Money Talk

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'Pre-inheritance' gaining prominence

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Issues relating to intergenerational wealth and the growing need to provide financial assistance to the younger generation have become a recurring theme in today's society and, with so many people now benefiting from inheritance pay-outs, this has inevitably led to more and more family conversations about 'pre-inheritance'.

The scale of inheritance

According to a recent study conducted by Key, 11.6 million people in the UK received an inheritance at some point during the past ten years. More than half of these were left money by their parents, with grandparents the next most likely source followed by uncles or aunts, family friends, cousins and siblings. Interestingly, the average age for someone to receive an inheritance was 47.

Right time of life?

For many people, inheritance can involve substantial, potentially life-changing sums of money, especially when property is involved. However, the idea of inheritance arguably works best when a beneficiary receives support when their financial need is greatest. By the time most people receive an inheritance though, they have typically already built up a sizeable stock of assets themselves.

Providing a helping hand

As a result, the idea of 'pre-inheritance' is gaining traction. Early inheritance gifts enable people to provide a cash injection at a time when their support is most needed. In addition, 'pre-inheritance' provides the person making the gift with an opportunity to witness the impact their generosity has on a loved one's life.

Sound advice is key

Before making an early inheritance gift though, it is vital to fully consider all of the consequences, particularly in relation to your own financial situation. Understanding any potential tax implications, especially relating to Inheritance Tax, is also clearly paramount. Given the complexities involved, it is therefore essential to seek professional financial advice prior to taking any actions.

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Working together to tackle the climate crisis – the investment industry steps up

Held in Glasgow in November – COP26 – the United Nation's 26th Conference of the Parties is recognised as the most important climate change event since the 2015 Paris Agreement.

Bringing together world leaders from around the globe, to build on the work started by COP25 and the goals set out in the Paris Agreement, the main objectives include:

- **Securing global net zero by mid-century and keep 1.5 degrees Celsius within reach**
  Countries are being asked to put forward ambitious carbon emissions targets by 2030.
- **Protecting natural habitats and communities**
  Countries will find ways to protect and restore ecosystems and prevent further habitat loss.
- **Mobilising finance**
  Developed countries must work to release trillions in private and public sector finance.
- **Work together to deliver**
  The challenges presented by the climate crisis can only be tackled by working together.

Tipping point?

With extreme weather events increasing in frequency, we're already seeing what awaits if climate inaction continues. A recent report published by the UN's Intergovernmental Panel on Climate Change, highlighted that *'it is more likely than not'* that the global temperature will reach the *'tipping point'* of 1.5 degrees above pre-industrial temperatures in the next two decades.

Investment industry – a part to play

Launched last December, the Net Zero Asset Managers initiative has grown to over 120 investors, managing $43trn in assets – all committed to supporting the net zero goal and investing aligned with net zero emissions. COP provides an opportunity for investors to consider how they can develop solutions to climate issues and finance sector transition.

Commenting on the popularity of the initiative, Institutional Investors Group on Climate Change CEO, Stephanie Pfeifer, commented, *"In just six months, nearly half of the global asset management sector has committed to achieving net zero emissions with their clients across the funds they manage. This marks a fundamental tipping point across the investment sector and a significant boost in efforts to tackle climate change and decarbonise the global economy. There's a lot more to achieve, but the sector is increasingly on a path to a net zero future."*

ESG assets on course to top £36trn by 2025

According to Bloomberg Intelligence[1], ESG assets are forecast to exceed $50trn (£36.5trn) – over a third of projected global assets – by 2025. The analysis comes as environmental, social and governance factors are becoming increasingly important to investors across the globe.

According to Adeline Diab, Head of ESG and Thematic Investing EMEA & APAC at Bloomberg Intelligence, *"The pandemic and the global race to net zero carbon emissions have put ESG criteria into orbit – from niche to mainstream to mandatory… ESG is fundamentally reshaping the financial industry, becoming part of financial reporting. This is in part due to mounting scrutiny from regulators, markets being more sensitive to ESG-related news, and asset owners appointing managers on the basis of ESG across asset classes."*

[1]Bloomberg Intelligence, 2021

IHT rise highlights need for estate planning

With the latest data showing Inheritance Tax (IHT) receipts rising and set to reach record levels this year, the need to formulate an effective plan to minimise death duties is becoming increasingly important for anyone who wants to maximise the amount they pass on to beneficiaries.

IHT receipts up…

In late July, HM Revenue & Customs published their annual IHT statistics which showed the amount collected via this tax is on an upward trajectory. In total, £5.4bn flowed into government coffers through IHT receipts during 2020/21, a 4% increase compared to the previous financial year.

…and set to reach record levels

Furthermore, analysis by the Office for Budget Responsibility (OBR) suggests a continuation of this upward trend. According to the OBR's latest forecast, IHT receipts are projected to hit £6.3bn by 2023/24, 17% more than was collected in 2020/21.

Frozen tax thresholds

The surge in house prices over the past year is a key reason behind the rise, while the decision to freeze IHT thresholds at the last Budget is another contributing factor. In March 2021, the Chancellor announced that both the 'nil-rate band' of £325,000 and the 'residence nil-rate band' of £175,000 would remain at their existing levels until April 2026.

Early planning is key

While it is possible to minimise or eliminate any tax due on an estate through forward planning, the key is undoubtedly to create a plan at the earliest opportunity. A number of exemptions and reliefs are available for people seeking to mitigate the impact of IHT on their estate, ranging from simple lifetime gifts to more complex trust arrangements, but the options become more limited the longer you leave it. Estate planning is also a specialist area, so seeking professional input is essential.

Securing a low mortgage rate

Despite the end of the Stamp Duty holiday, the number of mortgage deals on the market is growing apace and rates are low.

In fact, mortgage rates fell at their fastest monthly rate since May 2020 in September[2]. Moreover, as competition hots up between lenders, an increasing number of deals are becoming available at below 1%, with 72 two-year and 29 five-year fixed rate deals on offer below this rate in September.

Taking advantage

Although an offer on one of these mortgage rates is often dependent on a larger deposit, those with a lower deposit shouldn't feel discouraged. Higher loan-to value (LTV) deals have seen the biggest rate reductions, with the average rate for a 90% two-year fixed mortgage dropping by 0.23 percentage points month-on-month and the five-year fixed average down by 0.18 percentage points.

It's important to note, however, that the lowest mortgage rate available might not translate to the most cost-effective deal. This is because super-low rates can be accompanied by a mortgage fee, which could make them more expensive overall.

If your current mortgage deal is coming to an end, though, now could be the perfect time to lock into a low-rate deal. Get in touch for expert advice on your next mortgage.

[2]Moneyfacts, 2021

mortgage rates fell at their fastest monthly rate since May 2020 in September

Staycations drive surge in holiday let mortgages

With the rise of the 'staycation', rents for UK holiday accommodation have risen sharply over the past few months. The resulting investor demand has now nudged holiday let mortgages into the mainstream.

Growing niche

Investors wanting to purchase a holiday property have the choice of buy-to-let or specialist holiday let mortgages. To cater for growing demand, four more lenders have started offering holiday let mortgage deals in the last six months and available deals have leapt over the last six months or so.

Trend set to continue

Analysts suggest that investor interest in holiday properties may be here to stay. Finance Expert, Rachel Springall, commented, *"It's positive to see a rise in holiday let product choice for landlords over the past few months, but the market is still relatively niche… As the demand for staycations remains evident, it would not be too surprising to see more growth in this market in the months to come."*

We can help

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