your MONEY

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...it's time for a certain amount of reflection, resolve, and forward-planning

It's a natural time to take stock of your financial situation and often presents a good opportunity to sit down with your adviser to work out which investments or financial plans will deliver against your particular objectives whether they be short, medium or longer-term.

Conversations opened up now give ample opportunity to review a broader range of options, revisiting your existing arrangements, introducing new ones or simply being reassured your decisions are still the right ones.

It also gives you enough time to cross-reference and carry out any paperwork involved that might be time-sensitive, such as products that might have an impact on your tax situation.

Of course whether your investments are taken out at the start or end of the year won't necessarily make any difference to their performance, but it gives you time to make well-thought out decisions without any last minute panicked decisions trying to sneak into the tax year-end.

Individual Savings Accounts (ISAs) can provide major income tax and CGT advantages. The 2013-14 ISA allowance is £11,520, including up to £5,760 in a cash ISA whereas the annual Junior ISA allowance is £3,720.

TAKE ADVICE

Pensions are another option, providing an attractive form of long-term saving, but you need to be aware of restrictions over tax relief, such as those around size of contribution. As ever, your adviser will talk through the details of your maximum allowances – both annual and lifetime – and changes to pension rules that might help make the most of your particular situation.

Your capital gains tax will be something worth looking at, as most people are entitled to an annual tax-free allowance, for the tax year 2013-14 this is £10,900. Above this amount but excluding any ISA gains, CGT is levied at 18% or 28%, depending upon your base rate of income tax and your adviser will also explain how the timing of any disposals – resulting in a capital gain – can affect this bill.

TIME TO LOOK AHEAD

For instance, is it time to review your mortgage arrangements? Are you getting the best value from your insurance and protection policies?

While you're putting all your financial arrangements under the microscope, a good starting point is probably ensuring your fundamental security is well-looked after, ensuring absolute peace of mind for you and your family allowing you to focus on the new year and all it brings.

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MAKING ALLOWANCES

Evolving out of their forerunning Personal Equity Plans (PEPs) and Tax-Exempt Special Savings Accounts (TESSAs), Individual Savings Accounts (ISAs) are now a popular choice

Regardless of your financial position, the simplicity, accessibility and tax-free status of ISAs can be enjoyed by all.

Two years ago, Junior ISAs were introduced to the market. In a bid to encourage people to start thinking about savings earlier, the concept was targeted at younger generations as a home for their children's capital – including gifts from family and friends – that would be almost completely protected from the taxman.

The annual allowance for Junior ISAs for 2013-14 is £3,720. Within this, the account owner (not necessarily the person paying in) may combine cash with shares, but they can only access the funds on or after their 18th birthday, making them popular for encouraging saving for university or perhaps stepping on to the housing ladder.

The benefits of income tax mitigation on the interest you earn are clear to see but they're certainly not as obvious as they once were. Unfortunately, in today's economic environment, with its low interest rates and higher inflation, the amounts invested in straightforward cash ISAs are likely to be eroded over time.

OPPORTUNITIES FOR GAINS

Against that setting, more and more investors have been turning their attentions to Stocks & Shares ISAs. Also a tax shelter, the additional risk taken in the underlying investments can present the opportunity for potential additional gain.

Of course, this is never guaranteed, and stock market investing could actually see you end up with less than you started with, but an adviser will discuss your objectives and offer some suggestions on a vehicle that might deliver against them.

YOUR ATTITUDE TO RISK

Over longer-term horizons, equity markets have largely outperformed cash, but it can come at a cost. Together with your adviser you should discuss your risk appetite and the products that might be of interest.

A commonly held view for the rise in share prices has been the shift in the relationship between the interest available on cash deposits and the dividends on equities. Historically, interest on deposits often exceeded the yield on UK shares whereas now with such low rates, the yields on equities are far more attractive – for the time being anyway.

Once you decide whether a Cash or Stocks & Shares ISA might be more suitable for your needs, you can work out if you wish to split your allowance - £11,520 for the tax year 2013-14 - between the two versions and if you would rather invest a monthly amount or use a lump sum as a new tax year beckons.

MORE THAN NICE TO HAVE

No one likes talking about the worst-case scenarios in life. Your own sense of health, mortality and the wellbeing of your loved ones are areas for discussion that require a degree of sensitivity

While investment products and savings vehicles are often seen as the 'nice to haves' amongst financial matters, protection is seen as the essential foundation – the safe pair of hands that will keep you supported in time of need. Life insurance is a great starting point and it's wise to look at the vast range of options as early as possible. Leaving it until 'later' might inadvertently be leaving it too late altogether.

CONSIDER YOUR OPTIONS

Protection policies can be for a specific term or what is referred to as 'whole of life'. The former group might include level or decreasing term, which will alter the amounts paid out depending on the point of claim and how far into the policy term that claim sits. The premiums will vary according to the amount of cover, obviously, as well as age and other factors.

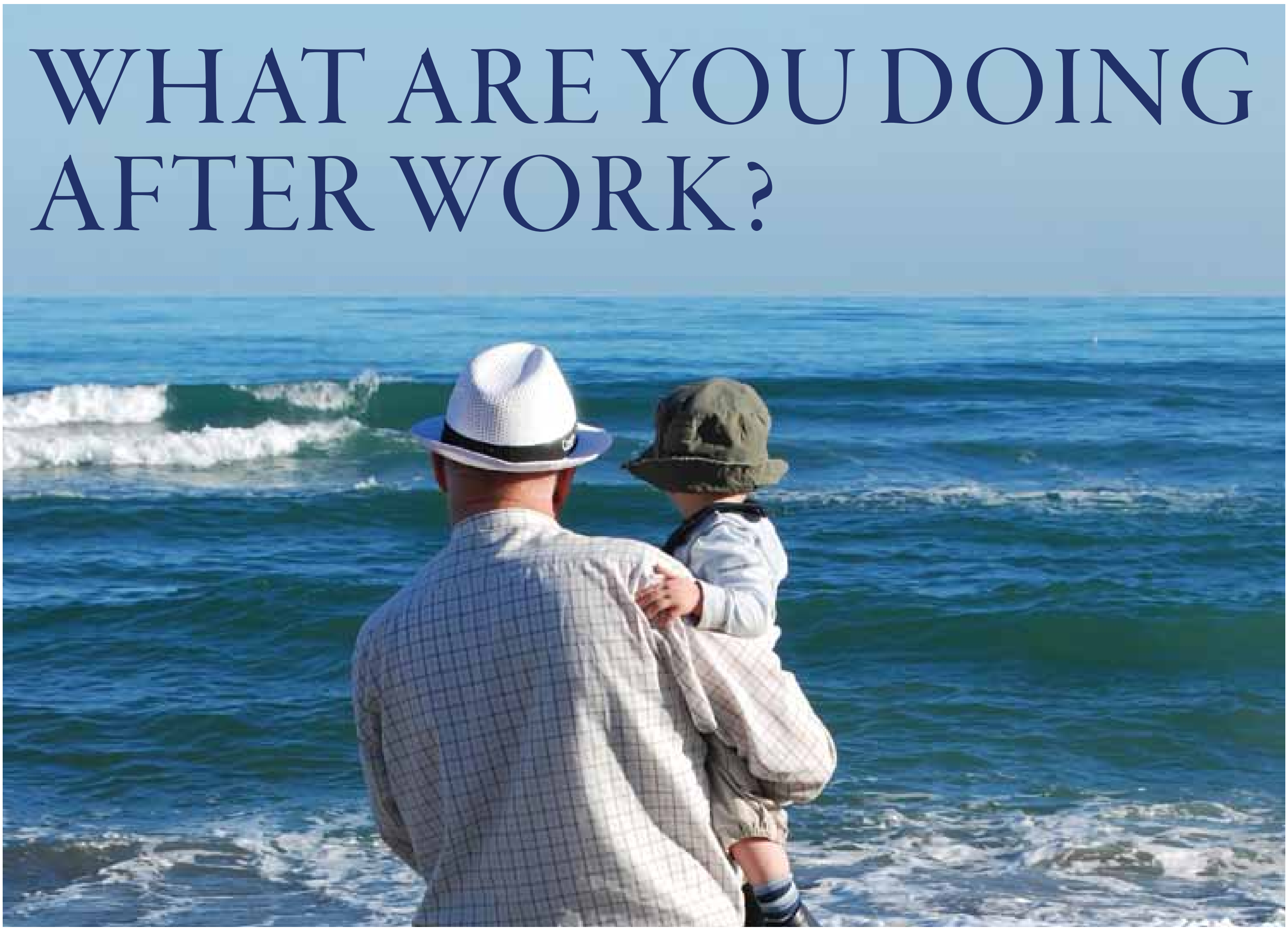
Family income benefit, rather than paying out a lump sum on death, will see your family receiving a regular income until the policy expires. Again, the point of claim will determine how much benefit is paid out to your beneficiaries. Just to complicate things further, policies can be written to cover a single life, joint life (paying out on either first or second death) or on the 'life of another' - your adviser will explain the different options.

CRITICAL ILLNESS COVER

Often illness, rather than death in the family, is as hard to handle. Critical illness cover pays out if you contract a specified medical condition or injury. This particular sector is going through a great deal of evolution as advancements in medical care and technology allows an earlier diagnosis of many critical illnesses.

While we can't stop you from getting ill or dying, decent cover can significantly ease the financial burden, giving you one less thing to worry about when times are tough, and it's a far easier discussion to have sooner rather than later. If you leave it until you think it's potentially more relevant it might not only be too late, but trying to alleviate the financial stress when there are far more emotive factors at play could prove rather difficult.

WHAT ARE YOU DOING AFTER WORK?



Rarely when discussing pension provision do you hear tales of people over-funding their retirement, having started as early as possible and putting aside the maximum amount to enjoy a greater sense of financial freedom once they finish work

To the contrary, a vast majority of us will not have made sufficient provision and sadly the days of relying solely on the state are as good as over, in spite of significant degrees of pension reform that have helped boost a stronger savings culture.

WORKPLACE SCHEMES AND PERSONAL PLANS

While auto-enrolment might have helped to bring workplace schemes to the forefront of people's minds and improved levels of engagement, it's probably just the starting point. Keep an eye on your circumstances and requirements, taking note of anything that might shape the level of your contributions. Your group scheme aside, it might be worthwhile looking into personal pensions to supplement your state provision and employer plan.

While the onus is solely on you to make your contributions, the government will offer you tax relief on them (up to £50,000), allowing you to build a larger pot more quickly. It's imperative that you discuss all the factors with a financial adviser who will explain all the risks and benefits involved - both at the outset and throughout the life of your chosen plan. Charges and service levels will differ between providers and given the state of constant flux seen in pensions regulation, seeking the right advice is more crucial than ever, as it will determine whether you have enough cover to meet your needs once you stop working, or the winter of your life will leave you feeling financially insecure.

ANNUITY, SIPP & SSAS

Whichever route you go down, your adviser will likely recommend an annuity purchase, guaranteeing a set income for your retirement. This will be based on factors such as the amount you have saved, how long you have been saving and your state of health and life expectancy, among others.

Other vehicles exist, such as self-directed personal pensions such as the SIPP or the SSAS, which tend to sit in the domain of the more sophisticated investor, or those comfortable with making their own investment decisions. In some instances a drawdown pension may be an attractive alternative to the annuity route.

For those on a more modest income, stakeholder pensions might be a good option, offering flexibility over contribution frequency, amounts, options for non-workers and broader rules over who can put in on your behalf. Stakeholder pension providers tend to cap their charges at 1.5% for the first 10 years (1% thereafter).

Whatever your circumstances, don't be left out in the cold. A good adviser will help steer you on the right path towards and into your retirement.

A TAXING EXPERIENCE

The adage about life's two certainties – death and taxes – brings to light their other shared characteristics

They are both pretty harsh issues that people want to neither discuss nor accept willingly. Denial, avoidance and procrastination can come into play and emotions tend to run high.

Whilst that most basic of taxes – fuel tax – attracts widespread criticism, IHT, because it is generally attached to a discussion around death and bereavement, can bring about even more stress.

IHT – HERE TO STAY

Politicians make regular noises about scrapping or amending IHT, using it as a potential vote-winner, but as 'death duties' have been stinging families since the late 1700s, they are likely here to stay for the foreseeable future.

In 1986, when IHT superseded Capital Transfer Tax, the new 40% tax applied only to estates above an inflation-linked £67,000 nil-rate band. In 2007, the UK government effectively doubled the threshold at the time, which was £300,000, for many couples. Two years on, the nil-rate band was frozen at £325,000 for a single person and £650,000 for a qualifying couple and the Chancellor has suggested the freeze will likely be in place until at least 2019.

NOT JUST THE WEALTHY

The logic behind IHT seems to have lost its way. The duties in their early incarnations were introduced to ensure that only beneficiaries of the very wealthy had to foot the bill, whereas the disconnect between the rise in house prices and the IHT nil-rate band have made sure it's now relevant to a large proportion of homeowners.

There are ways to mitigate IHT. The bill relates to your entire estate, rather than just the property, so reducing the value of your estate is a good place to start. This might be through making a series of gifts to younger generations. Bear in mind that gifts other than to a spouse or partner are still susceptible to IHT if within seven years of death, but limits apply. Gifts are exempt if they do not exceed £3,000 in each tax year, or up to a value of £250 per recipient per tax year. Special allowances apply to wedding gifts, while regular payments may qualify for limitless exemption.

Specialist insurance policies, making use of trust arrangements, and substantial charitable donations can all be taken advantage of to reduce your IHT bill. It's a complex area of financial planning underpinned by a lot of emotion; therefore good advice is essential.

Tax and estate planning are not regulated by the Financial Conduct Authority.