HOYL Independent Advisers

CREATE FINANCIAL MANAGEMENT

JUNE 2025 NEWSLETTER

KEY 2025 FINANCIAL DATES

JUNE

19th – Latest Bank of England base rate announcement due

JULY

1st – New energy price cap comes into effect

AUGUST

1st – Student fee rises from £9,250 to £9,535 after being frozen since 2017

7th – Latest Bank of England base rate announcement due

20th – Latest inflation figures announced

Rethinking Inheritance: Why waiting might not be the best gift

As living costs soar and financial milestones become harder to reach, the traditional model of inheritance is starting to feel out of step with reality. Increasingly, families are choosing to provide financial support earlier, leaving a 'living legacy' when it can make the most meaningful difference.

Think about it: if your children receive an inheritance in their 50s or 60s, they've likely already bought a home, built a career, and raised a family. The money is still welcome of course – but its power to transform their lives? That may have passed.

Now imagine the impact of that same support arriving earlier. Help with university fees. A deposit for a first home. A lump sum for a business idea. Even just a financial cushion during those early, uncertain career years.

Early gifting can unlock opportunities that might otherwise be out of reach – and ease the pressure of life's biggest milestones.

It's not just emotionally rewarding—it can be financially smart, too. With the right planning, early gifting can reduce inheritance tax exposure and make use of annual exemptions or trust structures.

And perhaps the greatest reward? You get to see the results of your generosity in real time. The degree they earn. The home they move into. The family they start. The business they build. It's your legacy, lived—right in front of you.

As wealth planning evolves, early gifting is no longer just a kind gesture. It's a strategic move with lasting impact, so let's now explore some of the advantages, and any potential drawbacks.

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Smart tips for early gifting

1. USE YOUR ANNUAL EXEMPTIONS

Each individual can gift up to £3,000 per year without it being added to the value of their estate for inheritance tax (IHT) purposes.

You can also carry forward unused allowance from the previous year.

2. SMALL GIFTS, BIG IMPACT

You can give up to £250 per person per year to as many people as you like – provided they haven't received part of your £3,000 exemption.

3. CONSIDER REGULAR GIFTS FROM INCOME

If you have surplus income, regular gifts, such as monthly transfers to a child's savings account, may be exempt from IHT – provided they don't affect your standard of living.

4. HELP WITH WEDDINGS

You can gift up to £5,000 to a child, £2,500 to a grandchild, or £1,000 to anyone else for a wedding or civil partnership – tax-free.

5. THINK LONG-TERM BENEFITS

Setting up a trust can help you pass on wealth while retaining some control. It's also a useful tool for managing larger gifts and planning around IHT.

6. KEEP RECORDS

Document all gifts – when they were made, to whom, and under which exemption. This can be invaluable for estate planning and for your executors later on.

When it comes to passing on wealth, timing isn't just emotional – it's financial. Without careful planning, IHT could take a significant bite out of the legacy you intend to leave behind, which makes it crucial to receive trusted financial advice.

We covered the ins and outs of IHT in our last newsletter, but here's a quick refresher on the key thresholds for the 2025/26 tax year – so you can stay one step ahead.

- A £325,000 nil-rate band
- An additional £175,000 'residence nil-rate band' when passing your main home to a direct descendent such as a child or grandchild.

With the IHT nil rate bands remaining frozen until at least 2030, IHT is set to become a bigger issue for many families during the coming years.

However, gifting wealth during your lifetime is one of the most effective ways to reduce a potential IHT bill.

When done strategically, these gifts can fall outside your estate – meaning they may not count toward your IHT liability. It's a powerful way to support your loved ones now, while also protecting the value of your legacy for the future.

The 'seven year rule' could help you mitigate IHT

Even if you use all the exemptions shown during the tax year, you can still make additional gifts

These further gifts made during your lifetime – are called 'potentially exempt transfers' (PETs) – and are free of IHT as long as you live for seven years after giving them.

If you pass away during that time, some IHT may apply. However, this will dependon how long you survived after the gift.

Giving earlier in life increases the chance of outliving the seven-year window, making the gift tax-free.

Other important considerations

An inheritance can open doors for your loved ones, but it may also create uncertainty if they're unsure how to manage the money they receive.

By offering a living legacy, you can provide guidance and support as they use your gift, helping them make thoughtful decisions.

This approach allows you to stay involved and ensure your wealth is used in ways that truly enhance their lives, just as you intended.

5 FINANCIAL TOPICS YOUR LOVED ONES MAY NEED SUPPORT WITH

- Managing debt
- Mortgages and buying their first home
- Different types of savings accounts, such as ISAs, and the tax benefits of each
- Pension contributions
- Investing their wealth

Setting your children on the path to long-term financial security

Building retirement wealth takes time – and starting early makes all the difference. By leaving a living legacy, you can give your children or grandchildren a valuable head start. Whether it's a lump sum to invest or regular pension contributions, your support today can shape their financial future.

When you contribute to a loved one's pension, it's treated as if they made the contribution themselves. That means they still receive tax relief at their marginal rate.

- For a basic rate taxpayer, a £100 effectively only costs £80 – HMRC adds the remaining £20.
- Higher and additional rate taxpayers can claim even more through self-assessment – up to 45% in total relief.

Saving into a pension is a smart way to give – and grow – a loved one's future. The earlier the investment starts, the more time it has to grow, potentially boosting their retirement savings significantly.

However, please remember that pensions are designed for the long term. In most cases, your children won't be able to access these funds until they are 57. This means it won't help with shorter-term goals like university, buying a home, or getting married.

Are there any disadvantages?

Giving during your lifetime can complicate estate planning – especially if gifts are made at different times or to different people. Tracking contributions like regular gifts or pension payments helps ensure everyone is treated fairly.

When you pass away, your executor must calculate any Inheritance Tax (IHT) due. They'll need to show evidence of gifts made, confirm you lived at least seven years after making them, and prove any gifts from income met the criteria for IHT exemption.

To make things easier for your executor, it's vital to keep detailed records of any gifts you make. This helps ensure the correct IHT is calculated and that any exemptions – like gifts from income – can be properly claimed.

While giving is generous, it's vital to ensure your own financial needs are covered first, as gifting too much too soon could you leave you short in later life. Trusted financial advice can help you plan confidently – factoring in your retirement lifestyle, potential care costs, and the long-term impact of inflation on your income and savings.

News round up

One in three lack confidence to spot investment scams

A study by BrokerChooser has found that 91% of people admitted to behaviours that could make them vulnerable to fraud. Among age groups, those aged 45 to 54 expressed the least confidence in their ability to spot a scam, while those aged 25 to 34 were the most likely to overestimate their ability to detect investment fraud.

Nearly 27% of Millenials and 20% of Gen Z were over six times more likely than Boomers to test suspicious trading platforms with a small investment. Meanwhile, 15% of Gen Z said they would invest in a Forex based on celebrity or influencer endorsements.

Alina Khan at FT Adviser reporteed that amid a surge in investment scams, this behaviour is increasingly risky, especially as fraudsters adopt more sophisticated tactics. With AI tools now generating seeing realistic fake news, chatbot 'advisers', and even deepfake videos of celebrities endorsing bogus schemes, even experienced investors can struggle to distinguish genuine opportunities from high-tech fraud.

(Source: FT Adviser – May 2025 https://www.ftadviser.com/fraud/2025/5/30/one-in-three-lack-confidence-to-spot-investment-scam/)

Complexity of ISA process pushing savers to short-term saving

Research by AJ Bell shows the complexity of the current ISA system is steering savers toward short-term saving rather than investing. Only 15% of UK adults hold a stocks-and-shares ISA, compared to around a third with a cash ISA. This gap is largely seen as being due to the system's fragmentation – driven by political tinkering – and highlights an urgent need for simplification.

According to Tom Dunstan at FT Adviser, the report also found around 70% of individuals with over £5,000 in cash savings have never considered investing in a stocks-and-shares ISA, confirming the impact of complexity and lack of awareness on long-term planning.

In the Chancellor's Spring Statement, the government confirmed it's reviewing ISA reforms to encourage more investment in equities. While the overall £20,000 limit will remain, there is ongoing speculation that the cash ISA allowance could be capped at just £4,000 to shift savers toward stocks and shares. Critics warn that any such move could further complicate the current system, and push savers toward less tax-effective alternatives.

(Source: FT Adviser – May 2025 https://www.ftadviser.com/isas/2025/5/28/complexity-of-isa-process-pushing-savers-to-short-term-saving/)

If there's anything you need, just let us know!

For more insights and free resources, visit **www.hoyl.co.uk**, where you can also access the lastest edition of Esmartmoney magazine.

This month's issue covers a wide range of financial planning topics, including 'Bridging the financial gap across generations' and 'Talking to your children about investing'.

As always, please do reach out to your adviser if you would like to discuss anything mentioned. And please feel free to share this newsletter with any friends, family, or colleagues who might find it helpful.

We'll be back with our next Quarterly Investment Update towards the end of July. Until then, we wish you all the best – here's to making the most of whatever summer may bring!