

# Countdown to Retirement

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# Countdown to Retirement

## Financial Plans

- Sources of income
- Expenditure
- Timing

## Tax Planning

- Income tax
- Capital gains tax
- Inheritance tax



# Changes in Income

- Church pension – less than stipend
- Pension from other sources
- State pension (e.g. £4,381/£7,007 for 2006/07)
- 2nd State pension
- Dividends & interest
- Rental income ceases
- Part-time job or consultancy



# Changes in Expenditure

- Council tax (reduced for single person)
- Water rates (metered?)
- Housing – rent, mortgage etc
- 100% heating, lighting, cleaning & gardening
- 100% repairs, maintenance & insurance



# Tax Changes

- National Insurance Contributions Cease
- Applies to men over 65, women over 60
- Saving approx. £1,647 pa (on £20,000 stipend)



# Tax Changes

- Additional Personal Allowances Apply
  - under 65      £5,035
  - 65 to 74      £7,280 (saving £494pa)
  - over 75      £7,420 (saving £525pa)
- Allowances restricted for income >£20,100



# Tax Changes

- Married Couples/Civil Partners Allowance
- Withdrawn for those under 65
- If one spouse born before 6/4/1935
  - 65 to 74           £606.50 (2006/07)
  - Over 75           £613.50 (2006/07)
- Restriction applies >£20,100 (2006/07)
- Replaced by means tested Children's Tax Credit



# Tax Changes

- Tied housing concessions cease
- Special clergy expenses no longer claimable
- Loss of tax relief on wages to spouse
- All income taxable including State Pension
- Split year treatment in year of retirement



# Tax Planning Measures

- Transfer of investment income to spouse
- Interest can be paid gross for 'non taxpayers'
- Use of tax free investments e.g. ISAs
- Self-employment
- Rent a room scheme (£4,250)



# Capital Gains Tax

- Chargeable on disposal of assets e.g. shares, property
- Private residence exemption
- Let property relief
- Use of annual exemption (£8,800) (2006/7)
- Married couples/civil partners exemption
- Taper relief
- Gains versus income



# Inheritance Tax

- Charged on Estate value > £285,000 (2006/07)
- Tax rate 40%
- Main Exemptions
  - Husband & wife
  - Civil Partnerships from Dec 05
  - Gifts < £250
  - Transfers up to £3,000pa
  - Gifts out of income
  - Gifts on marriage
  - Gifts to charity



# Inheritance Tax

- Potentially exempt transfers (within 7 years)
- Husband and wife problem
- Wills – Bolt Burdon
- Anti-avoidance – interest retention
- Trust changes
- Lifestyle changes
  - Death of spouse
  - Nursing home costs
  - World cruises!



# Professional Help

- Tax planning issues
- Tax Returns
- IHT – New EIG/Holdings/BB Package
  
- Arrange free initial consultation
- Call Clergy Advice Line 0870 013 4210
- Visit our website [www.holdings.co.uk](http://www.holdings.co.uk)
- Talk to your Ecclesiastical consultant



Any questions?



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