PRESS RELEASE

7IM

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7IM: Seven tips for saving tax efficiently and investing

7IM highlights seven often overlooked ways that investors can make the most of saving tax efficiently and investing in general, by utilising available allowance, reliefs, and exemptions.

Daniel Wood, Financial Planner at 7IM said: "Self-assessment has to be one of the all-time most tedious pieces of life laundry – even the well intentioned of us can end up filing their return at the 11th hour."

"If you want to halve the pain, with less to declare, let alone less to needlessly hand over, there are options available, none of which will in any way upset HMRC. Everyone's circumstances are different; however, it is always advisable to make the most of the tax allowances available. If there is any doubt, it is well worth seeking financial advice."

1. **ISA Allowances – passing the strings, as well as the purse?**

   "For couples, it makes sense to fully utilise both annual ISA subscriptions, particularly where one half of the couple has more financial resources than the other. For the 2020/21 tax year, this will produce combined tax-free savings of £40,000. This does come with a caveat though – since ISAs cannot be held in joint names, if you are utilising your spouse's ISA subscription for tax efficiency, remember that you are handing over the strings, as well as the purse to a significant amount of money."

2. **16- and 17-year olds – the ISA 'double whammy'**

   "It is usually the case that if something looks too good to be true, it probably is. But this isn't the case with the ISA 'double whammy' for 16- and 17-year olds. Whether by luck or design, 16- and 17-year olds currently get two ISA allowances. They can open an adult ISA from age 16 alongside their Junior ISA, although they can't open a Junior ISA if they have a Child Trust Fund. That could mean saving up to £29,000 in your child's name tax-free for the 2020/21 tax year."

3. **Capital Gains Tax (CGT) exemption and Income Tax allowance – the Cinderella's of tax planning?**

   "The capital gains tax exemption and income tax allowance are the Cinderella's of tax planning. Whereas ISA wrappers come with 'ribbons and bows' (a strong brand, in other words), there is no equivalent for capital gains and income tax allowances. This is probably why we find around 80% of new clients are not taking advantage of these important exemptions and allowances. Crystallising gains within a portfolio annually in a tax efficient way can help mitigate a future tax bill, but it requires discipline and process, and it may be necessary to seek advice.

   "But if you are utilising your ISA allowance each year, why not be even more tax efficient and think about utilising your CGT exemption and income tax allowance? This year's 2020/21 capital gains tax exemption is £12,300 and the income tax personal allowance is £12,500."

4. **Income tax allowance – work smarter, not harder**

"If you are married or in a civil partnership and your spouse earns less than £12,500, it is possible to transfer up to £1,250 of their personal income tax allowance to you – providing you earn between £12,501 and £50,000, or between £12,501 and £43,430 if you're in Scotland. This could reduce your tax bill by up to £250 in the 2020/21 tax year and you could even backdate the claims to 5 April 2016."

5. **Dividend allowance – time to restructure?**

   "With the dividend allowance set at £2,000 and unlikely to increase for the foreseeable future, to remain tax efficient, it could be appropriate for some investors to restructure their investments towards a growth led investment strategy rather than an income focused strategy, especially if investing outside of a tax wrapper."

6. **Getting a divorce – the complications of estates, pensions, and investments**

   The average age of divorce has risen to the mid-40s, around six years higher than it was 20 years ago[1]. And that means it's more likely those couples divorcing have collated more assets between them.

   A divorce agreement can involve many complex processes, particularly with estates, pensions, and investments. All these processes must be perfectly timed to avoid the possibility that either party loses out. Some assets may need to be sold and some others earmarked - this should all be done as tax-efficiently as possible.

7. **Passing on wealth – don't get caught out with a 40% bill**

   Rising house prices have pushed more people than ever before into the dreaded inheritance tax net. Current HMRC stats show that £5.2 billion was paid to the Treasury in inheritance tax in the 2019/2020 tax year.[2]

   Most do not wish to leave their loved ones with a large bill. With careful planning and some financial advice, you can reduce the impact or mitigate completely, any tax liability. Giving assets away at least seven years before you die is the simplest way to mitigate any liability but is not always appropriate. There are also numerous types of trusts that could be established for future generations.

   It's also important to think about your will. Whilst clearly not the cheeriest of subjects, making sure your will is written by a qualified adviser or solicitor, and is up to date will assist in ensuring your estate is settled efficiently after you've gone.

   Estate and tax planning can be complicated, and the rules change often, so it is well worth engaging with a financial planner.

[1] Source: Office of National Statistics
[2] Source: HM Revenue & Customs

The steps highlighted in this press release are intended as a general guide only. The information contained in this document does not constitute investment or tax advice. Tax rules are subject to change and taxation will vary depending on individual circumstances.

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About 7IM

It all began in 2002, with seven of us in a basement establishing 7IM because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £17bn, and we have moved from ‘basement’ to ‘Bishopsgate’ in the City of London.

We manage money aiming to meet people’s medium to long-term return expectations. Fundamentally, we believe in active asset allocation in both active and passive investments (where we were one of the first to offer actively managed passive portfolios). We build global portfolios based on that allocation, and include alternative assets where appropriate to manage the risk reward trade off. Active currency management is also at the core of what we do.

7IM provides investment services to professional wealth managers, planners, advisers and private investors. These include: discretionary investment management, a range of multi-asset portfolios, an investment and open architecture trading platform and a fantastic app, 7IMagine, which brings client portfolios to life.

Multigenerational investing
We do our best to pass on economies of scale, reducing fees so more investors within a family save with us. Grandparents, through to parents and their children can invest as individuals with one charging structure – whether they live under the same roof or not.

A story of continuous innovation.
In 2013, we launched 7IMagine, an app allowing investors and advisers to keep up to date with their portfolio. The brainchild of some clients – professional ‘gamers’ uninspired by their paper statements – 7IMagine was enriched in February 2016, with My Future. Again using gaming technology, My Future allows advisers and investors to capture details about family or individual finances, including any number of streams of income, properties, other assets and expenses, to help identify how sustainable their finances are and if / when their retirement income will run out.

Our funds

- Our **AAP fund range (Asset Allocated Passive)** is populated largely with passive structures to keep costs to a minimum. Asset allocation is actively managed to help exploit opportunities and reduce risk across the spectrum: **7IM AAP Adventurous, 7IM AAP Moderately Adventurous, 7IM AAP Balanced, 7IM AAP Moderately Cautious, 7IM Cautious and 7IM AAP Income**.

– Our **Multi-Manager fund range** invests in a range of active and passive vehicles. Costs still matter, but if we think an actively managed fund can outperform a passive alternative we have the freedom to choose it. Asset allocation is actively managed. There are different funds for different profiles: **7IM Adventurous**, **7IM Moderately Adventurous**, **7IM Balanced** and **7IM Moderately Cautious**.
– We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Real Return Fund** or the SRI focussed **7IM Sustainable Balance Fund**.

Our Model Portfolios
The 7IM Model Portfolios are a range of risk rated portfolios and are available within our discretionary investment services and standalone on the 7IM platform and other platforms. The Models use the same investment process and asset allocation as our funds.

Our range of Model Portfolios are available across the risk profiles: **7IM Adventurous Model Portfolio, 7IM Moderately Adventurous Model Portfolio, 7IM Balanced Model Portfolio, 7IM Moderately Cautious Model Portfolio, 7IM Cautious Model Portfolio and 7IM Income Model Portfolio**.

In 2019, we launched **7IM Pathway**, a diversified range of passive multi asset model portfolios underpinned by our robust Strategic Asset Allocation (SAA) process. The Pathway Model Portfolios differ from our traditional offering and are built purely using a streamlined version of 7IM's robust (SAA).

The 7IM funds and Model Portfolios are available through the 7IM Discretionary and Platform as well as on other platforms.

Important information: The information contained in this document does not constitute investment advice and if you are in any doubt about the suitability of the investment or service, you should consult a professional financial adviser. The value of investments, and the income from them, can fall as well as rise and you may not get back the full amount invested. Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority, the Jersey Financial Services Commission and the Guernsey Financial Services Commission. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.