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In this issue

Fidelity: Retirement plan checklist: five years from retirement

Quilter: Limitless gifting – inheritance tax free

Omnis: Strategic Asset Allocation

Parmenion: Are you your own worst enemy?

Just: Guaranteed income in retirement – some things are better shared

2plan: Support for when you need it most

Retirement plan checklist: five years from retirement



The countdown is on if you are planning to retire in five years' time. At this stage, stopping work is not just a distant, hopeful aim but a more tangible goal, and this should be reflected in the financial decisions you make.

As you approach retirement, the focus needs to be on protecting the savings you've built to date, thinking more seriously about how you might take your pension benefits, while squirrelling away what you can in this final furlong before retirement.

Your 2plan adviser will help you navigate the various considerations during this period; however, the checklist below offers useful pointers regarding some of the key steps.

1 Maximise your savings:

Make the most of tax-efficient pensions and ISA savings while you are still earning. Most people can save up to £60,000 tax free into a pension each year, or the equivalent of their annual salary if this is lower. In addition, everyone can save up to £20,000 each tax year into an ISA.

For those who have the funds available and want to maximise pension savings, they can also 'carry forward' unused pension allowances from the last three years.

Tax relief makes pension contributions particularly cost-effective for higher-rate or additional-rate taxpayers, especially if they're likely to move to a lower tax bracket in retirement. If you are a member of a workplace pension, you will also benefit from employer contributions.

There are some restrictions related to pension contributions, which do not affect ISA allowances, so higher earners should ensure they also make the most of these wrappers.

2 Explore income options:

Start thinking about how you will take an income from pensions and investments in retirement. Will you use your pension to buy an annuity, keep funds invested and draw an income from it, or simply take out cash lump sums? There is no right or wrong answer – much will depend on your financial circumstances. Remember, it is possible to take a mix-and-match approach when it comes to annuities and drawdown.

You don't need a definitive answer at present, but it pays to explore the options in advance and weigh up the pros and cons of each. Deciding which is the most likely course of action may influence your investment strategy for the next five years. Don't forget to include the State Pension when calculating the income you'll need to cover day-to-day spending.

3 Reassess your investment strategy:

If you are five years from retirement, you don't want a stock market crash to derail your plans. However, switching all your savings into low-risk cash holdings will simply mean your retirement funds are unlikely to keep pace with inflation.

Most people want to steer a path between these two extremes, which means holding a diversified mix of assets, including equities, bonds, and cash. Think about your own circumstances and how your future plans could impact your investment strategy.

4 Understand your tax position:

Making the wrong decision at retirement can land you with an unexpected tax bill, potentially wiping out some of the investment gains you've made on your pensions and investments.

When looking at income options at retirement, it is important to understand your tax position and the most efficient way to convert your savings into a regular income. This should be an important element when considering different income options.

Most people can withdraw up to 25% from their pension tax-free, but further payments taken from a pension may be subject to income tax.

It's important not to look at pension savings in isolation. Remember, there is no income tax due on funds cashed in from ISAs, so taking money from these savings can be a useful way to top up state or private pensions without pushing your income into a higher tax band.

5 Test your retirement plan:

Tax rules can be complex and subject to change. Your 2plan adviser will be able to help plot the right course for your individual circumstances. When approaching retirement, it is important to review your plans regularly to ensure they remain on track and adjust where necessary. For example, if investment returns are not what you had hoped for, you may need to save more or push back your retirement date.

It is important to be flexible as circumstances can change and impact your plans. Reviewing your investments and retirement plans annually together with your 2plan adviser will help ensure you stay on track to achieve the retirement you've dreamt of.



Important information

Investors should note that the views expressed may no longer be current and may have already been acted upon. Tax treatment depends on individual circumstances and all tax rules may change in the future. The value of investments can go down as well as up, so you may get back less than you invest. Withdrawals from a pension product will not be possible until you reach age 55 (57 from 2028). This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment, you should speak to your financial adviser.

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Limitless gifting – inheritance tax free

Are you worried about inheritance tax and looking for a way to protect your wealth for your loved ones? Discover how making gifts from your excess income can help you tackle this issue effectively.

Why inheritance tax matters

Inheritance tax (IHT) isn't just a concern for the wealthy anymore. With rising house prices and frozen IHT limits, more and more ordinary families are being affected. And with the changes announced in the Autumn Budget to include pension wealth within the IHT net from 6 April 2027, even more families are now having to consider IHT planning.

A solution could be gifting

By making a gift, you can reduce the value of your estate and therefore the amount of IHT your estate pays on death. Some gifts are 'exempt' and the IHT saving is immediate. For all other gifts, you will need to survive a period of seven years for the IHT saving to apply.

IHT exemptions	Annual monetary limit
Spousal exemption	£ unlimited provided both spouses are UK domiciled
Annual exemption	£3,000
Small gifts	£250
Marriage	Parent: £5,000 Grandparent: £2,500 Other: £1,000
Normal expenditure out of income	£ unlimited provided criteria is met

Some of these IHT exemptions have monetary limits, which haven't kept up with inflation, making them less valuable today than they were previously. For example, the 'annual inheritance tax gift allowance' of £3,000 a year has been stuck at its current level since 1981.

However, there's one exemption that remains incredibly valuable: 'normal expenditure out of income'. Gifts made using this exemption are immediate and limitless, provided certain conditions are met.

The power of normal expenditure out of income

How it works

To qualify, your gifts must meet three key conditions:

1. It forms part of your **normal** expenditure. This means it should be something you do regularly, like helping with a grandchild's school fees. HMRC adopts the dictionary definition of normal, which is standard, regular, typical, habitual or usual.
2. It comes from **your income**. This includes interest from bank accounts, dividends, pension income, rental income, and your salary. It does not include capital from savings and investments or regular withdrawals from an investment bond.
3. It doesn't **cause a reduction in your standard of living**. You need to show that you can maintain your normal lifestyle after making the gift. Gifts will not qualify if you need to resort to capital to meet your normal living expenses.

If these conditions are met, there's no limit to the amount that can be gifted and immediately exempt from IHT. Your financial adviser can guide you on this process.

Keep records

Since the exemption is claimed after death, it's crucial to keep detailed records of any gifts you make. This will help your representatives justify the claim to HMRC and show that your standard of living wasn't affected by the gifts. Documenting your intention is also important to evidence you intended the gifts to be regular or habitual even if you pass away after only making one or two payments.

The benefits

- ✓ **Immediate IHT exemption:** Gifts that qualify as being out of normal expenditure are immediately exempt from IHT. This can be a significant advantage if you are looking to reduce the size of your taxable estate quickly. However, a potential downside is that this exemption cannot be proven until death – keeping records is crucial.
- ✓ **Flexibility:** Unlike other IHT exemptions, there's no limit on the amount you can gift under the normal expenditure out of income exemption, giving you the flexibility to support your loved ones in a way that suits your financial situation.
- ✓ **Regular support for loved ones:** By making regular gifts, you can provide ongoing support to your loved ones, helping them with their financial needs and goals.





Use a trust for your excess income

It is also possible to make gifts from normal expenditure into an 'excess income trust'. Provided the key conditions outlined above are met, any gifts made into the trust are immediately free of IHT. Once in the trust, the gifts can benefit from investment growth, whilst still providing you with control and flexibility over who receives your wealth and when. Trust planning is a complex area which you should discuss with your financial adviser.

Advice is key

Lifetime gifting can be a powerful tool in inheritance tax planning, especially when using the 'normal expenditure out of income' exemption. Your financial adviser can help you plan your gifts to ensure they comply with the necessary rules, effectively reduce your IHT exposure, and ensure you have enough money to maintain your desired lifestyle.



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Strategic Asset Allocation

Omnis have worked alongside 2plan Wealth Management and J. P. Morgan (JPM) Asset Management to undergo a group wide Strategic Asset Allocation review.

What is Strategic Asset Allocation?

Strategic Asset Allocation (SAA) is the long-term allocation of asset classes in a portfolio based on an investor's risk tolerance, capacity for loss, investment goals and time horizon. It involves analysing, selecting and weighting different asset classes (such as shares, bonds and alternatives) according to certain return and risk profiles. The purpose of SAA is to create a diversified portfolio that performs in line with your investment objectives and attitude to risk by balancing the unique risk and return characteristics of different asset classes. It is important that the portfolio you invest in has the most appropriate SAA, as this will be the dominant driver of your returns over the long term.

Why is Strategic Asset Allocation important?

SAA is crucial to the investment process. The performance of different asset classes can vary depending on economic conditions, so a robust SAA can optimise returns and adhere to your risk profile by balancing volatile assets with more stable ones. We review our SAA framework annually with the trusted support of J. P. Morgan Asset Management, one of our global research partners, to ensure it continues to align with your risk tolerance and time horizon.

How do we develop the SAA?

Our annual SAA review keeps our portfolios balanced and well positioned. We start by looking at long-term market forecasts developed by J. P. Morgan Asset Management. These forecasts predict how various asset classes might perform over a 10-15 year period, including their expected returns, risks and how they correlate with one another.

We use this data alongside expertise from our risk research partner, Oxford Risk to design portfolios that align with these forecasts and your investment objectives. This ensures your portfolio operates within a level of risk that you're comfortable taking.

Why J. P. Morgan Asset Management?

J. P. Morgan (JPM) Asset Management is a leading provider of Long Term Capital Market Assumptions (LTCMAs) because of its robust research capabilities, deep market insights and experienced team of investment professionals.

It leverages extensive historical data and advanced analytical models to generate reliable, comprehensive projections across various asset classes. Its LTCMAs are built on a rigorous framework that incorporates multiple macroeconomic and geopolitical factors.

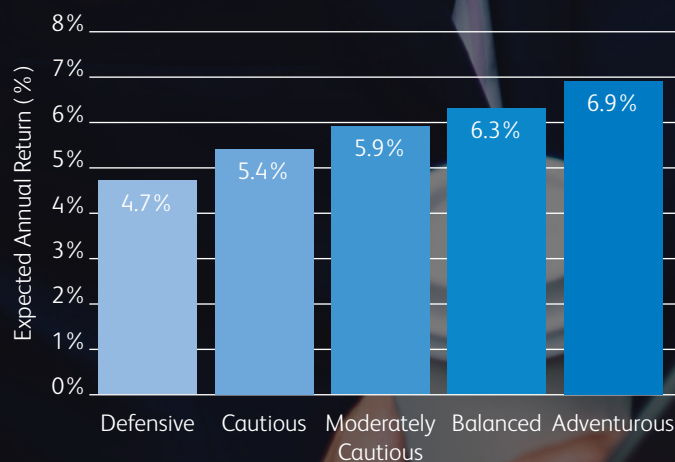
Their expertise equips us with the insights we need to make informed decisions about SAA which are aligned with your long-term investment objectives.

Outcomes of the review

The global economic landscape has shifted from the low investment, low growth and low interest rates of the 2010s to higher growth, significant capital investment and increased interest rates. Advancements in artificial intelligence and automation are likely to support increased productivity and economic growth, creating a positive outlook for asset markets despite persistent inflationary risks and market volatility.

Based on this outlook and JPM LTCMAs, we've made some changes to reduce the concentration of UK assets in favour of other global investment opportunities:

- We reduced UK equities by 25% in 2024. We're reducing them even further in 2025 in favour of global equities.
- We've also reduced UK bonds (both government and corporate) in favour of global bonds. We believe this will help to reduce single country risk with little to no effects on the long-term risk and return projections of your portfolio. Here are the expected annual returns of your new Strategic Asset Allocation over the next 10-15 years:



Source: J. P. Morgan Asset Management & Omnis Investments, February 2025.

For more information, please speak to your financial adviser.

Are you your own worst enemy?



Your emotions could be the biggest barrier to achieving your investment goals.

Confronted by a fearsome, snarling sabre-toothed tiger, our Stone Age ancestors had the right idea. They ran away. Those 'fight or flight' instincts kept them alive. But fast-forward hundreds of thousands of years and those in-built reactions can lead us to make some poor financial decisions. That's particularly so when it comes to how we respond to the inevitable ups and downs of stock markets.

Evolution has programmed our brains, and it partly explains why we feel the way we do about money. But we're not robots. Investing is an emotional process. Making better financial decisions isn't about taking the emotions out of investing. It's about understanding our emotional responses and learning how to manage them.

Legendary investor Benjamin Graham summed it up well:

"The investor's chief problem – and even his worst enemy – is likely to be himself."

Graham argued that investors' biggest challenges are their own emotions, behaviours and psychological biases. He maintained that failure to achieve their long-term investment goals is often down to irrational or impulsive investment decisions driven by things like fear, greed, overconfidence or impatience.

So, what common mistakes do investors make and how can you avoid them?

1 Reacting to short-term noise

How often do you check your phone, just in case you've missed something? Probably too often. If you do the same with your portfolio valuation, you could be asking for trouble.

On any one day, there's a good chance one or more investments in your portfolio are flashing red, tempting you to do something about it. Stock markets do go down as well as up and we're bombarded with news that tends to make headlines of the bad days and ignore the good ones.

If you react to the daily fluctuations, you could be putting your long-term investment goals at risk. History shows that the biggest gains in markets often follow the sharpest falls, so just sit tight or you risk missing out on the recovery.

Although our brains are hard-wired to react to what's right in front of us, it's best to tune out to the short-term noise. You're investing for the long term, not tomorrow. Checking your valuation once or twice a year will allow you to sleep more easily and reduce the risk of making knee-jerk reactions.



2 Playing it too safe

Short-term losses are a fact of life when it comes to investing. But if the fear of loss dominates your investment decisions, then you're unlikely to achieve the best results.

Cash is unquestionably the right home for money you might or will need in the short term. But loss aversion might mean that you don't invest enough for the long term, playing it safe by leaving too much of your money in cash, idling on the sidelines. Or it could mean you're far more likely to bail out when you see markets falling.

Our caveman ancestors knew when to run away, but they also knew that if they wanted to eat, they had to hunt, and that was dangerous. They had to take a risk to earn that reward. Investors also need to find the right balance between their long-term goals and the level of risk they're prepared to take.



3 Being over-confident

As in many other aspects of life, people often over-estimate their investing skills. That can lead to making investment decisions based on short-term fluctuations, trying to time the market by getting in or out at the 'right time'.

When markets are booming it's easy to become greedy, chasing returns or following the crowd into investments you don't understand or that don't suit your risk profile.

Just like the plumbing or the electrics, it usually pays to call in the experts rather than risk doing it yourself. Whether that's a financial adviser or the professional fund manager looking after your money, they're trained to understand the impact of the emotional and behavioural biases involved in investing.

In difficult times we turn to people we trust for emotional support. It's no different when it comes to your finances. Arguably the most valuable role of an adviser is as a sounding board when emotions are running high. They're one step removed from the situation, so are well-placed to help you avoid making wrong decisions based on emotional impulses.

Successful investing needs a clear plan; what are you trying to achieve, when are you trying to do it by, and how are you going to do it? A financial adviser can put that plan in place and help prevent you from making the mistakes that could put your secure financial future at risk.

Guaranteed income in retirement – some things are better shared



Pensions were dull – boring even, but it all changed from April 2015. That's when George Osborne, the former Chancellor of the Exchequer, had said people should be able to use their pension pots however they want, spend what they want, when they want, on what they want throughout their retirement.

This realignment of the planets coincided with a lengthy period of near zero interest rates. That's important, as it made the traditional route of converting a pension pot into guaranteed lifelong income, in the form of an annuity, appear poor value for money. With all this new found freedom and choice an alternative approach – [flexi-access drawdown](#) established itself. It has since become a popular choice for funding retirement lifestyles.

However, in all this hedonistic excitement, some people voiced concerns that there may be some unintended consequences. Our human frailties can lead some to make poor decisions when they're let loose in the financial equivalent of a very enticing sweetshop. The possibility of people gorging themselves on the assets that are meant to sustain them for a lifetime, and end up running out of money has been an ever present danger since 2015. The issue has been potentially worsened by poor investment markets of the last couple of years.

So, against this exciting but potentially scary backdrop of complete freedom over how somebody can use their pension assets once they reach age 55, what things should be considered to make sure the retirement experience is a positive one?

A financially successful twenty-first century retirement revolves primarily around having a view and making decisions around three 'known unknowns'. We all know that we will sadly pass away at some stage, but probably for the good of our mental health, very few of us know exactly when. This has a jargonistic name in the pension world called [longevity](#). The next thing that's relevant is [investments](#). We know that over the longer term, investments usually rise in value, but no one knows by how much and of course, investments can fall as well as rise. And finally, we should consider [inflation](#). We know there'll always be some degree of inflation, but again, it can't be known in advance. We've obviously had a very painful reminder of the impacts of high inflation very recently.

Having identified these three risks, the next step is to decide which is appropriate for you to be responsible for, to maintain maximum flexibility, and which ones should be shared and handed to somebody else to manage for you. For me, the answer is different depending on what you spend your retirement income on.

You must pay your utility bills and council tax for example, you may want to be a member of a golf club and you might like a decent cruise every two years. In the visual below, the spending in the [blue area](#) is fixed and should be secure rather than flexible and uncertain, whereas it's the opposite for spending in the grey area.



Your income in retirement



The things you must do in retirement –
[your essential spending](#)

The things you'd like to do in retirement –
[your discretionary spending](#)

You'll need a [guaranteed](#) level of income
to cover these costs

Your income can be [flexible](#)
to cover these costs



Risk can be taken on by the insurance company
if you buy a guaranteed income product

The responsibility is your own
to cover these costs





At a very simple level, household spending can be broken down into spending for things you must do and for things you'd like to do. Creating guaranteed income typically involves asking an insurance company to take on the longevity and investment risks (and sometimes the inflation risk too) by way of an annuity in return for a lump sum from your pension pot.

As you can see, approaching your retirement spending in this way potentially leads you to using a blend of solutions rather than one or the other, with insurance companies managing the main risks for the most important elements of your retirement spending, leaving you (and your adviser) to manage the remaining pension pot to provide for your flexible spending needs. Flexibility and security!

Finally, it's worth mentioning that with interest rates having now returned to something closer to historical averages, converting some pension pot capital into guaranteed lifelong pension income is an attractive option. There are products in the market that could help reduce risk, such as a Pension Annuity or Secure Lifetime Income, a platform based guaranteed income solution provided by Just. Twenty-first century annuities offer lots of personalised options, including the ability to build in death benefits, meaning your beneficiaries could receive a payout. If you want to discuss your personal circumstances, get in touch with your adviser.

Author: Just

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Support for when you need it most

At 2plan wealth management Ltd, we take pride in our unique approach to client support. We understand that our brand is built on a personal connection with each and every client. Your situation is of great importance to us, and our advisers are committed to ensuring that you always receive the highest level of service and care tailored to your needs.

We recognise that individuals may feel vulnerable during specific periods in life, and we believe adapting how we provide our services in those times is essential. We aim to ensure that you are never disadvantaged by your circumstances and always feel supported and understood.

What support may be offered?

The support we offer is not a one-size-fits-all solution. Each person's journey and circumstances differ, and we pride ourselves on tailoring our approach to meet your unique needs. Understanding and care are at the centre of this process. Rest assured, your adviser will handle any information regarding your vulnerability with the utmost confidentiality. Maintaining your privacy and trust is critical to the support process. When you share your concerns with us, you can do so with the confidence that your adviser will respect your situation and provide assistance in a way that feels safe and secure for you. Here are some examples of the types of adjustments and support that may be offered to you:

Flexible meeting arrangements: Sometimes, discussing vital issues can be overwhelming, especially when faced with a lengthy meeting. We can arrange to spread your discussions over several shorter sessions. This approach can help make the conversation easier to manage and less stressful.

Convenient timing and location: Life can be hectic, especially when dealing with personal issues such as health appointments or family obligations. If you require adjustments to the timing or location of meetings, we will do our best to accommodate your needs, ensuring we can connect during the most convenient moments.

Extended decision-making time: Financial decisions often carry significant weight and require careful deliberation. If you need more time to consider your options or make decisions, please communicate this to your adviser. They will provide the necessary time to ensure you feel comfortable and confident in your choices.

Support from friends or family: Sometimes, having a supportive friend or family member during meetings can ease the process. If you would like someone to accompany you, your adviser can invite a relevant person to attend meetings with you. This added support can help you feel more at ease while navigating your financial decisions.

Talk to us

It is not uncommon for individuals going through difficult times to be unaware of their vulnerability or to underestimate its impact on their decision-making process. We all face challenges in life, and support is vital during these moments. Having someone in your corner is crucial, whether it is a financial concern, health issue, family matter, or any other challenging situation. Your circumstances may be entirely unique and may not fall into common categories of vulnerability, which is why establishing a communicative relationship with your adviser is so important. Your adviser will work diligently to understand your situation fully and provide practical advice that suits your needs. They have been trained specifically to identify the signs of vulnerability, whether emotional, mental, or financial. However, it's worth noting that recognising these signs can be complex; they are not always visible, especially if they stem from internal struggles. This is why we encourage open and honest communication. Suppose you believe you are experiencing some form of vulnerability, regardless of how small or manageable it may seem. In that case, we encourage you to reach out and discuss this with your adviser. They are there to provide advice and support you in navigating whatever challenges you may be facing.



If you would like to notify us of any vulnerability you are experiencing, please do not hesitate to talk to your 2plan adviser. Your wellbeing is our priority, and we are here to listen and assist you in any way we can. We are committed to ensuring you feel supported and cared for throughout your journey. If you prefer to reach out in a different way, you can contact us at the following:

Tel: 0113 302 1360

Email: support@2plan.com

Your journey is important to us, and we are committed to helping you navigate it with understanding, respect, and care. Remember, you are not alone, and support is always available when you need it most at 2plan wealth management Ltd. We look forward to working with you to ensure you feel supported throughout this process. Our commitment to you is unwavering.

Author: 2plan

If you would like to discuss any of these topics in more detail, please feel free to contact me to make an appointment. If you have friends, family members or colleagues who you think would be interested in these topics, please pass this newsletter to them.



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