SKYBOUND
WEALTH MANAGEMENT

UK Expats Retirement Planning Update 2022

Uk Expats Retirement Planning Update 2022

As an international expatriate it's fair to assume you are probably earning more than you did back home, and are paying less, if any tax at all. However, it's not all sunshine and smiles for international workers. As such, it's of paramount importance that you utilise your international status effectively by taking advantage of the various tax breaks and investment opportunities available to you, whilst ensuring you don't fall foul of any legislature changes back home.

When compiling this e-book, we have drawn on the wealth of knowledge and first-hand experience of some of our most senior global financial planning experts to outline exactly how you can do just that.

In Focus: State Pension

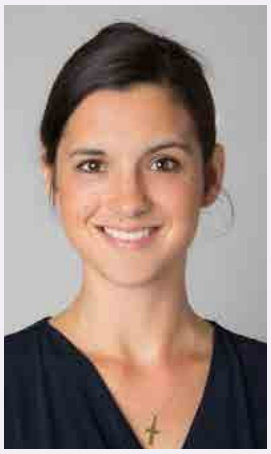
To be eligible for a UK State Pension, you must have made National Insurance Contributions for a minimum number of years. The number of years that you need to contribute to qualify for the minimum pension varies depending on your age. You'll usually need at least 10 qualifying years on your record, although they don't have to be 10 consecutive years.

By choosing to work overseas it's more than likely that you will have gaps in your National Insurance contributions and so to protect your state pension entitlement you can make voluntary contributions to bridge the gap.

However, from 5th April 2023, you will only be allowed to make voluntary contributions for the previous six years. So, if you have fewer than 4 qualifying years on your National Insurance record, this may not be sufficient to qualify for a new State Pension.

Carla Smart,

Chartered Financial Planner and International Pensions Specialist.



"I recently looked into this for my own personal State Pension and found I could make up 13 years of missed contributions. To do this, I had to pay £4912. The current annual state pension is £9627.80 and this rises in line with the triple lock (the higher of 2.5%, the rate of inflation (CPI) or the average earnings wage growth). In order to receive the full state pension, I would need to contribute for 35 years in total. So, in today's money, one year's contribution would provide a guaranteed, inflation linked income of £275.08 per annum. By making up 13 years of missed contributions and paying £4912 now, it means that I will be entitled to £3576 per annum in retirement."

While the process itself was quite straight forward, it took around 5 months in total from my initial enquiry so with the April 2023 deadline looming it's important to act now"

DID YOU KNOW...

Exchange Rates

You can choose whether your State Pension is paid into either a bank in the country you're living in, or a bank or building society in the UK. You'll be paid in local currency and as such, the amount you receive may change due to exchange rates.

When will your State Pension be due and how much will you get?

As long as you are aged 16 or over, and at least 30 days away from your State Pension age, you can obtain a State Pension statement. Skybound Wealth's team of advisers are on hand to talk you through the process from start to finish.

You can find out the exact age you can claim your State Pension, by clicking the link below and answering a few basic questions. https://www.gov.uk/state-pension-age/y/age

ISA Rules

In the UK, one of the most common tax efficient savings tools is an Individual Savings Account (ISA for short).

An ISA is an investment account domiciled in the UK that lets you build savings from UK employment income to provide tax free growth and income in the UK. ISAs come in various types but the two most common are Cash ISAs and Stock ISAs. UK tax residents can contribute up to £20,000 each UK tax year with no age restrictions. There is no limit to the amount that can be built up in the UK and ISA investments will form part of your estate for Inheritance Tax purposes. There are no age restrictions on withdrawals, and you can take funds out at any time without losing UK tax benefits

As an international worker, when you leave the UK behind you are no longer classed as tax resident there. As a result, you will no longer be able to contribute new money to your existing ISA or transfer money to a different account. Whilst opening a new ISA is prohibited, you will still be able to access any existing ISA and this will continue to be exempt from income or capital gains tax. However, you may be subject to tax locally in your new country of residence. In some cases, you may be required to close your ISA when leaving the UK. Whilst this isn't usually the case, it's worth checking with your provider as soon as possible.

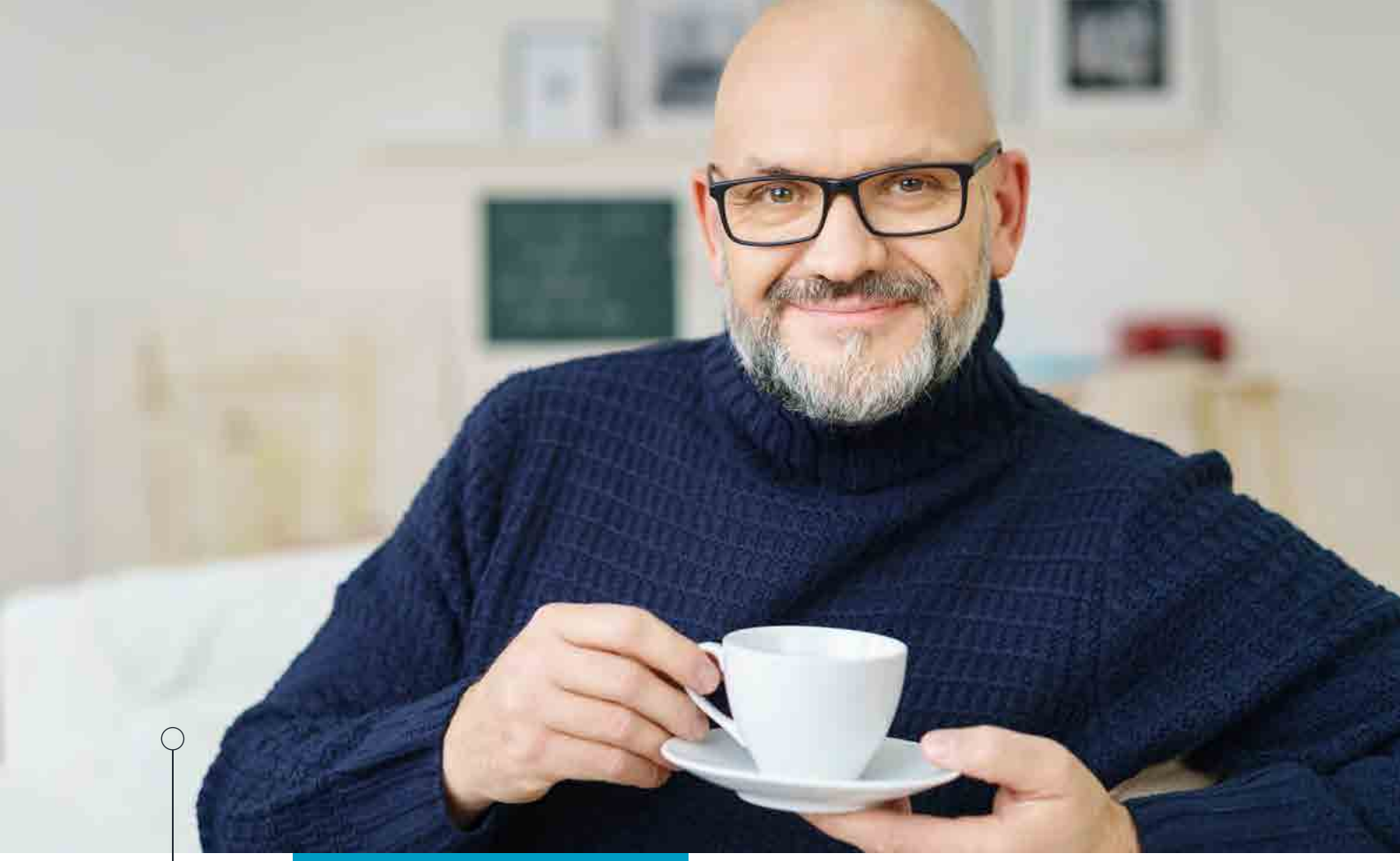
One of the many things that lead people to choose an international lifestyle is the potential to enhance their financial status. Unfortunately, far too many international workers leave at the end of their stay without taking advantage of this great opportunity to provide a solid financial platform for their future.

Compound Interest

The real winners from the expat experience will be those that can resist the temptation to only 'live for the day' and balance up an adventurous and affluent lifestyle with a sensible commitment to set some of their hard earned money aside.

Albert Einstein once said "Compound interest is the eighth wonder of the world. Those who understand it earn it and those that don't, pay it."

Surely the most enjoyable way to save money is to make money as you are doing so. By depositing money into a savings plan you are allowing your money to earn interest which in turn earns interest. This is known as Compound Interest and it is one of the biggest advantages of having a savings plan.



CASE STUDY

After one year John's deposit of £10,000 earned him £700.00 interest increasing the value of his savings as a result.

Twelve months later he received interest on £10700.00 (The original £10,000 + £700.00 interest) and so his investment grew to £11,449.06.

Fast forward 10 years and assuming a 7% rate of interest, John's initial investment will be worth £19671.51.

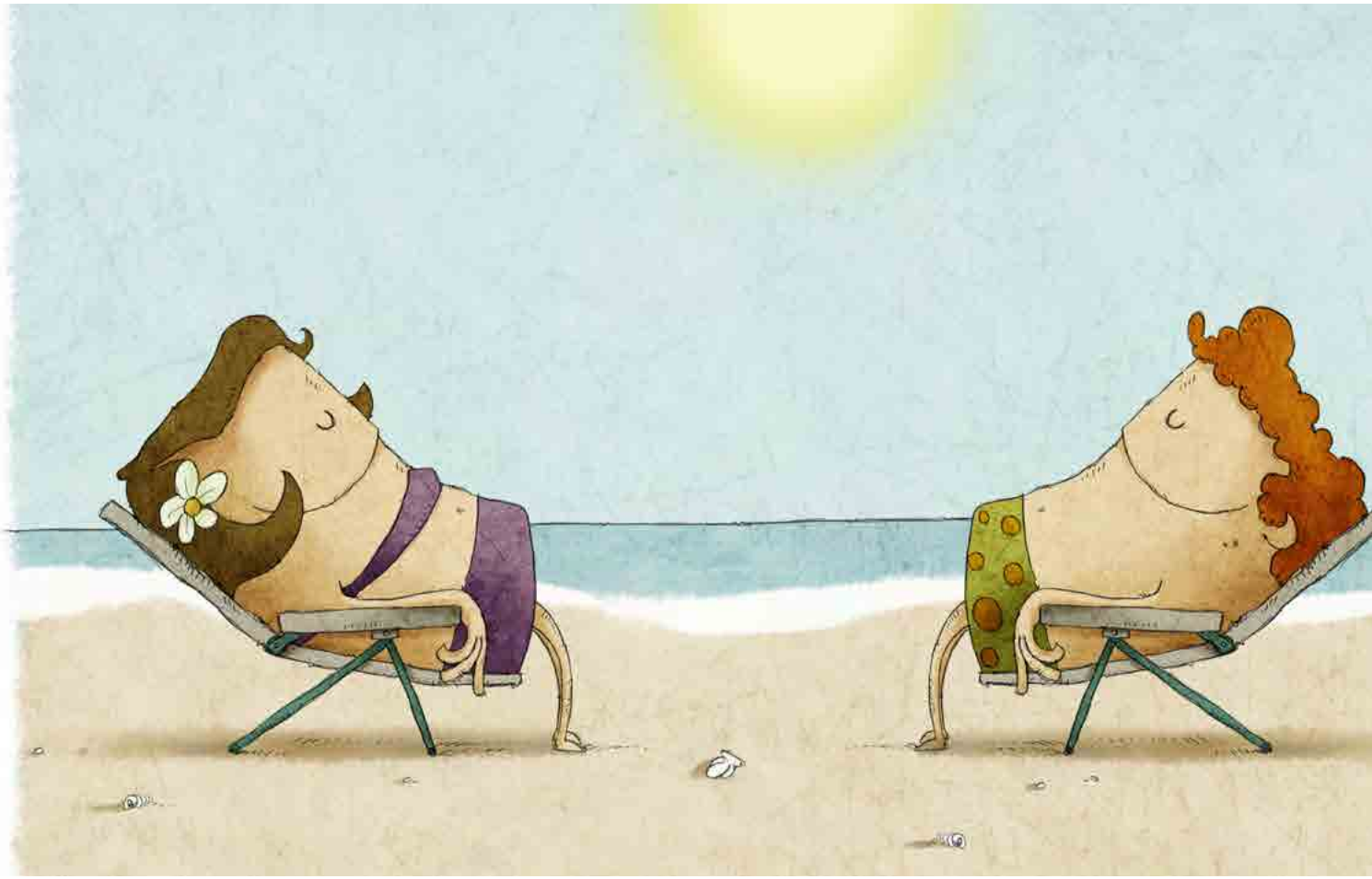
Likewise, in 40 years the same £10,000 would be worth £149,744.58 without John even lifting a finger.

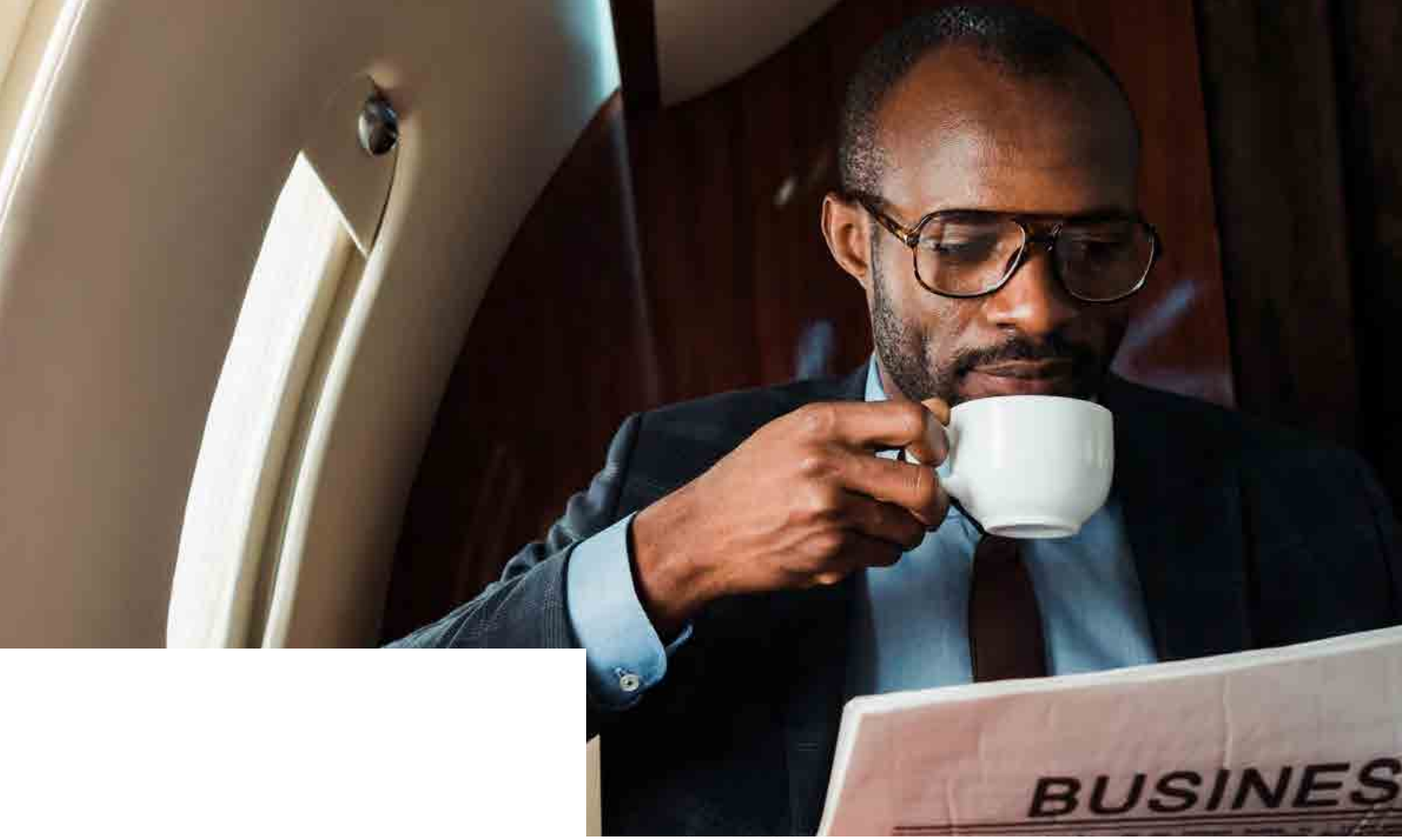
Deposit	10 Years	20 Years	30 Years	40 Years
£10,000.00	£19,671.51	£38,696.51	£76,122.55	£149,744.58

HMRC Endorsed Tax Allowances

Perhaps just as important as saving, is ensuring you take advantage of all the tax allowances at your disposal to make sure you keep hold of more of your hard-earned money. In this section, we explore how by taking the time to review your wealth and often making the smallest of changes, you can take advantage of HMRC endorsed tax allowances to mitigate your tax exposure and potentially draw an annual income of £54,870 completely free of tax.

Some of these HMRC endorsed tax allowances might not be relevant to you right now, or even in the future. The rules around International Portfolio Bonds for example are only relevant once you have returned to the UK, whilst pensions are subject to age restrictions. However, with the right planning now, a combination of, or all of them together can be utilised to enable you to draw a highly tax efficient income as you approach, and throughout your retirement.





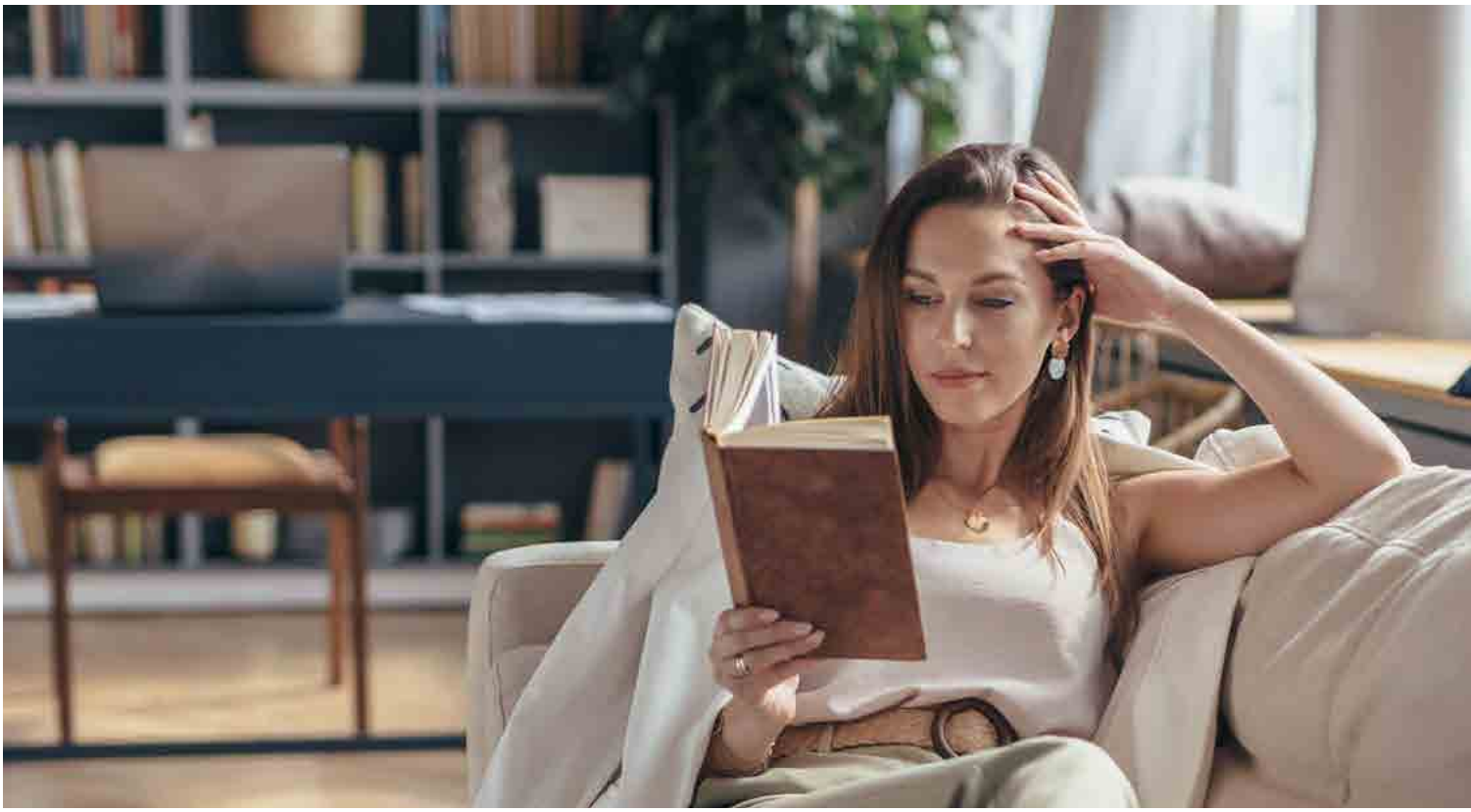
Personal Tax Allowance

Whilst living overseas, your main income will most likely be based outside the UK. However, any income you receive can't be ignored and you certainly shouldn't look a gift horse in the mouth when it comes to mitigating your tax liability. As of April 2021, the UK personal tax allowance stands at £12,570. This means you are able to take non-investment income up to this amount each year completely tax-free.

Personal Allowances Up Close

The UK personal income tax allowance rose from £12,500 to £12,750 in 2021. Rishi Sunak announced in his spring budget that the personal allowance will be froze until 2026. If you receive any UK based income, you would be wise to review how this might affect you.

SKYBOUND
WEALTH MANAGEMENT



Capital Gains Tax Allowance

The Capital Gains Tax allowance (CGT) is the amount of profit you can realise from an asset in any given tax year before you are required to pay any tax. The current allowance is £12,300 and this is in addition to your personal tax allowance already covered in this guide. If you are married or your assets are owned jointly with another person, you can use both allowances and effectively double how much profit you can receive before paying CGT.

Assets liable for CGT include: Stocks and shares, property that's not your main residence, and business assets.

Even if your total taxable gains are below your CGT allowance, you still need to report them as part of your self-assessment.

Whilst Living Overseas... If you sell property or land regardless of whether your profit exceeds the tax-free allowance, you must inform HMRC if you live overseas.

UK Pensions

Once you reach 55, you can take 25% of your defined contribution pension completely tax free with the remaining 75% taxed at your normal income tax rates. Taking your pension in full at 55 might sound appealing, but this can often push you into a higher income tax bracket. You don't have to take the full 25% in one chunk either, so you could in theory draw £10,000 per year free of income tax as per example below.

Pension Value @55	**£400,000**
25% Tax free element	**£100,000**
Income drawn over 10 years	**£10,000per year***

*assuming no further growth in the pension

By adopting this approach, not only do you benefit from a tax perspective, you are also affording your pension pot the opportunity to continue growing as it remains invested.

Changes to Pension Ages

The Finance Bill announced recently the minimum pension age will rise to 57 as of April 2028. There are however some instances where you may still be able to access your pension at 55 after this point, and we would always recommend speaking to your provider in the first instance.

SKYBOUND
WEALTH MANAGEMENT

International Portfolio Bonds: In The Spotlight

Individually held investments have the disadvantage of any gains being subject to immediate taxation in most countries where you may live. However, if the investments are held within an offshore bond wrapper, liability to either income tax or CGT can be deferred in a number of jurisdictions.

Once inside the bond, investments are allowed to grow in a tax efficient manner, until such time as a chargeable event* occurs.

Each policy year (up to a maximum of 20 years), you can withdraw, with no immediate UK tax charge:

- up to 5% of your initial premium, plus
- up to 5% of any additional premiums (from the policy year in which you invested them).

Also, if you decide not to make any withdrawals within a twelve-month period, or take less than 5%, your unused 5% tax deferred allowance can be rolled forwards, so that you don't lose it. The following case study illustrates how this works.

*A chargeable event occurs on situations such as the death of the last life assured, partial withdrawals which exceed the 5% tax deferred allowance, maturity or full surrender of the bond.

How Can Skybound Wealth Help You?

Let's cut to the chase, nobody likes paying tax and to deliberately avoid paying what you owe is punishable by prosecution.

However, the UK tax system provides universal opportunities for you to legally mitigate your tax liabilities meaning you are able to keep hold of more of your hard-earned wealth to enjoy in the future.

There are many investment vehicles available to UK expats. Finding the right one can be tricky and to establish the right product for you in a e-guide like this is impossible. However, we can tell you this; you will pay more tax if you don't speak to a financial planner than if you do. In fact, if you speak to a Skybound Wealth advisor now, you will not pay any tax that you don't need to.

Securing Your Future. Wherever You Are Today

We exist to educate and guide you through the important decisions required today, to ensure you benefit from the freedom of tomorrow.

What Our Clients Say...

At Skybound Wealth we are constantly asking our clients for feedback to enable us to gauge the service provided and identify ways we can improve.

With over 400 reviews rating Skybound Wealth 4 star or above on Trustpilot, here are some of our most recent reviews:

Charles says...

The review was based on facts and statistics. Informed advice was given based on the review of my financial position, balancing the risks and benefits associated with my current and future financial position. Outlook of future investments with attractive returns was provided based on historical data.

Bobby says...

Just had my review. Professional as always. Being able to meet online was a great help too, even if I do struggle with the modern technology, my advisor talked me through how to use Zoom!

Anthony says...

Professional and efficient team based in UAE providing clear advice on investment structure and portfolio spread removing the headache from day-to-day management.

Magdalena says...

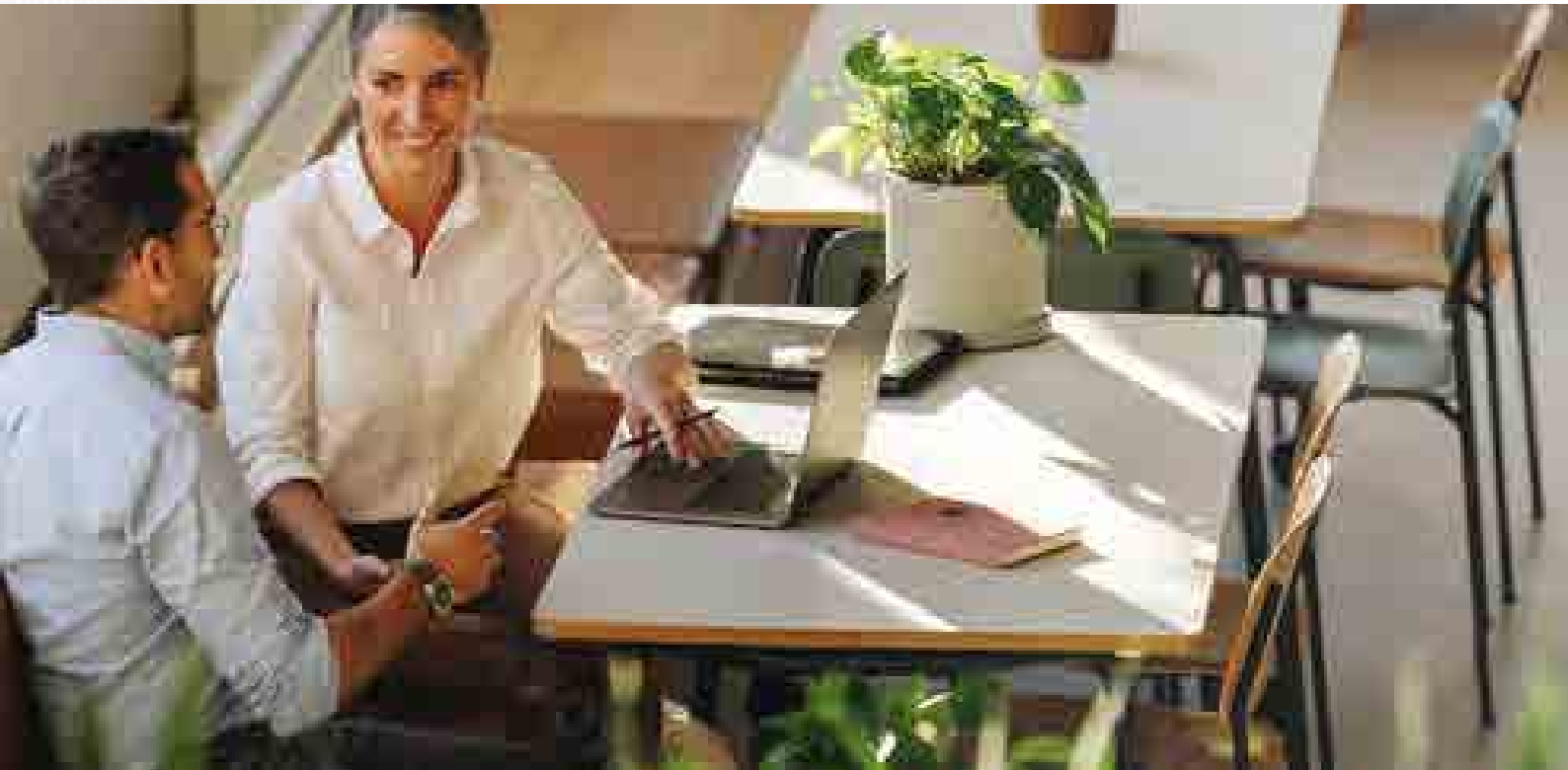
Skybound Wealth Management financial advisors have been helping me for few years to manage my finances. They never go wrong with advice or switching the funds.

Mandy says...

I continue to have good working relations with Skybound Wealth Management. The team is professional in responding to requests and also follows up to ensure action is taken timely. They are responsible, flexible and take into consideration the concerns of their clients.

Ebix says...

My experience was very cordial, informative, and professional. I got the impression that I was dealing with a very knowledgeable and experienced individual. I am a very satisfied customer and cannot wait for the next review.

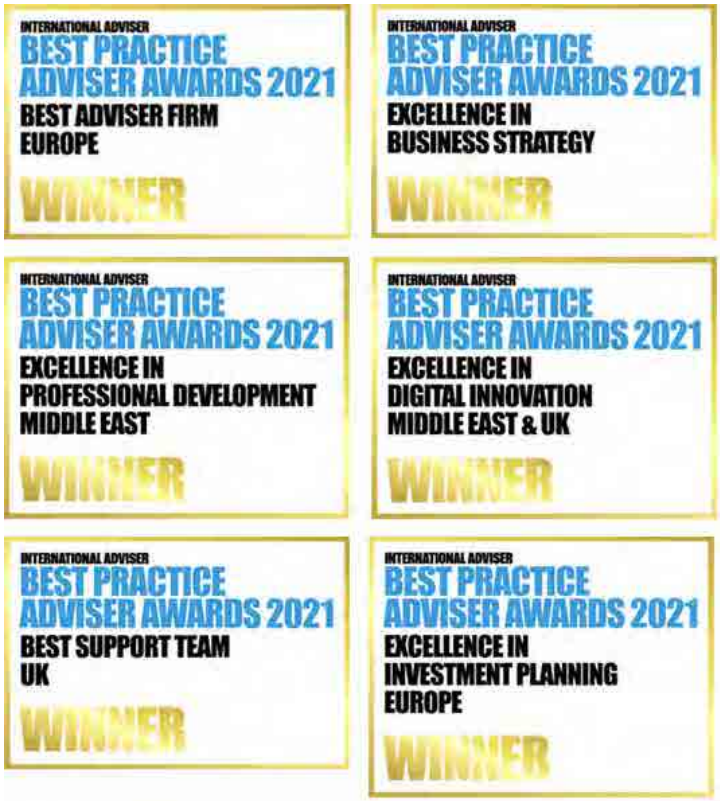


Working Together For A Brighter Future

Through a combination of passion for what we do, a desire to innovate and our ambition to define the future of the offshore wealth advice industry, Skybound Wealth Management exists to guide you through the important financial decisions required today, to ensure you benefit from the freedom of tomorrow.

Award winning international financial planning advice from Skybound Wealth Management.
In the words of International Adviser, 'Skybound is an established business with an impressive track record, impressive plans, extensive regulations a great strategy and all-round client focus.'

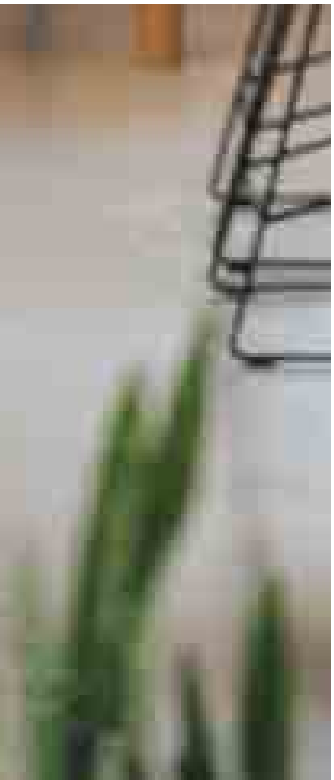
Skybound Wealth received seven awards across three jurisdictions, which recognise the efforts of every member of the Skybound family.

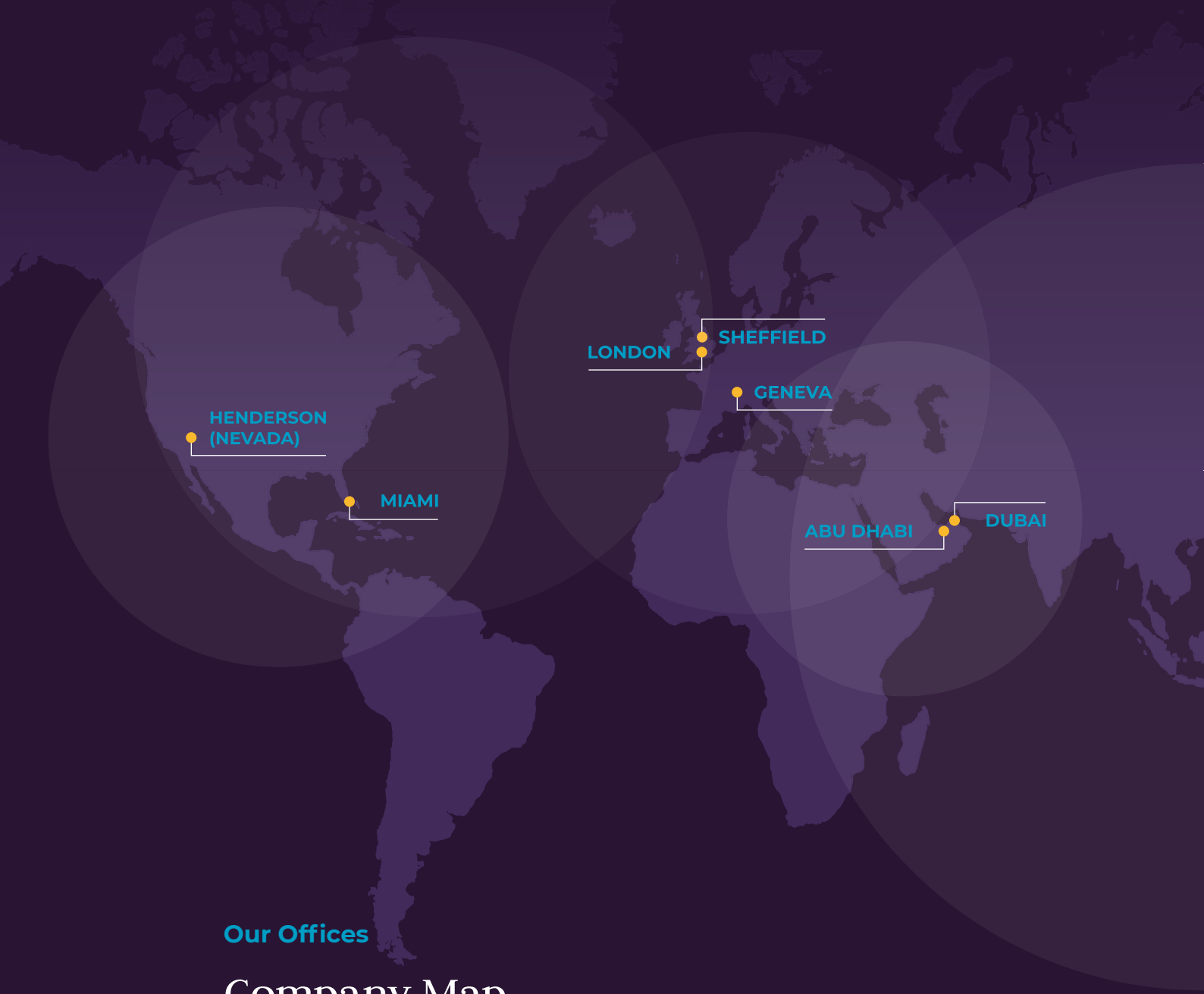


Skybound Wealth Management is a signatory of the United Nations Principles for Responsible Investing (PRI).
As signatories, Skybound Wealth commits to upholding PRI principles that aim to develop a more sustainable global financial system. Part of how we do this is by integrating ESG considerations into our investment portfolios.

Signatory of:

PRI Principles for Responsible Investment





Our Offices

Company Map

Switzerland - GENEVA
Tel: +41 (0) 22 518 0286

UK - LONDON
Tel +44 (0) 208 706 0906

USA - MIAMI
Tel +1 (786) 408 7703

UAE - DUBAI
Tel : +971 4450 9700

UAE - ABU DHABI
Tel +971 4450 9799

USA - HENDERSON (NEVADA)
Tel +1 (702) 608 8293

UK - SHEFFIELD
Tel +44 (0) 1302 703128

SKYBOUND
WEALTH MANAGEMENT