Chesterton House Family Wealth Podcast

#01 Transcript

0:00

Hello and welcome to the Chesterton House Family Wealth Podcast, where we share news and ideas from the front line of advising clients, bring you up to date with events and happenings here at Chesterton House, and meet team members and guests who have great stories to tell or ideas to share. You can find all of our podcasts on our website at chestertonhouse.co.uk. And now, here is your host for this episode.

0:27

Andy: Welcome to this first Family Wealth podcast from Chesterton House. And thanks, first of all, to Sapphire. I bet you didn't know we've got a new Sapphire on board, did you, Jenny?

Jenny: No, she's new to me, but a welcome member of the team.

Andy: Absolutely. I should have introduced Jenny first. I'm Andy Jervis, chairman and founder of Chesterton House. Jenny is our marketing manager, and I've just introduced a new member of the team without her knowledge. Sapphire is actually an artificial voice, an AI speaker who did the initial announcement. I can assure you it'll be the first and only AI presence in this podcast.

Jenny: No robots on this podcast.

Andy: I hope not. Although you never know, when you've listened to it you might change your mind. So, welcome, Jenny. What's it all about? Why are we launching a new podcast? Many of you will know we've had podcasts before, if you look through our website there's quite a few on there where we've recorded different things over the years, but this is the first family wealth podcast. We've discussed this between ourselves Jenny, but what's your take on the idea of family wealth? What's the relevance of family wealth in the Chesterton House world?

1:59

Jenny: We've spent a long time trying to figure out who we best serve in the community. Most of our clients, we deal with their financial plans and try to get their entire financial house in order. But when we've looked at it, most clients aren't operating in isolation, they've got relationships around them: parents, children, grandchildren. So the plan doesn't just affect them, directly or indirectly it's going to impact their family members too. It makes sense to look at the whole family and provide a service that has a positive impact on everyone.

Whether that's through gifting money to family members, or thinking about the long-term, generational passing on of assets and making sure your family members get what you want them to have, there's a lot of depth we can go into, and we'll be covering it throughout the podcast across lots of different topics. Alongside the family aspect, a lot of people have told us they feel Chesterton House is an extension of their own family. So while we're talking about family wealth, we'll also be sharing news from the Chesterton House family: news from the team, news about the business, and plenty of other things as we go along.

3:39

Andy: Good. I think the idea of the podcast is more of a magazine style, having a conversation like the one we're having now, which tends to bring out things you wouldn't necessarily talk about in a more formal presentation.

Hopefully people enjoy that format, it lets us be a bit more laid back and hopefully makes it more enjoyable. The plan is to cover a number of different topics, talk about some of what's going on internally, and share things we wouldn't normally discuss, as a way of keeping the people we do business with informed. This is very much aimed at our existing client group, it's not really a podcast for the wider world in that sense, we have other marketing for that, but a lot of it feeds back to the work we do. Hopefully you'll get some familiarity, meet more of the team, and pick up some useful ideas along the way. So, what are we covering this time?

4:42

Jenny: There's a lot of interest at the moment in inheritance tax and the changes bringing pensions into the inheritance tax bracket. I met up with Sam Harrington, one of our financial planners, recently, and we had a discussion about what the changes are and how they might impact people. We'll share that next.

5:09

Andy: Let's dive into that, and hope you enjoy the recording, complete with sound effects. There's a prize for how many bird calls you can hear on it, so email us afterwards. Here we go.

Segment: pension and inheritance tax changes, with Sam Harrington

5:24

Jenny: Hello, I'm Jenny, marketing manager at Chesterton House, and we're here in the delightful Chesterton House garden, which you may or may not have seen before, speaking with Sam, one of our financial planners here at Chesterton House. Welcome, Sam, thank you very much for having me.

Sam: You're very welcome.

Jenny: It will be good to hear from you. First of all, tell us a bit about you as a planner. How long have you been here, and what's your journey been?

Sam: It's been quite an interesting journey. I'm coming up to 11 years now at the company. I joined after finishing my A levels, started out as an apprentice on the reception team, and over the years worked through various departments, learning different skills, before joining the financial planning team about four years ago. I've really enjoyed the role, and it's been a good journey.

Jenny: You're the one who knows everything then, if you've been in all the departments.

Sam: Yeah, I feel like I'm part of the furniture.

Jenny: We know you recently had a family addition.

Sam: Yes, he's just over three months old now. Finley, we welcomed him at the end of May, so I hope I don't look too tired. It's been a few sleepless nights, but it's been great, he's a real delight. From a financial planning perspective, it's made me think about his future. One of the things we've started to do is open a junior ISA account for him and put a bit of money away each year, so that by the time he turns 18 there's something for a house deposit, or his first car.

Jenny: How do you tell your dad's a financial planner without saying your dad's a financial planner?

Sam: Exactly. He'll be taking his first exam when he's probably about ten years old.

Jenny: And a keen footballer too, I guess, hopefully.

Sam: Hopefully a big Leicester City fan like his dad, although he probably won't thank me considering how bad we are at the minute.

Jenny: Well, you can only get better.

7:38

Jenny: So, we're talking today about some of the changes happening in 2027 to do with IHT, pensions and ISAs. Sam's come along to talk that through with us. What are the changes?

Sam: It's a very interesting subject, and there are a couple of significant areas people should be aware of. Firstly, it was announced at the Autumn 2024 budget that most unused pension funds will be brought within the scope of inheritance tax from April next year. Secondly, there's a change to the cash ISA allowance for people under the age of 65, it's reducing from £20,000 down to £12,000. That doesn't apply if you're over 65, you still benefit from the full £20,000 cash ISA allowance, but it's something to bear in mind if you're under 65 and looking to contribute to a cash ISA.

Jenny: OK, so tell me about this inheritance tax change with pensions, that must be affecting a lot of people. What have you seen? Have you had a lot of enquiries or questions about it?

Sam: We've had a lot of enquiries from new clients wanting a better understanding of how this change may affect the inheritance tax treatment of their estate, and their family's future, and likewise from existing clients. Traditionally, pensions have been outside your estate for inheritance tax purposes, so it's been a tax-efficient way to pass money to your loved ones. That's changing from next year, which may impact some people and not others, it depends on the size of the pension, the value of the estate, and the allowances available to offset against it. But we've seen potential increases in inheritance tax running into the hundreds of thousands from this one change alone.

Jenny: So it sounds like our existing clients are already covered, we're on top of their affairs. But if someone isn't a client, have you got any tips on what they should be doing?

Sam: There's no one-size-fits-all approach, it's tailored to each person's individual circumstances.

Jenny: So what can you do about it? Should I be taking anything out of my pension to try and prepare?

Sam: Again, there's no standard answer, it depends on your circumstances. But we're seeing more people take their pension early if they still have tax-free cash available. We've seen people make gifts with that money, the use of trusts has become more relevant, and there are insurance policies you can take out to insure against the eventual inheritance tax liability. There are various strategies we look at as part of our ongoing service to clients.

Something to bear in mind is that if you take money out of your pension, you could create a tax liability for yourself depending on where that money's then held, and whether you've used your allowances. You could also affect your future investment growth. So if you're thinking about withdrawing money purely to avoid inheritance tax, it's a complex area, and I'd suggest seeking specialist, bespoke financial planning advice, both on whether it's right for you, and on the right place to put the money once it's out of the pension.

One change that's slightly gone under the radar is that from April next year, if you hold cash in a non-cash ISA, such as a stocks and shares ISA, any interest that cash earns will be subject to a flat rate of tax at 22%. We get a lot of questions about whether this affects people over or under 65, and it changes regardless of your age or tax position. It doesn't mean you now need to file tax returns and report the tax to HMRC yourself, from what we understand it'll be the ISA manager's responsibility to pay the tax directly to HMRC, so there's no need to submit a return for this particular tax.

Jenny: Thanks Sam, that was really helpful. It's a confusing area with all the changes, and it's great to have it explained simply. If people would like to come and get some help, can you explain the process for when they first come to us?

Sam: If you're not already a client, there are various ways to make an enquiry, through the website or by calling our reception team. The process starts with a complimentary initial phone consultation with one of our financial planners, to get a better understanding of you and your circumstances. If there's anything we can help with, we'll invite you into the office for an initial face-to-face meeting, which we call a Financial Road Map meeting, to put things into perspective for you. Assuming you're happy to come on board as a client, you'll go through a structured process before we deliver your personalised financial plan.

Jenny: And what happens after the financial plan, do you see clients again?

Sam: Yes, absolutely, I'd love to see you again. Once the plan's been implemented, we move on to what we call an ongoing service agreement. We'll meet at least once a year to make sure your plan remains on track, and deal with any changes to legislation, like the ones we've talked about today, so you're ahead of any potential issues.

Jenny: Sounds good. If you'd like to book a meeting, the details are in the podcast notes. This is the beauty of recording outside in the garden. The details for our website and phone number are in the show notes alongside the podcast, or in our bio wherever you're watching this. Thanks a lot, Sam, that's really helpful.

Sam: Thank you very much.

Back with Andy and Jenny: the 90% tax scenario

14:48

Jenny: So how many birds did you manage to count in that, Andy?

Andy: There were quite a few, weren't there? Not to mention sirens. I can't claim to be an ornithologist, so I won't tell you all the different varieties, but they certainly wanted to get their word in. Hopefully they've all got their birdie pension plan sorted out.

Jenny: Hopefully. I'm just glad the gardener didn't come with his leaf blower, he quite often does that on a Monday. Thanks again to Sam for talking us through that, I think it's an important topic and, as you said, we'll be addressing it for most of our clients. But if you do have any worries, just give us a call.

Andy, you were telling me earlier that just this morning you'd had another communication which added another element of concern about the changes to inheritance tax. What have you found out?

Andy: This came through on one of the financial news feeds this morning, but I thought it was worth mentioning while we're on this topic. It was putting some numbers around the whole inheritance tax and pensions issue, and pointing out that in some circumstances, admittedly fairly limited ones, the eventual tax rate on an inherited pension could go up to not far short of 90%, which is quite striking.

Jenny: How does that come about?

Andy: Firstly, inherited pension funds are currently not subject to inheritance tax. They will be, potentially at 40%, after next April. But if someone passes away after the age of 75 with pension funds they wish to transfer to their family, there's also a potential inheritance tax charge. So it's possible for an individual to pass away and leave their pension fund in their estate, which then pays capital tax at up to 40%. If the people receiving that money are also higher rate taxpayers, right at the top rate of tax, they'd pay another 45% on top. On top of that, if the pension fund pushes the individual's estate over the £2,000,000 threshold, they could lose some of their tax-free allowances. It's a complex situation, but it's certainly feasible that someone could end up in that position, where what's left over is quite small. For some people, this really is a very significant tax hit. If you're in that kind of situation, we can run the numbers and show you exactly how it affects you, and whether it's something you want, or need, to act on. Quite timely that it came through this morning.

Jenny: Obviously something a lot of people could be worried about. Not many people will be impacted to that extent, but it's good to be aware of it in plenty of time.

Andy: As Sam said, some people won't be affected at all, if the pension fund they leave behind, added to their existing assets, still leaves them under the nil rate band, they won't pay any inheritance tax. But there are clearly a lot of people who, once you add sometimes substantial pension funds to their existing assets, are easily pushed into inheritance tax territory. So the effect on some people's estates will be dramatic, as well as the extra work involved. One thing highlighted by a lot of people in this field is the huge amount of work in tracking down pension schemes, valuing them, and working out all the allowances and benefits, it's a field day for the solicitors involved in probate calculations, because there's some really complex work going on. All in all, an interesting time, and the tax environment certainly isn't getting any easier.

Andy; So on that happy note, let's turn to something else. We don't want to alarm everyone, but we don't want to be unrealistic either.

Jenny: It's best to be prepared.

Andy: Absolutely.

Segment: the Chesterton House Foundation and Equality Action

19:35

Andy: What we also wanted to mention this episode is a little of the work we've been doing with the Chesterton House Foundation. If you receive our newsletters, and if you don't you can sign up on the website, you'll hopefully be aware of the Foundation. We started it a couple of years ago, and have made a lot of grants to smaller local organisations. In the latest round, we had a trustees meeting in July and agreed an application from Equality Action, based on Nottingham Road in Loughborough, who've been doing some really good work.

I was personally surprised to learn their organisation has been running since 1969, and it was interesting to hear from the team there how their service has adapted as needs have changed over that time. I'm going to run a bit of the recording from that meeting, hopefully you'll get enough from it to get a flavour. Hope you enjoy hearing about Equality Action and what they're all about.

20:50

Varsha: Since '69, there's been a whole group of like-minded people who saw people coming in from other countries, Bangladesh, India, then Uganda. People came here but had barriers: maybe a lack of English, not knowing the system, and a lack of confidence in knowing what services they could access. It was very much a bridge, helping them settle. But at the same time, people living in this country were suddenly seeing foreigners coming in, and it was about how to make those two work together. I think they did an amazing job. There were a lot of hosiery firms in Loughborough and Mansfield, and the people who came, mainly men who came to work, then subsequently brought their families over. I think that was the reason they came to Loughborough. But the role of this organisation was very much about supporting the families.

I know Loughborough College, and I've got a book about it, I'll give it to you. But Loughborough College did a bus with some beautiful painting on it, it was like a toy library that went round community families, so kids could access books, or be taught English, that kind of thing. There was a lot of that kind of thing happening then, which over the years I feel is still needed, hopefully less so going forward, because the generation we currently work with had the barrier of not having English.

But the later generation now speak fluent English, probably better English than I do, and digital skills aren't a problem anymore. But then other issues kick in: intergenerational tension, this sense of identity, peer pressure, you've got the Western world out there at school, and then you go home and there's a different view saying, no, this isn't how it's done.

Geetha: Women in particular, the generation you work with, are sometimes scared of the development of technology. And there's also the question of how you keep track of what your kids are looking at, what they're reading online. I think that's something that leads to great women who are the deliverers of all our projects. They're at the front end of what we do.

Minara: I've been here 17 years, I think, last time I checked. I started off as an outreach worker, visiting people who couldn't come to the office but needed the service. A lot of it involved form filling, people needing help with disability benefits, attendance allowance, pensions, that sort of thing. Older residents would receive a letter, it could be junk mail, but they didn't know what it was, so I'd go round each week checking the mail for them and helping with anything important. That wasn't my job at the time.

Eventually, because it's funding based, you go with whatever funding's available. There was a funding opportunity to launch a project called Chances For All, working with women in our community, and that was the starting point where we started to engage with women and find out what their needs were. A lot of women were isolated and didn't have the confidence, so we tried to encourage them to get involved in activities, sports activities, whatever they felt there was a need for, and we'd arrange it for them. We made a lot of progress over five years, then realised people needed support with mental health issues, and just being able to talk about mental health.

We were fortunate to get another five years of funding for mental health related work, we did that from 2017 for five years. Then at the end of that we came to EmpowHer. This is the next stage after all the work we'd done, the women are confident now, they want to do more: get into work, learn to drive, set up businesses. We thought we'd see how we could help them. That's what we're doing at the moment, we're in our third year, and the new work we've started with EmpowHer is working with the youth. Prior to that we were mainly working with women, but we thought, with young people being the future of our community, we want to get them involved, bridge the gap a bit, because we'd identified a bit of a disconnect in how they can support the community going forward.

Zee: My role is funded by the Geeta Project project, which is about getting people to access mental health services. You talked about generational differences, the majority of the people I see are between 25 and 45, and their needs vary. You get people who are very fluent in English, working in the community or in a job, reasonably well educated. And you get people who perhaps haven't been in this country very long, who don't have English as an additional language. So I see both ends of that, and the generational differences too.

One of the things that gets everyone together and involved is art. You don't need many skills, you don't need to be good at it, it's just about enjoying the process. At the moment we've got rock painting, we do canvas painting, but it's free-form, so no prior skills needed, you don't have to be good at art, you just come to enjoy the experience. We also do, more geared towards women, self-care jar making: getting ideas together about what self-care means to an individual, they put it on a little slip, make a jar, decorate it, and then if you're having a difficult moment, a hard day, you dip into that. Our latest one is community canvases, all about community, trust and interdependence. You get people together, start a canvas, put your name on the back, and it's passed around, you start it off, and after ten or fifteen minutes the next person takes over, then the next, until the last person gifts it back to you. Then you reflect on the process: what you were thinking about when you designed it, how it ended up, and how everyone worked as a team. That's one of our latest ones.

Andy: From my perspective, listening to all of this, I found it fascinating that the journey of Equality Action as an organisation follows the transition from people who've come into this country as new immigrants, with no orientation at all, needing that help, to people becoming embedded in the community. They're getting jobs, they're working here, their needs start to change, then they're having children and the mothers need support, and it's the flowering of this community and the blending of it into everything else.

Geetha: I think the whole story is community cohesion, because we don't want people to be isolated. We want them to participate fully in what their community has to offer, and that's also about interacting with people from other cultures, not just sticking to your own ethnic group. I think the whole ethos is community cohesion, so we live in a much more harmonious environment rather than a divisive one.

Zee: My favourite is, I met this lady, I was at Wesley Hall to talk to somebody about setting up a stand or a workshop. I wasn't there for this, but this lady overheard the conversation. As I was leaving she chased me out of the building, it was a real celebrity moment. Her story was that she was an asylum seeker, she had a child with special needs, a child with autism, and I have a child with ADHD and is deaf. So it was really like meeting my past self, that kind of moment. I was able to support her because she thought she was in that mindset because so much was happening around her, so much going on, she couldn't fill the forms in, she didn't understand anything, she felt lost by the system. She thought that was because she was an asylum seeker, because she'd only been in the country a few years. And I said, no, it's not that. I was born here, raised here, educated, I had a degree, I had everything, I was, on paper, perfect. I struggled, I had bad days, I had no idea how this system worked. This is a universal experience, it's not just you. We did a lot of work together on building her self-esteem, and I got her to write her CV. It turned out that back in Bangladesh she was a straight-A student, she'd been to some top universities, she'd been invited to India to give a presentation on her country's behalf, but she'd forgotten all of that. All she remembered when she met me at that time was that she's the mother of this child she seemingly can't look after, and she doesn't know what she's doing or how to get him into school. And the change that came, within a few weeks really, was that she was more optimistic, more confident. She came, that first day with a hat on, almost trying to hide, and it was still winter, but when she came the next time, she was in a colourful outfit and just more vibrant. That transformation wasn't necessarily in her situation, because the autism was going to stay, the battle with the schools was going to stay, but her self-esteem, her wellbeing, was just really apparent.

Minara: When I saw this job advertised, in a local shop, I just laughed at that. I've been doing this all my life, unpaid, and I'll probably keep doing it for the rest, even if I didn't work here anymore. It was from a young age, when we lived on the street there were more families, and my mum would say, oh, my daughter can, I was only a child, I must have been doing it from them, she can fill the form for you. I came and started doing this job, and now we're known in this community, this person who knows everything. We're like Google to them.

Varhsa: I'll tell you a classic one. I remember this, before we applied to the Big Lottery for the women's project, which I'm delighted to say has been funded and refunded over the years. I had this conversation with Minara when we were doing a pilot, and I said, what do you think about a pilot project to look at the women, especially the Bangladeshi women, to see if we could do something that helps? The response was, actually no, I think they're all happy being at home. And I thought, we've got this wrong. We did the pilot. And honestly, when I see the journey of some of the women, from literally dropping the kids off at school and going back home to get on with whatever, nothing wrong with it, to now some of them have actually got small businesses, they're driving, they're school governors and things like that. You see the massive change in a person's journey, from that person who would literally drop the kid off at school and then go home and do the cooking, cleaning, whatever, and don't get me wrong, nothing wrong with it, because we all have to do it, but it's just that now there's me-time, being an active part of that family, bringing in the income. It's made such a big difference.

32:58

Andy: Well, I hope you enjoyed listening to that. They're obviously doing some great work down there on Nottingham Road, and all power to them, there's a lot of enthusiasm and energy going into that project, as with all the ones we support. It's been really heartwarming to see how the work done in the community generates such great results for the people it's for. We're very proud, as trustees of the Foundation, to support them in any way we can. And to do that, it helps to have your support too.

We've had a lot of input into the Foundation through our events, we've raised a good amount through our summer barbecues, and had various donations from individuals, and we're starting to build the Foundation into some of our financial planning, in terms of tax planning. But one easy and enjoyable way to support the Foundation is to go on holiday. You may have heard about the scheme we have with Riviera Travel, and I can vouch for them myself. We came across it because my wife Sue and I had been on holiday with them and had great experiences, and we were made aware of their affinity scheme. If you book a holiday with Riviera direct, not through an agent, and ask to use their affinity scheme in favour of the Chesterton House Foundation when you first speak to them, we'll receive 10% of the value of the holiday for the Foundation. In some cases that can be a sizeable amount, we've had a couple of payments recently from clients who've been away, which has been a very welcome addition to the Foundation.

We're even thinking about organising a group trip later in the year, we'll put a note out about that. One thing I'd like to do is get a guest from Riviera on to explain more about how the scheme works, so hopefully that'll be a subject for a future episode.

Jenny: I think it's important to highlight that it doesn't cost you, as the person going on holiday, anything at all. It's a commission-based scheme, you just pay what you were going to pay anyway, and the Foundation gets the benefit, which we then pass on to people in the community.

Andy: Just wanted to remind you the scheme exists, and I know Riviera are already taking bookings for the 2028 season, so there's plenty of choice out there.

Jenny: They've got some interesting looking trips, so I'll have to try and persuade someone to be their bag carrier!

Andy: I'll let you know about that.

OK, I think we've covered a fair bit of ground today. I hope you've enjoyed the podcast. I think we're about there, aren't we? Anything else to mention?

Jenny: I don't think so, not at the moment.

Andy: In that case, we hope this leads into podcast number two, and if so, that'll be before too long. We're not putting any definite dates on these things, they take a bit of pulling together. Thanks again, hope to check in with you soon. Bye.

Jenny: Bye.

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