

## Beating The Child Benefit Trap

Changes to the rules on Child Benefit coming into force in January 2013 could potentially reduce the entitlement of about 1.2 million families, but careful planning could allow families to avoid the impact of these changes and boost their income at the same time.

Child benefit is currently a tax-free payment that is aimed at helping parents cope with the cost of bringing up children. One parent can claim £20.30 a week for an eldest or only child and £13.40 a week for each of their other children. The payments apply to all children aged under 16 and in some cases until they are 20 years old. HMRC pays out to nearly 7.9 million families, with 13.7 million children.

What will change on 7 January 2013 is the benefit received will be recouped gradually as the income of the highest earning parent rises above £50,000, with the child benefit being eroded completely once their income is £60,000 or more. For every £100 over the £50,000 threshold, parents will lose 1% of the benefit. This means that, for example, a family with two children will lose £17.52 for every £100 over the threshold.

The good news is that this limit only applies to the taxpayer's 'adjusted net income' – their income after allowable deductions – and that includes pension contributions. In other words, taxpayers in the £50 – 60,000 bracket who make contributions into their pension schemes will not only attract tax relief at 40% as usual, but by bringing their adjusted net income down, they'll be saving on this new tax charge *and* helping to boost their retirement income at the same time.

If you'd like to know about how financial planning can help mitigate these changes, contact us now for a free consultation and see what we can do to help protect you and your family from the taxman.

---

Sources: [www.bbc.co.uk](http://www.bbc.co.uk), [www.hmrc.gov.uk](http://www.hmrc.gov.uk)