

PERSONAL FINANCE Q & A

Q — I am a retired, single man. I accept on death my remaining pension fund will be taxed at 55%, but now I'm told there will be a further 40% inheritance tax (IHT) liability on the balance. Surely this can't be right?

A — I am afraid this is the case.

However, you may be able to mitigate IHT liability. Arrange for the value to be paid directly from the pension scheme to your will beneficiaries on death.

This can be done by nominating specific beneficiaries in writing to the pension trustees/provider or set up a trust deed into which the residual fund can be paid, then distributed. Providing the capital does not go directly to your estate there should be no IHT liability.

You should seek specialist advice from a solicitor.

Q — I am 55 and have several pension plans and investments. I'd like to give up work at 60 and travel, but don't know if the assets and income I will have at 60 will sustain the lifestyle I want in retirement.

A — A lifetime cashflow analysis can help determine if you are on track or how

much more you need to save and the level of risk you must accept to achieve this.

The level of risk needed may be less than you think. This means you could derisk and enjoy a less stressful investment experience.

Q — I have two young children and am concerned I will need more than I currently have set aside in savings to fund their further education. I am not sure how much I need to save.

A — Based on the current cost of further education and estimating inflation, it is possible to calculate how much will be required each year to fund a future university course.

Your savings may provide a head-start towards this, and compound-growth assumptions will help estimate what these savings might be worth when needed. The shortfall between the potential cost and the projection of your existing savings is the extra amount you need to accumulate.

Using further compound-growth assumptions you can calculate the amount you need to save.

● **Answers provided by Barry O'Neill, an investment director at Carbon Financial Partners.**