Canada Life Roadshow 2024

Exploring your horizons

Case study: William & Jenny

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Case study – William and Jenny

The situation

William and Jenny are about to retire.

William was born on 6 July 1954 and is 69; Jenny was born on 1 June 1956 and is 67.

William has a successful career at a bank, with a gross salary of £135,000. Jenny is a legal secretary with a gross salary of £45,000.

Both clients are in good health, and they are looking to review their current and future financial circumstances.

Current assets and values

Asset	Joint	William	Jenny
Primary Residence (mortgage free now)	£995,000		
Cash	£25,000		£511,000 (inheritance)
Investment Account purchased for £275,000 (yielding 3.6%, £12,600 Div. income)	£350,000		
ISA		£170,000	£110,000
Pension		£1m	£680,000
Total	**£1,370,000**	**£1,170,000**	**£1,301,000**

Total joint estate subject to IHT = £2,161,000

Case study – William and Jenny

Aims

William and Jenny are looking to make changes to their current finances to provide for their future, but also want to pass assets to their family in a tax-efficient way.

Important information

- William and Jenny have one son, Martin (46), who is married to Liz (45). Martin and Liz have two children, aged 18 and 19.
- William is a medium/high risk investor and likes to invest in the stock market given his financial background.
- Jenny is happy to take some risk with their joint investment account, but when it comes to her personal assets, she is much more cautious.
- William is a higher-rate taxpayer, with a reduction to some of his personal allowance due to the pension contribution he makes. Jenny is a basic-rate taxpayer.
- In retirement, William and Jenny are looking for a total household income of between £95,000-£100,000 from all sources.
- Neither William nor Jenny have claimed their State pension yet and will have deferred benefits, and neither pay National Insurance Contributions (NICs).
- They have recently paid off their mortgage, so they no longer have this liability.
- No gifts have been given in that past 7 years, and their annual exemptions have not been used in the past 2 years.
- They are looking to make some outright gifts to reduce their estate, pass on some wealth to their family, and help pay for their grandchildren's education.
- They have Mirror wills which leave everything to each other, and then to their son, Martin.
- Due to the client's current net estate, there could be a reduction on second death to the residence nil rate band (RNRB).
- William was contributing 15% to his pension through salary sacrifice, and Jenny was contributing 10% through salary sacrifice. When they retire, they will no longer be making pension contributions.
- Dividend income in the 2023/24 tax year for William (£1,000 allowance) is £5,300 taxed at 33.75%. As Jenny is a basic-rate taxpayer (also with a £1,000 allowance), her £5,300 dividend income is taxed at 8.75%. The dividend allowance will reduce to £500 each in the 2024/25 tax year.

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