pebble
independent financial services ltd

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CHOPPY WATERS, NOT FULL-ON GALE

WAIT FOR THE BAD WEATHER TO PASS AND STAY THE COURSE

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INSIDE THIS ISSUE

Welcome to the latest issue. Inside, you'll find an array of articles about how we can help you further to plan, grow, protect and preserve your wealth. As we all know, the ultimate goal money can buy is financial freedom.

Volatility fluctuates based on where we are in the economic cycle, but it is a normal feature of markets that investors should expect. From the unfathomable Brexit playbook and the continued prominence of populist ideology, to unconventional US foreign policy and the retirement of Draghi, the highly respected European Central Bank president, uncertainty prevails. On page 8, we consider why it is essential not to panic and to keep a perspective when markets are turbulent.

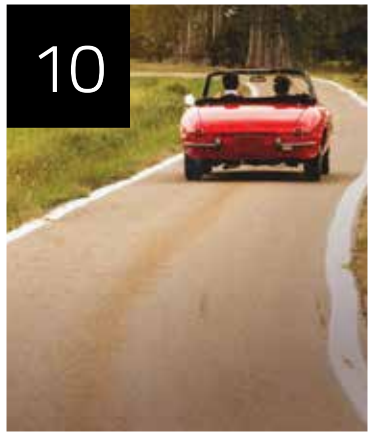
On page 7, we look at passing on wealth and why it is a sensitive subject, not just because of the financial complexities of it all, but also the emotion and family politics involved. Having built up their business or wealth, many families often wish to enjoy it whilst also ensuring that it is passed on to the next generation in their families. But some people find the idea of discussing passing on wealth uncomfortable.

Today, you've got a number of options and permutations available when it comes to what to do with your pension in retirement. But lots of choice can also mean increased confusion. Your retirement might seem like a far-off prospect, but knowing how you can access your pension pot can help you understand how best to build for the future you want. Turn to page 12 to look at your options.

Also inside this issue, we suggest the 'Top 5' list of tax planning areas to consider now; ask 'Should you invest into a pension or an ISA?'; and explain how to prepare your portfolio for inflation. A full list of the articles featured in this issue appears on page 4.

WANT TO DISCUSS YOUR REQUIREMENTS?

We hope you enjoy this issue. And to keep things in perspective, the journey of a thousand miles must begin with a single step. We think that sums up what we do very nicely. Thank you for your continued support. To discuss your situation, please contact us – we look forward to hearing from you.



INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

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What's your magic number?

YOUR FIVE-YEAR PLAN TO A COMFORTABLE RETIREMENT

Retiring is a huge life event. And the very concept of retirement is changing with phased retirement becoming more common. The way we access our pension is now a lot more flexible, and it's no secret that in the UK we're living longer than ever before which means we need to make the right choices.

So you're now age 50 and you want to wave goodbye to the 9-to-5 grind and retire at age 55. You may think it seems like a pipe dream, but early retirement is achievable – and it's not only reliant on you picking the winning lottery numbers.

FINANCIALLY SECURE FUTURE

But with a longer retirement ahead of you than previous generations and a greater choice over how you take your pension, planning ahead will help ensure you're on track to a financially secure future.

There's a very rough rule of thumb to follow in order to find the magic number for a comfortable retirement. To do this, take the age you started saving into your pension and then divide it by two. This will give you an indication as to the percentage of your pre-tax salary you should be putting aside each year until you retire. Also don't forget to include your employer's contribution in that percentage.

We've provided our ten things to consider to boost your retirement finances during your final years in the workplace.

COUNTDOWN HAS COMMENCED – YOUR FIVE-YEAR PLAN TO RETIREMENT

- Firstly, it may seem obvious but decide the age you're likely to retire.
- Think about phasing your retirement and continuing to work part-time for your current or a new employer.
- Boost your pension by increasing your contributions and/or adding lump sum payments – making sure to take advantage of any unused pension tax allowance.
- Trace any lost pensions through the Pension Tracing Service.
- Ask for up-to-date statements for all your pensions. You can also get a forecast of your State Pension at www.gov.uk.
- Review your investments and savings to see if they still meet your attitude to risk as you approach retirement.
- Consider whether you'd like to take an income from your pension or whether you want a pot of cash, including any tax-free allowance, to do something different in retirement.
- Write a Will or review your existing Will – and plan what will happen to your pension and estate if you die, plus any of the tax implications.
- Finally, discuss your plans with us and we'll apply all of the above to your particular situation, where applicable – no matter what your vision of retirement is, we'll provide the professional advice to help you calculate your magic number for a comfortable retirement.

Early retirement planning is identical to conventional retirement planning with one big exception – time. You have less time to achieve your financial goals and more time that your money must last after retiring. What this means is that you have a shortened, accelerated financial preparation phase and an extended, post-retirement spending phase when you retire early. ◀

TIME FOR A WEALTH CHECK?

The precise amount you'll need to save each month to retire depends entirely on the kind of lifestyle you plan on having in retirement. Whether you have just started out on life's journey, or are counting the days to retirement, pension planning should be high on your agenda. To assess your current position, contact us for a wealth check.

Smart investments

SHOULD I INVEST INTO A PENSION OR AN ISA?

Investors looking for tax-efficient ways to build a nest egg for retirement often look to both Individual Savings Accounts (ISAs) and pensions. Tax-efficiency is a key consideration when investing because it can make a considerable difference to your wealth and quality of life.

However, the type of investment and tax-efficiency is a common dilemma faced by many people. Which is better – an ISA or a pension? In truth, there's a place for both, and it's easy to argue the case for each of them.

ISAs allow you to invest in the current 2019/20 tax year up to £20,000 each year, providing tax-efficient growth and income. Withdrawals are tax-free because the money paid in was from after-tax income.

Pensions are also very tax-efficient. All contributions within allowance limits receive tax relief from the Government payable at up to your highest rate of tax. For example, it would only cost a basic-rate taxpayer £80 to contribute £100 into their pension because they would receive tax relief at 20%. This is added to the £80, representing the 20% tax they would have paid if they had earned that £100.

For higher earners, it is even better, with higher-rate taxpayers only needing to contribute £60 in order to boost their pension fund by £100, and additional-rate taxpayers only needing to pay £25 (assuming they have at least £100 of income taxed at those rates).

Tax relief is given on personal contributions up to 100% of your earnings (or £3,600 if greater).

If total contributions from all sources, including your employer if applicable, exceed the annual allowance (£40,000 for most people but can be less for higher earners or those who have flexibly accessed a pension), you will suffer a tax charge on the excess funding if it can't be covered by unused allowances from the previous three years.

So, pensions give you tax relief on money going in, but when it comes to drawing on your pension, tax will be payable at your marginal rate apart from the tax-free lump sum (normally 25% of your benefits).

ISA investments don't allow for tax relief on the money being invested, but they do give you total tax exemption on any gains made within the ISA. So with an ISA, when you come to withdraw funds, you will not pay a penny of income or Capital Gains Tax.

Put simply, the right option will be different for different people. There will be some for whom the right answer is a pension, others for whom the right answer is an ISA. If it was clearly one or the other, it would be far simpler.

An important point to remember is that you cannot normally access your pension until age 55, whereas your ISA is accessible any time. ◀

Tax comparison

	PENSION	ISA
Funds in	Income Tax relief on contributions at the highest marginal rate	No tax relief on contributions
Investment returns	No tax paid on income and gains	No tax paid on income and gains
Funds out	25% of fund paid as tax-free cash. Remaining fund subject to Income Tax at highest marginal rate	Not subject to Income Tax or Capital Gains Tax
Death Benefits pre-75	Paid as a lump sum or drawdown to nominated beneficiary free of all tax Does not normally form part of estate	Forms part of estate and subject to Inheritance Tax (IHT) if estate exceeds nil rate band and not left to exempt beneficiary Spouse/registered civil partner can inherit additional ISA allowance based on value of deceased's ISA funds
Death benefits post-75	Taxed at beneficiary's marginal rate Does not normally form part of estate	Forms part of estate and subject to IHT if estate exceeds nil rate band and not left to exempt beneficiary Spouse/civil partner can inherit additional ISA allowance based on value of deceased's ISA funds

Goldilocks economy

HOW TO PREPARE YOUR PORTFOLIO FOR INFLATION

Very low or very high inflation is damaging to the economy. The aim is usually to try and keep the Consumer Prices Index (CPI) at 2% in order to maintain a 'Goldilocks Economy' – not too hot, not too cold.

Over time, inflation can reduce the value of your savings because prices typically go up in the future. This is most noticeable with cash. Inflation is bad news for savers, as it erodes the purchasing power of their money. Low interest rates also don't help, as this makes it even harder to find returns that can keep pace with rising living costs. Higher inflation can also drive down the price of bonds. These become less attractive because you're locked in at interest rates that may not keep up with the cost of living in years to come.

OFFSET INFLATION LOSS

When you keep your money in the bank, you may earn interest, which balances out some of the effects of inflation. When inflation is high, banks typically pay higher interest rates. But once again, your savings may not grow fast enough to completely offset the inflation loss.

The UK's CPI measure of inflation tracks how the prices of hundreds of household items change over time, and there are several different factors that may create inflationary pressure in an economy.

STRONGER ECONOMIC GROWTH

Rising commodity prices can have a major impact, particularly higher oil prices, as this translates into steeper petrol costs for consumers. Stronger economic growth also pushes up inflation, as increasing demand for goods and services places pressure on supplies, which may in turn lead to companies raising their prices.

DETRIMENTAL PERFORMANCE IMPACT

The falling pound since Britain's vote to leave the EU contributes to higher inflation in the UK, as it makes the cost of importing goods from overseas more expensive.

The impact of inflation on investments depends on the investment type. For investments with a set annual return, such as regular bonds, inflation can have a detrimental impact on performance – since you earn the same interest payment each year, it can cut into your earnings.

IMPACT ON STOCKS AND SHARES

For stocks and shares, or equities, inflation can have a mixed impact. Inflation is typically high when the economy is strong. Companies may be selling more, which could help their share price. However, companies will also pay more for wages and raw materials, which will impact on their value. Whether inflation will help or impact on a stock can depend on the performance of the company behind it.

On the other hand, precious metals like gold historically do well when inflation is high. As the value of the pound goes down, it costs more pounds to buy the same amount of gold.

INFLATION RISK INDEXATION

There are some investments that are indexed for inflation risk. They earn more when inflation goes up and less when inflation goes down, so your total earnings are more stable. Some bonds and annuities offer this feature for an additional cost.

Index-linked gilts are government bonds whose interest payments and value at redemption are adjusted for inflation. However, if they're sold before their maturity date, their market value can fall as well as rise and so may be more or less than the redemption value paid at the end of their terms. ◀

PUTTING A STRONG INVESTMENT STRATEGY IN PLACE

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Inflation is a market force that is impossible to completely avoid. But by planning for it and putting a strong investment strategy in place, you might be able to help minimise the impact of inflation on your savings and long-term financial plans. To discuss any concerns you may have, please contact us.

Healthy, wealthy and well advised

FINANCIAL COMPLEXITIES OF PASSING ON WEALTH

Passing on wealth is a sensitive subject, not just because of the financial complexities of it all, but also the emotion and family politics involved.

Having built up their business or wealth, many families often wish to enjoy it whilst also ensuring that it is passed on to the next generation in their families. Passing on what you have accrued in the most efficient way is of paramount importance. But some people find the idea of discussing passing on wealth uncomfortable.

MAKING DECISIONS ON YOUR BEHALF

It is often said about those people who are healthy, wealthy and well advised that they rarely pay Inheritance Tax – or rather, their estates do not. As part of the planning process, it is essential to make certain that you have a current Will in place. Your Will ensures that when you die, your wishes are clear.

Also, give consideration to arranging a Lasting Power of Attorney, a legal document that lets you appoint one or more people to help you make decisions or to make decisions on your behalf.

YOUR WEALTH OVER THE YEARS

Dying without a Will could leave your partner without any rights or protection if you're not married. If you don't have close family, your estate could pass to a distant relative you do not wish to benefit or do not know, or even to the Crown. If you already have a Will, you should consider reviewing it at least every five years.

It might be the case that you have built up your wealth over the years, or perhaps you have had a windfall or inherited a sum of money. Whatever your individual circumstances, setting up a trust could be the right decision for the future, with the added flexibility of tax-efficiency.

POTENTIAL INHERITANCE TAX LIABILITY

With our help, you can work out if you have a potential Inheritance Tax liability. Once we have this information, we'll make recommendations about how you could reduce your Inheritance Tax by reviewing all the different allowances and options available. Funding your expenses from assets that are subject to Inheritance Tax will also help reduce your taxable estate.

A trust may also help you protect your wealth, making sure that the people who matter to you most are the ones who benefit in a way that you want them to at the right time. Even though the current climate is less favourable, following major Inheritance Tax reform in 2006, there are still a number of instances where trusts can be created without an immediate Inheritance Tax charge.

SIGNIFICANT DEGREE OF ASSET PROTECTION

Putting taxation to one side for the moment, the separation of legal ownership of an asset from its beneficial ownership creates great flexibility and offers a significant degree of asset protection. This can be valuable in a range of situations, such as providing for children or grandchildren, dealing with assets on death and on marriage breakdown.

In thinking about passing wealth down the generations, another concern is whether your property may have to be sold to pay for nursing home fees. If a couple, whether or not married, own their home jointly, then it is normally possible to ensure that if the longer-lived member of the couple eventually has to go into a home, the share of the house which was owned by the other member of the couple is ring-fenced by means of a trust, so at least that part of the value of the house does not end up going on home fees.

TAX LEGISLATION AND ALLOWANCES CONSTANTLY EVOLVE

If you are a farmer, you are probably aware that agricultural property relief on agricultural property, including the farmhouse, can be claimed to reduce or avoid an Inheritance Tax bill after death. You should also be aware, though, that if before your death you retire, in the sense that you are no longer actively farming the land yourself, then the relief may be lost, particularly on the farmhouse.

Making sure that you can pass on your wealth to the right people, at the right time, will be one of the most valuable things you can do for yourself and your family. Tax legislation and allowances are constantly evolving, so it is essential to review your financial and investment arrangements to ensure unexpected tax bills won't jeopardise any wealth intended for your family. ◀

PROTECTING WHAT IS YOURS

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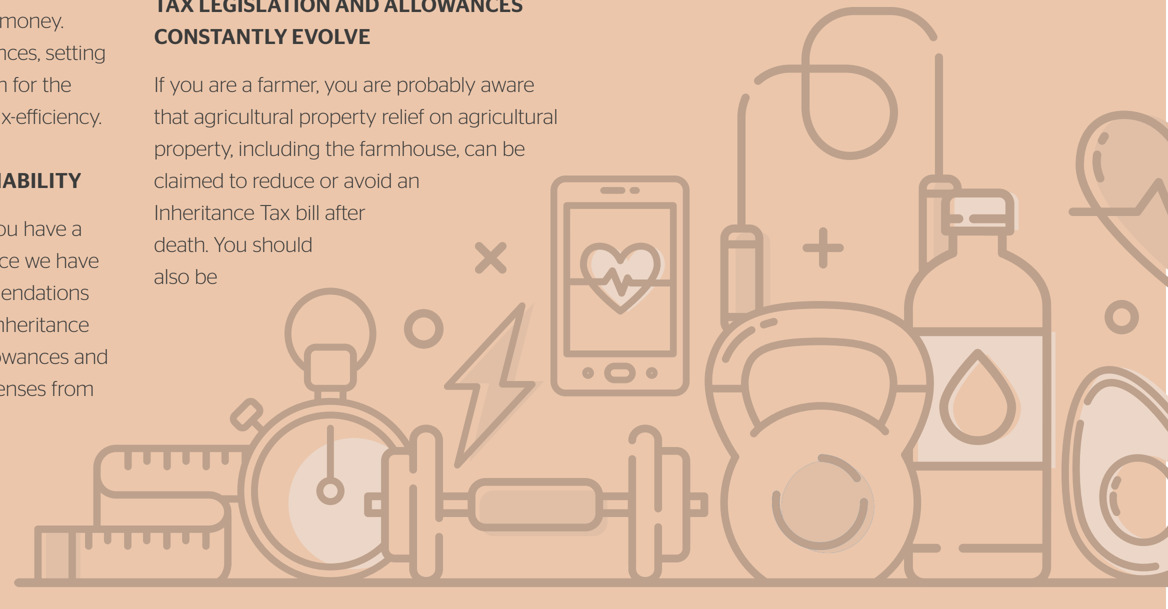
You have worked hard throughout your life to accumulate and preserve your wealth. We can give you peace of mind of knowing that you have laid the firmest foundations for your family's future. Please contact us if you would like to arrange a meeting to discuss your situation – we look forward to hearing from you.



Choppy waters, not full-on gale

WAIT FOR THE BAD WEATHER TO PASS AND STAY THE COURSE

Volatility fluctuates based on where we are in the economic cycle, but it is a normal feature of markets that investors should expect. When stock markets start correcting, daily injections of bad news may sound as though it will never end. This can spark anxiety, fuel uncertainty and trigger radical decisions in even the most seasoned investors.

From the unfathomable Brexit playbook and the continued prominence of populist ideology, to unconventional US foreign policy and the retirement of Draghi, the highly respected European Central Bank president, uncertainty prevails. But it's essential not to panic and to keep perspective when markets are turbulent.

Whether it's rough seas or a volatile stock market, the same rules apply. When storms rock the boat, don't jump ship. Wait for the bad weather to pass and stay the course.

Here are some strategies to consider when volatility strikes.

KEEP CALM – SHORT-TERM VOLATILITY IS PART AND PARCEL OF THE INVESTMENT JOURNEY

Markets can fluctuate depending on the news flow or expectations on valuations and corporate earnings. It is important to remember that volatility is to be expected from time to time in financial markets.

Short-term volatility can occur at any time. Historically, significant recoveries occur following major setbacks, including economic downturns and geopolitical events.

While headline-grabbing news can affect short-term market sentiment and lead to reductions in asset valuations, share prices should ultimately be driven by fundamentals over the long run. Therefore, investors should avoid panic-selling during volatile periods so that they don't miss out on any potential market recovery.

REMAIN INVESTED – LONG-TERM INVESTING INCREASES THE CHANCE OF POSITIVE RETURNS

When markets get rocky, it is tempting to exit the market to avoid further losses. However, those who focus on short-term market volatility may end up buying high and selling low. History has shown that financial markets go up in the long run despite short-term fluctuations.

Though markets do not always follow the same recovery paths, periods after corrections are often critical times to be exposed to the markets. Staying invested for longer periods tends to offer higher return potential.

BY COMBINING ASSETS WITH DIFFERENT CHARACTERISTICS, THE RISKS AND PERFORMANCE OF DIFFERENT INVESTMENTS ARE COMBINED, THUS LOWERING OVERALL PORTFOLIO RISK. THAT MEANS A LOWER RETURN IN ONE TYPE OF ASSET MAY BE COMPENSATED BY A GAIN IN ANOTHER.

STAY DIVERSIFIED – DIVERSIFICATION CAN HELP ACHIEVE A SMOOTHER RIDE

Diversification basically means 'don't put all your eggs in one basket'. Different asset classes often perform differently under various market conditions.

By combining assets with different characteristics, the risks and performance of different investments are combined, thus lowering overall portfolio risk. That means a lower return in one type of asset may be compensated by a gain in another.

STAY ALERT – MARKET DOWNTURNS MAY CREATE OPPORTUNITIES

Don't be passive in the face of market declines. When market sentiment is low, valuations tend to be driven down, which provides investment opportunities. In rising markets, people tend to invest as they chase returns, while in declining markets people tend to sell. When investors overreact to market conditions, they may miss out on some of the best-performing days.

Although no one can predict market movements, the times when everyone is overwhelmingly negative often turn out to be the best times to invest.

INVEST REGULARLY – DESPITE VOLATILITY

Investing regularly means continuous investment regardless of what is happening in the markets.

When investors make fixed regular investments, they buy more units when prices are low and fewer when prices are high. This will smooth out the investment journey and average out the price at which units are bought. It thus reduces the risk of investing a lump sum at the wrong time, particularly amid market volatility.

The longer the time frame for investment, the better, because it allows more time for investments to grow, known as the 'compounding effect'. ◀

ORGANISING YOUR WEALTH TO SUPPORT YOUR NEEDS AND GOALS

We take a personalised approach to assessing your needs, which allows us to provide you with long-term, bespoke solutions. To discuss your future investment plans, goals and dreams, please contact us.

Retirement longevity

YOUR DESTINY IS NOW IN YOUR OWN HANDS

If you are in your 50s or 60s, your thoughts are probably turning towards retirement. When should you retire? How much money do you need?

In trying to answer these questions, you face a problem. Because of longevity trends, we are on average living longer. With longevity increasing, your wealth may have to provide you and your spouse or partner with an adequate income for 30 or even 40 years.

Britons aged 30 today have a 50% chance of living to more than 100, while 50-year-olds have an even chance of reaching 95[1]. Longer lifespans, however, raise financial challenges – for individuals as well as for families and society.

The idea of a retirement lasting many decades may seem appealing, but longer retirements mean more years of living off your pension and savings. Will yours be enough?

EXTRA BENEFIT OF COMPOUND INTEREST

How much money you need to save depends on when you actually start saving and how much you want to save in total. The earlier you and potentially your employer (if they match your contributions) start adding to your pension pot, the less you will need to save each month because the cost is spread over a longer period.

Moreover, if you start saving earlier, your funds will accrue the extra benefit of compound interest throughout the duration of your savings. Making money from the interest means you can actively save less but still end up with the same amount.

MUCH MORE FREEDOM AND FLEXIBILITY

The good news is that changes to pensions also now mean you have much more freedom and flexibility over how to take your benefits – whether as tax-free cash, buying an income for life, leaving your pension fund invested while drawing an income, or a combination of all these options.

Unless you believe the Government is likely to become more generous with the State Pension and other retirement benefits, individuals will almost certainly need to save more to enjoy the standard of living they would like in retirement.

BUILDING A RETIREMENT NEST EGG

Over the last few decades, employer pensions have become generally less generous. Today, people starting a new job in the private sector are very rarely offered a traditional defined benefit pension – where the employer guarantees you a certain level of pension based on your salary and length of service.

Most employer-based pensions now depend on how much you and your employer have contributed and the investment returns achieved by that money. That said, for most people, saving via a workplace pension still remains the correct approach to take for building a retirement nest egg – not least because the employer contributions are effectively free money.

A NUMBER OF ATTRACTIVE TAX BREAKS

Importantly, pension savers benefit from a number of attractive tax breaks, including Income Tax relief on contributions and up to 25% of the proceeds being tax-free. For 2019/20, the annual limit on tax-relievable personal contributions is 100% of your salary (or £3,600 if more). In addition, there is a limit on tax-efficient pension funding called the 'annual allowance' (£40,000 for most people) – this applies to both contributions paid by you and contributions paid by your employer and, if exceeded, means you will pay tax on the excess (an annual allowance charge).

We'll help keep track of your pension contributions so that you know if you're getting close to your annual limits.

MAXIMUM TAX-FREE RETIREMENT SAVINGS

In some cases, we may be able to ask your pension provider to pay the charge from your pension benefits. You may not be subject to an annual allowance charge (or a lower charge may apply) if you have unused annual allowances from the previous three tax years that can be carried forward.

Increasingly, more people are also being caught by the 'lifetime allowance', which puts a limit on the total value of their pension funds that can be accumulated without suffering a tax charge. From 6 April this year, the pensions lifetime allowance increased to £1,055,000. The pension lifetime allowance is the maximum amount that you can accumulate in your pension plans without suffering a tax charge (lifetime allowance charge). ◀

LIVE THE LIFESTYLE YOU WANT WHEN YOU RETIRE

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Saving more, working longer and having the right financial plan – this combination is likely to be much of the solution for the longer lifespans that many of us hope to enjoy. We're here to help you make good decisions so you can live the lifestyle you want when you retire. To find out more, or to discuss your situation, please contact us.

Source data:

[1] The 100 Year Life: Living and Working in an Age of Longevity, by Andrew Scott and Lynda Gratton, September 2018

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

Taxing times

'TOP 5' LIST OF PLANNING AREAS

Making sure you use up any allowances you are entitled to is the first step to reducing the amount of tax you may be liable to pay. We've provided our 'Top 5' list of planning areas to consider before 5 April 2020, the end of the 2019/20 tax year. The rates given are correct for the 2019/20 tax year.

1. YOUR ISA ALLOWANCE: DON'T WAIT TO USE IT

There are many different types of Individual Savings Account (ISA), including Lifetime ISAs, Junior ISAs and Innovative Finance ISAs, although the best known are Cash ISAs and Stocks & Shares ISAs.

If you invest your full allowance early on during each tax year rather than at the end, your money will have a longer time to potentially grow tax-efficiently. This can add up to extra money in your ISA if you invest the maximum £20,000 allowance. Of course, not everyone will be in a position to invest £20,000 every April – but the more you put in, and the earlier you do it, the better off you can be.

2. TOP UP YOUR PENSION, BUT WATCH OUT FOR THE LIFETIME ALLOWANCE

Generally, the maximum amount that can be contributed tax-efficiently in total from all sources (for example, from you and your employer) each tax year is £40,000. Remember, to receive tax relief, your personal contributions can't be any higher than your earnings (or £3,600 if more).

The lifetime allowance for most people is £1,055,000 in the tax year 2019/20. It applies to the total of all the pensions you have, including the value of pensions promised through any defined benefit schemes you belong to, but excluding your State Pension. If you take any excess amount above the lifetime allowance as a lump sum, it will be taxed at 55% (or 25% if taken as income or placed in drawdown).

3. MAKE USE OF GIFT ALLOWANCES

If you have a potential Inheritance Tax liability, there are ways of reducing this by making exempt gifts that are immediately outside of your estate. You can give up to £250 a year to as many people as you like. You can also give away up to £3,000 tax-free a year (but not to those who have had the £250 gift). If you don't use this annual exemption, it can be carried over for the following year, but only up to a maximum of £6,000. Gifts made at the time of a wedding or registered civil partnership are given tax-free allowances: £5,000 can be given to a child; £2,500 can be given to a grandchild or great grandchild; £1,000 can be given to anyone.

If you can show that regular gifts were funded out of surplus income, not savings, you won't pay Inheritance Tax. But it's a complicated matter to prove, and on your death your personal representatives will need to provide evidence of your incomings and outgoings to demonstrate that the gifts were paid for out of surplus income, not from savings or investments.

4. THE PERSONAL ALLOWANCE: HOW NOT TO LOSE IT

Everyone has a basic personal tax-free allowance. This is the amount of income you can receive tax-free each year. You do not normally need to do anything in order to receive this, as it should automatically be applied when you are paying tax. If you earn over £100,000, this will be reduced, but otherwise it is £12,500 (2019/20 tax year).

If you are married and have used up your personal allowance, but your partner has not, it may be beneficial to transfer some savings or other assets into their name, but you need to bear in mind they will then legally own those assets. Or you can make use of the Marriage Allowance, which allows 10% of a non-taxpayer's personal allowance to be transferred to their basic-rate taxpaying spouse.

5. DON'T FORGET CAPITAL GAINS

The annual exemption is £12,000 for 2019/20. If you have unrealised gains, you may decide to dispose of some before the end of the tax year to use up your annual exemption. Married couples are taxed individually on capital gains, so transferring an asset from one spouse to another before realising a gain can be tax-efficient as long as the transfer represents a genuine gift from one to the other. As far as possible, it is important to use the annual exemption each tax year because, if unused, it cannot be carried forward.

When you sell a property that qualifies for the main residence tax relief, you do not have to pay Capital Gains Tax (CGT) on it. This main residence relief is extended for 18 months after you vacate the property. What this means is that you can sell your family home within a year-and-a-half of moving out of it and still qualify for the main residence relief (that is, pay no CGT). ◀

MINIMISE THE AMOUNT YOU PAY IN TAXES, NOW AND IN THE FUTURE

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The goal of tax planning is to arrange your financial affairs so as legitimately to minimise the amount that you or your family will pay in taxes, now and in the future. Although it shouldn't drive your overall financial planning strategy, it's a key part of the process. We can help you decide what's right for you. To find out more, please contact us.

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Show me the money

TURNING PENSIONS INTO MONEY YOU CAN USE

Today, you've got a number of options and permutations available when it comes to what to do with your pension in retirement. But lots of choice can also mean increased confusion.

Your retirement might seem like a far-off prospect, but knowing how you can access your pension pot can help you understand how best to build for the future you want.

You must have reached a certain minimum pension age set by your pension fund provider to access your pension pot – usually 55 years if you have a defined contribution pension – at which point you have the choice of how to take your pension.

In some instances, you may be able to withdraw your pension earlier if you're retiring because of poor health or disability, but the rules depend on your pension scheme.

When you take your pension, some will be tax-free, but the rest is taxed. Please be aware that tax depends on your circumstances, and the tax rules can also change in the future.

Whatever approach you take, each option has its own upsides, downsides and tax implications. It depends on what you want out of life, how you choose to live and how much you want to leave behind.

With all of the options, you can normally take up to 25% of your pension pot as a tax-free lump sum if you wish to do so. The rest is then taxed as income at the point you receive it. We can make sure that you fully understand the tax implications of each option available to you so that you are fully informed.

TIME TO CONSIDER YOUR OPTIONS?

How long your pension pot lasts will depend on the choices you make. You'll be able to access the money within your pension pot in a number of different ways. We've provided some of the options to help you think your pension strategy through. You don't have to stick to just one option, as you could combine several. Some products may not offer the full range of options.

We're not recommending one over the other, but we can support you when the time comes to make your decision.

GUARANTEED INCOME FOR LIFE (ALSO KNOWN AS AN 'ANNUITY')

You can use your pension pot to buy an income for life. It pays you an income and is guaranteed for life. These payments may be subject to Income Tax.

In most cases, you can take up to 25% of the money you move into your guaranteed income for life, in cash, tax-free. You'll need to do this at the start, and you need to take the rest as an income.

TAKE FLEXIBLE CASH OR INCOME (ALSO KNOWN AS 'DRAWDOWN')

In most cases, you can take out up to 25% of the money moved into your flexible cash or income plan, in cash, tax-free. You can either move your total fund into drawdown and take all of your tax-free lump sum at the start, or you can move portions of your fund into drawdown at different times and take 25% of each portion as tax-free cash over time. You can then make future withdrawals from the drawdown pot as and when you like.

You can also set up a regular income with this option. Any money you take after the first 25% may be subject to Income Tax. You can invest the rest in whichever fund or funds you choose, giving your money the chance to grow. Although as with all investments, it could go down in value too, and you could get back less than you put in.

WITH ALL OF THE OPTIONS, YOU CAN NORMALLY TAKE UP TO 25% OF YOUR PENSION POT AS A TAX-FREE LUMP SUM IF YOU WISH TO DO SO. THE REST IS THEN TAXED AS INCOME AT THE POINT YOU RECEIVE IT.

TAKE YOUR MONEY AS CASH

You can do this all in one go, or as a series of smaller lump sums, while the rest remains in your pension fund. Once you receive your money after tax, you're completely responsible for it and can use it as you want.

If you do opt for smaller lump sums without taking your tax-free cash up front, then each payment will be 25% tax-free. The remainder will be added to your income for the year and taxed accordingly, which may result in you paying a higher rate of tax.

A COMBINATION OF OPTIONS

You don't have to choose one option – you can take a combination of some or all of them over time, even if you've only got one pension pot.

Before combining any options, though, take time to think about the benefits and considerations of each option on its own. We'll check with your providers to see that you're not losing out on any guarantees on your plan by combining options.

LEAVE IT WHERE IT IS

If you don't need to take any money out, you can leave it in your pension pot to give you more time to decide what to do with it, or give your pot a chance to keep growing – but while it's invested, it could go down as well as up in value, and you might get back less than you put in.

And if you're still paying into your plan, you can keep paying into it and potentially benefit from tax relief. You can then choose how to access your money when the time is right for you.

ONCE YOU'VE MADE A DECISION

When deciding what to do with your pension pot, it's important to remember that each option might have different tax implications, and that pension providers offer different products with alternative options or features including the product terms, rates, funds or charges that might be more appropriate for your individual needs and circumstances.

If you're like most people, the money in your pension pot will need to last for the rest of your life. Once you've made a decision, you might not be able to change your mind. So it's important to get all the information you need to feel confident that you're making the right decision for you. ◀

WANT TO KNOW MORE ABOUT YOUR OPTIONS FOR TAKING YOUR MONEY?

Decisions about retirement need to be made carefully and with full knowledge of the facts. Whether you are just starting to save for your retirement, need to make decisions on your pension arrangements or want advice on how best to take your income in retirement, if you would like to discuss or review your situation, we can help. Please contact us.

Investing for income, growth or both in retirement

TURNING ON THE TAPS FOR AN EXTRA INCOME STREAM TO HELP YOU REALISE YOUR AMBITIONS

The best time to start investing was 20 years ago. The second best time to start investing is now. But as you have been building up your investment wealth over the decades, in all likelihood you've probably pursued growth above all else, looking to maximising the value of your savings.

Your priority in retirement may well be to generate an income from your investments, rather than to pursue further capital growth. After all, turning on the taps for an extra income stream could help you realise your ambitions.

PURSUIT OF GROWTH

Structuring a well-thought-out blend of investments should be at the heart of your wealth strategy. So even if you are now prioritising income, it could make sense to keep a portion of your investments working in pursuit of growth. This might seem counterintuitive, but here are some ways to do this.

Inflation is the enemy of all savers, but especially of those who depend on their savings and investments to deliver an income. If returns don't keep pace with the rising price of goods and services, they will be worth less in real terms.

EFFECTS OF INFLATION

By investing some of your portfolio for growth, you can offset the erosive effects of inflation if you are successful. After all, asset values normally rise if they perform well or their prospects improve, although there are never any guarantees when it comes to investing.

Different investment approaches can often perform differently under the same circumstances. For instance, more ambitious growth-focused strategies tend to perform more cyclically than certain income strategies, in the sense that they tend to outperform when markets are buoyant but underperform when investors are more pessimistic.

GROWTH-FOCUSED STRATEGIES

Allocating some of your portfolio to higher growth-focused strategies could therefore be a counterbalance to more sober income-generating assets, so long as you can accept the risks, which are often greater when you are pursuing growth. In general, the more risk you take, the more your investment could rise or fall in value.

However, those people who invested solely for income would have likely missed out entirely on this growth. This is because emerging companies – and not just in the technology sector – seldom deliver income to their shareholders in the form of dividends, as they are reinvesting their profits, and that's if they have any, for future growth.

BY INVESTING SOME OF YOUR PORTFOLIO FOR GROWTH, YOU CAN OFFSET THE EROSIVE EFFECTS OF INFLATION IF YOU ARE SUCCESSFUL. AFTER ALL, ASSET VALUES NORMALLY RISE IF THEY PERFORM WELL OR THEIR PROSPECTS IMPROVE, ALTHOUGH THERE ARE NEVER ANY GUARANTEES WHEN IT COMES TO INVESTING.

LONGER-TERM APPROACH

By investing some of your portfolio in companies with longer-term growth prospects, you might avoid the fear of missing out on the next opportunities.

If you have the next generation in mind for some of your investments, it might make more sense to adopt a longer-term approach and give those savings more chance for growth.

ATTITUDE TOWARDS RISK

When investing for someone younger, their investment horizon is probably more likely to be measured in decades than months. You should therefore be able to take a truly longer-term view and prioritise growing the value of the pot for the future, ignoring the inevitable short-term fluctuations in the value of assets or any income considerations.

Depending on your time horizon and your attitude towards risk, investment strategies that target capital growth could therefore make a valuable contribution towards your longer-term financial security – and possibly that of your family. ◀

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ACHIEVING YOUR INVESTMENT GOALS IN RETIREMENT

Whether you are looking to invest for income, growth or a combination of the two during your retirement, we'll provide the professional financial advice, comprehensive investment solutions and ongoing service to help you achieve your investment goals.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

Give a triple boost to your children

DON'T MISS OUT ON THIS LITTLE-KNOWN TAX RULE

For those parents who have spare cash, putting money into their children's pension will boost the retirement prospects of their offspring. The money will be topped up by the addition of tax relief and could also earn their children a tax refund if they are higher-rate taxpayers and reduce the penalty they face if they are a higher earner receiving child benefit.

Under current rules, there is nothing to stop a parent making a contribution into the pension of an adult child. With millions of younger workers having been newly enrolled into a workplace pension, many now have a pension for the first time but are only making very modest contributions.

BUILDING A MORE MEANINGFUL RETIREMENT POT

An additional contribution from parents early in their working life, benefiting from compound interest as it grows, could help them to build a more meaningful retirement pot and is money that cannot be touched until later in life.

A campaign has been launched by Royal London to make parents aware of the 'hidden advantages' of paying into the pension pot of their adult children. It is a little known fact that a parent who puts money into their child's pension could be doing them a favour three times over.

IMPROVING LONG-TERM FINANCIAL SECURITY

First, the recipient will get a boost to their retirement pot, including tax relief at the basic rate. Second, recipients who are higher-rate taxpayers can claim higher-rate tax relief on their parents' contributions, which will increase their disposable income. And third, recipients affected by the high income child benefit charge can see this penalty reduced because of their parents' generosity.

Not every parent has spare cash to pay in to their children's pensions, but many will be in a better financial position than their children can expect to enjoy. By paying in to their children's pension, they can give them a triple boost and improve their long-term financial security.

RECIPIENT RECEIVES BASIC-RATE TAX RELIEF

A little-known feature of the pensions system, however, is that the contribution by the parent is treated as if it had been made by the recipient. So, for example, if a parent pays £800 into their child's personal pension, the recipient will get basic-rate tax relief on the contribution, taking the amount in the pot up to £1,000.

IN ADDITION, THERE ARE TWO FURTHER BENEFITS TO THE RECIPIENT:

- If the recipient is a higher-rate taxpayer, he or she can claim higher-rate relief on the contribution made by the parent; this would be done through the annual tax return process and would reduce the tax bill of the recipient.

PARENTS CAN ALSO CONTRIBUTE MONEY INTO A CHILD'S PENSION, WHICH WILL REDUCE THE SIZE OF THEIR ESTATE FOR INHERITANCE TAX PURPOSES ON DEATH IF A VALID INHERITANCE TAX EXEMPTION APPLIES OR AFTER SEVEN YEARS IF THERE ISN'T A VALID EXEMPTION.

- If the recipient is affected by the 'high income child benefit charge' and is earning in the £50,000-£60,000 bracket or slightly above, the money contributed by the parent is deducted from their income before the high income child benefit charge is worked out, thereby reducing their tax charge; for example, if the recipient is earning £60,000 and therefore faces a child benefit tax charge of 100% of their child benefit amount, a pension contribution by the parent of £8,000 grossed up to £10,000 by tax relief would reduce the recipient's income to £50,000 for purposes of the child benefit charge and would completely eliminate the tax charge.

REDUCING A FUTURE INHERITANCE TAX BILL

Apart from generally wanting to help their children, parents may be interested in this idea particularly because they may be up against their own annual limits for pension contributions and may therefore have spare cash. Contributions may reduce future Inheritance Tax bills if they qualify for one of the standard exemptions, such as regular gifts made from regular income.

The amount that the parent can contribute with the benefit of pension tax relief is not limited by the parent's pension tax relief limit but by the limit that their children face – which in many cases will be up to their annual salary or £40,000, whichever is the lower.

CONTRIBUTING MONEY INTO A CHILD'S PENSION

Parents can also contribute money into a child's pension, which will reduce the size of their estate for Inheritance Tax purposes on death if a valid Inheritance Tax exemption applies or after seven years if there isn't a valid exemption.

For example, the 'normal expenditure from income exemption', which is unlimited, would apply if the contributions are not at such a level so as to reduce the current standard of living of the parents and are made on a regular basis, such as an annual contribution from the parents' regular income. ◀

COLLECTIVE WEALTH TO SUPPORT EACH OTHER

Intergenerational financial planning is about how families use their collective wealth to support each other during their lifetimes. If you would like to discuss the options available to you and your family, we'd like to hear from you.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

For richer, for poorer

DIVORCED BRITONS REGRET SPLITTING AFTER NEW FINANCIAL PRESSURES HIT HOME

The pain of regret after divorce can be long-lasting, especially when you consider the life-long impact divorce has on your children, your finances and your emotions. All the problems, the arguing, the unhappiness, it is all over now that the divorce is final. Right? Not always.

Thousands of people who go through a divorce or separation each year regret the split because of new financial pressures they've faced being single, according to new research[1].

BREAKING UP IS HARD TO DO

The survey of divorced or separated people from across the UK found that a quarter (25%) who had struggled financially wished they had stayed with their ex-partner.

Around 100,000[2] people divorce every year in England and Wales. According to the findings, 36% said they found managing their finances 'harder or more stressful' on their own.

TACKLING PERSONAL FINANCES

Being single put pressure on newly divorced or separated Britons in a number of different ways, including getting into more debt, not having enough time to shop around for the best deals, not having all information needed to make informed decisions or the realisation that they hadn't tackled personal finances before.

The research also revealed that people who were newly divorced or separated found it difficult to adjust to the new financial realities of being single.

GETTING INTO MORE AND MORE DEBT

Nearly half (48%) said they had to increase their working hours, and almost a third of single parents (30%) said they felt as though they were getting into more and more debt.

This is a sign of how serious the financial struggle can be post-split – that some people wish they had not gone their separate ways. The impact on your personal finances from splitting up and going down to one income is a big challenge.

A FAIR FINANCIAL SETTLEMENT IS KEY

A drop in income often comes after you've gone into debt to pay for the divorce or separation – so it's a double whammy of debt repayments and less money coming in to pay the bills. The research underscores the importance of a fair financial settlement when a couple divorces.

When it comes to relationships, for some people a life-long, happy marriage is the dream but the unfortunate reality is that it doesn't always end that way. ◀

MAKING RATIONAL FINANCIAL DECISIONS

Going through a divorce is potentially one of the most emotionally charged situations someone will experience, yet it is also a period where some of the most important and rational financial decisions of your life need to be made. That's where we can help. If you would like to discuss your position, please contact us.

Source data:

[1] The research for Royal London was carried out by Research Without Barriers (RWB) between 12/04/2019 and 15/04/2019 amongst a sample of 1,012 UK adults who have been married and separated, divorced and/or widowed. All research conducted adheres to the MRS Code of Conduct (2014).

[2] There were 101,669 divorces in the UK in 2017, according to the ONS

Looking at the bigger picture

CREATING PLANS OF ACTION TO ENSURE YOU REACH YOUR FINANCIAL GOALS

To be prepared for the road ahead, it's critical to think about having a plan. For many people it's not clear where their money will come from when they no longer receive a salary. And that can be stressful. When you add in the pressures of today's bills and basic living costs, not to mention the nice things like holidays, the thought of the future can seem a bit overwhelming.

Planning for the future means making conscious decisions now. And even though we fill our lives with plans for our future selves, we're always preoccupied with day-to-day events so we forget how important it is to take the time to take a step back and look to the bigger picture.

With our help, you can create a plan of action to ensure you reach your financial goals.

WILL A PLAN REALLY HELP ME? PUT SIMPLY, 'YES'.

WHERE IS MY MONEY GOING NOW?

The first step of your financial planning process is to determine your current financial situation in relation to income, savings, living expenses, and debts. Preparing a list of current asset and debt balances and amounts spent for various items will give you a clearer picture of where you stand financially. A monthly budget is an important step towards your financial fitness and should form the foundation of your financial planning process.

HAVE I BUILT UP A RAINY DAY EMERGENCY FUND?

The number one reason you should establish a rainy day fund is because, unfortunately, things unexpectedly do go wrong in life. So you also need to make sure you have an emergency fund and work towards saving six months worth of living expenses. This is money that you set aside for the unpredictable and unplanned and to cover expenses such as being made redundant or a sudden change in your income.

WHAT ARE MY FINANCIAL GOALS IN LIFE?

Specific financial goals are vital to your financial planning. It's time to consider now what matters to you. You need to decide what's within reach, what will take a bit of time and what must be part of your longer-term strategy. Apply a SMART-goal strategy to this process. That is, make certain your ambitions are specific, measurable, achievable, relevant and timely. You should also periodically analyse your financial goals to make sure you're always on track.

HAVE I PREPARED FOR UNEXPECTED EVENTS?

There are certain times when life-changing events happen. So it's essential to protect both your and your family's financial future. It may be difficult to think about, but if something were to happen to you or your partner, you'd want to know you are both protected financially. Think about how much money your family would need to maintain their current lifestyle if you weren't around. This will give you a better idea of how much protection you need should different events occur – whether this is your ill-timed death, or suffering from an illness or disability.

WHAT BIG MOMENTS DO I NEED TO PLAN FOR?

Life has a habit of surprising us, disrupting the best-laid financial plans. Having a plan will help you prepare for whatever comes your way, while saving for the things you care about. Whether it's buying a property, starting a family, changing your career or life after you've finished work – whatever your vision for the future, having more money will help to make it rosier.

ARE MY FINANCIAL PLANS STILL ON TRACK FOR SUCCESS?

The financial planning process is dynamic and does not end when you take a particular action. You need to regularly reassess your financial decisions. Changing personal, social and economic factors may require more frequent assessments. When life events affect your financial needs, this financial planning process will provide a vehicle for adapting to those changes. Regularly reviewing this decision-making process will help you make priority adjustments that will bring your financial goals and activities in line with your current life situation. ◀

HELPING YOU PLAN YOUR WEALTH

Perhaps you're looking to boost your retirement income, planning to leave a strong legacy for your loved ones or aiming to grow your savings. We can help you find the answers. Whatever stage of life you're at, we can guide you through the opportunities and challenges you face. If you would like to discuss your future plans, or review your current situation – please contact us.

Source data:

[1] The research for Royal London was carried out by Research Without Barriers (RWB) between 12/04/2019 and 15/04/2019 amongst a sample of 1,012 UK adults who have been married and separated, divorced and/or widowed. All research conducted adheres to the MRS Code of Conduct (2014).

[2] There were 101,669 divorces in the UK in 2017, according to the ONS

Bolstering day-to-day retirement living

RELEASING MONEY FROM YOUR HOME WITHOUT HAVING TO MOVE

Equity release is a way of releasing money from your home without having to move, either by taking out a type of loan secured against your home or by selling all or part of your home to a home reversion company. Currently 1 in 51 people take out equity release loans to bolster their day-to-day retirement finances. The findings from a new survey[1] underscore the growing use of the loans to fulfil retirement plans.

A third of people surveyed[2] said they were concerned about cost of living and believed they would need over £1,400 a month to cover expenses.

EQUITY RELEASE SECTOR

Analysis of the data shows that 21% of lifetime mortgages were partly or solely used for daily living expenses. This is a 5% growth compared to data gathered in 2017 and is part of the overall upward trend in the equity release sector.

Figures from the Equity Release Council showed a record of 82,000 homeowners taking advantage of equity release in 2018 – an increase of 24% since 2017.

QUALITY OF RETIREMENT

The growth in people using lifetime mortgages as income during their retirement reflects the extent to which equity release is now viewed as a practical option for retirement planning.

Alongside more traditional sources of income such as pensions and other savings or investments, the use of property wealth is helping to boost the quality of retirement for increasing numbers of people.

INHERITANCE PLANNING

This sits alongside the dramatic changes brought in under the pension freedoms, which made pensions far more efficient as a wealth vehicle in inheritance planning.

Thanks to the freedoms, pensions passed on are now taxed at the marginal Income Tax rate of the heir receiving them, tax-deferred if the heir keeps it in a pension rather than drawing on it, or aren't taxed at all if the benefactor dies before 75.

MOST POPULAR REASONS

Drawing less on a pension, and instead drawing on other assets to fund retirement, could allow someone to leave more money to their loved ones.

The most popular reasons people took out a lifetime mortgage were to make improvements to their home or garden (47.5%) and to clear an existing mortgage (37.9%). Other things the loans are used for include purchasing a new property and helping first-time buyers.

UNLOCKED PROPERTY WEALTH

Nearly 450,000 equity release plans have been agreed since records began in 1992, with growing numbers choosing to access their housing wealth gradually over time.

According to data from the Equity Release Council, the total number of new equity release customers since 1992 stands at 441,277. More than half of these, a total of 249,145 customers, have unlocked property wealth over the past decade. ◀

SEEK PROFESSIONAL FINANCIAL ADVICE FIRST

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Anyone considering equity release should seek professional financial advice first, as this type of scheme won't be right for everyone. Unlocking property wealth may affect the value of your estate and could affect your entitlement to means-tested state benefits, so it's a good idea to talk it through with family members too.

Source data:

[1] Canada Life Reasons for Loans data 2018

[2] Canada Life Retirement Sentiment Index 2018

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.

AS A MORTGAGE IS SECURED AGAINST YOUR HOME, IT MAY BE REPOSSESSED IF YOU DO NOT KEEP UP WITH REPAYMENTS ON YOUR MORTGAGE.

EQUITY RELEASED FROM YOUR HOME WILL ALSO BE SECURED AGAINST IT.

EQUITY RELEASE IS NOT RIGHT FOR EVERYONE AND MAY REDUCE THE VALUE OF YOUR ESTATE.

Plugging the financial gap

MORE OVER-65s ARE WORKING THAN EVER BEFORE

There is no legal retirement age, and employers can no longer force their employees to retire at a particular age. It's up to you when you decide to stop working.

But nearly three quarters (71%) of UK employees – equivalent to 23 million people – are set to work beyond their 65th birthday, according to new research[1]. A further two in five (37%) believe they will reach their 75th birthday before they retire.

RISING PRICES AND POOR RETURNS ON SAVINGS DELAY RETIREMENT

Among those expecting to work beyond the age of 65, seven in ten (71%) cite the rising cost of living as a reason. Food prices in particular have been rising at their fastest pace for more than five years – the result of last year's extreme weather and an increase in global import costs[2].

Despite a fall in inflation over the past year, another two in three (63%) say that rising inflation eating into the value of their savings is an influential factor, while 62% say the same of poor returns on their savings.

EXTERNAL FACTORS WHICH MAKE EMPLOYEES MORE LIKELY TO WORK BEYOND 65	
Rising cost of everyday necessities	71%
Rising inflation eating into the value of my savings	63%
Poor returns on savings	62%
Slow wage growth	58%
Economic uncertainty caused by Brexit	51%

The respondents could select more than one answer.

POOR RETIREMENT PLANNING PLAYS A ROLE, ALTHOUGH SOME ENJOY WORKING LONGER

A third (32%) of those who intend to work beyond the age of 65 admit that they need to continue earning a wage because their pension savings are insufficient, rising to two in five (39%) among the age group approaching the traditional retirement age of 65 (45-54 year olds).

This lack of planning has been exacerbated by the recent changes to the UK State Pension age, with a quarter of employees (25%) acknowledging that they can no longer rely on it and will have to work for longer to bolster their savings, up from a fifth (21%) last year.

However, not everyone views working for longer as a grim prospect: three in ten (30%) say they plan to work beyond the age of 65 because they enjoy their job, while one in five (17%) employees say they will stay in work to continue receiving valuable employee benefits.

TOP FIVE FACTORS WHY PEOPLE ARE PLANNING TO WORK BEYOND 65	
My pension will not be sufficient, so I need to continue earning a wage	32%
I enjoy my job and would like to work for as long as possible	30%
I can no longer rely on a State Pension/state benefits	25%
I have saved for my retirement, but the cost of living is so high I will still need a wage	21%
I get other benefits from work, for example, social interaction	21%

RESPONDENTS COULD SELECT MORE THAN ONE ANSWER

In particular, income protection (17%) and life insurance (16%) are highly valued benefits for employees who are considering working beyond the age of 65, while one in ten also appreciate the support of a critical illness cover (13%) or access to an Employee Assistance Programme (10%).

It comes as little surprise that UK workers are planning to work longer as external factors like the rising cost of living and poor returns on savings exert extra pressure on employees' finances. ◀

YOUR PERSONAL FINANCIAL JOURNEY

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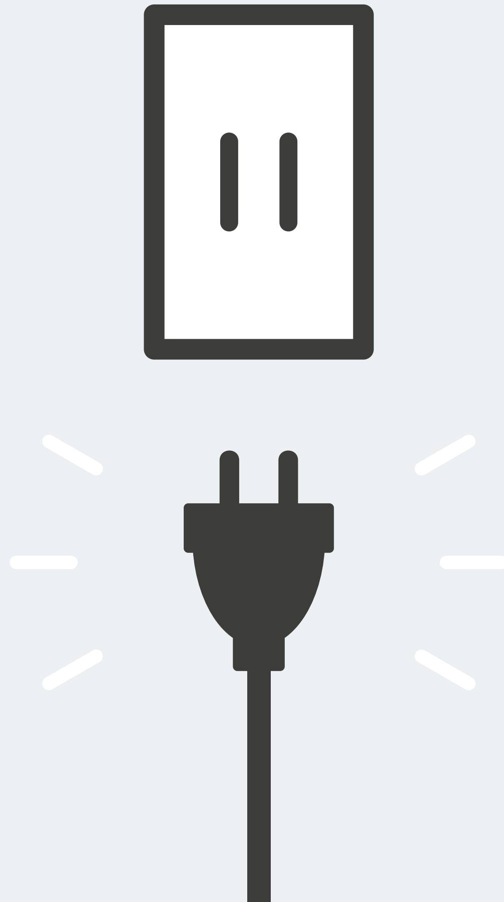
If you have concerns that you may be heading towards a retirement income shortfall, we are here to help you shape your personal financial journey. We will understand your ambitions and support you to achieve them – please contact us for more information.

Source data:

[1] ONS Labour market data, March 2019

[2] British Retail Consortium, Shop Price Index February 2019



Wealth briefing

MAKING GOOD CHOICES WITH YOUR LIFE INVESTMENTS

ONE OF THE GOLDEN RULES OF INVESTING IS TO SPREAD YOUR MONEY ACROSS A RANGE OF DIFFERENT ASSET CLASSES. WE'VE ALL HEARD THE EXPRESSION, 'DON'T PUT ALL YOUR EGGS IN ONE BASKET'.

This approach means that if one or more of your investments rise you will benefit but, if they fall, there should be a degree of protection because, hopefully, some of your other holdings in different asset classes will be going up in value.

REDUCING OVERALL RISK

However, diversifying doesn't mean shortening the period of time over which you invest. You should be thinking long-term (a minimum of at least five years or even longer) for all your investment allocations. Diversification means making sure you're not relying on one type of investment too heavily. This helps to protect your investments and reduce the overall risk of losing money.

There are four main asset classes – cash, fixed-interest securities, property and equities – and having exposure to them all will help reduce the overall level of risk of your investment portfolio. If one part of your portfolio isn't doing well, the other investments you've made elsewhere should compensate for those losses.

SPREADING INVESTMENTS

Investing in just one company is extremely risky, because if it doesn't perform you'll lose money. Investing in lots of companies means that even if one does badly, others may do well, limiting your losses.

You can further diversify your portfolio by spreading your investments over several geographical areas. If you invest in companies from different countries then even if, say, manufacturing is performing poorly in the UK, it might be flourishing in the Far East.

OUTPERFORMING MARKETS

You can take this up another level by investing in different sectors. And so if manufacturing underperforms in several countries at once, other sectors you're investing in could be outperforming their markets.

Make sure you are comfortable with the risks involved when investing in different regions. For example, emerging markets such as Brazil, Russia, India and China are likely to be more volatile than developed markets such as the UK and US.

REDUCING VOLATILITY

Regular investing can also help to reduce investment volatility, known as 'pound cost averaging'. When there's a stock market correction, your regular monthly amount acquires more shares or units with the fund. When markets rise, fewer shares and units are purchased. This reduces the risk of putting a large sum into the market at the wrong time.

Some parts of your portfolio are likely to perform better than others at various times, which is why it's important to review your entire portfolio and rebalance it if outperformance in some areas means that you are now too heavily invested in one area of the globe or one asset class. ◀

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ENSURE MORE CONSISTENT PORTFOLIO PERFORMANCE

While diversification cannot guarantee protection from loss or ensure a return on your investment, it is an important way of helping to ensure more consistent portfolio performance across a variety of economic backdrops. If you would like to discuss your portfolio requirements or investment goals, please contact us.

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Stocks & Shares ISA

HELPING YOU REALISE YOUR LONG-TERM FINANCIAL GOALS

So you're looking to accumulate a sum of money by investing. You may have a specific amount in mind. This could be to go towards helping to fund your child's university fees or to pay for a trip of a lifetime.

When you invest in stocks and shares through an Individual Savings Account (ISA), you can choose to invest a lump sum or set up regular savings that suit your circumstances and your financial goals.

But before you start, here are some considerations before you begin saving towards your goal.

Firstly, do you have any existing debts outside of a mortgage, and do you have any current savings in case of an emergency?

You should also pay off any credit card or store card debts before you start saving. This is because the interest rate on this debt may exceed any returns you achieve by saving, certainly in the short term.

Having an emergency fund you can access quickly before you start saving towards your particular goal will help cover any unforeseeable expenses that may occur, when life throws a curve ball at you unexpectedly.

An ISA is a 'tax-efficient investment wrapper' that can be used to help save you both income and Capital Gains Tax. The total amount you can invest in a Stocks & Shares ISA during the current 2019/20 tax year is £20,000. This is known as your ISA allowance. Don't forget this also applies to a spouse or partner, so combined you could currently save £40,000 during each tax year.

If you're planning to save over a period of five years or even longer, we've provided some reasons why you might want to consider investing some, or more, of your money in a Stocks & Shares ISA, to help you realise your long-term financial goals.

DON'T OVERLOOK THE IMPACT OF INFLATION

One of the appeals of cash savings is that you can access them when you want. Your interest is also generally fixed, so their value won't swing up and down like share prices can. It's sensible to keep enough cash to cover any short-term needs, but keeping too much of your savings in cash can carry a cost.

When the price of goods and services, or inflation, is rising faster than the rate of interest you receive on, say, your cash savings in a UK bank or building society, the 'real' value of the amount is eroded, which could leave you worse off.

By accepting some level of calculated risk and investing your money in assets such as company shares, bonds and property, you could potentially achieve higher returns than cash alone can offer. Returns from investing can never be guaranteed, however, and you should remember that past performance is no guide to future performance.

HOLDING THE RIGHT BLEND OF ASSETS

Relying on any one asset could expose you to an unnecessary risk of losing money. The key to managing risk over the long run is holding the right blend of assets that can collectively perform in different circumstances.

There is the option to hold a wide range of investments in a Stocks & Shares ISA. As well as individual company shares and bonds – both government and corporate – you can also invest in funds that feature several assets. Some funds focus on one type of asset, and sometimes even one region, while others hold a mix of assets from around the world. A broad and diversified portfolio will help spread the risk of individual assets failing to deliver returns or falling in value.

SAVING A SIGNIFICANT AMOUNT OF TAX

When you invest through a Stocks & Shares ISA, any income you receive, and any capital gains from a rise in value of your investments, will be free from personal taxation irrespective of any other earnings you have.

Investing in this way could save you a significant amount of tax. It's important to remember that ISA tax rules may change in the future. The tax advantages of investing through an ISA will also depend on your personal circumstances.

ISA PORTFOLIOS CAN BE FLEXIBLE

Your circumstances – and attitude towards investment risks – are likely to evolve, meaning different types of assets will become more or less appropriate over time. So if you are using ISAs as part of your retirement planning, when you approach retirement you may want to reduce the level of risk in your portfolio, or move towards income-generating assets. It's sensible to review your investments regularly – even as a long-term investor.

Within an ISA, you can reallocate your portfolio according to your outlook and needs at any time without losing any of the tax benefits. You can also move money from your Cash ISA to your Stocks & Shares ISA, or vice versa, as your short-term cash needs change. ◀

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ASSESSING YOUR CHOICE OF INVESTMENTS

Deciding what to invest in can be a surprisingly stressful process – one reason many people end up procrastinating. The choice of investments and different types of investments can appear overwhelming. If you would like to discuss your requirements or goals, we look forward to hearing from you.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

Making investment decisions into old age

SEVEN IN TEN RETIREES HAVE NOT SET UP A LASTING POWER OF ATTORNEY

More than 615,000 pensioners are on course to make investment decisions into old age but new research[1] suggests tens of thousands have not set up a Lasting Power of Attorney (LPA), with seven in ten (70%) people in retirement not having set up an LPA.

The findings, which coincided with Dementia Action Week, revealed a financial planning blind spot which could leave tens of thousands of pensioners financially vulnerable in retirement. An LPA is a very important part of advance planning for a time when a person may not be able to make certain decisions for themselves.

AT THE HEART OF ANY DECISION

Dementia is a devastating condition which strips a person of their memories, relationships and identities. That's why it's so important that time is taken for advance planning, always ensuring that individuals living with dementia are at the heart of any decision to get an LPA or deputy, so they have the right to make important decisions about their life that might come later.

Four years ago, an overhaul of the pension rules gave people the freedom to keep their pensions invested in retirement and draw an income as and when they like. Based on the latest FCA[2] data, it is estimated as many as 615,000 people have since switched their savings into drawdown.

MAKING COMPLEX DECISIONS

DIY investors managing drawdown without professional financial advice need to make decisions on where to invest and how much to withdraw at a time when their physical or mental health might be deteriorating. But without an LPA in place, their families or friends would be unable to quickly step in to help them without facing a lengthy court process.

Registering an LPA has become even more crucial since the pension reforms. Hundreds of thousands of people are now making complex decisions about their pension into old age, when the risk of developing illnesses such as dementia increases.

ALL STAGES OF YOUR RETIREMENT

Despite this, a vast number of retirees are unprepared for a time when managing their pension might become hard, or even impossible. This problem is creating a potential time bomb as the population in drawdown expands and ages. Obtaining professional financial advice will help you to make the most of your savings and ensure you have the right plans in place for all stages of your retirement.

Four in five (80%) of all Britons have not registered an LPA, with women (82%) marginally less likely to have a set one up than men (78%). Among over-55s, seven in ten (73%) don't have an LPA, rising to more than four in five (82%) 45-54 year olds.

WORSE CASE SCENARIOS

According to the Alzheimer's Society, there are currently 850,000 people in the UK living with dementia. This could increase to over one million by 2025, and by 2051 to two million.

Not having an LPA – in worse-case scenarios – can lead to situations where assets and equity may be lost and those in a vulnerable position are forced to make decisions they are not capable of making. ◀

ARE YOU READY TO START A CONVERSATION?

The future is full of questions. We'll help you understand the choices you have and recommend the right options for you. To find out more, please contact us.

Source data:

[1] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2012 adults. Fieldwork was undertaken between 8-9 May 2019. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

[2] FCA Retirement Income Data Bulletin September 2018 shows 435,769 people took out drawdown between April 2016 and March 2018. If numbers grew at the same pace as October 2017 to March 2018 (90,504), Zurich estimates the population in drawdown would have increased by 181,008 between April 2018 and March 2019, resulting in 616,700 people in drawdown.

Planning for every eventuality

RESPONDING TO SITUATIONS RATHER THAN REACTING TO THEM

As the saying goes, 'People don't plan to fail, but they do fail to plan.' To enable you to achieve want you want to, whether that's trying to lose weight, getting fitter or securing that promotion, having a plan and being prepared for every eventuality is a great way to help move you closer towards your goals.

You can do almost anything when you feel confident about your finances. So how confident are you? No matter what your current age or financial situation, if you haven't already started or you need to make improvements to your existing finances, the best time to start is right now. The financial plans you put in place today will lay the foundations for your and your family's financial security and independence tomorrow.

TRYING TO GET YOUR ATTENTION

The truth is, though, some of us are better planners than others and some of us live for the now and spend in the moment. But somewhere out there, beyond the shiny feel-good of today, our future selves are waving their arms around trying to get our attention.

Being a good planner means you need to be more goal oriented and able to take control of your life. By planning ahead, you can then identify the associated risks, weigh and categorise them, prioritise and create a financial plan. In this way you can transform risks into opportunities and experience the rewards of taking them.

INCREASING YOUR NET WORTH

Most people believe the key to wealth is a high-paying job. Yes, of course it's easier to amass assets if you have more money coming in every month, but one key to increasing your net worth is to spend less than you make and then make it work really hard for you, and not someone else.

Thinking long term is an important characteristic of accumulating wealth and achieving financial independence. Being financially independent means that the income you generate from investments alone is enough to cover all your expenditure.

HAVING A SOUND FINANCIAL PLAN

But without proper financial planning we are not ready to respond to challenges that life may throw our way. Hence we become reactive. Having a sound financial plan in place ahead helps us to become proactive.

By becoming proactive, we are then able to take the right action in the face of certain challenges and adversities. When you are proactive, you respond to situations rather than reacting to them. ◀

AT THE CENTRE OF EVERYTHING THAT WE DO

Making sure your financial future is secure doesn't need to be an overwhelming task. We'd like to discuss your requirements with you. Our clients are at the centre of everything that we do. We are paid to think, not to sell. We look forward to hearing from you.

Your future

HOW TO BUILD WEALTH THAT STANDS THE TEST OF TIME

Long-term investments tend to be less risky in the end. By investing for the long term, you are committing to your investments, and history has shown that this strategy can pay off handsomely.

This is also often the best way to build wealth that stands the test of time. It's how you plan for retirement and build a legacy to pass on to your children and grandchildren. But it's important to keep your eye on long-term goals like retiring, paying for your child's education and passing on some of your wealth to your family.

Regular saving as part of a long-term investment strategy offers a flexible, affordable solution for many people. And by keeping some of your wealth liquid in the form of cash deposits or short-term government securities, you should not be forced into realising investments at what might be an unfavourable time.

LONG-TERM INVESTMENT POINTS TO CONSIDER

1. DON'T DISREGARD INCOME

Investment is about more than capital growth. For your money to really grow, dividend income is key. The main benefit of reinvesting income from your investments is that it can be used to buy more shares or units within funds which have the potential to grow in value and boost your overall returns. Reinvesting income is essential to grow your portfolio. You will usually have the option of reinvesting all or a portion of your proceeds back into your original investments.

2. TAKE SOME RISK

All investments involve some degree of risk. Differences include: how readily you can get your money when you need it, how fast your money will grow, and how safe your money will be. Risk isn't always a bad thing, especially if you are looking for long-term rewards. Understanding risk means identifying your own attitude towards it and identifying the different types of risk. Rebalancing can also help to maintain the overall risk of a portfolio in line with your needs.

3. BALANCE CHANGE AND CONSTANCY

Chasing trends at the expense of stability is not wise. The feeling that you're missing out on a great performance can be very strong. Contrary to what the media may portray, you can do well – and reach your long-term investment goals – with a diversified approach that doesn't require you to discover the latest investment fad. Resist this approach. The smart money has probably already moved on.

4. DON'T PUT ALL OF YOUR EGGS IN ONE BASKET

Diversification is key for successful long-term investing. Spreading your assets while focussing on long-term returns is generally a recipe for stock market success in any economic environment. It is not a case of investing large sums of money in one go, but investing wisely and consistently.

5. INVEST REGULARLY

Putting money into the stock market at regular intervals allows you to ride out stock market volatility. Drip-feeding money is the perfect solution if you want to invest but are unsure of when to do it, and it removes the uncertainty of putting a large sum of money into the market all at once. Remember, it is the time in the market that is by far the most important consideration, not any attempts at timing the market – a strategy fraught with danger. ◀

LET US BE HANDS-ON SO YOU DON'T HAVE TO BE

We have one overriding aim, to you reach your long-term financial goals. To achieve this, we combine specialist professional investment expertise with a high level of personal service. If you want to see how we can help you further grow your wealth, please contact us.

Thousands of retirees in drawdown lack of planning

HAVE YOU WORKED OUT HOW MUCH YOU CAN AFFORD TO TAKE FROM YOUR PENSION POT?

Thousands of retirees shifting their pensions into drawdown are not taking basic steps to work out how much they can afford to take from their pot, putting them at risk of draining their savings too soon, according to new research[1].

Four years on from the introduction of Pension Freedoms, over 435,0001[2] people have shifted their pensions into drawdown. However, just a third (34%) of retirees in drawdown calculated how much income they would be able to generate from their pot before retiring.

COVERING DAY-TO-DAY LIVING

A third (34%) calculated how much money they would need to cover day-to-day living expenses and, again, just a third (34%) considered how long their money would need to last, be it 20, 30 or 40 years. Even fewer (22%) calculated how much money they would need to fund leisure activities, such as going out for dinner and going on holiday.

Worryingly, this lack of planning also encompasses retirees' investment strategy. Only 16% decided where they would invest their drawdown funds to achieve the desired income and as few as 17% decided which strategy they would use to withdraw income, be that selling units of investment funds or shares, or living off the dividends and interest and leaving the underlying investments untouched.

RELYING ON BLIND LUCK

Many retirees in drawdown are relying on blind luck to make their savings last throughout retirement. But by taking simple steps and obtaining professional financial advice to work out how much they can afford to take from their pot, savers can avoid withdrawing too much, too soon.

It's not just retirees themselves that this lack of planning will impact; it also has consequences for people who are set to inherit this wealth. Just one in five (19%) retirees in drawdown have ensured that their partner has the financial knowledge and understanding to continue managing their investments.

SWAMPED BY COMPLEX DECISIONS

Only 15% of retirees have put a financial plan into place if they or their partner were to pass away. Many people don't like talking, or even thinking, about themselves or a loved one passing away.

However, to pass on wealth efficiently and not leave loved ones swamped by complex financial decisions, it's important that those set to receive an inheritance are engaged with financial conversations from the outset. ◀

GETTING READY TO RETIRE?

Living the life you want in retirement will almost definitely mean having access to more than the current State Pension. By planning ahead, we'll help ensure you're on track for the financial future you want. If you would like to assess your current position in relation to your retirement goals – please contact us.

Source data:

[1] Retirement Income Market Data Bulletin - https://www.fca.org.uk/publication/data/data-bulletin-issue-14.pdf

[2] Research undertaken by YouGov on behalf of Zurich. The online questionnaire was completed by 660 retirees who have entered drawdown and was undertaken between 3-15 October 2018.

Protecting what matters

THOSE DEAREST TO US, AND THOSE FINANCIALLY DEPENDENT UPON US

If something should happen to you, the last thing you want is for you or your family to be worrying about money. One of the most important aspects of your financial planning should be to ensure that you've made provision for your family and any dependants in the event of a serious illness, injury or untimely death.

Financial planning is not only about fulfilling our needs and aspirations, but it is also about protecting those dearest to us, and those financially dependent upon us. Of course, illnesses and deaths are not things that we like to think about, but failing to protect against such eventualities can have severe consequences for our loved ones, from struggling to pay the mortgage to a potential Inheritance Tax bill.

Here are just some of the policies that need to be considered.

LIFE ASSURANCE

Generally speaking, anybody with dependants or an outstanding mortgage should look at taking out a life assurance policy. At the very least, this should cover any borrowing and ensure the family can keep their home, but preferably it should provide an additional sum to help cushion the shock to your family finances at such a difficult time.

The level of cover should match your specific circumstances, which means it's crucial to choose the right term and sum to insure. And by putting the benefits paid on death into an appropriate trust, this can be a very useful way of ensuring they are passed on to the intended beneficiaries at the right time. The proceeds also won't form a part of your estate when considering any Inheritance Tax liabilities.

INCOME PROTECTION

Being unable to work can quickly turn your world upside down. These policies typically pay out between 50% and 60% of your salary, tax-free, if you are unable to work due to illness or injury. They are an essential form of cover for those with dependants, but the terms and conditions vary – some pay out until retirement or death, others until you return to work. Almost all will only pay out once a pre-agreed period has passed, ranging from three months to a year.

Some policies will also only pay out if you cannot return to your own occupation. Others pay out only if you are incapable of doing any job. So it's important that you obtain professional financial advice to make sure the right policy is put in place for your needs.

These plans typically have no cash-in value at any time, and cover will cease at the end of the term. If premiums stop, then cover will lapse.

CRITICAL ILLNESS

This cover gives you the comfort that, should you face a terminal diagnosis or a specified critical illness, your policy pays out a tax-free lump sum as opposed to an income. Critical conditions include suffering a heart attack, stroke and certain types of cancer – but each policy will have its own definitive list.

Typically, the proceeds are used to fund paying off a mortgage and any other debts, or they could be used to pay off school fees that are no longer affordable or to provide a financial legacy. ◀

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BEING PREPARED FINANCIALLY FOR ALL EVENTUALITIES

No one likes to think of the worst happening. But when it does, we can help make sure you're prepared financially for all eventualities. We'll guide you through all aspects of how to protect yourself and your family. Please contact us to find out more.

IF THE PLAN HAS NO INVESTMENT ELEMENT, IT WILL HAVE NO CASH-IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE.

CRITICAL ILLNESS PLANS MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. THE DEFINITIONS VARY BETWEEN PRODUCT PROVIDERS AND WILL BE DESCRIBED IN THE KEY FEATURES AND POLICY DOCUMENT IF YOU GO AHEAD WITH A PLAN.

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