2021 EMPLOYEE WITH BONUS

BLOG MONTH 1

Getting a bonus?
Don't lose it to the taxman!

Getting a bonus? Don't lose it to the taxman!

Welcome to my monthly blog post. I hope you are well and find this month's post of interest.

If you are an employee, you may be fortunate enough to receive a bonus, a reflection of your contribution to your employer. If you are expecting a bonus sometime soon, you may already have mentally accounted for the money. This is the modern term for what previous generations did when they put the money in 'pots', (either virtually or physically) and allocated it for certain bills or activities.

You may have already 'spent' your bonus before you have received it. For example, you may have split the bonus to:

·Pay off debts, especially the high interest expensive ones,
·Put toward a holiday, and /or
·Put aside into that 'rainy day' or retirement pot.

All of the above are sensible ways of you 'spending' your bonus. There are, however, valuable tax allowances which, if used efficiently, can increase the effectiveness of your 'spending', both legally and ethically. The clock is, however ticking. You will need to consider your options as you may need to take action before you receive your bonus.

Tax efficient investments

Many people have heard of and invested in tax efficient Individual Savings Accounts (ISAs) or one of their many variations. Investment options for ISAs range from deposit accounts like building society accounts to equity-based choices. Using part of your bonus to fund an ISA now will keep future growth free from income and capital gains tax.

Pension contributions

You could allocate part, or all, of your bonus towards the greatest holiday of your lifetime, your retirement, whilst getting the taxman and possibly your employer, to add to your retirement pot. Regulations mean you can now get tax relief on pensions contributions of up to 100% of your salary each year (subject to annual and lifetime limits).You could use your bonus and the taxman's allowances to maximise your pension contributions, so you don't lose out on your holiday of a lifetime.

Inheritance Tax

Inheritance Tax is often referred to as a ‘voluntary’ tax.

Current tax legislation allows people a number of legal and ethical ways to help reduce or avoid Inheritance Tax.

One of those ways is to gift money to beneficiaries and doing so out of a bonus payment may be an efficient option for you to consider. Now, perhaps, might be the right time to start planning on how to stop your beneficiaries losing money to the taxman, unnecessarily.

If the clock is ticking to your next bonus payment, let me help you reduce the taxman's take of your hard-earned money so you don't lose out and keep it where it belongs.

If you'd like to learn more, please get in touch now and stop losing money to the taxman unnecessarily.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

Investors do not pay any personal tax on income or gains, but ISAs do pay unrecoverable tax on income from stocks and shares received by the ISA managers.

Stocks and Shares ISAs invest in Corporate bonds; stocks and shares and other assets that fluctuate in value.

Inheritance tax planning is not regulated by the Financial Conduct Authority.

Tax treatment varies according to individual circumstances and is subject to change.