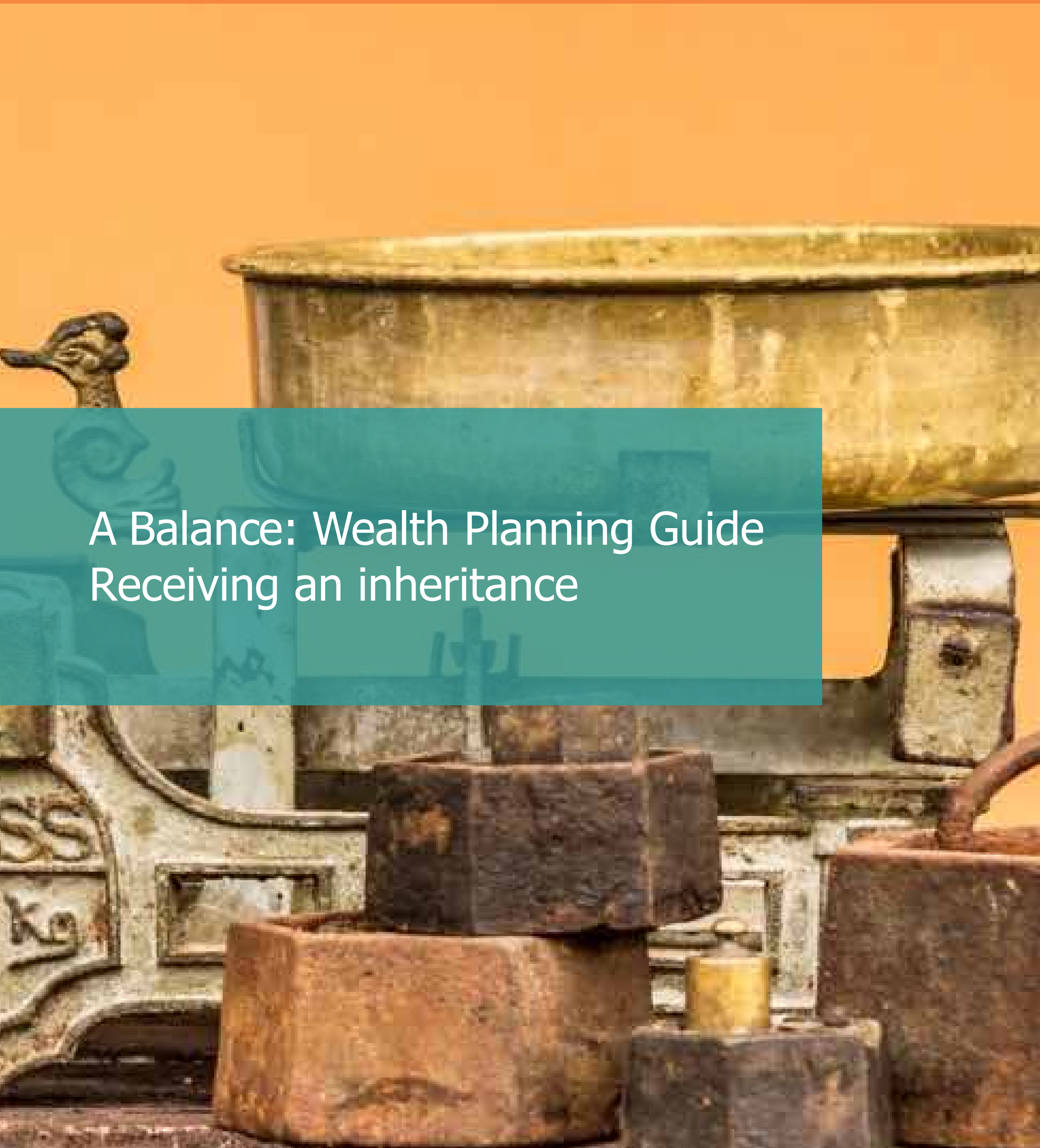
Balance:
Wealth Planning

Chartered Financial Planners

A Balance: Wealth Planning Guide
Receiving an inheritance



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Introduction

If you have recently received an inheritance, or are expecting one soon, it's probably a time of conflicting emotions.

The money might open up opportunities which were previously out of reach. But you may still be grieving and trying to come to terms with your loss. You may feel pressure to do something sooner rather than later, coupled with a responsibility to put the money to good use, taking into account what your loved one would have wanted.

This guide is intended to help you take stock and think about your next steps.

"My wife and I first met with Balance: Wealth Planning shortly after my father's death, when I had started to believe with a little more confidence than previously that early retirement might conceivably be within reach. Tina spent significant time with us going through a really thorough (and actually enjoyable!) process assessing our life position and preferences, vision for the future and of course financial landscape. She was incredibly patient with us as well.

The detail and thoroughness of the analysis has really impressed us, as well as the clarity with which the findings are expressed. That has given us the confidence to move forward with a plan we may well never have had the courage to do otherwise! And as we proceed, their ongoing help, advice and support has been brilliant. In short, I'd recommend Tina and the whole support team at Balance Wealth without hesitation."

Derek & Adele

Nottingham

Take a step back

Perhaps the most important thing to remember when you receive the inheritance is there's no need to make any quick decisions.

The options are almost endless. You might find the offers of help, support and advice are too.

At the same time, the sadness at losing a loved one may lead to a feeling of guilt in receiving the inheritance. This could mean you're making decisions torn between what you believe the person leaving the inheritance may have wanted you to do. Rather than what is best for you.

A period of reflection is often called for, giving you space to make carefully considered decisions. If the inheritance has already been paid to you in cash, holding it in a deposit account is often sensible. If the amount you receive is higher than the maximum £85,000 covered by the Financial Services Compensation Scheme, we suggest splitting it between several banks or building societies.

When you open these accounts, you will probably be presented with the opportunity to take advice from the institution you have chosen. We suggest you politely decline these invitations. Most advisers working from a bank or building society aren't independent financial planners or tax experts. It's also probably too early to start making decisions.

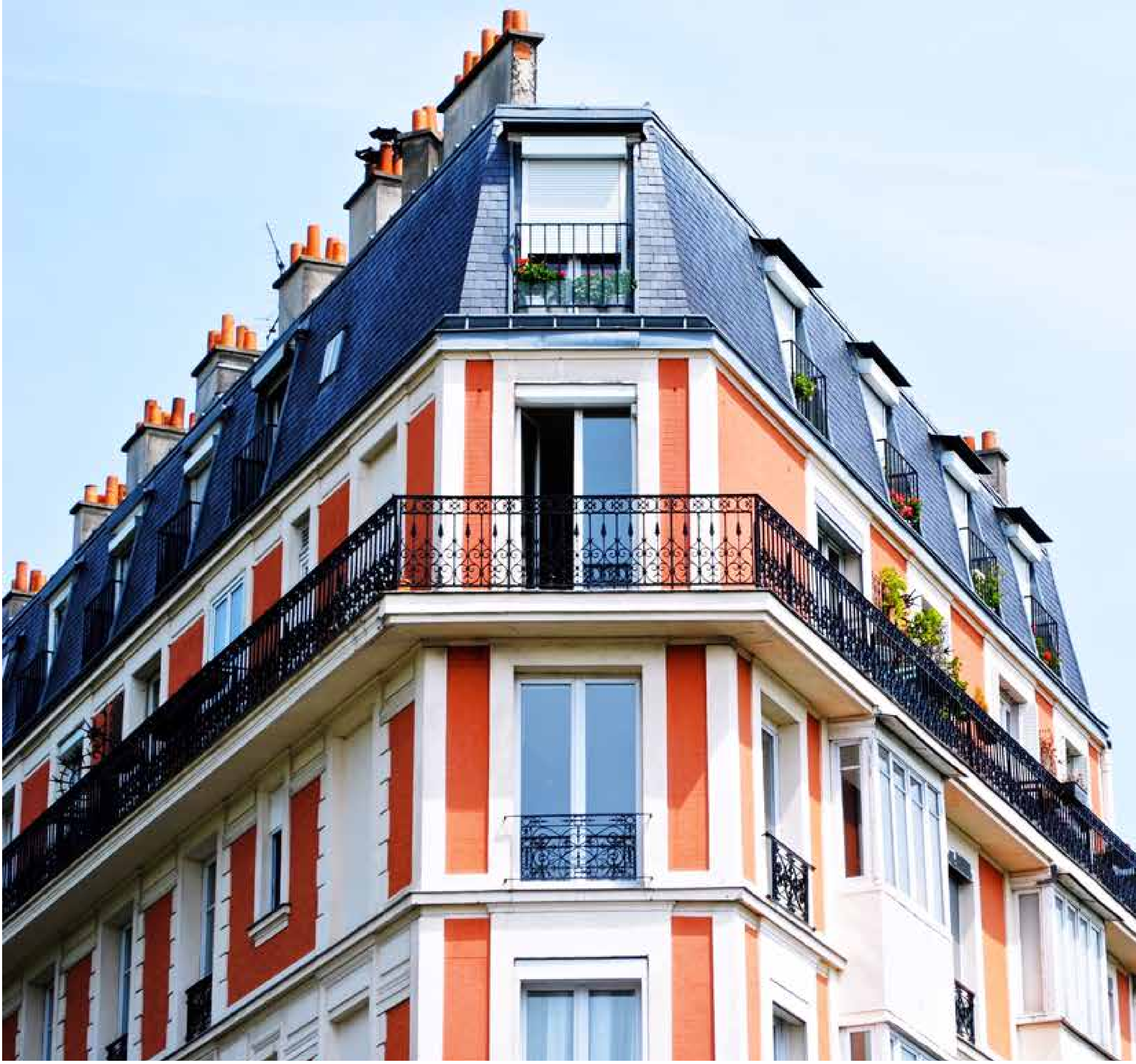
How can we help?

Receiving an inheritance is often the trigger for people to seek independent financial advice.

We can offer an environment where you can discuss your hopes and fears, worries and aspirations about your inheritance.

If you have already received the money we can recommend a short-term home for it where it will be secure until you make decisions.

We are specialist financial planners, that really listen to you, undertstand your situation and help you plan for your future.



If you have received investments or pensions, the lawyer should have arranged for these to be put in your name. You don't need to rush to do anything with them right away.

If you have not yet received the inheritance, you should consider contacting the deceased's executors to understand whether Inheritance Tax (IHT) will be payable on the estate. If IHT is due there may be things the executors could consider to reduce the tax payable, increasing the amount left to beneficiaries.

Don't feel awkward about bringing this up - you may find that the other beneficiaries are thinking the same thing but didn't want to ask the question.

Also, consider whether you actually want to receive this inheritance. Will it cause you any problems with your own IHT liability? You can ask the executors to divert your share to other people, such as your children using a Deed of Variation. This needs a lot of thought, so take advice first and make sure you understand the pros and cons.

Think about the future

You might be tempted to start making charitable donations, gifts to your family, spend some of the money on a few big treats. Until you know what you really want though, we'd suggest taking a step back and avoiding knee-jerk decisions.

You may already have a good understanding of what you want from life. You may never have given it much thought. Either way, depending on the size of your inheritance, this unexpected gift might be the opportunity to change your life, and those around you, forever.

That's why we suggest focusing on yourself and your life first, rather than the money.

Ask yourself these questions:

> What financial challenges do you have?

> How would you like to change your life?

> What would you like to achieve in the years ahead?

Remember, receiving the inheritance might be the opportunity to do things you never thought were possible.

Naturally, some of your ambitions and aspirations might include other members of your family. However, it's important to focus on what you want first. You should also try to avoid the temptation to do purely what you believe the person who left you the money would have wanted.

How can we help?

We start by listening to your current concerns and future aspirations.

We will help you understand what's possible and how the money could be used to change your life for the better.

During this time, you will start to feel an increasing sense of clarity and purpose about what's important and the options you have with the inheritance.

We know inheritances, coupled with financial planning changes lives. As time goes on, you should feel more confident that you are making the right decisions.

Naturally, we are sensitive to this being a difficult time in your life. We will, therefore, work at your pace and be on hand whenever you need us.

Options to consider

You essentially have four main options for your inheritance:

1. Spend it
2. Give it away
3. Invest it for the future
4. Repay debt

Careful consideration should be given to how these options dovetail with your current financial challenges and longer-term ambitions.

Spend it

The desire to immediately spend your inheritance is usually less strong than with other types of windfall, for example, a lottery win. Nevertheless, some people may still be tempted to see the money as a windfall to be enjoyed and spent.

That may well be the right thing to do. However, before you go ahead we suggest taking time to assess your priorities. After all, once the money has been spent it may never be replaced.

We'd suggest differentiating too between material purchases and experiences. Buying things might provide instant gratification that soon wears off but equally you could buy something you will treasure and use for a long time, like a piece of jewellery. Experiences, such as holidays of a lifetime, can create long-lasting memories for everyone involved.

Repay debt

You might still be at a stage in your life where you have debt - a mortgage on your home, personal loans or credit cards. Your children or grandchildren may also have debt that you'd like to help with, such as a student loan.

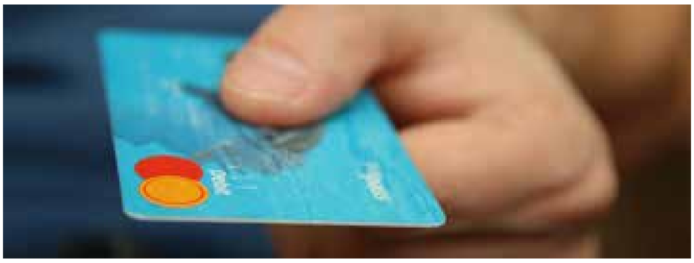
There are many things to consider when deciding whether to repay debt:

> Will repaying the debt free up income which will then help you to achieve your life's aspirations and ambitions?

> If you were to repay debt would that give you a sense of security? For example, people who repay their mortgage often report a sense of increased financial wellbeing from having done so.

> Is it economically sensible to repay the debt? In these times of low interest rates, it is often better to save or invest the money.

> If you have previously been poor at managing money will you simply accumulate further debt in the future? How can you stop that from happening again?



Give it away

For some people, an inheritance is more of a burden than a blessing. If you don't need the money at all, you should seriously consider giving it away. It's quite common for an inheritance to be passed straight to grandchildren, for example. Not only does that mean that the money can be used by people who will most benefit from it, there can be tax advantages too. If this new inheritance is going to increase your own wealth to levels where inheritance tax would apply on your death, it's time to start planning. But of course, you should only consider this if you can completely afford it. Remember that once a gift is made, you can't ask for it back.

Invest it for the future

An inheritance can improve your financial security over the long term. But to protect it long-term, it usually means investing it. There are many elements to successfully investing the money, including:

> Taking the level of risk that's proportionate to how long you plan to invest for, and how comfortable you feel with the ups and downs of investing.

> Holding the investment tax-efficiently, maximising your returns and minimising the tax and costs you pay.

> Ensuring your investments are aligned with your goals and values.

> Keeping your investments flexible so they can adapt to fit you over time.

It's also important that any existing savings and investments you have are also reviewed at this time. There is little point in making sensible decisions about your inheritance if your existing assets are invested poorly.

If you have inherited investments, these should also be reviewed. What was right for the original owner is unlikely to be the best fit for you now. We commonly see these investments being too risky and expensive.

Developing a financial plan

The answer to understanding how much you should spend, save and invest can be found by developing a financial plan.

We also optimise your new-found wealth with careful planning, minimising taxes and making the most out of every penny.

The plan will show you the effect on your life of taking different decisions and whether the inheritance is sufficient to achieve all you want.

If you've received an inheritance, this is a one-off opportunity to change your life. Taking carefully considered decisions with the help of an experienced financial planner will help you get them right, making the most of a sad situation.

How can we help?

The key to good planning is for us to understand what you want from life, which may have changed because of the inheritance. By understanding this and forecasting your wealth over your lifetime, we can show you what is possible.

Choosing a financial planner

You may already work with a financial planner who will be able to help you make the right decisions with your inheritance.

However, taking financial advice might be something you have never done before. Indeed, research by the Financial Conduct Authority (FCA) showed that around 18.2 million, or 36% of the population, could have benefited from seeking professional financial advice in the last year.

Receiving an inheritance is the perfect time to start working with a financial planner, even if you have never considered doing so before.

There are many ways to find a trustworthy and effective planner. Asking friends or family is a good place to start. If a solicitor is dealing with the estate, you could ask them to recommend a financial planner. You can also look online for a financial planner and read reviews about their services on their websites. However, once you have received these recommendations you should do some further due diligence.

The following is a list of some things you might like to ask the prospective financial planners:

1. "Are you used to working with people who have received an inheritance?"

It's important to know that the financial planner is experienced in working with people who have received an inheritance and handling both the opportunities and challenges that accompany this.

2. "Are you authorised and regulated by the Financial Conduct Authority?"

Financial adviser firms are authorised and regulated in the UK by the FCA. You should check that all the firms you are considering working with are suitably authorised, something which can be done by looking them up on the FCA Register, which you can find by clicking here.

You should never take financial advice from a firm that doesn't appear on the FCA Register; we recommend removing firms who aren't authorised by the FCA from your shortlist.

3. "Are you independent or restricted?"

Independent financial advisers can choose financial products from the whole of the market. On the other hand, restricted advisers have opted to limit the types of product they can advise on or the product providers they can recommend.

4. "Does the adviser work for a Chartered firm?"

Financial advice firms, as well as individual advisers, can attain Chartered status, which in many respects represents the gold standard of financial advice. It demonstrates that advisers within the firm have achieved the highest levels of technical and professional knowledge

5. "What will I pay and what services will I receive?"

Comparing the charges made by advisers can be difficult, however, it's far from impossible. We recommend asking advisers to provide written answers, explaining what they are likely to charge you, how that's been calculated and the services they provide. Often, this can only be done following an initial meeting, once the adviser has had a chance to understand the complexity of your situation. However, other advisers display their fees online. The majority of advisers charge a percentage of your invested wealth. A small, but growing number, charge a fixed fee.

6. "Do you have a support team in place?"

Ideally, your adviser should have a support team in place to assist them and you. In fact, the support team are often as important as the advisers themselves.

We recommend understanding the admin support the adviser has in place and asking to be introduced; you need to get on with them as well as the adviser.

7. "What should I expect from our first meeting, and is there anything I should bring with me?"

The aim of your initial meeting with an adviser should be to understand if they are the right adviser for you and whether you are the right client for them.

Consequently, the first meeting should be without cost or obligation. We recommend it should take place in the adviser's office. This will give you an opportunity to meet their support team and understand a little more about the environment in which they work.

Furthermore, we recommend avoiding any adviser who attempts to pressurise you in any way into becoming a client at that initial meeting. You should be left to make such important decisions in your own time and at your own pace.

Avoiding financal scams

The time when you receive your inheritance may mark a vulnerable period on your life; still grieving you are facing difficult and potentially life-changing decisions. As such, it’s possible that you could be more susceptible to falling victim to a financial scam.

Financial scams are becoming far more common with pension scam victims losing an average of £91,000. Losing any sum of money to a scam can be devasting but when it’s an inheritance from a loved one it can be particularly cruel. You’re already dealing with grief and loss, losing your inheritance to criminals can make a difficult time even more challenging.

Following our tips will help you choose a reputable financial adviser or planner.

Nevertheless, we suggest you are on your guard, keeping an eye out for scammers and their attempts to defraud you out of your inheritance.

Among the steps to take to protect yourself from potential financial scams are:

> Don’t respond to unsolicited contact. If you’ve received a call or email claiming to be from a bank, adviser or another provider, don’t assume that it is. Use the details provided on verified communication, such as the phone number on your bank statement or card, to contact them directly.

> Never give out your personal details, including banking details, over the phone or email. A bank, for example, will not ask you to provide these.

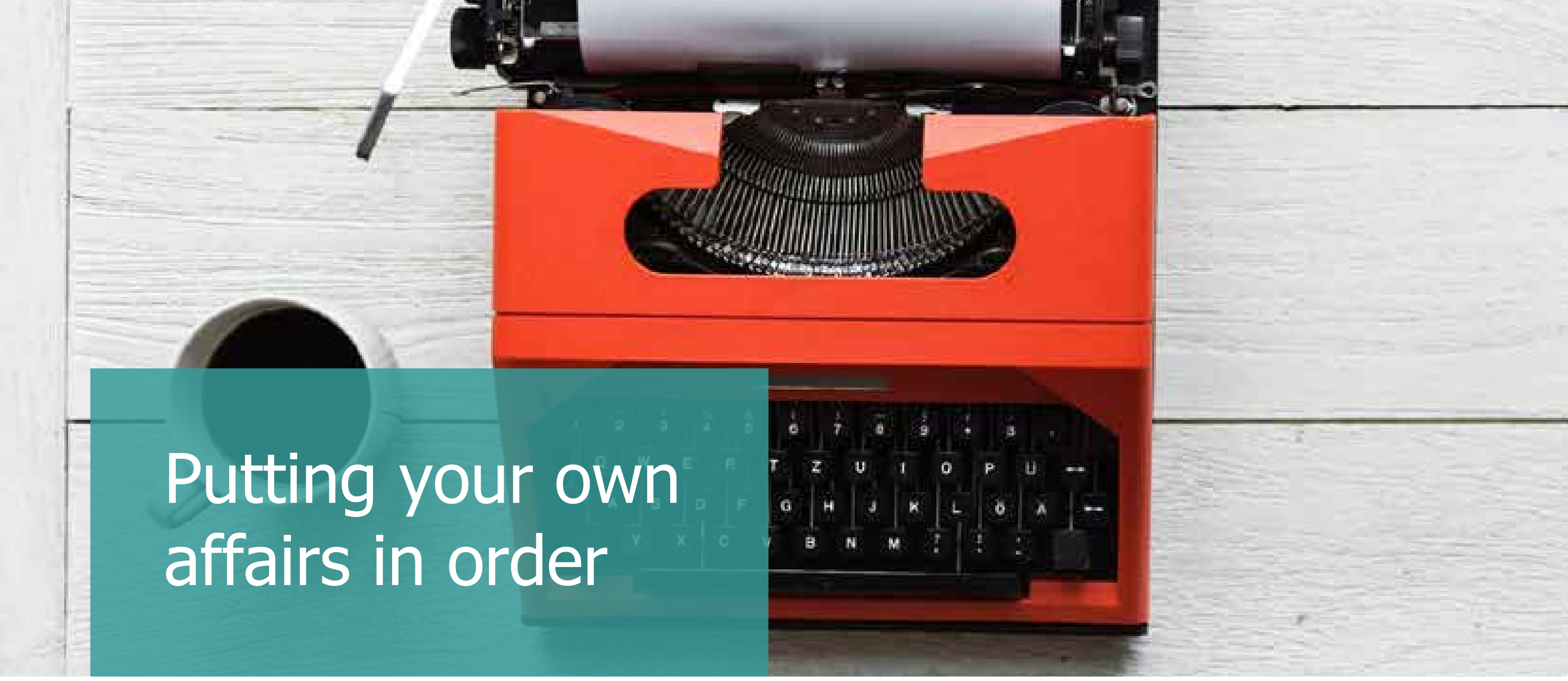
> Do your own research. Don’t base your decisions on what unsolicited communication has told you. Take the time to learn more about the company and what they’re offering.

> Take a step back. Financial decisions are important and can affect your long-term security, so don’t be rushed into making a choice. If a salesperson is putting you under pressure to decide on the spot, take a step back.

> Ask questions. A fraudster will downplay risks and often try to avoid your questions. Someone offering a genuine investment opportunity will understand your need for more information.

> Trust your gut instinct. Sometimes you can’t explain why you feel uncomfortable but don’t worry about that. If you have any reservations, then it’s not the answer for you. Politely walk away.

Scammers will prey on perceived vulnerability and your eagerness to maximise your inheritance. Remember: If it sounds too good to be true, the chances are it is. Be cautious of all unsolicited contact and always do your own research before proceeding.



Putting your own affairs in order

Receiving the inheritance and building a financial plan might be life-changing for you. It's also the perfect time to put your own affairs in order so that if you become ill in the future or die unexpectedly, your family will clearly understand your wishes. It's also worth considering your own position and whether beneficiaries of your estate will have to pay Inheritance Tax (IHT) when you die.

Making a will

Despite a will being a crucial document, writing one is a task that many people put off. It's understandable, nobody wants to think about passing away. But the 31 million adults in the UK without a will risk having their estate distributed in a way that doesn't match their wishes.

A will gives you a chance to set out what you want to happen when you're gone. Without one, your Wealth (aka estate) will be distributed according to Intestacy Law. In many cases, this will not align with your wishes and can mean that many of your loved ones are excluded. Click here for a guide or go to HMRC tool to see how your estate would be passed on.

It's not just how your money is passed on that your will dictates either. It can also be used to name a guardian for your children and name who will manage any money left to them until they're old enough. As a result, if you have children, a will is essential. It's even more important when your family is a mix of children form different relationships or if you're not married to your partner.

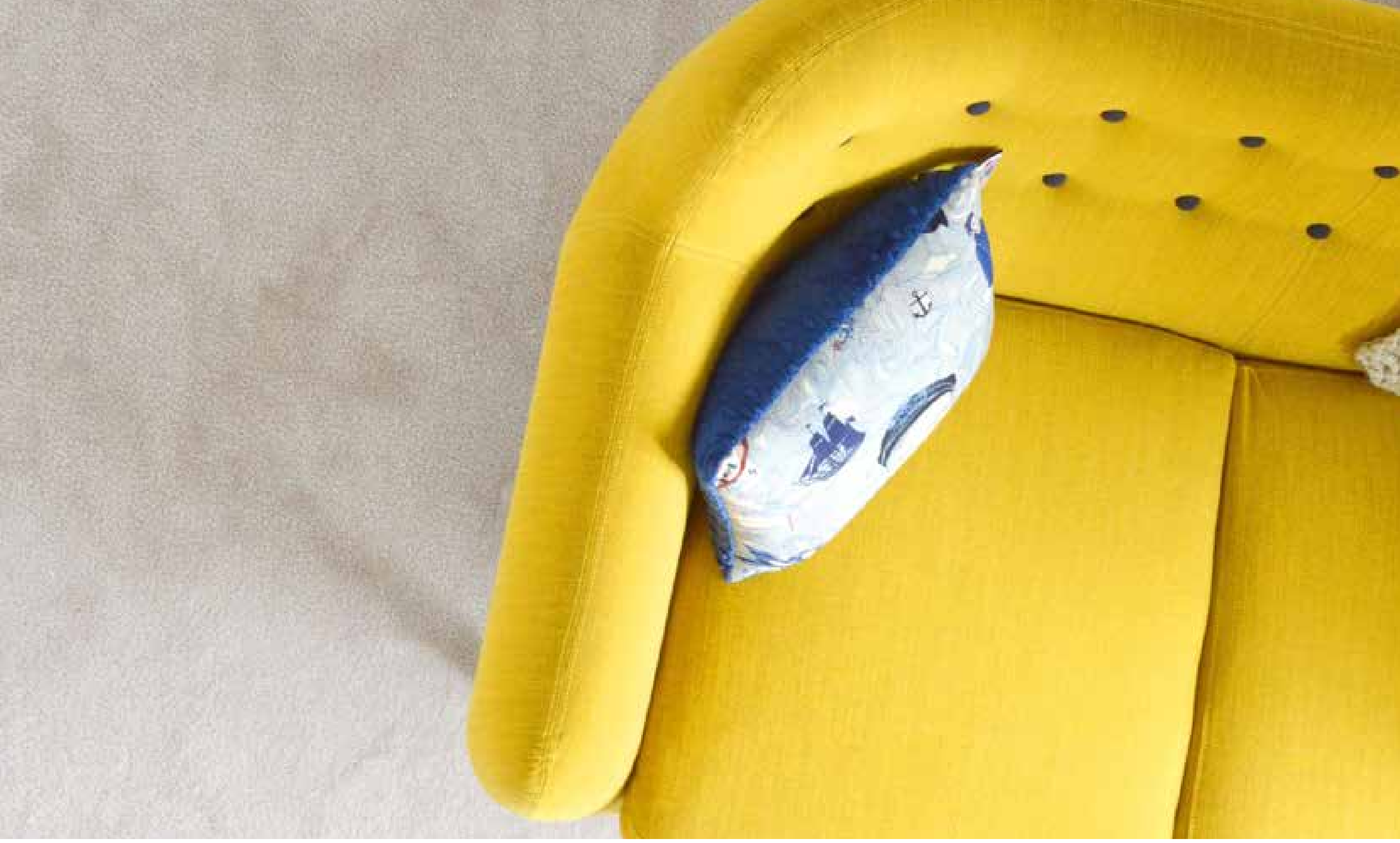
It is possible to write a will yourself, however, we advise seeking legal advice. This is especially true if your wishes aren't straightforward. For example, if you have children from a previous marriage, you share property with someone who is not your husband, wife or civil partner or own a business. For your will to be legal, it must be signed by two witnesses. But if you're not sure what you want, don't let them put you off. Even a simple will is better than no will at all, and you can always change it later when your situation changes or your wishes become clearer.

Receiving an inheritance is the perfect time to either write your will or update an existing will.

How can we help?

If you need to make a will or nominate powers of attorney, we can recommend a solicitor to advise you.

Furthermore, we can help you to understand any potential IHT liability on your asset. If tax may be due when you die we can make recommendations to help reduce the amount payable.



Having benefited from a loved one's generosity yourself, you can pass a similar gift on to your family and friends. A will ensures those you care about the most, receive an inheritance according to your wishes. Even if you already have a will in place, you may find that your new-found wealth means it's outdated and no longer reflects what you want. You can either choose to make a new will, which should explain it revokes all previous wills, or make an official alteration known as a codicil.

It’s worth noting that pensions do not usually pass on based on your will - they are separate and not usually subject to inheritance tax. You must complete a separate nomination form or “expression of wishes” form and give that to the pension provider. Although that’s quite simple, bear in mind your pension may be valuable so it still needs a lot of thought.

Another reason to make a will is to minimise Inheritance Tax (IHT), payable by your family when you die.

IHT is calculated based on your entire wealth, called your “estate”, including property, investments and other assets minus debts.

Financial planning combined with writing a will can help you reduce the IHT liability that will be due on your estate, passing on more of your wealth to your loved ones or causes that you support.

Among the steps you can take to reduce IHT liability your loved ones will face are:

> Understand the nil-rate band and residence nil-rate band for IHT. No IHT is due on estates that do not cross this threshold and if unused it can be transferred to a spouse or civil partner.

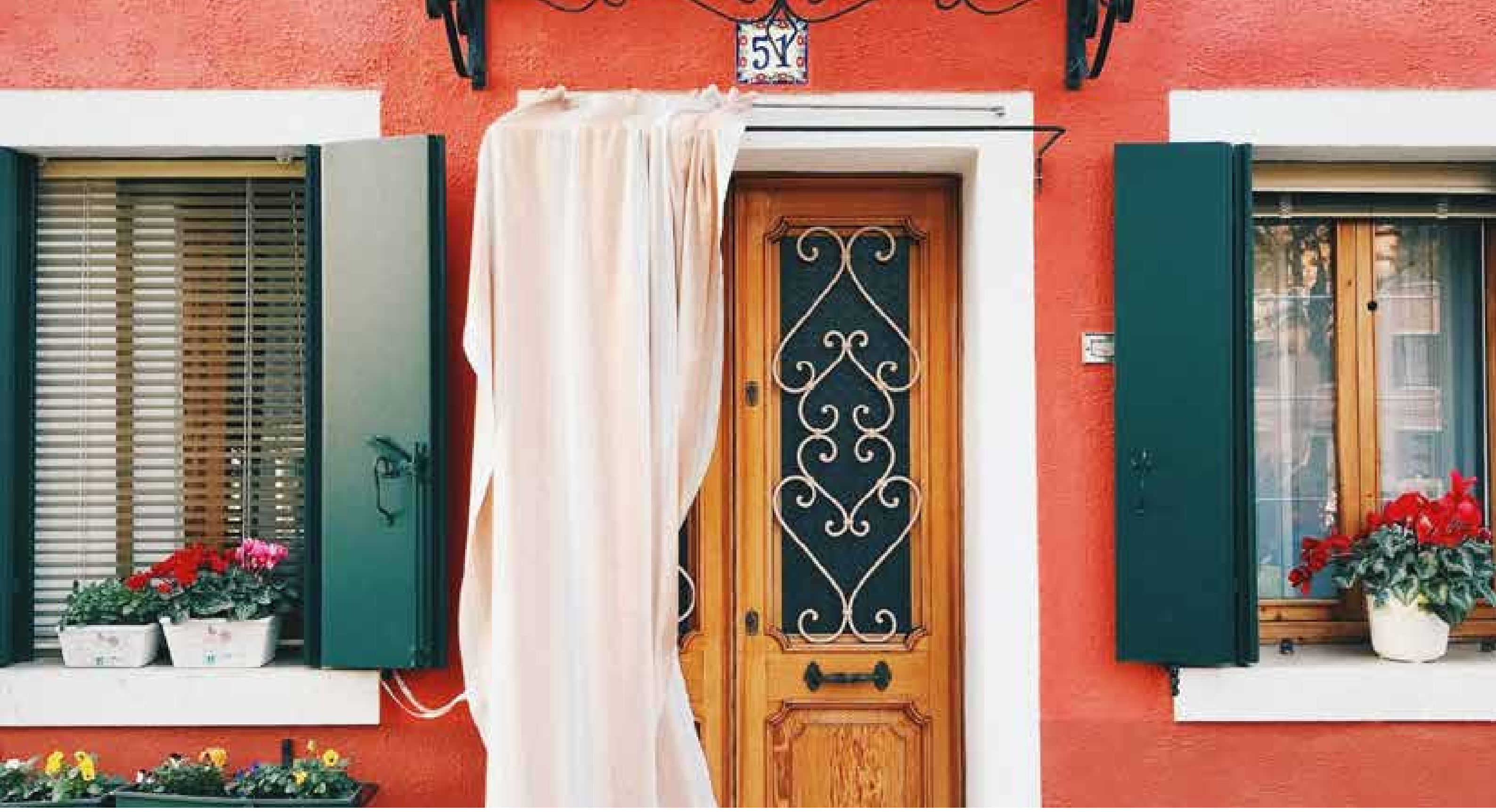
> Give some of your money away while you’re alive, taking advantage of small gift allowances, or making larger gifts which take seven years to be fully treated as being given away

> Place some of your wealth in trust

> Leave a portion of your estate to charitable causes

> Use a life insurance policy to cover the potential IHT bill

Financial planning can help ensure that your estate is in order, improving your financial security now and that of your family in the future.



Lasting Powers of Attorney

When you're reviewing your will arrangements, there's another step you should take; naming someone to act for you if you are unable to take care of things yourself. This person is called an attorney and you can appoint them by registering a Lasting Powers of Attorney (LPA).

Nobody wants to think about becoming too ill or being involved in an accident that means you're no longer able to make your own decisions. But the reality is that it can happen. An LPA provides you with peace of mind; it names someone, or several people, you trust to make decisions on your behalf. There are two types of LPA and you should consider putting both in place.

A Health and Welfare LPA will be able to make decisions around issues such as medical treatment and moving into a care home. A Property and Financial affairs LPA will be able to make decisions about money, including managing your bank account, paying bills or even selling your home.

Without an LPA your loved ones will often face a lengthy and costly application to the Court of Protection to make decisions on your behalf. It can be time consuming and stressful for them and potentially leave you in a vulnerable position at the time when you will need most help.

With this in mind, making an LPA is good planning for everyone regardless of your age, but it rises up the list of priorities the older you are. You can only make an LPA if you're considered to have the mental capability to make your own decisions. As a result, it's an important step to make long before you think you need it.

You can make an LPA online or using paper forms. The forms will need to be signed by the attorneys, witnesses, and a 'certificate provider', who confirms you're making the LPA by choice and you understand what you're doing. You may also choose to use a solicitor during the process, which is a good idea if your wishes are complicated. These videos are a helpful start if you want to find out more.

Your LPA must be registered with the Office of Public Guardian, which costs £82 per registration. Ideal attorneys are you're your spouse, your adult children or close friends. You can change that later by registering an new LPA.

A life changing opportunity

Receiving an inheritance could be a one-off opportunity to change your life for the better. Helping you to solve financial concerns and achieve long-held aspirations and ambitions.

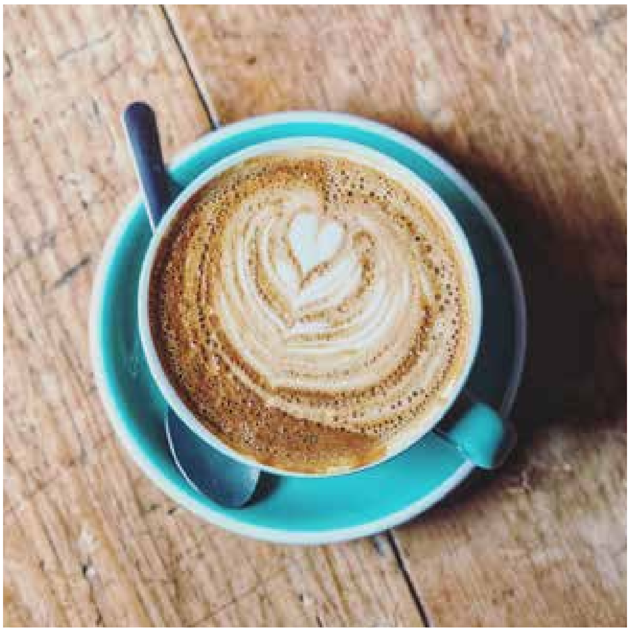
Taking a step back and then developing a plan working alongside an experienced financial planner will help you make the right decisions for your short and long-term future.

We are here to help

We have helped many clients through the financial and emotional complications of receiving an inheritance.

The confidence that working with a financial planner brings and knowing that your financial future is in safe hands is immeasurable.

If you have received an inheritance, but feel you could be achieving more, are worried about money or simply feel that now is the time to review decisions you have made in the past, we are here to help.



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or to book a meeting
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