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YOUR FINANCE MATTERS

Issue 10 Q1 2019

Does your money need a personal trainer?

How to side-step retirement remorse

Gifting early to avoid IHT

MAKE 2019 THE YEAR YOU GET THE PROTECTION YOU NEED

WHAT MONEY RULES WOULD YOU PASS ON TO THE NEXT GENERATION?

SELF-EMPLOYED? PRIORITISE YOUR PENSION IN 2019

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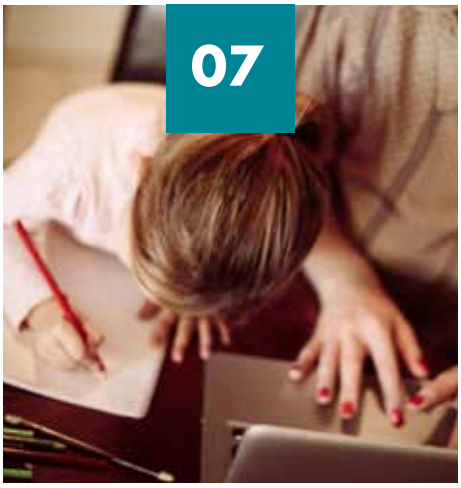

DOES YOUR MONEY NEED A PERSONAL TRAINER?

If you're determined to make 2019 the year you get into shape, you might want to think about giving your finances a makeover too. Sometimes we can all benefit from a little help and encouragement to ensure our finances are fit and healthy. We can help you see things more clearly and put in place the right financial plans for your future.

Toning up your savings

At some stage in our lives we are all going to need savings to fall back on. As we head towards the end of the tax year, it's a good idea to maximise the amount you're saving into your ISA. The allowance for the 2018-19 tax year is a generous £20,000, and the tax benefits are attractive.

Adding pensions muscle

Whatever stage you've reached in your working life, it's worth reviewing your pension provision. Remember, if you want a carefree and comfortable retirement, it's up to you to provide for it. The state pension will only ever be a safety net and won't do more than cover the basics.

Maintaining 20:20 vision on your protection plans

It's worth keeping life policies under review, as over the years your circumstances change. It pays to check you have enough cover for your current situation. There are policies that cover death and critical illness, provide an income if you're unable to work due to an accident or sickness, and ones that can protect your mortgage payments. If you've recently bought a house, had a baby or changed jobs this could mean you need to think about a different type of cover to meet your new needs.

Flexing your investments

If it's been a while since your investments were checked out, this could be a good time to revisit your portfolio. We will ensure that your investments remain in line with your risk profile and, if necessary, rebalance your assets to ensure you achieve your financial goals.

So, make 2019 the year you keep your financial plan fit and well. Why not schedule a review meeting?

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

Gifting Premium Bonds

Following announcements in the 2018 Autumn Budget, National Savings and Investments (NS&I) will now allow people other than grandparents and parents to gift Premium Bonds to a child. The government is also lowering the minimum investment to £25 (from the previous level of £100) from the end of March 2019. This means that aunts, uncles, godparents and family friends will be able to buy bonds for children aged under 16.

Lost pensions could be worth £20bn

People can often lose track of pensions they have built up with previous employers, especially as today the average person is likely to have several jobs over their lifetime. If this has happened to you, contact the Pension Tracing Service – it's a free service which can help reunite you with a lost pension.

Millennials put property before pensions

Analysis from Prudential[1] shows that dreams of owning a home outweigh the desire to put money aside for retirement.

Their data shows that 35% of millennials prioritise saving for a deposit over their retirement; 19% say buying a house is the main reason they don't save more into their pension, while 10% say student debt prevents them saving, and 9% admit that frequently changing jobs affects their ability to make pension contributions.

[1]Prudential, October 2018

VOLATILITY AND ME

Volatility is all part and parcel of investing in the stock market. 2017 saw the market experience lower volatility, as confidence grew, but in 2018, the bounce back in volatility was pronounced as unease over global events increased.

To help navigate market volatility, it's best to stick to your plan, diversify your holdings and very importantly, expect and accept volatility. Your goal, whether it be retirement, education or a large purchase, will determine your asset allocation and time horizon.

Investors with diversified portfolios, who stay in the market, have historically and consistently experienced steady gains over time. So, ignore the noise and daily market movements, and focus on the long term. It's important to remember that volatility also presents buying opportunities.

It's a good idea to review your investment objectives whenever you have a major change in your life, so keep in touch with us.

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Pensions – there's good news!

Many commentators had predicted that the Chancellor would announce major changes to pension tax relief in his 2018 Autumn Budget. However, this wasn't the case. Other than the raising of the Lifetime Allowance in line with the Consumer Prices Index to £1,055,000 for the 2019-20 tax year, the rules surrounding pensions remain the same.

Valuable tax relief

Pensions continue to offer generous tax breaks to encourage us all to provide adequately for our retirement years. If you make contributions to a pension, or if your employer deducts your payments from your salary, you automatically get 20% tax relief as an additional deposit into your pension pot. If you are a higher-rate taxpayer, you can claim an extra 20%, while those paying additional-rate tax can claim back an extra 25%. From age 55, you can take 25% of your savings as a tax-free lump sum. There are different ways of doing this, including taking the tax-free cash only, taking part of the tax-free cash, taking a lump sum including the tax-free element and taking the whole pension fund including the tax-free cash.

Plans to suit your needs

Ideally, everyone would start to save for their pension as soon as they start work, however even if you only have a few working years left, you can still start a pension. Pension plans come in various forms to suit the needs of different types of worker, from the basic State Pension to self-invested personal pensions (SIPPs), personal or private pensions, and workplace pensions schemes, to name but a few. The sooner you start your pension, the longer your money will have to grow.

If you're self-employed, an employee, work part-time, run your own business or have accumulated pension pots with past employers, we can offer you the advice you need. If you haven't looked at your pension plan recently, then arrange to see us for a review.

MAKE 2019 THE YEAR YOU GET THE PROTECTION YOU NEED

If you haven't got proper insurance in place for you, your family and your valuables, then you could be vulnerable if you faced one of life's unexpected crises. Insurance cover doesn't just pay out if you die, it can also give you the satisfaction of knowing that if you fall ill, have an accident or lose your treasured possessions, there would be a pay-out from a policy to help you deal with your financial loss.

We can help you find the cover that's right for you.

Time to top up your ISA?

If you're planning to save into your ISA this tax year, don't leave it too late and miss out on this great way to save tax-efficiently; remember, you can't carry any unused allowance over to the next tax year, so timing is important.

The ISA allowance for the 2018-19 tax year is a generous £20,000 and remains the same for the 2019-20 tax year. If you're thinking of saving tax-efficiently for a child, the Junior ISA limit is £4,260 for the 2018-19 tax year, and £4,368 in 2019-20, rising in line with the Consumer Prices Index.

If you have cash that you don't need to access in the short term and would like to start using this year's ISA allowance now, then don't leave it too long, the clock is ticking.

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Where we spend our money

The latest figures from the Office for National Statistics show that in 2017, we spent more of our money in shops than we did online, but the growth of online sales is increasing rapidly, going up by 15.9% in comparison with 2016, to £59.8bn.

The sharp rise in online sales means that store closures on the high street are becoming more common. An average of 16 shops closed every day in 2017, with more than 700 of the closures occurring in the fashion trade. On a brighter note, beauty product stores and food outlets showed the highest increase in net store numbers.

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SINGLE ADULTS FIND IT HARD TO SAVE

With more people now living alone than ever before, and the numbers predicted to rise, new research[2] shows that single people in Britain are finding it harder to save for retirement than those who are married or co-habiting.

More than six million single adults are under-prepared for retirement. The study reveals that just 47% of single people are saving enough for their future and a quarter aren't making any contribution to a pension.

Sadly, the report found that single people don't feel optimistic about their chances of saving for a pension; two-thirds felt it unlikely they'll ever be able to save more for their retirement with three in 10 admitting that they feel pessimistic about it.

Every little helps

With those retiring on a full State Pension likely to receive around £8,700 per annum, there is clearly a case for starting a pension and planning for retirement, whatever your circumstances. Even small amounts saved regularly into a pension can, usually boosted by tax relief, mount up over the years. If you'd like advice, get in touch.

[2]Scottish Widows, 2018

What money rules would you pass to the next generation?

As parents and grandparents, we all hope the values that we hold dear can somehow be passed on to our children and grandchildren. We'd all like them to be able to make the right financial decisions for the future. Here are a few thoughts that might just help.

Spend less than you earn

It's not easy to get ahead if you're spending as much, or more, than you're earning. Everyone needs a back-up fund, and one of the easiest ways to ensure you're putting money by for a rainy day is to pay yourself first. Transferring money into a savings account on pay day can help you manage your budget better and encourage you to maintain the savings habit. If you don't have any cash reserves, you could find yourself building up debt by putting emergency spending onto your credit card.

Take control, keep on track

Everyone has financial aims and learning to control money from a young age will help them become achievable. Whether it's saving for a deposit for a home of your own or ensuring you have enough to live on in retirement, starting early, getting good advice and regularly reviewing the progress you're making towards your goals all make good sense.

If it seems to be too good to be true...

Financial scams are now widespread and come in a variety of forms. What they offer may look appealing and be presented by people who seem plausible, but scams have resulted in people being used as money mules and risking criminal prosecution or losing substantial amounts of money to bogus or unsound investments, or even being conned out of their entire pension savings. Don't let this happen to you.

Taking financial advice about major transactions such as investments, mortgages and pensions aims to ensure that your interests will always be fully protected, and you will be able to make the right decisions for your financial future.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

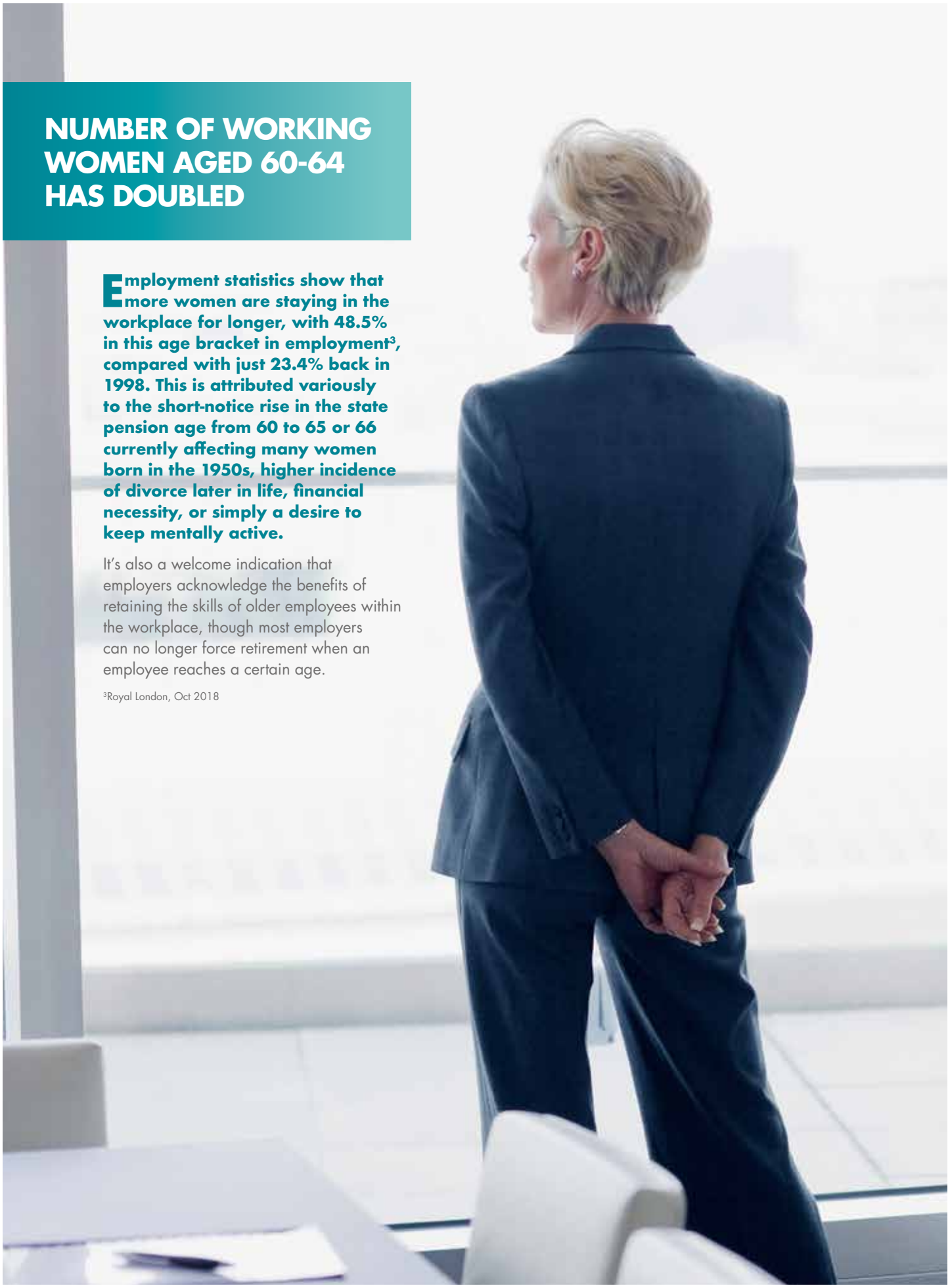
As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

NUMBER OF WORKING WOMEN AGED 60-64 HAS DOUBLED

Employment statistics show that more women are staying in the workplace for longer, with 48.5% in this age bracket in employment[3], compared with just 23.4% back in 1998. This is attributed variously to the short-notice rise in the state pension age from 60 to 65 or 66 currently affecting many women born in the 1950s, higher incidence of divorce later in life, financial necessity, or simply a desire to keep mentally active.

It's also a welcome indication that employers acknowledge the benefits of retaining the skills of older employees within the workplace, though most employers can no longer force retirement when an employee reaches a certain age.

[3]Royal London, Oct 2018



How to side-step retirement remorse

The good news is that most pensioners thoroughly enjoy the freedom that retirement brings. They can pursue their hobbies, take more holidays and spend more time with their family and friends. When people have regrets, it's often to do with the way they planned for their retirement and the decisions they did or didn't take about their finances whilst there was still time.

Plan early

Many people reach retirement and wish they'd put more into their pension plan in their peak earning years. Keeping a regular eye on how much you're saving towards your pension will ensure that you know how much you're likely to have when you retire and give you the chance to increase your contributions if you can afford to. Getting a state pension forecast is important too; many people overestimate how much their State Pension will be worth and aren't sure at what age they will receive it.

A recent report from Aviva[4] warns that millions of workers risk sleepwalking their way to a pension that will, in effect, be less than the minimum wage at retirement. Don't let this happen to you.

Take advice

Not getting appropriate advice is often highlighted as a regret by those people who feel they made poor financial choices when they retired. People retiring today can expect to have several decades of active life ahead of them. Making sure that their funds don't run out too soon can often be a major concern. Getting good financial advice can help ensure that you have a plan in place that meets your likely pattern of expenditure and keep funds in reserve in case you need to pay for nursing or residential care.

[4]Aviva, Sep 2018

WHAT THE 2018 BUDGET MEANS FOR OLDER PEOPLE

Whilst the Chancellor set out some extra spending in key areas such as the NHS, he prefaced his remarks by saying that he might need to present an Emergency Budget in the event of no deal being secured in Brexit negotiations, so this was in many ways a 'wait and see' Budget.

Taxation and pensions

The personal allowance will increase from £11,850 to £12,500 in April 2019, a year earlier than originally planned. The threshold for paying higher rate tax will also rise from £46,350 in 2018-19 to £50,000 in 2019-20.

Although there had been speculation that major changes to pension taxation might be in the offing, these didn't materialise. However, the Lifetime Allowance will increase in line with the Consumer Prices Index to £1,055,000 for 2019-20. The annual ISA limit of £20,000 remains unchanged for 2019-20. The dividend allowance of £2,000 remains unchanged, as does the personal savings allowance of either £1,000, £500 or £0 (according to marginal tax rate).

Social care

Many commentators felt that the proposed investment in social care – £650m plus £55m on disabled facilities – wasn't enough and would do little to improve the overall standard of support available in the community. The spending plans that were announced prioritised lessening pressure on the NHS by reducing bed blocking, rather than ensuring improvements in care packages.

The promised £20.5bn over five years for the NHS in England comes as good news, but how this will be allocated isn't clear. The commitment to put extra money into mental health care is also welcome, and it's hoped that some of that money will be allocated to the care of elderly patients.

In addition to the cold-calling ban, National Trading Standards are due to receive additional funding to extend the provision of call blocking technology for vulnerable people.

OVER-55s FEEL THE PINCH FROM BEING THE 'BANK OF MUM AND DAD'

The Bank of Mum and Dad plays a major role in the housing market but providing support could leave them feeling the pinch as they approach retirement. Recent research[5] found that 17% of parents felt they either would be, or already are, worse off as a result of providing financial assistance to loved ones. It makes good sense for 'lenders' to seek professional advice to protect their own financial interests too.

[5]Legal & General, Aug 2018

Trends in baby boomer retirement plans

Living through decades of increasing prosperity has undoubtedly given baby boomers a lot of advantages, but they can also face a number of challenges. Today, many feel pressured into working past their normal retirement date, often because of the number of demands being made on their finances by their families. If they are unable to work, they can have concerns about outliving their savings.

They may face the need to give emotional and financial support to their very elderly parents as well as their children, and sometimes their grandchildren too. All this while also working out how they can best provide for their own retirement and worrying whether they will have sufficient funds saved to pay for their own later-life care.

These concerns have played their part in the growing trend in semi-retirement. The state retirement age is now widely viewed as less of a milestone, with many choosing to work on past that date, for financial reasons or for the mental stimulation that work provides.

A growing role for advice

Research carried out for The London Institute of Banking & Finance[6] shows that many baby boomers have yet to put plans in place for the years that lie ahead. The findings show that 35% worry about how they will manage financially in retirement, 47% say they know they need to save more for the years ahead, 72% realise that they will have to provide for their own care costs.

Interestingly, only 20% of those aged 50 to 59 who took part in the survey had taken financial advice, despite 44% freely admitting that they don't have sufficient knowledge to make the best decisions for their future.

Seeing the bigger picture

A long-running survey carried out by thinktank, the International Longevity Centre, found that those who took financial advice between 2001 and 2007 had significantly higher savings than those who did not. If you're approaching retirement, having a financial MOT now could help you put in place the plans you need to provide effectively for your financial future.

[6]The London Institute of Banking & Finance, June 2018

Self-employed?
Prioritise your pension in 2019

There are now around 4.8m self-employed[7], representing around 15% of the UK workforce. Being your own boss brings freedom but could mean that you won't have a workplace pension scheme to rely on when you retire.

A recent nationwide study[8] revealed that many self-employed people aren't making provision for their retirement years. More than two-fifths (43%) do not have a pension, with 36% saying they can't afford to save into one. Nearly a third (31%) expect to rely on the State Pension to fund their retirement.

How to plan for the future

If you're self-employed, contributing to a pension can be a more difficult habit to develop than it is for those in employment. Irregular income patterns can make regular saving difficult, but there are plans available that can give you the flexibility you need, and the good news is that your contributions are topped up by Income Tax relief.

Despite often having more complex financial requirements, just 10% of self-employed people regularly see a financial adviser.

[7]Office for National Statistics, Feb 2018
[8]Prudential, Aug 2018

Gifting early to avoid IHT

With the Government announcing a dramatic rise in probate fees, many people are considering reducing the size of their estate to minimise the Inheritance Tax (IHT) and probate fees that will be payable on their death. In the most extreme cases, estates worth over £2 million will pay £6,000 in probate fees, in addition to any IHT due on the estate.

Recent research[9] estimates that nearly seven million parents have already given their children around £227bn of their wealth early in order to reduce the amount of IHT payable on their estates. A further 6.5m are thought to be considering similar moves.

Using trusts and life policies

Many families are using trusts to ring-fence assets, effectively removing their value from their estates. However, anyone considering giving away assets in their lifetime should take professional advice. Inheritance Tax is complex and lifetime gifts can end up being taken into consideration for tax purposes if all the conditions applying to these types of gifts aren't fulfilled. Also, Chancellor Philip Hammond earlier this year ordered a review of the IHT system, the implications of which we will monitor closely.

The Financial Conduct Authority does not regulate some forms of taxation advice.

[9]Direct Line Group, Oct 2018

POOR HEALTH PROMPTS RETIREMENT

Choosing when to retire is one of the most important decisions facing more mature workers. Whilst employees are no longer excluded from the workplace when they reach a certain age, one factor that undoubtedly plays a major part in deciding when to retire is their state of health.

A recent study[10] found that nearly four million employees over the age of 50 in the UK expect poor health to be the main reason they retire. Work pressures were described by 21% of those surveyed as a major strain on their physical and mental health, with 37% reporting that their work could be detrimental to their health and wellbeing.

Planning gives flexibility

Most workers would like to feel that they have a degree of flexibility when it comes to deciding to give up work. Retirement planning can help make this choice easier. Saving regularly over the years and accumulating a reasonable amount in your pension pot means you have more options available to you. You can retire if you feel that would be better for your health and wellbeing, but equally if you are still fit and healthy and enjoying your job, you can stay in the workplace.

[10]Aviva, Sep 2018