

How to make the most of your money even when you're gone



You may think you are familiar with the new rules for pension funds, but are you aware of the substantial benefits available to some savers? asks **Richard Wadsworth** of Carbon Financial Partners



MONEY-GO-ROUND: Now is the perfect time to review your pension and the benefits you may want to pass on to your family

The new rules on pension death benefits bring some excellent planning opportunities to pass wealth efficiently down the generations.

The main death benefit changes are:

- If you die before your 75th birthday, the funds remaining in your pension can be passed on tax-free. If you are older, the remaining funds are taxable.
- Although funds inherited from people who

have died after the age of 75 are taxable, the headline rate payable on death has been reduced from 55% to 45% - and there are ways to reduce it further.

- On death, money can now be passed to one or more of four different "homes" - either an individual, the pension fund of an individual, a trust or a charity.

The change we think is of particular interest is the

one which allows you to pass your fund into the pension of a beneficiary, rather than it being paid out as cash. This can potentially save thousands of pounds in tax. But, before we get carried away, not all of us can take advantage of these new rules.

Firstly, the new planning options do not apply to final salary-style pensions. Although it is possible to convert such plans so that you can take ad-

vantage, we wouldn't expect this to be attractive for many people with final-salary pensions.

Secondly, anyone with a defined contribution (DC) pension - personal, stakeholder and self-invested personal pensions, for example - can potentially take advantage of the new rules.

But don't assume your DC pension will give you the new options. Most won't, because the pen-

sion companies' systems were not designed to facilitate what the new rules allow. Now is a critical time to carry out an audit of your pensions to work out if they offer you the new options you want.

It is good housekeeping to review your pensions and investments regularly, as newer products tend to be lower-cost and provide greater investment choice.

Last year's rule changes mean it is now even more

important to review your pension and ensure it gives you the options you need. If it doesn't, then consider transferring funds to an arrangement that does - and consider any features of your existing plan you want to keep.

■ Richard Wadsworth is a chartered financial planner with Carbon Financial Partners, whose Aberdeen office can be contacted on 01224 633263.

carbon

www.carbonfinancial.co.uk

20 Rubislaw Terrace Aberdeen AB10 1XE
For more details telephone: 01224 633263
or email gordon.wilson@carbonfinancial.co.uk



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