

What should a young person do with an inheritance or lottery win?

Let us now turn to wealth held by a few younger people. Let's consider the limited number of cases of someone who comes into a substantial sum by inheritance, or gift from a rich relative, or from a lottery win or some such. I am not going to consider in this article the profits of successful entrepreneurship by the young person.

Let's say they receive £500,000. Let's suppose they have no professional qualifications but did get a first degree in humanities or were educated to A level and now have an office job. Should they

Buy a good quality home with all the money?

Buy a home with part of the money and do something else with the rest?

Should they invest some or all of the cash in developing their own business?

Should they invest the money in shares and build a portfolio? Should they put some of the money into a pension fund?

Should they spend some of the money on training/education?

Tax may play a role in the decision. Putting as much money as possible into an ISA for share investing would provide freedom from income tax and CGT on the investment. Putting money into a pension fund also offers full tax shelter, but it locks the money up for years and a future government might change the rules against you before you can reclaim the cash. Investing in your own business can get you entrepreneurs relief from CGT. Buying a home exposes you to Stamp Duty but frees you from CGT.

The way to increase the young person's financial position the most would probably be to invest in a successful business for themselves. Given the risks what do you think would be the best course of action? How big a distortion is tax? What kind of a society do we want to be – more lawyers, more landlords or more entrepreneurs? Part of the purpose of these articles is as background to the budget, which presents a good opportunity to change the UK tax system in ways which reward effort, enterprise and saving, and drive faster growth as a result.