

Tax - Dynamic Planner Cash flow

Dynamic Planner Cash flow is not a tax planning tool; however, it does reflect a range of current taxes to ensure that the forecasts presented to clients are not overly optimistic. The taxes used within Dynamic Planner are constantly reviewed and updated at least once a year at the beginning of each new tax year on the 6th April.

Future tax rates and updates

All taxes modelled within Dynamic Planner are expected to remain stable and increase with inflation. In practice, this means that the tax bands are updated each year to the correct rates and then all projections assume that the tax bands increase in line with inflation for the Cash flow forecast.

As new taxes are introduced, the impact of these on our clients is noted and constant improvements and changes to the system occur as part of Business As Usual.

Full details on all calculations are available within the "Cash flow Adviser Guide" on the support hub, or by request.

National Insurance

Dynamic Planner calculates Class 1 employee NI rates.

National insurance is calculated monthly, based on the earned income and monthly NI brackets, and only apply to those below state pension age, taking the brackets into account.

National insurance is not applied to withdrawals from pension arrangements.

Income tax

Income tax is calculated on all earned income that is not marked as "non-taxable" for each client individually (even if there is a joint life cash flow case created).

Income earned each year is calculated and income tax is then

calculated based on the complete year's income. The personal allowance tapering is applied in line with legislation and no personal allowance will be assigned to the client if they earn over the additional tax rate band amount.

Personal allowances can not be transferred between clients, however income can be entered as "non-taxable" to ensure that this extra income is not taxed.

Pensions and Tax-free cash

Where a pension is being drawn down, clients can choose to take a tax-free pension commencement lump sum (PCLS). The specified PCLS is not taxed in the system. The remaining pension will become "crystallised" and therefore subject to income tax. You can specify that a pension has already been partially crystallised.

When UFPLs is taken, 25% of each withdrawal is tax free, with the remaining 75% of the withdrawal taxed according to income tax bands.

When flexible drawdown is taken the specified Tax-Free Cash is taken first and then all other withdrawals are taxed according to income tax bands.

Filling in shortfalls

Within Cash flow you can apply automatic disinvestment from some, or all, of a client's assets, in the priority order that you can control.

When you set "Disinvest from assets" to "Yes", Cash flow will

calculate the gross withdrawal that is required to fill in any shortfall in each calculation year. The gross withdrawal required will be taxed (as appropriate) to ensure the shortfall value is met with net income. This includes considering any tax allowances already used in the calculation year, income already received, and the tax-free cash that might be available.

Pension contributions

We assume that pension contributions are made on the net pay method, but contributions can be entered using the "Net pay", "Salary sacrifice" or "Relief at source" methods.

We have further information on how to use each method, available on our support hub.

Capital Gains

Capital gains taxation is not allowed for within Dynamic Planner as it is complex and requires personalised analysis and advice. Cash flow can help to determine the range of values that an asset might be expected to achieve but cannot make a meaningful calculation of capital gains.

If you know of incomes that will be generated and subject to capital gains the net expected values can be entered as non-taxable incomes at the appropriate times.



Inheritance Tax

Inheritance tax is not explicitly calculated within Dynamic Planner as it depends on more than just current values of assets held by a client.

To get an estimate of the value of assets that are subject to inheritance tax you can toggle off any assets that are not subject to inheritance tax and see the value of assets at various points in time on the "Wealth" chart.

This can be used in conjunction with the full details from your clients about gifts, other assets, trusts, protection policies, business, agricultural and any other reliefs to understand their likely IHT obligations.

IHT is another complex matter that requires personalised analysis and advice. Cash flow can help with some of the information required but not all, and therefore cannot make a meaningful calculation.

Annual Allowance

The Annual Allowance is not enforced within Dynamic Planner to allow each adviser to contribute as appropriate for each client.

ISA Allowance

Similarly, the ISA allowance is not enforced to allow for full freedom when using Dynamic Planner Cash flow.

Dynamic Planner
C/O Moorcrofts LLP
Thames House
Mere Park
Dedmere Road
Marlow
Buckinghamshire
SL7 1PB

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