ACUITY PROFESSIONAL

Investments: **Avoiding the Traps**

The **Abolition'** of the LTA

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WINTER 2024 ISSUE

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in this issue

Welcome to our first edition of Invested Interests for 2024. Here, we cover six timely topics to help give you greater confidence in your financial plan over the months ahead. We start with a short guide to improving money management in 2024, followed by a discussion on how to know when is the best age to retire.

Our third piece provides tips on making the most of the tax year before the April 2024 deadline. Article four takes a closer look at 4 common investor straps, offering insights and ideas on how to avoid them. We then explore the abolition of the "lifetime allowance charge" in 2023 and what this means for pension planning. Finally, our sixth piece shows why power of attorney plays such a key role in estate planning.

A Short Guide to

GETTING YOUR FINANCES IN SHAPE IN 2024

As we approach the end of 2023 and reflect on the past year, it's worth taking a moment to consider whether you are on track to meet your financial goals. With the excesses (and likely overspending) of the festive period, this could be a good time to think about improving money habits in the new year.

Declutter your Budget

Looking at your bank statement, it's worth making a list of your essential expenses and working out any areas where you can cut back. This means cancelling unused subscriptions and making more mindful choices when it comes to spending. January is the ideal time to cancel unwanted services and look for better deals on the products you do use.

Don't forget to check your credit cards as you may have regular payments set up that you have forgotten about. You will need to contact the service provider to cancel these – your credit card company can't do it for you.

January is also a time for healthier eating, which can help with your budget. Healthy homemade recipes will benefit both your wallet and your waistline. Shopping and cooking in bulk can increase the benefits.

Consider gym memberships carefully, especially if this is not already part of your routine. Rather than commit to a year's worth of expense, try and build good habits that you will stick to. Go for long walks, exercise at home in front of the TV, or join a class with a friend.

Clear Expensive Debts

Buying gifts using a credit card can be a good idea, as there are greater financial protections if something goes wrong. But you should always clear the balance as quickly as possible. Credit card interest is generally high, and only making the minimum payment each month can take years to clear the debt.

If your credit card balance will take several months to clear, consider switching to a 0% interest deal. There will be a fee for switching, but this is usually outweighed by the saved interest. 0% credit cards can also be useful for large purchases, providing you clear the balance before the end of the promotional term.

Payday loans should be avoided at all costs.

Consider also reviewing your mortgage and any other long-term borrowings. Interest rates are currently on the higher side, which makes it even more important to shop around. You might want to think about making overpayments.

Build a Cash Reserve

Once you have a good grasp of your budget and debts, you should start to build up your cash reserves. This can help avoid the need to go into debt in the first place if you have an expensive repair or unexpected bill.

Keeping a few different bank accounts can really help with keeping track of your finances. For example:

Account	Purpose
Account 1	Bills and essentials
Account 2	Discretionary Spending
Account 3	Emergency Fund
Account 4	Savings and short-term goals

Protect Your Family

Would your family cope financially if anything were to happen to you?

It's a good idea to review your financial protection from time to time, particularly if your circumstances have changed.

Most people have life cover in relation to their mortgage, but very few consider the implications beyond this. Loss of salary, increased childcare costs and help at home can increase financial pressure at an already difficult time. Money can't replace a loved one, but it's one less thing to worry about.

Don't forget to check what would happen if you were unable to work for a long period. Your employer may have a company sick pay policy. If not, or if the benefit term is limited, you might want to consider private income protection. This can ensure that you receive an income for a set period, which could be a few years or until retirement age, depending on the policy.

Use Your ISA Allowance Before 5th April

You can save up to £20,000 per year in an ISA. All growth and interest is free of tax, and you can withdraw money at any time without worrying about capital gains tax.

A Cash ISA can be ideal if you are building up your emergency reserve. However, for long-term savings, a Stocks and Shares ISA provides greater growth potential, which enhances the tax benefits over time.

Check Your Retirement is on Track

If you don't have a pension, you should start one as soon as possible. Your employer probably has a scheme available – you might have already been automatically enrolled. If this is not an option, or if you would like to make additional contributions, you could set up a private pension.

You might have a number of pensions from previous employment, in which case you may want to have them reviewed. Holding your retirement fund in one place can make things easier to manage, but it's always worth seeking advice on this, as your old pensions could have extra benefits that would be lost if moved elsewhere.

If you are not sure you are saving enough for a pension, your pension provider may have calculators on their website, or be able to produce a retirement projection. Remember to account for inflation, and that illustrations are not guaranteed.

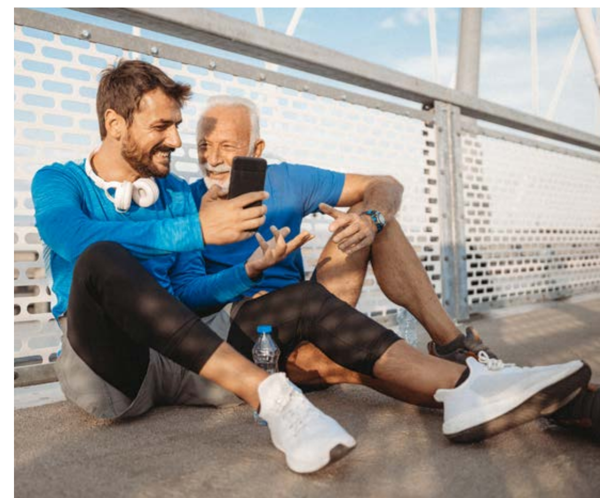
Alternatively, a financial adviser can help you develop a detailed plan of what you need to achieve and how to get there.

It's also a good idea to make sure your State Pension is on track.

You need to make National Insurance contributions (or receive credits) for 35 years to achieve a full State Pension. If you have missed any years, you can usually make voluntary contributions to make up the difference. Normally, you can go back up to six years to make up missed contributions, but until April 2025 it will be possible to make up contributions going back to 2006.

Your finances may be the last thing on your mind during the festive season. But you can enjoy it all the more knowing you have a plan for 2024.

Please do not hesitate to contact a member of the team if you would like to find out more.



HOW TO DECIDE ON WHAT AGE TO RETIRE

A SHORT GUIDE

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ONE OF THE MOST IMPORTANT ASPECTS OF FINANCIAL PLANNING IS WORKING TOWARDS RETIREMENT. FOR MANY PEOPLE, THIS IS THEIR MOST IMPORTANT GOAL. BUT WE OFTEN PUT OFF KEY DECISIONS UNTIL LATER IN LIFE, PARTICULARLY WHEN THE RESULTS SEEM FAR OFF IN THE FUTURE. THIS IS UNDERSTANDABLE, AS IT'S UNUSUAL TO HAVE A CLEAR PICTURE OF YOUR RETIREMENT PLANS EARLIER IN YOUR WORKING LIFE.

However, when setting goals for the future, it's a good idea to have a clear target in mind, for example, how much you are likely to need and when.

Your retirement age is an important factor, as it represents the point where you will no longer be accumulating capital and will be reliant on the assets you have built up.

Below, we offer some guidance on deciding your retirement age, including the factors you should take into account.

Your Goals

The first thing to consider is what does retirement look like for you? Do you plan to travel and spend time and money on your hobbies? Or do you envision downsizing your home and living a simpler existence?

Would you like to retire on a specific date or scale back gradually? Many people find that gradual retirement helps to ease the transition, both from a financial and a time management point of view.

What about later in life? Many people require care in their later years, although this can range from part-time help at home to full-time residential care. You can't necessarily predict the level of support you will need, but it's a good idea to build in some assumptions around this.

Once you have a clear idea of what you would like to achieve in retirement, you can start to put the financial building blocks in place.

Your Health

Your health is a key consideration when it comes to planning your retirement. If you have health problems, it could limit the extent to which you can work, and early retirement may be the best solution.

On the other hand, if your health issues are long-term, saving enough for retirement while working part-time, or missing work for extended periods could be challenging.

If this affects you, you might be eligible for financial support which can ease the pressure. This can apply whether you are working, unable to work, or retired, depending on your circumstances.

Life expectancy will of course affect your retirement plans as the longer you live, the more money you will need to support you. However, even if you have health issues, assuming a shorter-than-average lifespan is not normally recommended. Life expectancy can change over time and medical breakthroughs occur regularly. If you live longer than expected, there is a greater chance of running out of money.

Your Family Situation

If you have family to support, this could also affect your retirement plans. Many people today have children later than previous generations. This means that it is fairly common for people in their 50s or 60s to be supporting children through education and early employment, while also helping their own ageing parents.

If you have people who are financially dependent on you, you might need to work for longer to maintain the same level of support. Alternatively, you might want to build this into your retirement plans, for example, by gifting some of your pension lump sum to your children.

Inheritances are another way in which your family situation might influence your retirement plans. However, it would be a mistake to rely on this entirely, as people can change their wills and family wealth can be eroded later in life due to care costs.

Your Employment

Do you like your job? It's a simple question, but the answer can tell you everything you need to know about when you should retire.

If you are happy at work and can manage the demands as you get older, you may feel that you can continue into your 70s or even beyond. Perhaps you can scale down your responsibilities or reduce your working hours if you need to.

If you are miserable at work, early retirement might seem like the only option. But before committing to anything, why not consider some other options. Could you retrain and start a new career? Or turn a hobby into a business? Many people in their 40s or 50s feel it is too late to start a new venture, but if it can make the next 20 years more fulfilling and financially viable, it's worth a try.

Your Financial Position

As well as considering your circumstances and what you would like to achieve, your retirement plans will be shaped by your financial reality. If you would like to retire on a particular date, you need to make sure this is financially possible.

The following factors will all play a part in how quickly you can retire:

- *Your current assets and liabilities.*
- *Your current income, as well as any income that will start or continue in retirement (for example, dividends, rental income, or certain pensions).*
- *How much you spend now and in retirement.*
- *How much you can save and any future cash inflows.*
- *The amount of risk you take with your investments and the returns you achieve.*

As there are so many variables, the earlier you start planning, the better. This means you will have plenty of time to adjust your plan as time goes on.

Please don't hesitate to contact a member of the team if you would like to discuss your retirement plans.

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TAX YEAR END PLANNING GUIDE 2023/2024

With the end of the tax year approaching, it's a good time to organise your finances and make sure you make the most of your tax allowances, reliefs, and exemptions. Some of these allowances will be lost if you don't use them each tax year, while others will be reduced in the new tax year due to legislative changes.

This guide explains the main areas of planning you need to consider before the end of the tax year.

Individual Savings Accounts (ISAs)

- *You can contribute up to £20,000 to your ISA in the current tax year.*
- *You need to use this allowance by 5th April 2024, or it will be lost.*
- *No tax is payable on any of the income or growth within your ISA, and you can usually withdraw money without penalty. Any money withdrawn can be replaced in the same tax year without using any of your allowance.*
- *Choose a Cash ISA if you are likely to need the money in the next five years. Interest rates have significantly improved in the last year so it's worth shopping around.*
- *A Stocks and Shares ISA might be for you if you are seeking long-term growth and can cope with some potential market volatility. You can switch between Cash and Stocks and Shares later if you wish.*
- *Consider a Lifetime ISA (LISA) if you are saving for a first home.*

Pension Contributions

- *Pensions are extremely tax-efficient.*
- *You should make sure you opt into any pension scheme provided by your employer.*
- *It's worth making the maximum contribution to your pension, depending on your available allowances and personal budget.*
- *Check you are reclaiming higher and additional rate tax relief, particularly if you are making personal pension contributions.*
- *Higher and additional rate taxpayers can also use pension contributions to reduce their effective earnings, and bring them into a lower tax band.*
- *Make use of your carried forward allowances if available.*
- *If you have already taken taxable benefits from your pension, you might have triggered the Money Purchase Annual Allowance. If this applies to you, it's even more important that you use your allowance before 5th April.*
- *Check if your remuneration will exceed £260,000 (including employer pension contributions) as this will also reduce your annual allowance.*

Income Tax Allowances

You have a number of income tax allowances that can help to increase your net household income. If you arrange your income and assets efficiently, there is still time to make the most of these before the end of the tax year. For example:

- *Personal Allowance – you can earn up to £12,570 before paying tax. If you are taking income from a pension, or planning a withdrawal from a bond, you can use this allowance to offset tax. Similarly, if you own a business, it's a good idea to take some of your income as a salary to make use of this allowance.*
- *Marriage Allowance – a lower-earning spouse can transfer up to £1,260 of their tax-free personal allowance to their higher-earning partner, potentially reducing the family's tax bill by up to £252.*
- *Dividend Allowance – dividends of up to £1,000 per year may be drawn (from your own company or from investments) without tax liability. This is reducing to £500 from April 2024, so if you have retained profits in a company, it's worth making the most of this now.*
- *You can transfer assets to your spouse if they pay a lower rate of tax, or to make use of both savings allowances.*

Capital Gains Tax Exemptions

- *When you sell investments or property, you might need to pay Capital Gains Tax (CGT) on the profits.*
- *You can use your annual exemption to avoid building up large taxable gains. You can realise gains of up to £6,000 without paying tax. This is reducing to £3,000 from April 2024, so you could save tax by realising more in the current tax year.*

- *Sell shares to realise a loss. The loss can be carried forward to set against gains in future years.*
- *Allocate some shares to a spouse. This does not incur tax, and means that you have double the exemption to set against gains.*

Inheritance Tax Planning

- *You can reduce your estate (and potential IHT liability) by making gifts to individuals, charities, or trusts. Charitable gift are immediately outside your estate.*
- *You can gift up to £3,000 per year, which is immediately outside your estate. You can also carry forward this allowance by up to one tax year. A couple could potentially gift up to £12,000 by using two tax years' worth of allowances. Some other exemptions are also available.*
- *If no exemptions apply, most gifts drop out of your estate after 7 complete years, so making the gift now starts the clock ticking earlier.*

Tax Advantaged Investments

- *Consider investing in smaller, early stage companies. This can be done via Alternative Investment Market (AIM) listed shares, Enterprise Investment Schemes (EIS) or Venture Capital Trusts (VCT). These are very high risk investments and are only suitable for experienced investors who can afford to lose the money. Advice is strongly recommended.*
- *Investing in this type of asset could reduce your income tax bill by up to 30% of the investment amount, or 50% if the investment is allocated to a particularly high risk version of the EIS.*
- *An EIS investment offers the added advantage of being able to carry back relief to the previous tax year, as well as the option to defer CGT on gains realised from other investments.*
- *AIM and EIS investments are also considered to be business assets, and are subject to 100% Inheritance Tax relief if held for at least 2 years.*

Charitable Gifting

- *Make any charitable gifts you were planning before the end of the tax year. Gift Aid can increase the value of the gift in the hands of the charity, as well as reducing your tax bill.*
- *Remember to claim tax relief on any gifts made in 2022/2023, as you can carry back tax relief to the previous tax year, providing this is done before your tax return is due. This can be useful if your tax bill was higher last year.*
- *Think about gifting shares. No capital gains tax is due either when you gift the shares, or when the charity eventually sells them.*

Saving for Children

- *Top up any Junior ISAs for your children or grandchildren. You can contribute up to £9,000 in the current tax year.*
- *Consider making pension contributions for your child. Anyone can contribute up to £2,880 per year (grossed up to £3,600) to a pension for tax-efficient growth.*

Please don't hesitate to contact a member of the team if you would like to find out more about planning for the tax year-end.

HOW TO AVOID THESE 4 COMMON INVESTOR TRAPS

Everybody hopes to generate a solid return on their money when they invest. But many investors end up losing money, whether this is due to the type of investment they choose or the decisions they make later.

In many cases, this loss occurs due to poor investment decisions which could have been avoided. On the other hand, lots of people miss out on promising investment returns due to excessive fear of loss, leading them to be overly-cautious with their portfolio.

For instance, committing most of your money to cash (rather than, say, stocks) is a sure-fire way to lose money over the medium to long term. While there have been brief moments when cash interest exceeded the rate of inflation, these are rare anomalies and not sustainable for the long-term. Over a period of 5 years or more, it is highly unlikely that even a market-leading savings account will keep up with the rising cost of living.

With inflation currently sitting at 4.7% and a cut to interest rates strongly predicted within the next couple of years, you would likely lose buying power by focusing on cash rather than investing.

So, avoiding investing is hardly a wise strategy. But how can you avoid many of the common mistakes made by investors every day?

In this article, we're going to share 4 common investment mistakes to avoid. Please note that this content is for information purposes only, and does not constitute financial or investment advice. For regulated, impartial advice regarding your wealth and financial affairs, please consult with an independent financial adviser.

Mistake #1: Bargain traps

Most of us love to feel like we've found a bargain. We often do this when it comes to retail shopping, and this can seep into our investing decisions.

With investing, the idea is that you buy shares in a company or asset which is undervalued, then watch it turn things around to net a fantastic return.

Many people regarded Bitcoin in this light, for instance. Starting at only around a few cents per Bitcoin in 2009, the price soared to over $68,000 by December 2021. Buying at the bottom of the market would certainly have yielded strong returns if investors cashed out at the right time. At the time of writing, the price is around $43,000, meaning that anyone who joined the bandwagon later would most probably have lost money.

The difficulty with basing an investment strategy on "bargain hunting" is that it is difficult, if not impossible, to predict which stocks, funds or assets are indeed undervalued and will later go on to perform spectacularly well. By the time most investors have heard of these investments, the price has already risen. And this is before taking into account the multitude of scams or gimmicky products which are highly touted, but essentially worthless.

Mistake #2: Risking money you cannot afford to lose

This mistake commonly occurs hand-in-hand with the first, where people will sometimes even go into debt to jump on a cheap deal which looks "guaranteed" to provide a return.

Clearly this is a huge mistake and should be avoided. Getting into debt to buy an investment (which will never be a 'sure thing') can have devastating consequences from a financial point of view, as well as impacting your relationships and mental wellbeing. Not only have you lost money in this case, but you are still stuck with the original debt.

However, this principle does reach further than simply avoiding going into debt to make investments. You should also be wary of committing too much money to an investment portfolio, whilst neglecting your other financial responsibilities.

Does it make sense, for instance, to invest heavily in a portfolio without keeping aside an emergency fund to cover any unexpected costs or bills? What would happen if you were suddenly out of work and couldn't access your investments? A sensible investment plan is all about balancing priorities.

Mistake #3: Short-term mentality

Investing in the hope of strong returns in a short space of time is rarely a good idea. All investments fluctuate on a daily basis and may go up or down at any point. Yet most investors tend to agree that investing is most effective when you take a long-term view.

The stock market is a case in point. Typically, an index such as the FTSE 100 will rise and fall even within the space of a year (or a week, or even a day). Over ten or twenty years, however, indices such as these tend to see a rise in value.

So, if someone invests in an index like this and then sells within 12 months, they are quite likely to lose money. If they hold it over the long term, however, they can reasonably expect a return.

The benefits are increased by investing in a diverse portfolio across different asset classes, world regions, and sectors. This can help to smooth out some of the volatility as you don't have too much concentrated in one area.

Mistake #4: Little/no due diligence

Anyone who has watched Dragon's Den will be familiar with the concept of doing due diligence on individual companies, to "stress test" their viability and see how strong their fundamentals are. The stronger the company, the reasoning goes, the more likely it is to provide an investor with a return on their money.

The same holds for other assets, however, as well as funds. A fund might look terrific and even have a strong track record of past performance. However, if it is constructed poorly and contains inherent weaknesses which could leave investors exposed, then you might want to consider putting your money elsewhere.

The Woodford Equity Income fund is a good example of this. It was suspended in June 2019 and became the subject of an FCA investigation. The value of the fund has dropped from £10 billion at its peak to around £36 million as of September 2023. Many investors are still awaiting compensation.

The fund began to collapse after investors started pulling out due to poor investment performance, leading Woodford to sell off listed shares - which left the fund excessively tied up in unlisted, unquoted assets.

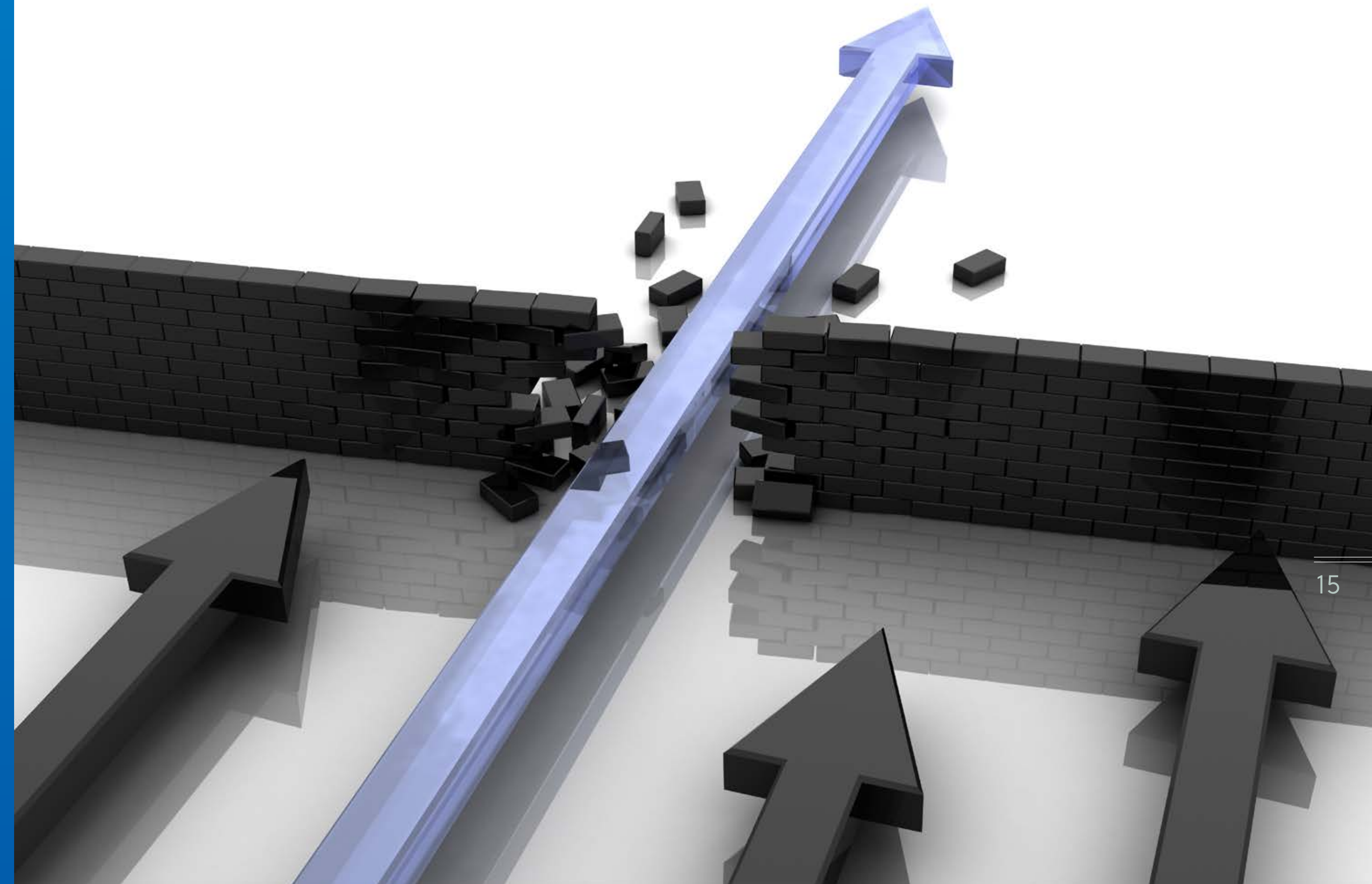
The fate of the Woodford fund offers a lesson, not only around looking under the bonnet when a fund looks like it is performing too well, but also in putting too much faith in a 'star' fund manager.

The principles of investing are simple and stand the test of time – invest for the long-term, diversify your assets, and avoid making decisions driven by fear or greed. Stick to the plan, and you will soon see the benefits.

The Abolition *of the* Lifetime Allowance in 2024

A Short Guide

In the Spring Budget of 2023, it was announced that the Lifetime Allowance (LTA) would be abolished. This would remove one of the barriers to building up large pension pots, and in particular, was designed to keep more senior public sector employees in the workplace.



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With the removal of the LTA being written into law from April 2024, we explain below what this means and how you might be affected.

A Brief History of the Lifetime Allowance

The LTA was introduced in 2006 and was intended to place an overall cap on the amount of pension benefits a person could accrue in a lifetime. At the time, the LTA was £1.5 million, but this went up and down depending on government sentiment at the time, eventually settling at £1,073,100 before its removal was announced. Anyone impacted by the reduction to the LTA at various points could apply to HMRC for protection.

Pension pots would be tested against the LTA on any of the following events:

- *'Crystallising' your pension by taking benefits for the first time. This could mean withdrawing a 25% tax-free lump sum, with or without income.*
- *Reaching age 75 without having taken benefits.*
- *Where a pension pot was used to provide a drawdown income, a second LTA test would be applied at age 75 to assess the value added by investment growth.*
- *On death before age 75 where the deceased person had uncrystallised pensions.*
- *Moving the pot to an overseas pension scheme.*

If a pension pot exceeded the LTA, the excess would be taxed at 55% if taken as a lump sum, or 25% (plus the relevant rate of income tax) if taken as an income.

What is Changing?

The tax impact of the LTA was removed from April 2023, meaning that anyone triggering one of the above benefit crystallisation events in the current tax year would not pay the tax.

The change is due to be written into law from April 2024 via a Finance Bill. This will remove the LTA from legislation.

An important caveat is that the limit on tax-free cash will remain in place. This is currently £268,275, or 25% of the former LTA. This is expected to remain frozen until 2028, as was the original plan for the LTA. Members with HMRC protection or scheme specific protection may be eligible for a higher tax-free lump sum. However, any excess benefits will simply be taxed at the normal rate for income.

What Does This Mean for You?

The new measures will benefit anyone with a large pension pot. If you are planning to retire, and already have a pension fund of over £1.073 million, there is a good chance you will save tax.

If you are many years away from retirement, the removal of the LTA means that you can save significantly more into your pension without worrying about tax penalties when you retire.

The change will have a major impact on generational wealth planning. Pensions can be passed on to beneficiaries free of tax on death. If you are over age 75, tax will be payable at the beneficiaries' marginal rate, but only when they make withdrawals. The removal of the LTA means that larger pots can be passed on to the next generation without restriction – in fact, more people are likely to use this as a primary reason to fund pensions.

Members of generous final salary or career average pension schemes will likely see the most benefit. The amount tested against the LTA was the amount of annual income multiplied by 20 plus any additional lump sums. This means that someone with an annual pension of £50,000 per year (possibly with tax-free lump sums and a few smaller pension pots in addition) would be in danger of breaching the LTA. While this sounds like a lot, it was a reality for many people earning £75,000 or over, including doctors, senior police officers, and some members of the civil service. Additionally, members of defined benefit schemes have less flexibility over how and when to take their pension benefits, which means that options to reduce the impact of the LTA were limited.

Members of these schemes are likely to see the most benefit in the shorter term (and were the main target of the legislation), although this may equalise as more people built up larger personal pensions and defined benefit schemes become less common.

Other Limits on Pension Funding

Of course, the LTA is not the only limit on pension funding, and breaching any of the following could also result in tax implications:

- *You can personally contribute the higher of £3,600 or your gross relevant earnings (salary or trading profits) to a pension. As the contribution is made net, a gross payment of £3,600 will only cost £2,880 out of your pocket.*
- *This is further limited by the annual allowance, which is currently £60,000. This covers personal and employer contributions. So if your employer overfunds your pension, you are still taxed as if you were paid the same amount in your salary. Additionally, the money is then tied up in a pension, to be taxed a second time when you take benefits.*
- *If you have been a member of a pension scheme but not used your full annual allowance for the previous three tax years, you could potentially carry forward allowances from previous years. However, if making the contribution personally, you need to have the relevant earnings to receive full tax relief.*
- *Anyone earning over £260,000 will have their annual allowance reduced by £1 for every £2 of earnings over the threshold. The maximum reduction is £50,000, taking the annual allowance to £10,000 for anyone earning £360,000 or over.*
- *The annual allowance may also be reduced to £10,000 for anyone who has taken flexible benefits from their pension.*

If you are a higher earner or have a large pension pot, you may benefit from advice to determine the best way to achieve your goals, save tax, and pass on more of your wealth to your loved ones.

Please do not hesitate to contact a member of the team if you would like to find out more about retirement planning.

ESTATE PLANNING: INCORPORATING POWER OF ATTORNEY INTO YOUR PLAN

When it comes to estate planning, many people put off important decisions until it is too late. The consequences of this can mean paying more tax and having key decisions taken out of your hands.

Arranging a Power of Attorney (POA) can mean keeping some control over important financial and medical decisions even when you are no longer able to advocate for yourself.

In this guide, we explain the main features of a POA and why it should be a key component of your financial plan.

The principals are similar throughout the UK, although Scotland and Northern Ireland have their own processes and legal systems.

What is a Power of Attorney and Why Do You Need it?

A Lasting Power of Attorney is a legal document which allows you to nominate one or more trusted people to make important decisions for you if you are no longer able to.

This means that if you are in an accident, or if you are incapacitated due to illness or old age, that you will have someone to manage your medical care, financial arrangements, and sign important documents on your behalf.

This can help avoid delays and make sure that your affairs are dealt with, as far as possible, according to your wishes.

Types of Power of Attorney

There are two main types of POA:

- *Health and welfare – this can cover medical decisions, daily care, and end of life options.*
- *Property and financial affairs – this covers paying bills, dealing with your bank accounts and financial arrangements, and looking after any property you own.*

POAs set up before 2007 were known as 'Enduring Powers of Attorney.' These covered mainly financial affairs and were replaced with the more comprehensive Lasting Powers of Attorney. If you have an existing EPA, you can continue to use it, but you can't set up a new one or make changes to an existing one. It's worth taking legal advice as it may be a good idea to replace it with a new LPA.

Choosing Your Attorney

Firstly, you should decide who you would like to act as your attorney. You can appoint the same person for both types of POA but you don't have to. For example, some people prefer to appoint a professional (for example, a solicitor) as their attorney for property and financial affairs, but prefer for a family member to make health and welfare decisions.

Your attorney does not need any specialist skills or knowledge, but should be prepared to take advice if necessary, for example when dealing with investments or legal matters.

The main requirements for an attorney are that they are over 18 and have full mental capacity. They do not need to live in the UK, but of course, it may be more difficult for someone outside the UK to manage your affairs.

Your attorney has the following responsibilities:

- *To follow any instructions you include in your POA.*
- *To consider your preferences and help you make decisions if you can.*
- *Act in your best interests and respect your human and civil rights.*

So, while the legal requirements to appoint an attorney are fairly straightforward, you may want to think carefully about who you feel can fulfill these responsibilities for you.

You can nominate more than one attorney. You can also decide whether they must make decisions jointly, or 'jointly and severally' – this means that attorneys can make decisions alone without needing consent from the other attorneys.

Setting Up and Registering Your Power of Attorney

You can set up a POA yourself or appoint a solicitor or estate planner to do this for you.

Your forms will need to be signed by you (the donor) and any attorneys you appoint. All signatures must be witnessed by an unconnected third party.

To be legally valid, your POA must be registered with the Office of the Public Guardian. This can take up to 20 weeks and costs £82.

You must have full mental capacity to make and register a POA. This is why it is important to act early rather than waiting until it is actually needed.

What Happens if You Don't Have a Power of Attorney?

If you lose capacity and don't have a POA, you may assume that your partner or family members will be able to act on your behalf.

However, it is not that simple. An application will need to be made to the Court of Protection, who will carry out an assessment. They may make an order regarding your health or financial decisions, and will most likely appoint a deputy to make key decisions for you.

A deputy is similar to an attorney and they are bound by the same responsibilities as well as the limitations issued by the court. The key difference is that you cannot choose your deputy.

Ultimately, the process is much more complex and takes significant control out of your hands.

Other Factors to Consider

As well as setting up your POA, some other important aspects to consider include:

- *Writing your will and making sure it is up to date.*
- *Taking any steps required to mitigate Inheritance Tax. This may include making gifts, setting up trusts, or taking out insurance to pay the tax bill.*
- *Making an 'in case of emergency' document. This can include instructions and contact details so that your family knows what to do if anything happens to you.*

Setting up your POA is relatively simple and inexpensive. You don't need to take advice, but you may wish to if you have a complex situation or if you are not confident in the process.

Please don't hesitate to contact a member of the team if you would like to find out more about estate planning.

Talk to one of the team today

www.acuityprofessionaladvisers.com

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IMPORTANT

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