

Strengthen the foundations of your financial future

Use your tax reliefs and
allowances **before 5 April**



Build your way towards a strong financial future

Use your tax reliefs and allowances today

Are you ready for tax year-end? It's not too late to take full advantage of the reliefs and allowances available to you before the end of this tax year on 5 April.

Finding the right balance of savings and investments – and making your money work harder with tax-savvy strategies – means you'll have a stronger foundation on which to build towards your goals. And you'll have the confidence and clarity to help create the future you want.

Take a look at our list of tax-efficient building blocks opposite and see which might be most useful to you. Then turn to the relevant pages to discover how they can help you get to your goals sooner.

We can help you put the pieces together
Aiming to achieve your long-term goals

while meeting the demands of today requires you to put an effective tax and financial plan in place, using the right tools for you at the right time.

That means taking advantage of the tax reliefs and allowances available to you each tax year. This is even more important in a time of great financial uncertainty. And with changes due to come in from 6 April 2023 placing a greater burden on many taxpayers, it's essential to think about the decisions and actions you can take this tax year to mitigate any impacts.

Expert advice is invaluable here. Whether it's doing something for the first time (such as opening a Stocks & Shares ISA), maximising your dividend allowance or topping up your pension, act now – before the tax year-end deadline of 5 April.

Remember, there's still time. Get in touch today and we can show you how to benefit from available tax allowances and reliefs, now and in the future.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

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

Tax-efficient building blocks

From laying a foundation and helping to secure your and your family's financial future to retiring in style or planning to pass on your wealth, there are tax-efficient building blocks that can help you get closer to your goals.



ISAs

Aiming to achieve your short and long-term goals

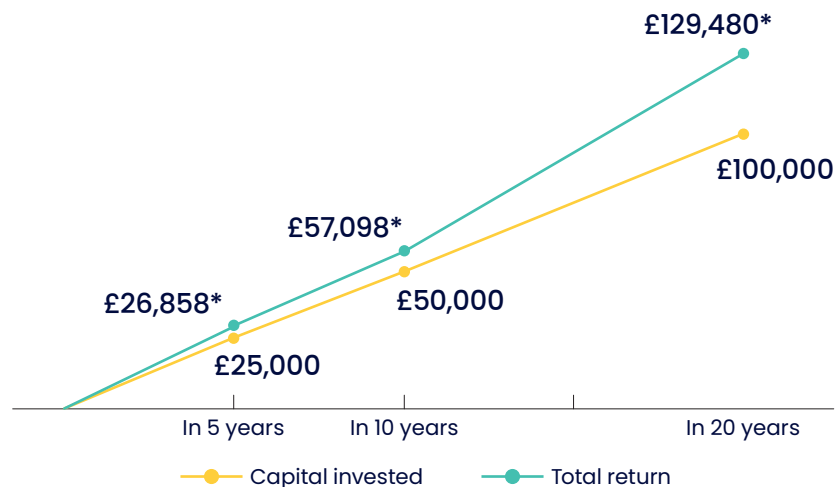
An ISA is a great way of making your money work harder for you. Everything you earn from it is free of Income Tax and Capital Gains Tax, making it extremely tax efficient. ISAs are also a flexible option if you want to

start investing in stocks and shares. You can't carry forward any ISA allowance you don't use in a single tax year – so make sure you use as much of this year's £20,000 allowance as you can.

Adding a little each year goes a long way

The power of compounding means that even adding relatively small amounts to your Stocks & Shares ISA each year can make a big difference in the long run. If you started an ISA with £5,000 in year one and

then topped it up by £5,000 at the same time every year – thanks to the fact the returns on your investments will be reinvested and are so tax efficient – your money could be worth:



*Figures based on growth after charges of 2.4% per year. The figures are examples only and not guaranteed. They are not minimum or maximum amounts. What you get back depends on how your investment grows and the tax treatment of the investment. You could get back more or less than this.

Finding the right balance of ISAs

Even with interest rates rising, high inflation means that if you keep your savings in a Cash ISA, the money could lose its value in real terms.

If you're able to invest in a Stocks & Shares ISA over the long term (we always recommend that this should be at least five to ten years), then it has the potential to beat inflation over time, despite the short-term ups and downs of the stock markets.



The value of an ISA with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested. An investment in a Stocks & Shares ISA will not provide the same security of capital associated with a Cash ISA.

The favourable tax treatment of ISAs may not be maintained in the future and is subject to changes in legislation.

Help give the children in your life a good start

Although they must be started by a parent or guardian, Junior ISAs (JISAs) allow you to save money for children up to the age of 18. As with other ISAs, any returns received are free of any further liability to Income Tax and Capital Gains Tax. Another benefit is that by gifting money to children, you're removing money from your own estate, which could help mitigate Inheritance Tax or reduce the amount payable when you die (see page 14 for more details).

Your ISA allowances for 2022/23

You can contribute £20,000 per person into an ISA (so £40,000 for a couple who each hold an ISA), and £9,000 per child into a Junior ISA each year. This can be either stocks and shares, cash or a mix of both.

The tax benefit that comes with ISAs is one that you have to 'use or lose' – you can't roll it over into another year. So think about opening an ISA, or topping up your existing ones, before 5 April.

Your deadline for this year's ISA allowances is 5 April, the end of the current tax year – so contact us now to discuss starting an ISA or topping up your existing one.

The value of an ISA or JISA with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested. An investment in a Stocks & Shares ISA or JISA will not provide the same security of capital associated with a Cash ISA.

The favourable tax treatment of ISAs may not be maintained in the future and is subject to changes in legislation.

Our approach to lifelong investing

When it comes to investing, our goal is to help you create the future you want. We always think in decades – not days – to help smooth out the ups and downs of the market and help your investments stand the test of time.

When we invest, whether it's through a Stocks & Shares ISA or a pension (see page 10), we'll find the right mix of assets to balance risk against reward. And with all of this, investing responsibly comes as standard.

We know that everyone's circumstances are different, so you can rely on us to advise you on solutions that are right for you, your own financial goals and your family.

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Personal Savings Allowance

Use your cash wisely

What should you do if you've been keeping your savings in cash accounts? With interest rates rising, it's increasingly likely your savings will be subject to tax, particularly if you're a higher-rate taxpayer.

You do have a few options. It's still important to have an 'emergency fund' that you can access quickly. You should hold this in cash, as stocks and shares can lose value in the short term.

But for longer-term goals, a Stocks & Shares ISA is a strong option to consider, as there's more potential for long-term growth (see page 4).

The Personal Savings Allowance (PSA) means you don't have to pay tax on some of the interest you receive from your cash savings accounts.

Here's how much you could hold in an easy-access cash account before paying tax on the interest:



Figures based on an easy-access savings account giving 2.5% interest (Moneyfacts, November 2022)

Your Personal Savings Allowance for 2022/23

£1,000

Basic-rate taxpayers can earn up to £1,000 a year in interest tax free

£500

For higher-rate taxpayers, it's £500 a year

£0

For additional-rate taxpayers, it's £0

Watch out for the 60% tax trap!

If you earn less than £100,000 per year, the first £12,570 of that is free of Income Tax for most people. However, if you earn £100,000 or more, your tax-free personal allowance is reduced by £1 for every £2 extra you earn.

So, if you earn more than £100,000 per year, you could be taxed at a rate of 60% on income between £100,000 and £125,140.

Here's how that might work in practice:

Assume your income is: **£100,000**
But you get a bonus or pay rise of: **£10,000**



Amount paid in Income Tax on the £10,000 (at 40%): **£4,000**



Additional Income Tax (as your personal allowance is reduced by £5,000): **£2,000**



Total extra Income Tax paid: **£6,000**
That's 60% of your additional income

One way of avoiding this trap is to pay earnings over £100,000 into your pension, which will take your taxable income below the threshold and allow you to keep your full personal allowance. You'll also benefit from the 40% higher-rate tax relief on that contribution. Anything over the 20% basic rate of tax must be reclaimed via your tax return.

Don't forget

From the 2023/24 tax year, more people will be affected as earnings rise but Income Tax thresholds are frozen or reduced. Check you're making the most of your tax-free allowances, so you don't have to pay more tax than you need to.

Contact us before the end of this tax year – 5 April – to talk through the tax reliefs and allowances available to you.

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The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.



Pensions

A vital building block for a happy retirement

Because of the Income Tax relief you get on the money you pay into your pot, a pension – used as part of a balanced investment portfolio – is one of the best

ways to save for your retirement. This tax year, subject to certain allowances, you can pay in up to a maximum of £40,000, or 100% of your earnings, whichever is lower.

How tax relief on pension contributions works

When you pay into your pension pot (up to £40,000 per year), you will receive tax relief on it. So, to make a total contribution of (for example) £100:



You pay: **£80**
Income Tax relief is: **£20**



You pay: **£60**
Income Tax relief is: **£40**



You pay: **£55**
Income Tax relief is: **£45**

Note that unless you pay basic-rate Income Tax, you will need to claim the tax relief via your annual tax return.

Put what you can into a pension now

It's worth topping up your pension as much as you can before the end of this tax year on 5 April. That's because, over the long term, this money can benefit from

compounding and could add a significant amount to your retirement fund – so the earlier in life you start contributing to a pension, the better.

Let's say you're planning to retire when you're 67 and you make a gross contribution towards your pension of £200 a month.

If you start saving at age	Your estimated pension fund at retirement might be
20	£349,000
30	£215,000
40	£123,000

This calculation is based on monthly contributions invested each month, increasing by 2.5% a year, with growth after charges of 2.4% a year. These figures are examples only and are not guaranteed. All monetary values shown have not been adjusted for future inflation. They are not minimum or maximum amounts. What you get back depends on how your investment grows and the tax treatment of the investment. You could get back more or less than this.

But whatever age you are, it's never too late to start saving for your retirement.

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How much do you need to save for a comfortable retirement?

Here’s an idea of what various levels of income in retirement will pay for:

Minimum For a single person	Moderate For a single person	Comfortable For a single person
Income required £10,900 per year	Income required £20,800 per year	Income required £33,600 per year
What could I do?	What could I do?	What could I do?
 DIY maintenance and decorating one room a year	Some help with maintenance and decorating each year	Replace kitchen and bathroom every 10–15 years
 A £41 weekly food shop	A £47 weekly food shop	A £59 weekly food shop
 No car	Three-year-old car replaced every ten years	Two-year-old car replaced every five years
 A week and a long weekend holiday in the UK every year	Two-week holiday in Europe and a long weekend in the UK every year	Three-week holiday in Europe every year
 £410 for clothing and footwear each year	£730 for clothing and footwear each year	£1,200 for clothing and footwear each year

Sources: The Pensions and Lifetime Savings Association/Loughborough University Retirement Living Standards, accessed November 2022. All figures are for illustration only and based on people living outside London.

Your pension allowances for 2022/23

You can get Income Tax relief on 100% of your earnings, up to a maximum of £40,000, whichever is lowest.

You can ‘carry forward’ your tax allowance if you haven’t used it all in previous years. You use this year’s one first, then you can go back up to three tax years (ie 2019/20) and use the unused allowance, then the next, and the next.

Your lifetime allowance (the limit on the total amount you can build up in pension benefits over your lifetime while still enjoying the full tax benefits) has been frozen at £1,073,100 until April 2026.

From age 55 (set to rise to 57 in 2028), you can take out up to 25% of your pension pot tax free. The rest is charged at your usual Income Tax rate.

Note that the freezing of the personal allowance and tax bands – and the reduction of the additional-rate threshold – from 2023/24 means you could end up paying more tax. Maximising your pension contributions is one way to mitigate the effects of the planned changes; for example, if you’re going to fall into the additional-rate tax band from 6 April, it might be worth holding off on pension contributions until then in order to receive additional tax relief at 45% rather than 40%. But this can be a complex calculation, so financial advice is essential.

Your deadline to make the most of your annual pension allowances is 5 April, the end of the current tax year – so get in touch today.

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The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.

Inheritance Tax

Protecting your family wealth

The high rate at which Inheritance Tax (IHT) is charged gives many families a shock, so it's well worth doing what you can to take advantage of the relevant tax reliefs and allowances available to you.

Although the minimum tax-free allowance of £325,000 per person may seem generous, the 40% rate at which IHT is paid on the rest of your estate is not.

Here's an example of what could be charged when you die:



First
£325,000
tax free

Taxable sum
£1.175 million

Inheritance Tax bill
£470,000

Total estate value
£1.5 million

The above example does not take into account the allowance of the residence nil rate band of up to £175,000 if you leave your residence to your direct descendants.

Make the most of your tax-free gifting allowances

A good way of reducing IHT bills is to make the most of your gifting allowances. You can give cash gifts to your loved ones every year that won't be counted as part of your estate for tax purposes. This is an effective way of passing on as much of your wealth as possible.

◆
Setting up a Junior ISA (see page 6) or a pension (see page 10) for your children or grandchildren are also effective ways of passing on your wealth tax-efficiently.
◆

Here's how gifting works

£3,000

The amount you can gift tax free per year

£6,000

The total amount you and your partner can gift if you combine your allowances

£12,000

The amount you and your partner can gift this year if you haven't used last year's allowance, as it can be carried over for one year

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

Your Inheritance Tax allowances for 2022/23

If you leave all your estate to your spouse or civil partner, there is no tax to pay.

The first £325,000 of your estate that you leave to anyone else is also tax free.

If your home is included in your estate and you pass it on to your children, grandchildren or other lineal descendants, the tax-free threshold increases to £500,000 per person, as long as the estate is worth less than £2 million.

When your partner dies, your allowances can be combined – meaning up to £1,000,000 can be passed on tax free.

You and your spouse or partner can each gift up to £3,000 per year, which will be deducted from the value of your estate.

This £3,000 allowance can be carried forward if you didn't use it last year – giving a limit of £12,000 for a couple for this tax year.



Your deadline for this year's gifting allowances is 5 April, the end of the current tax year. So contact us now to discuss this and other ways of protecting your family wealth.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.

Capital Gains Tax

Don't get caught in the CGT trap

Capital Gains Tax (CGT) can be one of the most complex taxes, so it's no wonder people fall into the trap of paying unnecessarily, or end up being fined for not paying when they should.

Here's how you might fall liable for CGT without even realising:

You were given some free shares in a company as a bonus, which are worth: **£5,000**

Their value rises considerably and they're now worth: **£25,000**

Your 'taxable gain' (ie the profit you have made) if you sell them all at once is: **£20,000**

The first **£12,300** is tax free, but you'd still have to pay tax on the remainder of: **£7,700**

If you're a higher-rate taxpayer, this is **20%**, therefore the tax bill would be: **£1,540**

There are several ways of reducing this bill to zero, including:

1 Holding the shares in an ISA, which makes them exempt from CGT (see page 4).

2 Realising £12,300 of the gains from shares this tax year (by 5 April), which is the 2022/3 tax-free threshold, and the rest over the following two years (because of allowance changes, see right).

3 Transferring your assets to your spouse or civil partner so you can both make use of your individual allowances.

Times are changing

It's worth noting that, from 6 April 2023, the tax-free allowance will fall from **£12,300** to **£6,000**, and then to **£3,000** in 2024/25.

So if you've not yet used your CGT exemption, you don't have much time before the changes come in. Making sure you're using losses and realising gains at the most appropriate time can make a big difference to the amount of tax you have to pay. This could mean moving assets into different wrappers – pensions and ISAs, for example – to make sure you're not creating gains, or splitting the sale of assets over several tax years.

Your deadline for making the most of your current CGT allowances is 5 April, the end of the current tax year. Get in touch to discuss this and ensure you don't end up paying too much or too little.

Dividends

Consider holding your shares in an ISA

You usually receive payments from stocks and shares in the form of dividends. If they're not held within an ISA, it can mean you're liable to pay Dividend Tax. The first **£2,000** you receive in dividends is tax free, but after that you'll have to pay tax according to your Income Tax band: **8.75%** if you pay tax at the basic rate, **33.75%** if you pay at the higher rate and **39.35%** if you pay at the additional rate.

Here's how much you'd be taxed if you're a higher-rate taxpayer:

You receive annual dividends to a total value of

£5,000

The amount that is taxable is

£3,000

The amount you'll be taxed this year (at 33.75%) is

£1,012.50

If you'd held your shares in an ISA, you'd be taxed

£0

Mind your allowances

Dividend Tax increased by 1.25% across the board in 2022/23, and it's important to note that for the 2023/24 tax year (starting on 6 April), the Dividend Tax allowance will be cut to £1,000, and then to £500 in 2024/25 – which makes it even more worth your while to ensure your dividends are in a tax-efficient wrapper, such as an ISA (see page 4) or a pension (see page 10).

Your tax year-end checklist

Different building blocks all fit together to lay the foundations for your financial future

Ensure you've made the most of the tax reliefs and allowances available to create the financial future you want.



ISAs

Are you taking full advantage of this year's £20,000 ISA allowance? Or the £9,000 Junior ISA allowance?

Personal Savings Allowance

Have you got the balance between keeping a cash fund and making the most of this year's ISA allowance?

Pensions

Are you getting the most from the tax-efficient benefits your pension can bring?

Inheritance Tax

Are you looking to reduce a potential IHT bill? You can gift up to £3,000 before 5 April and it will reduce the taxable value of your estate.

Capital Gains Tax

Make sure you pay what you owe this year, but don't end up paying when you don't need to.

Dividends

Are you getting your dividends tax free in an ISA? Are you thinking about how the cut to allowances from 2023/24 will affect you?

The deadline for making the most of tax-free allowances is 5 April, the end of the current tax year. So contact us now to discuss your options.

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 and are generally dependent on individual circumstances.

We can give you a helping hand

Are you using the right tax-efficient building blocks to create the financial future you want? We can help you make the most of your available tax reliefs and allowances **before 5 April.**

The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.



Get in touch before 5 April

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St. James's Place Wealth Management plc

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