Your

Finance Matters

Financial Magazine

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YOUR FINANCE MATTERS

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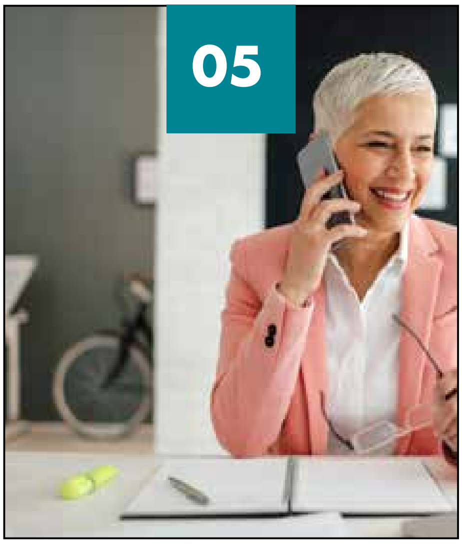
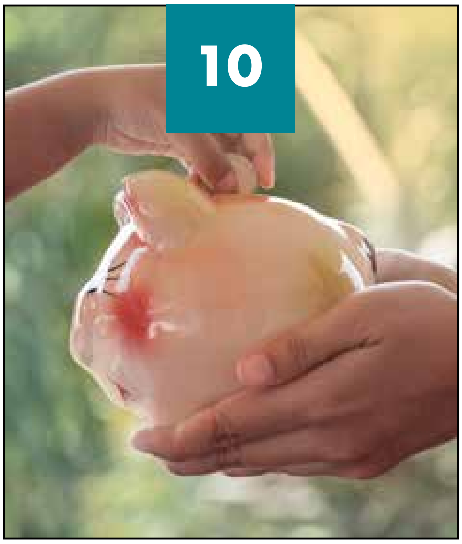




FIVE PERSONAL FINANCE HABITS WE SHOULD ALL ADOPT

While most of us think we're pretty good with our money, we can all benefit from giving our finances a regular health check.

If you're looking to get to grips with your finances and develop better habits, then setting yourself some financial goals and drawing up a budget is a good way to get motivated. Priority debts are those that have the most serious consequences if you don't repay them, and aren't necessarily the ones with the highest interest rates. They include your mortgage and rent, council tax and utility bills. These need to be paid first. It also makes sense to keep a firm grip on your credit card spending. Once you have worked out your budget, you'll know how much you can save each month.

Have a rainy day fund

Everyone needs to have some money put away for emergencies, and for the bigger, more exciting things in life like a special trip, a child's education or a wedding. So, for most of us having some cash that we can access quickly to pay for unexpected things like an unforeseen bill, and some that steadily builds up for the future, makes good financial sense.

Save for your retirement

Even if it's currently decades away, if you're working you need to be saving for it now. Pension contributions attract tax relief, and if you're in a company scheme, your employer may pay into the scheme too.

Live below your means

Life's little expenses like a trip to the coffee shop eat into your cash. A daily £2.50 coffee would leave you worse off by £875 a year, meaning one small lifestyle change could leave you hundreds of pounds better off.

Make the most of your money

Once you've got your debts under control, got your emergency fund set up and begun to save regularly, then it's time to think about investing for your future. If you're new to investing, a stocks and shares ISA can be a great place to start. They are tax-efficient, and many offer you the opportunity to pay in a lump sum or make regular payments.

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.

PENSION SCAMS PERSIST – TAKE NOTE

Scammers are out in force again, trying to part us from our pension savings.

One in six pension holders in the UK have been contacted by a company – other than their pension provider – to discuss making changes or transferring their pension, according to the Pensions and Lifetime Savings Association (PLSA).

They report that with the recent failure of the construction giant Carillion, scammers have been seeking to exploit defined benefit pension scheme members' fears about the future of their pensions. The PLSA said that scheme members would be covered by the Pension Protection Fund which has the financial strength and experience needed to handle this type of situation on their behalf.

Just say 'no'

The Pensions Regulator says that unsolicited phone calls, texts or emails about your pension are nearly always scams. Scammers will often claim they're from Pension Wise or other government-backed bodies, but these organisations would never phone or text to offer a pension review.

You can check out the latest scams doing the rounds by visiting the Financial Conduct Authority's Scamsmart website at www.fca.org.uk/scamsmart.

More than £400m languishing in old pension pots

With more people changing jobs over their working lifetime, the average saver can have multiple pension pots and have no idea how to track them down. What's more, people move homes, and can lose track of paperwork over the years.

As a result, the Department for Work and Pensions (DWP) has estimated over £400m in unclaimed pension savings in the UK.

If you're in this position, then there are various steps you can take. Contacting old employers for details can be a good first step, and then there's the free Pension Tracing Service provided by the DWP. This service was launched back in May 2016, and has been used more than a million times by savers.

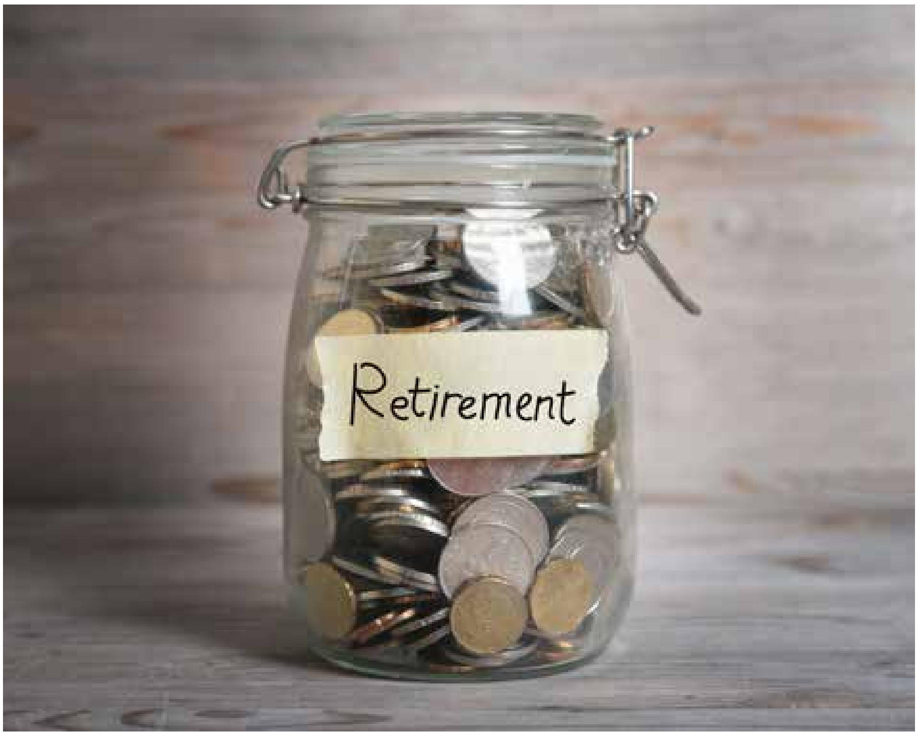
What to do if you have multiple pension schemes

You may want to consider consolidating your various pensions into just one plan. Potential reasons for moving a pension could include seeking better investment performance, looking for lower charges to boost your retirement income and pursuing access to a wider range of investments. But before you make your move, there are downsides that you need to consider.

If you're in a final salary company pension, also known as a defined benefits scheme, it will often be best advice to stay put because of the guarantees attached to your pension. Some money purchase schemes, referred to as defined contribution plans, also offer guarantees that need to be fully evaluated before transferring to an alternative scheme.

These are the steps to take

- Keep a record of all your pension pots, so you don't lose out at retirement
- Make pension saving a priority. Consider topping up your contributions whenever your financial circumstances allow, remember, within limits, they attract valuable tax relief
- Know your state pension age and get a forecast of how much you'll receive
- Speak to us about arranging a regular review to help ensure your retirement plans remain on track.



CASH FLOW PLANNING – YOUR ROAD MAP FOR THE FUTURE

Many people spend their working lives planning and saving for their later years. However, when they reach retirement they can be unsure as to how best to allocate their cash. This is where cash flow planning can really help.

Why it helps to get a forecast

A cash flow forecast will give you a clear picture of what your future income and capital needs are likely to be. It can help you take the right decisions about timing your retirement, like calculating your likely income depending on whether you choose to retire early or late.

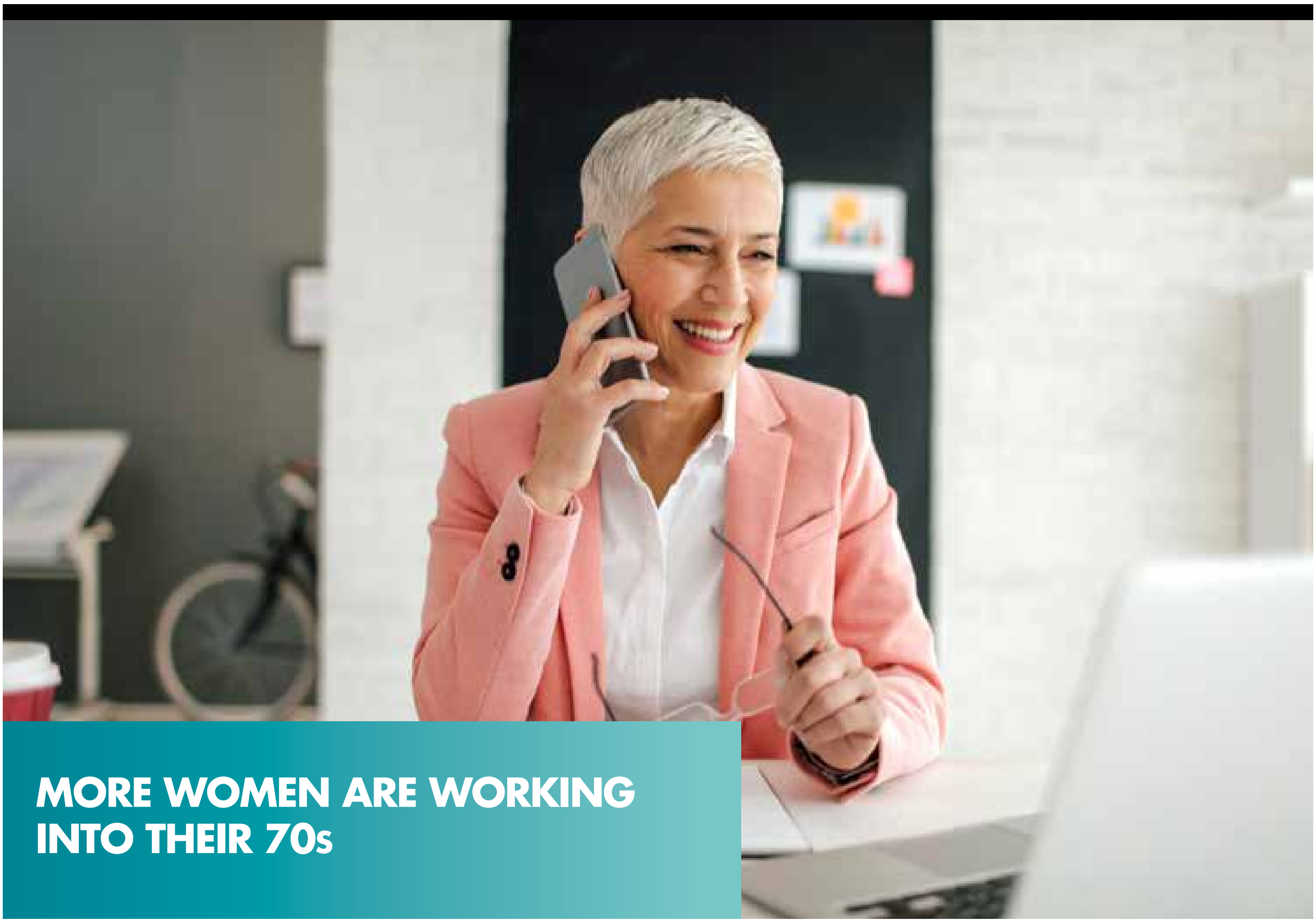
At retirement, it's not unusual for people to find themselves holding large amounts of cash, especially if they have chosen to take a tax-free lump sum from the pension pot. This is often a short-term measure before they buy a property or make investments.

A cash flow forecast can help you decide how much you have available to invest. It can also help you see what the effects of inflation might be, and what income you'll be able to take at different rates of investment return.

A forecast for your future

A cash flow forecast is not a once-and-for-all exercise; it's a living document that should be regularly revisited to ensure that it reflects your changing situation. It can help you take a range of lifestyle planning decisions, for instance whether it would be financially beneficial to downsize at retirement, or help you assess when and how much money you can afford to pass on to your family.

It can have a valuable role to play in tax planning, enabling you to put in place plans to reduce the Inheritance Tax that might otherwise be payable on your estate when you die. Mapping out your future cash flow also means you're better able to plan for later life expenditure like the cost of residential or nursing care. We can help you assess your cash flow needs and make the right decisions for your wealth.



MORE WOMEN ARE WORKING INTO THEIR 70s

> What is clear for both men and women is that it's important to plan and save for retirement as early as possible in your working life

In yet another sign that retirement is becoming an increasingly fluid concept, figures from the Office for National Statistics show that the number of women working past the age of 70 has doubled in the last four years.

The abolition of the compulsory retirement age in 2011 has meant that many more workers, men and women, are choosing to work on past their normal retirement date. For some, it's the desire to keep physically and mentally active into their later years, for others the freedom to work for longer provides a welcome boost to their retirement income. With increased life expectancy, many more people are set to live active lives well into their eighties.

However, as many women do not get the full state pension because they have gaps in their National Insurance contribution records, often brought about by time off to raise a family or look after elderly relatives, this can also be an economic necessity to supplement small pensions.

Planning ahead gives options

What is clear for both men and women is that it's important to plan and save for retirement as early as possible in your working life. That way, when the time nears, the options of retiring, working part-time, changing career or doing voluntary work are all open to you.

It's worth asking yourself:

- When do I want to retire? What is my state pension date?
- How much will I need in income and savings to fund my lifestyle in retirement?
- Am I currently saving enough? What will my state pension be?

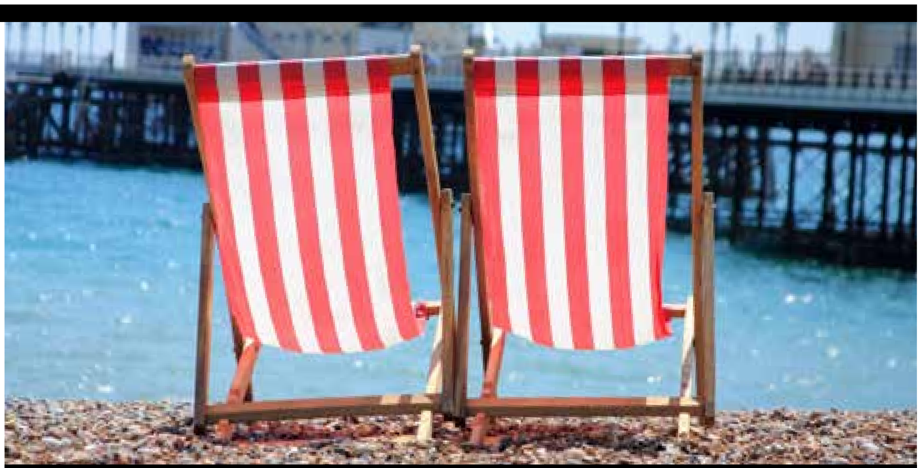
Retirement planning is something we should all take very seriously. With encouragement on offer in the form of tax relief on pension contributions, and the government's major push to get workers into pension schemes via auto-enrolment, there are more opportunities than ever before to make provision for retirement.

MORE PEOPLE FEEL POSITIVE ABOUT THEIR PERSONAL FINANCES

A poll carried out by Opinium in January found that despite concerns over major issues such as Brexit, more Britons report feeling positive about their personal finances than they did last year. The survey found that workers think that their disposable incomes will increase by 3% on average, from £349 a month to £360 a month.

Spending priorities for this year include holidays (39%), house renovations (16%), and paying down personal debt (14%). However, savings are important too, with respondents expecting to save more at an average of £221 per month, up 13% on last year.

For savers, an ISA is a simple, tax-free way to save or invest. The advantage of these types of account is that you don't pay tax on the interest or dividends you earn, or the increase in value of your investments. There are several different types of ISA available, designed to help you save for the important things in life like holidays, a deposit for a home, or for your later years. Why not contact us for advice on choosing the one that's right for you?



Investing for income in retirement

Today, savers reaching retirement have more choices than ever before about how they use their pension pots to fund their retirement. Instead of simply using their pension money to buy an annuity that provides a guaranteed income for life, many choose to invest throughout their retirement years. The challenge this brings is to deliver a continuing income, while ensuring they don't run out of funds later in life.

Income drawdown

A growing number of retirees are choosing to go into income drawdown, where their pension pot is invested and they take an income from it. Those who choose to invest will need to consider some practical points, such as whether they would like a fixed amount each month, or prefer to access ad hoc amounts as and when they need them. It's also important for investors to consider how much risk they are happy to take with their money.

Risk

Investing means introducing risk to your money. Being prepared to assume a certain degree of risk can help you grow your cash. Conversely, there is of course the possibility that you could lose some, or all, of your money. Stock market performance is unpredictable. Investing is all about adopting a longer-term view, diversifying risk, and giving your money time to grow.

Diversification

The key for drawdown investors is to build a diversified portfolio of funds which aims to produce a reliable dividend yield, without taking undue amounts of risk. In practical terms, this means investing across a range of sectors and stock markets to spread the risk. That way, a poorly-performing investment should not greatly damage your overall returns, and your money has greater opportunities for growth. A portfolio that includes a combination of different assets has been shown historically to perform better than one that is only invested in one type of asset.

Asset classes

The process of deciding where to invest your money is referred to as asset allocation. The main categories of assets are cash, equities, bonds and property, and each has its own risk profile.

Once your portfolio is established, it's important to schedule regular reviews so that your investments can, if necessary, be altered or rebalanced in response to economic and market forces.

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.

Two-thirds without life insurance despite health worries

A recent 'Health, Wealth and Happiness' report[1] shows that poor health (29%) and concerns over family members' health (24%) top the list of things likely to impact happiness, above the sudden death of a family member or friend (24%), terrorism (23%) and the impact of Brexit (17%).

Despite health worries topping the list of concerns expressed, 57% of respondents haven't taken out life insurance, with a further 11% not sure whether they have or not. This is particularly worrying when you consider how many of these people are likely to be homeowners who have mortgages.

Life insurance can be a financial lifeline at a sad and difficult time, paying off a mortgage if the borrower were to die. Critical illness cover can pay out a lump sum on the diagnosis of a serious illness as defined in the policy.

How protection policies help families

Protection policies don't just pay a lump sum on death or the diagnosis of a critical illness, they can also help provide an income for families hit by an accident, sickness and unemployment, help parents pass their wealth on to future generations, and can have a major role to play in Inheritance Tax planning too. A payout from a policy could make the difference between your loved ones facing a financial struggle at a challenging and emotional period in their lives, and being able to maintain the sort of lifestyle you would want them to enjoy.

Income protection

With state benefit provision representing merely a basic safety net, how would you pay the bills if you were sick or injured and couldn't work? If the unexpected were to happen, how would you and your family manage financially? Coping with a long-term illness or injury can be stressful enough without the added pressure of money worries. Taking out an income protection plan offers peace of mind and security for your family, and means that you would receive a regular replacement income every month for a defined period of time.

Peace of mind

With so many different types of policy available it can be hard to know which one is right for your circumstances and offers the best value for money. That's where we can help.

[1]Lifesearch, 2017

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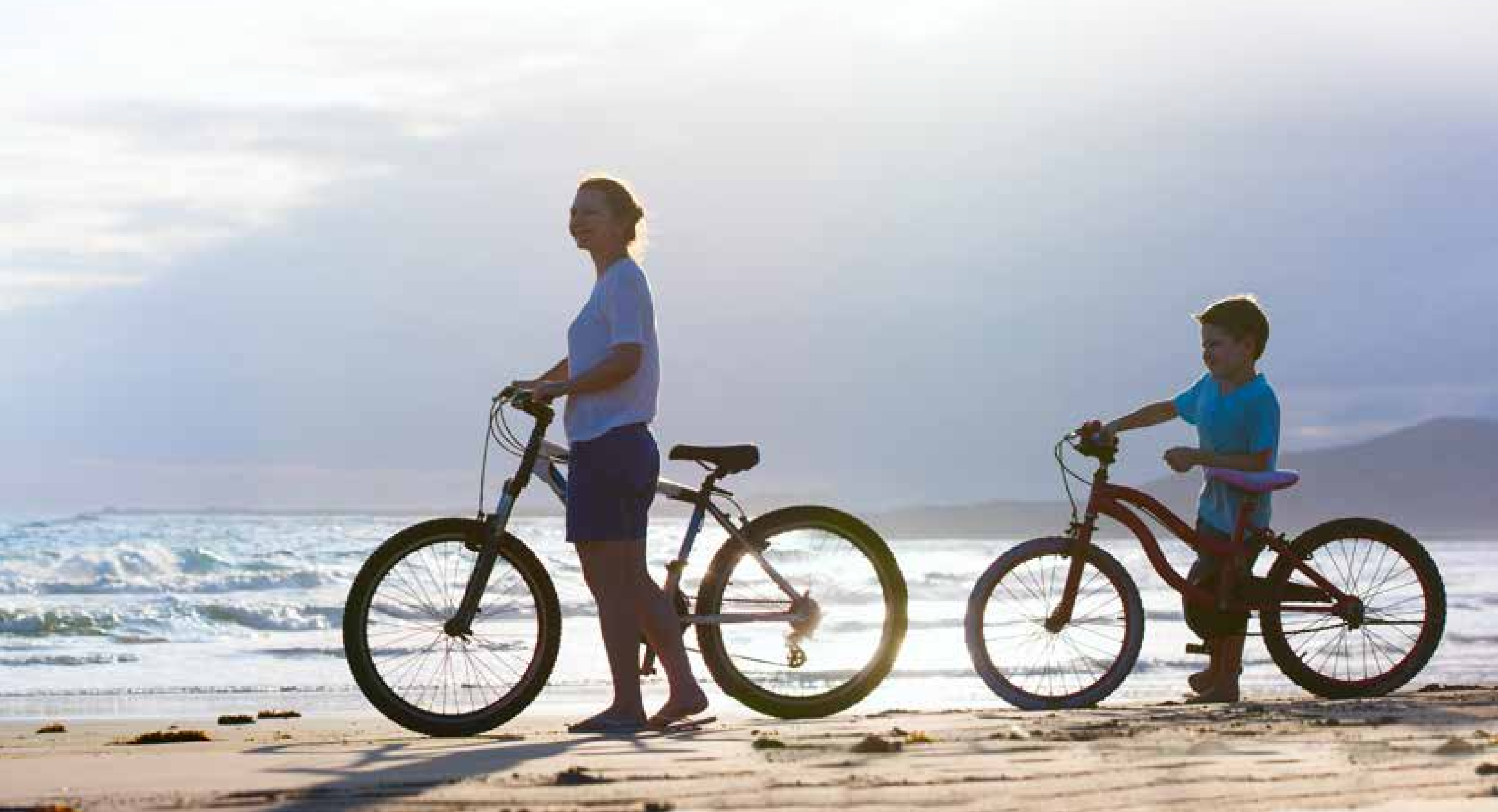

ALMOST 16 MILLION DON'T HAVE CONTENTS INSURANCE – DON'T BE ONE OF THEM

Are your belongings protected against life's unwelcome events? Home insurance is an effective shock-absorber that protects millions of families each year and provides them with valuable peace of mind.

Having a home contents insurance policy in place means that if the unexpected were to happen, such as a burglary, leaking pipe or a devastating fire, then there would be a payout to help put things right. However, recent figures from the Financial Inclusion Commission (FIC) show that an alarming number of adults don't have any insurance in place to protect their personal possessions.

Families need protection

With the average value of contents in a three-bedroom family home estimated at £55,000, it's important to be fully insured at all times. The November 2017 FIC report shows that 1.2 million successful claims were made on household buildings and contents cover in 2016, with an average payment of just over £2,500 being made. For many households without cover, having to find this amount of cash to replace lost, damaged or stolen items to this value would be beyond the limit of their savings.

Tax traps the Bank of Mum and Dad should avoid

With the Bank of Mum and Dad regularly helping to finance property transactions for their offspring, it's important for parents to be aware of the tax consequences of doing so.

Inheritance Tax (IHT)

Although it's tempting to give children large amounts of cash for a home, this requires careful thought and planning. IHT is a tax payable on money, savings or any other assets you pass on when you die, and potentially on some gifts you make during your lifetime.

Giving away more than your annual IHT exemption of £3,000 (that's in total, not per person) means that if you die within seven years of making the gift, your estate could be liable for Inheritance Tax if its value exceeds the individual threshold of £325,000. If the estate is liable for IHT, it is payable at 40% on the excess.

However, the year your child gets married you can give them an extra £5,000. In certain circumstances, you can make gifts out of your regular income, but you'd need to show that making these gifts doesn't affect your normal standard of living, so taking professional advice is essential.

Income Tax

If you lend your children the money, then if they pay you interest, this is taxable.

Capital Gains Tax (CGT)

Parents buy a house with their child, and don't live with them, and then when the property is sold, they could be liable for CGT. The property will not count as the parents' main residence for tax purposes, and so CGT is payable on their part of the proceeds on sale.

Additional Stamp Duty

Helping out with the deposit for a child's property may not pose a problem, but part-owning can mean additional Stamp Duty is payable. If parents buy a property for their child and are named on the deeds and already own a home, this purchase counts as a second home and may be liable to Stamp Duty at the higher rate.

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

Over 50s neglect pensions – choosing to rely on inheritance or lottery wins

There's increasing evidence that those aged over 50 are postponing making plans for their retirement, often relying on factors out of their control like a premium bond win or receiving money on the death of elderly relatives. Others plan on selling their current property and downsizing to release cash for their retirement. However, that's not a certainty either, as house prices can fluctuate.

Over the past few years there has been a major shift in emphasis, with financial provision for our retirement years moving from being the responsibility of the state to being the responsibility of the individual, meaning we should all start saving for our pensions as soon as we can.

Reaching your peak

It's widely accepted that workers are likely to reach their peak earning powers between ages 40 and 50. From then on, their incomes are likely to fall. Being aware that your earnings potential could be set to decline after your 40s can be a bit of a wake-up call for your pension and savings. At this age, the dilemma for many is how to strike a balance between saving adequately for retirement, whilst meeting all the financial needs of a growing family, and often looking after elderly parents too.

However, the good news is that you get valuable tax relief on your pension contributions and, due to the benefits of compound interest and the potential for capital growth, even small contributions made now can make a real difference when it comes time to retire.

Workplace schemes

Following the introduction of auto-enrolment pension schemes, workers have an added incentive to save for retirement.

Over 9.3 million people have now been auto-enrolled into workplace schemes. If you're employed and haven't joined your employer's scheme, you should think about doing so. By the end of this year, all employers will have to provide a pension that they, as well as you, contribute to. If you're already a member of a scheme, you could consider increasing your contributions to improve your pension outlook. In addition to joining a workplace scheme, you can set up your own personal pension plan, a stakeholder plan or a Self-Invested Personal Pension (SIPP).

DIVIDEND ALLOWANCE REDUCTION FROM APRIL 2018

In the Summer Budget 2015, the government announced that dividend taxation would be reformed from April 2016 by replacing the Dividend Tax Credit with a £5,000 Dividend Allowance, and increasing the rates of tax payable on dividends in excess of the new allowance by 7.5 percentage points in each band, to 7.5% for basic rate, 32.5% for higher rate, and 38.1% for additional rate.

Previously, a basic rate taxpayer paid no tax on their dividend income; only higher rate or additional rate taxpayers paid tax on their dividend income.

Individuals and businesses affected

In the Spring Budget 2017, it was announced that the £5,000 Dividend Allowance would be reduced from £5,000 to just £2,000 for dividends paid on or after 6 April 2018. The Chancellor, Philip Hammond, said that the reduction was designed to "address the unfairness" around the Dividend Allowance, which he described as "an extremely generous tax break for investors with substantial share portfolios." He said that about half the people affected by the reduction in the allowance were directors and shareholders in private companies.

The cut in Dividend Allowance is likely to have a significant effect if you are a company director and take dividends as part of your remuneration package. Self-employed people often provide their services through companies, paying themselves a small salary which they top up with dividends to reduce their tax bill.

This change will directly affect those individuals with investments that are held outside tax-efficient wrappers such as ISAs and produce more than £2,000 of annual dividends. One of the ways to mitigate this tax hike is to make full use of tax-efficient wrappers, putting your investments into an ISA or a Self-Invested Personal Pension (SIPP) if these products suit your investment needs and objectives.

MONEY DOESN'T GROW ON TREES – TEACHING YOUR CHILDREN THE VALUE OF MONEY

Financial literacy isn't a skill that we're born with. Learning how to manage money effectively requires acquiring a few important life lessons that parents can pass on to their children from a relatively young age.

Earning and learning

It makes sense to encourage children to handle cash as soon as possible to help them recognise its value, and to plan how to save some of their pocket money, so that they can save up to buy a new toy or book with their own money. After all, good things come to those who wait, teaching delayed gratification is a great lesson. It's important that they realise you work to earn money and that it simply doesn't pop out of the wall at the cash point.

Lead by example

It's important for kids to understand what budgeting means to teach responsibility with money. If you demonstrate responsible buying by creating a budget before you go shopping, comparing prices, using money saving vouchers and curbing impulse purchases, you can lead by example.

Older children need to know how to handle their money before they leave home. It can be an important life lesson for older children to learn how credit cards work, and how interest and charges are calculated, and how they can mount up if the balance isn't cleared regularly.

When it comes to borrowing money, they need to know that there are many different types of loan available and that it's important to understand how to compare charges and interest rates.

It's also worth explaining to teenagers the value of having a good credit score, and how this can improve their financial chances when the time comes to enter into big financial transactions like taking out their first mortgage.

Learning to save

Junior Individual Savings Accounts (JISAs) are a good way for children to learn about the benefits of saving money for the future. The advantage of a JISA is that they are tax free and once the account has been opened by the parent or guardian, anyone can make contributions, including grandparents, friends and family. The savings limit for the 2018–19 tax year is £4,260.

Children gain control of their JISA at age 16, but the money cannot be withdrawn until they are 18. At that point, the account is automatically rolled over into an adult ISA, a valuable facility for those who want to continue saving or investing tax-efficiently.

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Millions relying on just £7k in retirement

According to research[1] carried out for the Pensions Policy Institute, many pensioners are relying on their state pension for three-quarters of their income.

It can come as a shock to many that their state pension entitlement increased to £164.35 per week from April 2018, but only for those who have a complete record of National Insurance contributions, meaning that some people will receive less. On top of that, the government announced last July that the state pension age would be increased to 68 between 2037 and 2039.

Why we all need to plan ahead

We'd all like to look forward to a comfortable retirement, but sadly many people don't realise until they come to retire that they don't have sufficient money saved to enjoy life to the full. With the onus on all of us to provide for our later years, it pays to make time to check up on how much you'll have to live on in retirement. If there's likely to be a shortfall in your savings, the earlier you spot it, the easier it should be to fix.

If you find yourself facing a likely shortfall, there are various things you can do to address it. The longer you have before retirement, the more time you'll have to boost your pension pot. If you're employed, and haven't joined your workplace scheme, you should think about doing so. By the end of 2018, all employers will have to provide a pension that they, as well as you, contribute to. If you're already a member of a scheme, you could consider increasing your contributions to improve your pension outlook, or take out a personal pension plan.

More and more people are realising that it's never too late to act on their retirement planning, or too early to put their pension arrangements on track. If it's been a while since you assessed your pension plans, why not contact us for a review?

[1] Pensions Policy Institute, 2018

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Time to temper your return expectations?

Over the last eight years, the stock market has been pretty generous, providing many investors with a period of relatively strong rates of return. Some experts are warning that the next few years are likely to be less rewarding and that investor expectations need to be tempered in readiness for a period of lower average investment returns.

Last year was a good one for many investors because despite a host of issues, including rising interest rates, political unrest and uncertainties surrounding Brexit, markets generally enjoyed buoyant returns. This optimism continued at the start of this year, with strong gains seeing equity indices around the world soar. This run was halted at the end of January and the market subsequently witnessed a correction with indices retreating from record highs.

The catalyst for the sell-off was a US employment report showing stronger than expected jobs growth and an increase in wage levels. Rather than seeing the news as a positive sign that reduced the possibility of a global recession, the data was viewed with apprehension amid fears of rising inflation and impending monetary tightening.

Something's got to give

With stock markets having recently risen to all-time highs, some of the caution regarding future returns relates to equities being relatively expensive. Even after the recent sell-off, equity markets could still be susceptible to potentially sharp falls. While many still see scope for further stock market growth, the overriding message does now seem to centre on seeking more realistic rewards.

Macroeconomic conditions around the world seem to have improved in recent months. The latter half of 2017 saw a noticeable pick-up in the pace of global economic growth. This improvement in economic prospects is reflected in the latest forecasts published by the International Monetary Fund (IMF) which suggest that economic activity continues to strengthen across the world.

With stronger economic growth comes the prospect of higher interest rates and inflation. The expectation that monetary policy is set to be tightened at a quicker pace and to a greater extent than previously envisaged has begun to weigh on market sentiment.

Uncertainties return, but so do opportunities

Even though concerns exist, so too do investment opportunities. The value of financial advice includes clearly outlining and achieving your financial objectives and identifying investment opportunities, with the aim of enhancing returns. We aim to manage the inherent volatility of markets, so your savings have the best chance of growing for the future – without giving you sleepless nights in the process and whilst ensuring you aren't taking too much, or too little risk, with your money.

KNOW YOUR NUMBERS FOR THE NEXT TAX YEAR

Tax-free Savings for Individuals

ISA allowance	£20,000
Junior ISA allowance	£4,260
Lifetime ISA (counts against £20,000 ISA Allowance)	£4,000
Help to Buy ISA (you can contribute up to £200 per month*)	£2,400

*Additional £1000 in 1 year

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