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Tax year end actions



Planning expert Richard Wadsworth provides a checklist of actions to consider before 6 April.

Maximise pension contributions

Take advantage of the fact that pension arrangements have become even more attractive in recent years, with unrestricted access to funds from age 55 and the ability for funds to be passed to others without tax on death.

- Contribute up to £40,000 in a tax year and get up to £18,000 tax relief – even more for Scottish taxpayers. Where contributions have not been made in previous years, payments of up to £160,000 can be made before 6 April, meaning up to £72,000 (up to £73,600 in Scotland) of tax relief!
- Up to £3,600 can be directed to pensions for children and non-working spouses, and tax relief of at least £720 can be secured, even if the individual pays no tax.

Remember, pension funds roll-up in a tax-advantaged environment and in most cases 25% can be taken out at retirement as a tax-free lump sum. In addition, pension funds can pass free of tax to the next generation on death, all of which makes pensions potentially very tax-efficient.

Maximise ISA subscriptions

ISA investment has always been attractive, if nothing else to remove any capital gains tax issues when selling and, of course, no income tax is payable on interest and dividends. Funds

can be withdrawn at any time, making ISA investment tax-efficient and flexible.

- Invest up to £20,000 per person, per tax year.
- £4,260 can be invested in a Junior ISA or Child Trust Fund (which have similar rules to ISAs).
- 16 and 17 year olds can make Junior ISA or Child Trust Fund subscriptions of £4,260, as well as cash ISA subscriptions of £20,000, i.e. £24,260 in total.

Reduce income tax

Pay less tax – what's not to like?

- Reduce income below the thresholds of, approximately, £12,000, £46,000 (£43,430 in Scotland), £100,000 or £150,000, at which income tax rates increase, by making pension contributions, gifts to charity, or passing income-producing assets to a spouse.
- Where you are not using all of your exemption or lower-rate bands, and you need income or capital, consider taking some income from pension arrangements. Check that your existing pension arrangements will offer the flexibility you want – not all will!
- Remember, individuals can receive £2,000-worth of dividends before paying any tax, with any excess taxed at 7.5% where the excess falls into the basic-rate band, 32.5% where it falls into the higher-rate band, and 38.1% where it falls into the additional-rate band. If you are married, consider spreading ownership of dividend-paying investments with a spouse to use the exemption and lower rates.
- Consider Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs), which offer both income tax and capital gains tax attractions, noting that such structures have more risk attaching.

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Minimise capital gains tax

When you sell investments, you hope to realise a gain and, if that gain is not protected from tax in a pension or ISA structure for example, it may be subject to capital gains tax. Capital gains tax rates have reduced to 10% and 20% on gains above the allowance of £11,700.

Please note, however, that disposing of property other than your main residence, suffers an 8% supplement, meaning rates of 18% and 28% apply.

Remember that gifts of investments to others are treated as if you have sold them and capital gains tax can be payable even though you receive no sale proceeds. Use your annual capital gains tax exemption, currently £11,700, to:

- Sell part or all of an investment and buy a replacement, thereby realising a gain within your annual exemption and reducing how much capital gains tax you might pay in the future on a subsequent sale.

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Join us for a chat



If you would like to meet for a coffee and an informal chat about your financial planning arrangements, please call us on

0131 220 0000 or email Gordon Wilson at gordon.wilson@carbonfinancial.co.uk

Tax year end actions (Cont.)

- Gift part or all of an investment, thereby realising a gain within your annual exemption and reducing how much capital gains tax you might pay in the future on a subsequent gift.

Plan for inheritance tax

On death, where your estate passes to someone other than your spouse or a charity, inheritance tax of 40% is payable on the value of your estate above a threshold. To minimise the tax payable, consider the following:

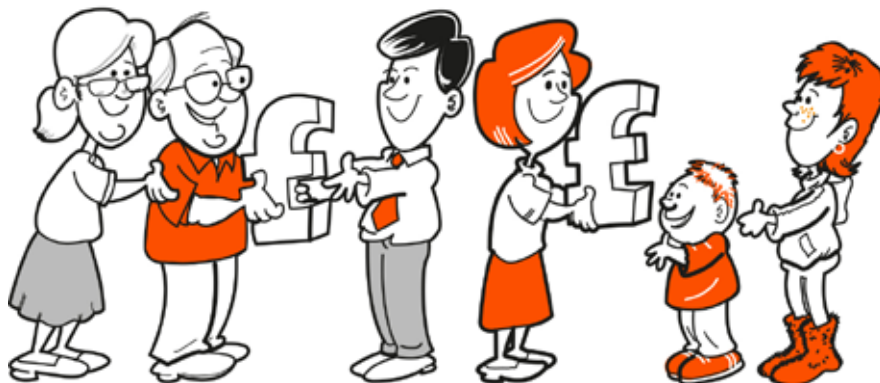
- Use your annual gift exemption of £3,000, and last year's if not used, to reduce the value of your estate and perhaps help others now when they need funds.
- Consider making other, perhaps larger gifts, either outright or to trusts, to reduce the value of your estate.

- Review charitable giving in your Wills to secure a 36% rather than 40% inheritance tax rate.
- Consider the impact of vastly improved pension death benefits on your estate planning strategy.
- Remember the residence nil-rate band,

in broad terms being the amount of your property you can pass to descendants before inheritance tax is paid, continues to increase over the next two years.

For more information, please contact your nearest Carbon office or email

enquiries@carbonfinancial.co.uk



Carbon community

Two of Carbon's values are 'being the best we can be' and 'doing the right thing'. This sits at the heart of the business in terms of how we deliver advice and how we interact with our clients and each other.

It is also important to us that we support the communities we work in. We do this in a number of ways up and down the country.



Over Christmas we chose to support The Foodbank in all of our offices. The Trussell Trust runs over 420 foodbanks throughout the UK as part of its initiative to help communities break the cycle of poverty.



This complements the support we give annually to The Prince's Trust, another charity working to transform young people's lives by helping them to achieve the success and future they deserve.

In Aberdeen we support Friends of Anchor, a charity committed to making North-east Scotland's cancer and haematology care and treatment the best it can be. We also sponsored the Wooden Spoon Dinner for the charity Wooden Spoon,



which works through the power of rugby to inspire and motivate young people with a disability or facing disadvantage across the UK.



In Perth we sponsored Perthshire Rugby Club's 150th anniversary celebratory dinner. Perthshire Rugby Club is one of the oldest rugby clubs in Scotland, with a strong community base. It nurtures individual talent and develops team spirit while delivering excellence in sport through rugby to young people.

In Edinburgh we have supported the Bill McLaren Foundation (BMF) now for seven years. The Lawson family have done a fantastic job honouring Bill's



name, raising more than £920,000 to date for good causes with the aim to pass the £1m mark this year.



We are also in our third year of supporting The Sportsman's Charity. In that time, funds raised have helped support: Alzheimer Scotland, Scottish Disability Sport, Drum Riding for the Disabled Edinburgh, Ocean Youth Trust Scotland, The Doddie Weir's Trust and Trust Rugby International, as well as many other charities.



In 2019 we have decided to support the ESMS (Erskine Stewart's Melville Schools) Dinner for Doddie on February 1st. We expect all of the 650 guests will want to dig deep to help support Doddie and the great work done by the My Name's Doddie Foundation to find a cure for Motor Neurone Disease.

Following on from our London office opening, new for us in 2019, is an association with world-renowned rugby club London Scottish. London Scottish is very active in the local community and provides coaching for all ages and abilities. Youngsters develop their rugby skills with first class coaches while building new social relationships and enjoying a personal sense of achievement.



We look forward to working with our partners again in 2019.



Six in a row for Carbon... Gold Standard Award for 2018



Carbon has once again won the Gold Standard Award for Independent Financial Advice – and we are thrilled! The win means that we have now won the Award six years in a row. Only eight firms in our category (Independent

Financial Advice) reached the grade for the Award in 2018.

Learning of the win, Managing Director Gordon Wilson said:

"It's great news. The Gold Standard Awards are extremely important, considered by many to be the benchmark of excellence in our industry. Only a handful of 5,000 plus financial advisory firms across the UK achieve the Award each year, so to be one of them is a great honour. To be one of them, repeatedly, for six years is even better. It's absolutely where we want to be."

"The award validates the hard work of our incredible team and is also a significant win for our clients. Clients put their faith in us every

day, so it's hugely gratifying when we can pay this back with an independently-judged award which endorses our claims to excellence and justifies their trust. No other award I know of challenges firms so thoroughly on every aspect of the business."

The fact that Carbon has won the award six years in a row should not mask the fact that the application process is extremely rigorous. Entrants are asked to complete a lengthy questionnaire and must show, in detail, how they have gone above and beyond the standard requirements of the industry, improving on their offering of the previous year, and furthering levels of trust throughout the wider financial industry.

Investment Director Barry O'Neill and London Office Director Darren Lees attended a celebratory ceremony at the House of Commons in November where they picked up the Award from Julian Marr of Incisive Media.

Bargains galore as sales in full swing

Despite being bombarded by emails and adverts about seasonal sales from retailers, there were no equivalents in the financial press where headlines normally read like, "Investors left reeling as markets tumble" or, "Where next for markets amidst Brexit turmoil?".

The world of investment is unique in that shoppers (investors) are often scared to buy when prices fall. In any other walk of life, falling prices normally entice people to grab a bargain.

The fear of buying when prices are falling is that they continue to fall, and what you thought was a bargain, could have been an even bigger bargain at some point in the future.

This emotional aspect to investing is powerful, but not helpful.

Let's go back to basics to help explain exactly what's going on in investment markets on any given day, whether they are testing new highs, or plumbing new depths.

Investment markets act as forward-looking pricing machines. Sellers and buyers come together on a minute-by-minute basis to set the most appropriate price for every security listed on the market. The collective wisdom of all market participants about the issuer of a security, and the potential impact

of current and expected future economic and political events, means that all relevant information is incorporated into a share or bond price.

The fact that shares or bonds are priced lower at any given point in time simply means that there is greater uncertainty about the issuer or how future events could impact it. In times of increased uncertainty, buyers of securities (yes, there are still buyers out there!) will want to pay a lower price to protect their potential downside, whereas sellers may take the view that they cannot stomach any further price falls, so "A bird in the hand is worth two in the bush."

No matter what the background issue is – interest rate increases, inflation or Brexit – markets price the underlying securities appropriately for the level of uncertainty present. You can therefore be assured that you are buying or selling at the right price at any given time.



The way to make sure you have the greatest chance of a successful investment experience is to put your money to work for a long enough period of time and not to let your emotions get the better of you when the news is particularly gloomy. Remember, good news doesn't sell papers or magazines.

If you have any investment questions please contact our Investment Director, Barry O'Neill, barry.oneill@carbonfinancial.co.uk

If you have any questions arising from the newsletter or if you have any other financial questions for our team of experts, please e-mail Alison Whyte on alison.whyte@carbonfinancial.co.uk or call any of the offices.

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To register your interest in receiving future issues of Carbon Copy please e-mail enquiries@carbonfinancial.co.uk



Carbon Social Cycle Club

In 2019 the Carbon Social Cycle Club will be organising four great cycling day trips:

- Two of the trips will be our 'easy riders' format where the pace will be easy/social, riding at the speed of the slowest rider. The rides will still cover a reasonable distance, typically 50 miles, and will include some hills, but we will regularly stop and regroup.
- Two of the trips will be more challenging in length and/or terrain, and are designed for those who will have a few cycling miles under their belts by Spring.

We would welcome along any clients, contacts and 'friends' of Carbon who would like to join us.

The dates and locations for 2019 are as follows:

1. Friday 10th May 2019 – East Lothian 'easy riders' loop
2. Friday 24th May 2019 – Arran 'easy riders' loop
3. Friday 21st June 2019 – Perthshire ride
4. Friday 6th September 2019 – Deeside ride

We will announce more details closer to the time of each event, so for now please:

- save the dates in your diary; and
- let us know if you want to be added to our cycling club email list so that you are kept informed of events.



We look forward to seeing you in the Spring!

Best wishes,
Richard and Steve

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Office news

It's been a busy few months since our last newsletter, with plenty of new faces and exam success to celebrate.

Scott Richards, **Neil McKenzie** and **Kelly-Anne Canfield** are new additions to our Client Services team meanwhile **George Sampson**, **Minna Berglund** and **Kirsten Pryde** have joined our Graduate Trainee program, with Minna and Kirsten having previously interned for us. Welcome to Carbon!

In addition to a raft of professional exams passed by the team, **Michael Wilson**, **Simon Rounce**, **Iain Harper** and **Ben Lingard** have each been awarded Fellowship status with the Personal Finance Society (PFS); Darren Lees, Simon Rounce, Iain Harper and Ben Lingard are now Chartered Financial Planners; and Iain Harper is now also a Certified Financial Planner with the Chartered Institute for Securities and Investment. The level of work required to achieve these qualifications should not be understated – well done everyone.



Scott Richards



Neil McKenzie



George Sampson



Kelly-Anne Canfield



Minna Berglund



Kirsten Pryde