.

We also find that Trustees may want to explore whether trust planning could be part of their own personal financial strategy and if that is the case for you, then we would be happy to have a no obligation initial conversation to explore whether Trust planning is appropriate for you or not.

Trusts are not regulated by the Financial Conduct Authority.

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20 (YEARS) NOT OUT



Glasses were raised for our fantastic colleague and client services lead Nina Sahota as we celebrated her 20th anniversary with the business in November. Nina first joined the company when it was the David Penney Practice in 2002 and has been an integral part of our success ever since.

She said: "There have been many changes over the years but that guiding ethos of putting our clients first has never wavered and I am as passionate today about delivering the best possible service for our clients as I was when I first joined the practice all those years ago." Congratulations Nina and here's to many more successful years ahead.

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Managing Partner Practice

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