



smartmoney

GUIDE TO

SETTING UP A FUTURE FOR MY GRANDCHILDREN

How to give them more opportunities for life

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How to give them more opportunities for life

Investing in the future of your grandchildren is a great way to help them prepare for their financial needs in life. By setting aside money now, you can provide them with added security and increased opportunities in the years to come.

Investing for grandchildren can be used to help fund college tuition, make a down payment on their first car or home, or even start a retirement fund.

The earlier you invest, the more time your funds have to grow and compound over time. This means that a relatively small contribution today could lead to much larger returns over the long run. Furthermore, it's important that you consider professional advice when making decisions about investing for your grandkids. This will enable you to take advantage of all available tax deductions and legal rules that could make your investment even more beneficial to your grandchildren.

Helping a grandchild prepare for their financial needs in life

By investing for your grandchild's future, you can provide peace of mind knowing that you are helping them prepare for their financial needs in life. Not only will this give them the chance to pursue their dreams and goals, but it also allows you to create a lasting legacy

that will be remembered for years to come.

Investing now may help ensure a bright future for your grandchildren. In addition, investing is an effective way to pass down wealth from one generation to the next. This can help reduce Inheritance Taxes due on large estates and enable families to retain more of their assets into the future.

No tax is due on any gifts you give if you live for seven years after giving them

As well as providing your grandchildren with financial support, investing can also be an effective way of reducing an Inheritance Tax liability. Gifting out of surplus income is a strategy for reducing an Inheritance Tax liability when investing for grandchildren.

This involves gifting money from any excess income generated over and above what you need to cover your day-to-day living expenses.

No tax is due on any gifts you give if you live for seven years after giving them – unless the gift is part of a trust. This is known as the seven year

rule. If you die within seven years of giving a gift and there's Inheritance Tax to pay on it, the amount of tax due after your death depends on when you gave it. When making gifts out of surplus income, it's important to ensure that the money is treated as a gift and not used as an investment.

Just one way to reduce your Inheritance Tax liability when investing

HM Revenue & Customs (HMRC) has very specific guidelines on what constitutes a 'gift', so professional advice should be sought before gifting any money to your grandchildren. We can help you create an effective Inheritance Tax mitigation strategy for investing for grandchildren that meets all relevant legal requirements.

Gifting out of surplus income is just one way to reduce your Inheritance Tax liability when investing for your grandchildren; there are other options available too. It's essential that professional advice is sought in order to find the best approach for your individual circumstances.



Putting money into a pension could be an ideal solution

If you're looking to build long-term wealth for your grandchildren, putting money into a pension is an ideal solution. However, there are some limits that you should know before taking this route. The earliest your grandchild can access the money in their pension is age 58. Therefore, it's important to think about how much time you have to allow the investments to grow and compound interest over the years until they reach adulthood.

You can open a Junior Self-Invested Personal Pension as soon as your grandchild is born. It's protected from Income Tax and is usually exempt from Inheritance Tax, too. You can pay in a maximum of £3,600 a year (tax year 2022/23) assuming the grandchild has earned income lower than this and the government will top it up by 20%, up to £720 a year – so that maximum contribution will actually only cost you £2,880.

If you start investing in a Junior Self-Invested Personal Pension at birth, then by age 58 a child or grandchild will have had 58 years of growth potential if contributions are made regularly.

A highly tax-efficient way to save or invest for the future

Only parents or a guardian with parental responsibility can open a Junior ISA for under 16s.

Junior ISAs (JISAs) are another option. A Junior ISA is an Individual Savings Account that can be opened by parents or a guardian with parental responsibility for under 16s. A Junior ISA is a tax-efficient way to save or invest as it is free from any Income Tax, tax on dividends and Capital Gains Tax on the proceeds.

The Junior ISA subscription limit is currently £9,000 for the tax year 2022/23. This means that if you start investing in a Junior ISA when your grandchild is young, by the time they turn 18 they could have had considerable growth in the funds you have contributed towards. It also allows you to make sure that any money that you have saved for them is in a secure environment (if investing this would not be secure) with professional money management.

A children's savings account also provides an easy and convenient way to start investing in your grandchild's future. These accounts come with various features that make them ideal for long-term investments, such as tax-free growth on earnings and no contribution limits.

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Maturity needed to responsibly handle any money

Additionally, you have the flexibility to choose how much money you want to invest. The money in a child savings account should be used for the benefit of the child. Parents or a guardian with parental responsibility should not really be withdrawing capital for their own personal use. The funds have been gifted to the child.

When investing for your grandchildren, professional advice should be sought to ensure that all legal requirements are met. It is important to consider the legal ownership of the money and when your grandchild will become eligible to access it. Consideration should also be given as to whether your grandchild will have the necessary skills, knowledge and maturity needed to responsibly handle any money they may receive.

Safeguard your grandchildren's financial security

Parents or guardians should take advice in order to make informed decisions about what is best for their child's long-term financial future. By taking our professional guidance you can ensure that you are making the best

decisions possible when investing on behalf of your grandchildren. Taking the time to make it part of your annual review will give you peace of mind knowing that you are taking steps towards building a solid financial foundation for your grandchildren.

With professional guidance, you can tailor an investment strategy specifically for them. Investing in their future today can have long-term benefits as they grow into adulthood. Start planning now and make sure your grandchildren's future is secure. ■

CREATE LASTING FINANCIAL SECURITY FOR THE NEXT GENERATION IN YOUR FAMILY

Investing for your grandchildren will prepare them for their future financial needs. With our guidance you can create lasting financial security for the next generation in your family. Doing so can be both rewarding and beneficial for everyone involved. Start investing today and watch the investments grow for generations to come. For more information, please contact us.





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A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

IF YOU'RE NOT SURE ABOUT INVESTING, SEEK PROFESSIONAL ADVICE. TAX RULES CAN CHANGE IN FUTURE. THEIR EFFECTS ON YOU WILL DEPEND ON YOUR INDIVIDUAL CIRCUMSTANCES.

WOULDN'T IT BE GREAT TO PUT SOME MONEY AWAY THAT COULD GROW WITH THEM?

Becoming a grandparent is a very exciting time. And it's natural that many grandparents want to be involved with their grandchildren's lives, both practically and financially.

To discuss your options to plan for your grandchild's future, please contact us.

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