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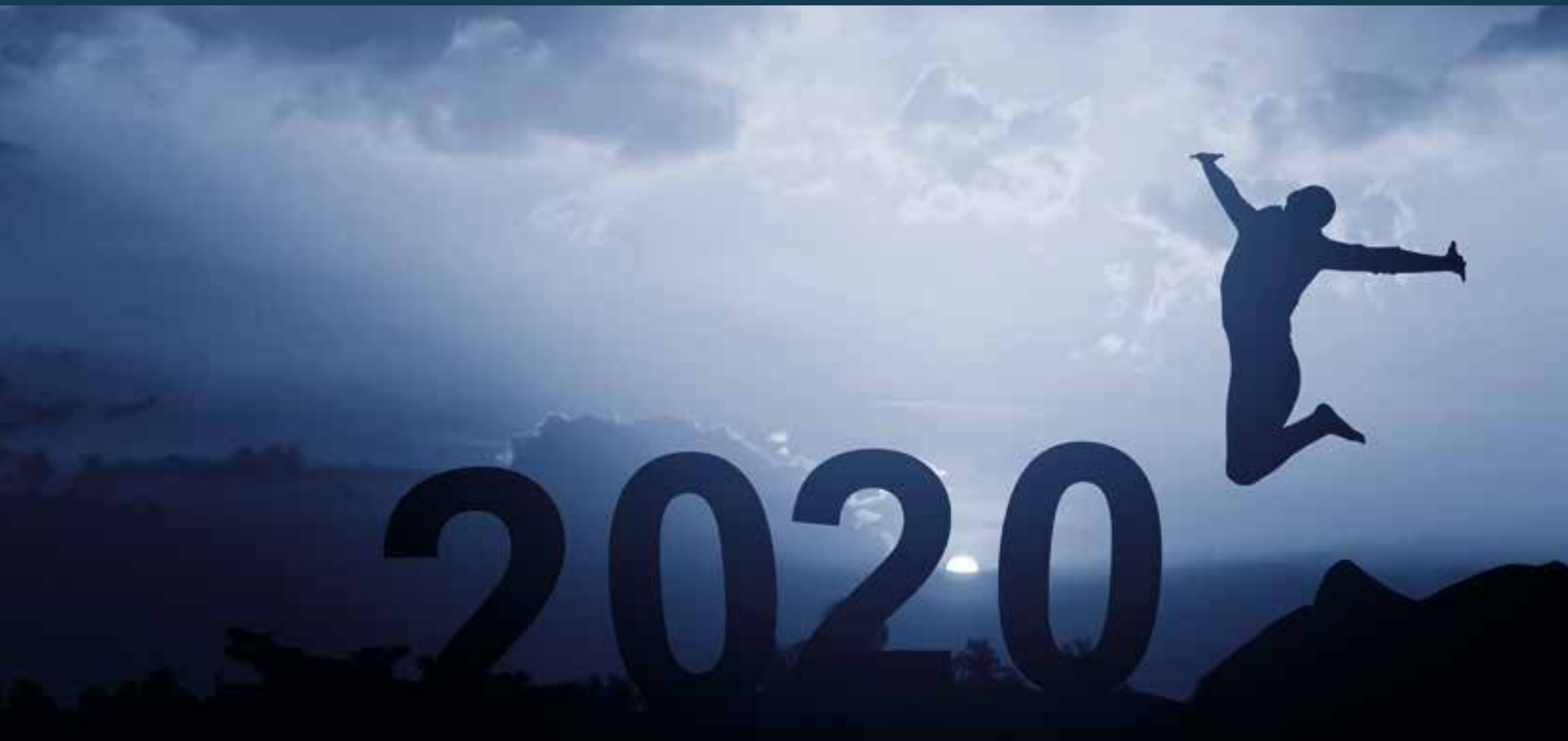
JANUARY/FEBRUARY 2020



FINANCIAL RESOLUTIONS

WHAT DOES WEALTH LOOK LIKE TO YOU?

ESTATE PROTECTION
Preserving your wealth and transferring it effectively

RETIRING ABROAD
Prior preparation is key for a smooth transition into your new life

ISA RETURNS OF THE YEAR
Time to explore your ISA options?

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INSIDE THIS ISSUE

Welcome to our first edition for 2020. Inside this issue, we feature articles covering a number of different topics to help you successfully grow and protect your wealth.

Whether it's stopping smoking, losing weight, eating more healthily or getting fitter, most of us have probably made at least one New Year's resolution, but how many of us will actually go on to achieve it? We all have different financial goals and aspirations in life, yet these goals can often seem out of reach. On page 04, if your New Year's resolutions include giving your financial plans an overhaul, we've provided our financial planning tips to help you create a robust financial plan for 2020 and beyond.

Estate planning is an important part of wealth management, no matter how much wealth you have built up. It's the process of making a plan for how your assets will be distributed upon your death or incapacitation. On page 08, we consider why having an effective estate plan in place will not only help to ensure that those you care about the most will be taken care of when you're no longer around, but it can also help minimise Inheritance Tax (IHT) liabilities and ensure that assets are transferred in an orderly manner.

It's a dream for many that after years of hard work, it's finally time to travel to far-off lands and enjoy retirement without worrying about finances. With milder winters, warmer summers and the potential to get more from your pension pot, it's not surprising that some people decide to retire abroad. On page 32, read about how, with some planning beforehand, the dream of retiring abroad can become a reality.

A full list of the articles featured in this issue appears on page 03.

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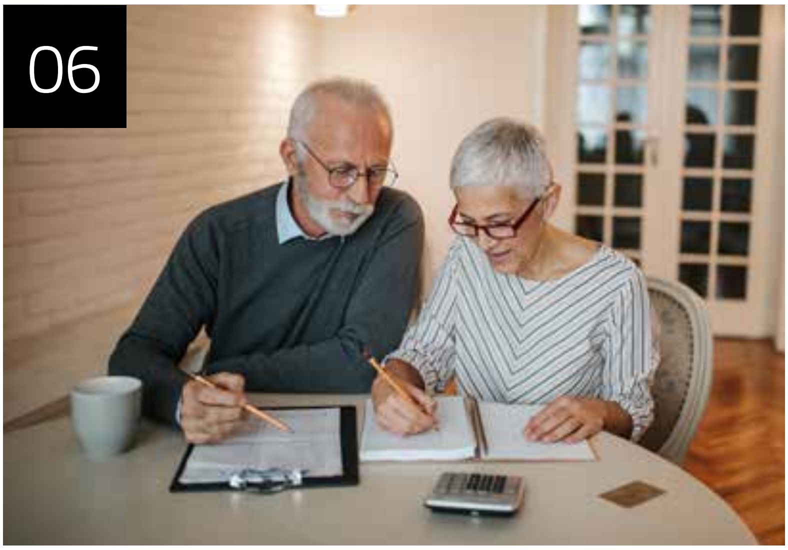

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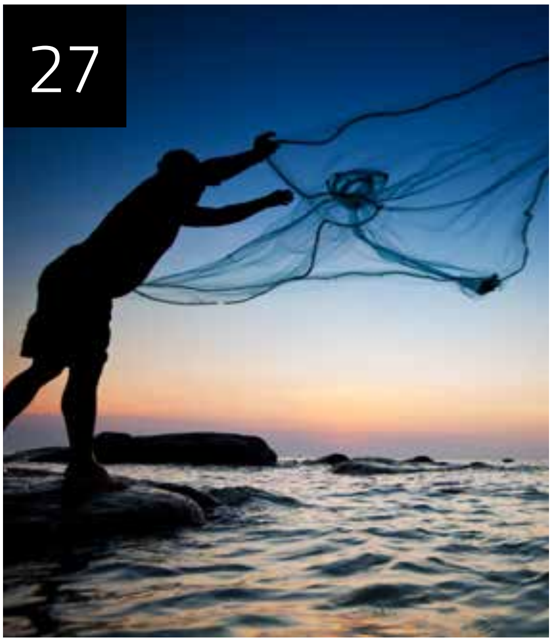
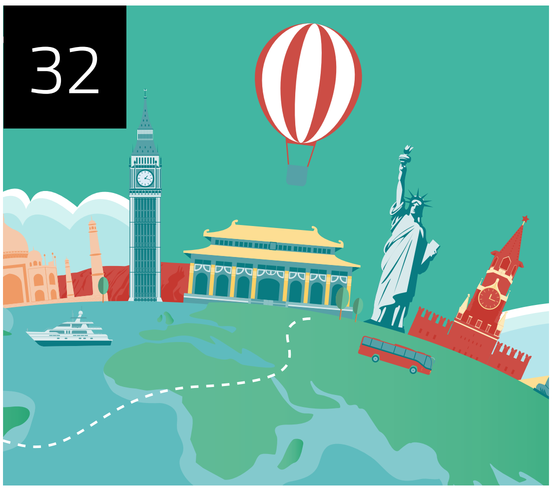
FINANCIAL PLANNING ADVICE THAT IS TAILORED TO YOUR NEEDS

Everyone has unique goals in life, and with professional financial advice and guidance tailored to your needs, we can help you get there. The start of a new year is the perfect time to discuss your financial plans. 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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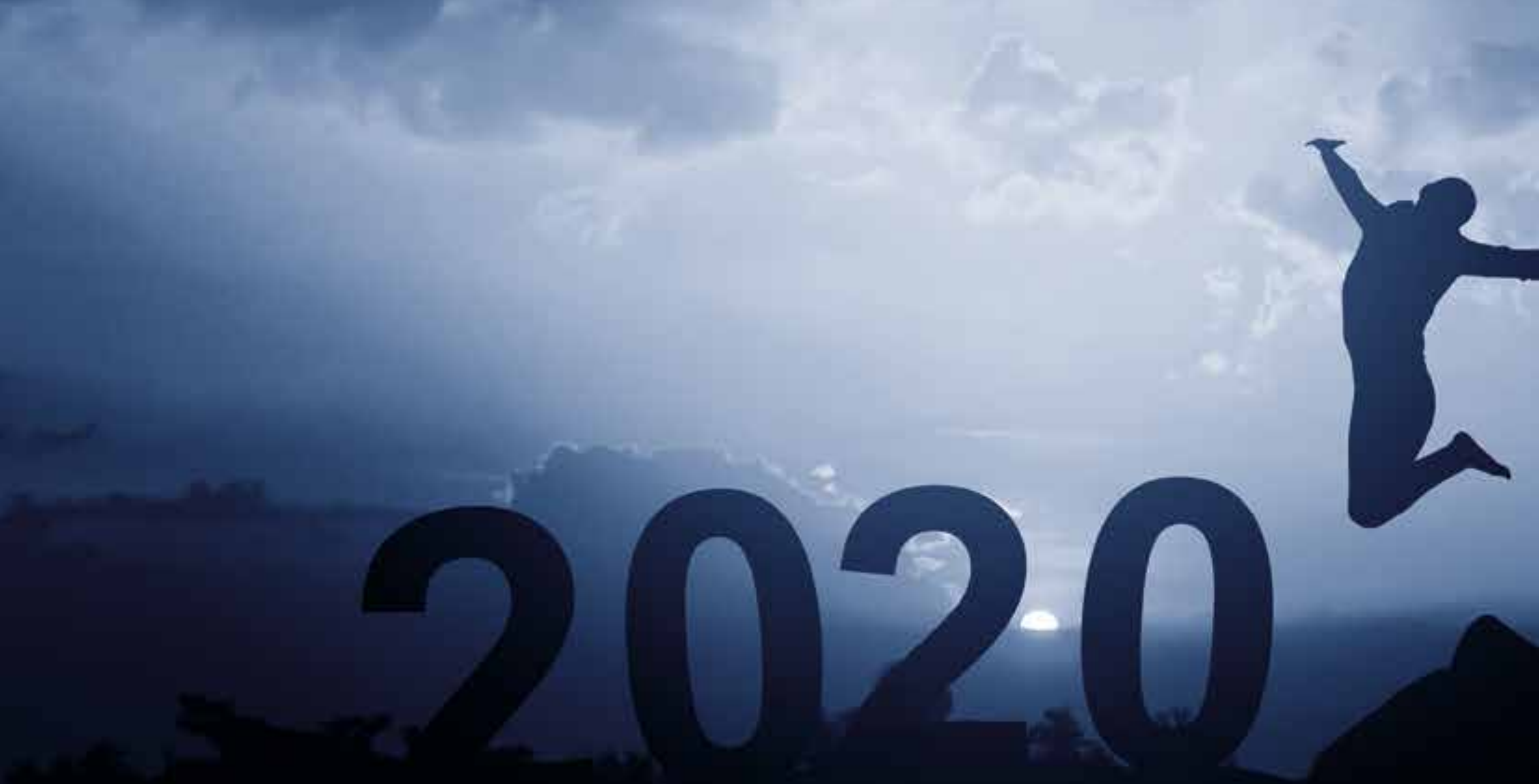

FINANCIAL RESOLUTIONS

WHAT DOES WEALTH LOOK LIKE TO YOU?

Whether it's stopping smoking, losing weight, eating more healthily or getting fitter, most of us have probably made at least one New Year's resolution, but how many of us will actually go on to achieve it? We all have different financial goals and aspirations in life, yet these goals can often seem out of reach. In today's complex financial environment, achieving your financial goals may not be that straightforward.

This is where financial planning is essential. Designed to help secure your financial future, a financial plan seeks to identify your financial goals, prioritise them and then outline the exact steps that you need to take to achieve your goals.

If your New Year's resolutions include giving your financial plans an overhaul, here are our tips to help you create a robust financial plan for 2020 and beyond.

BE SPECIFIC ABOUT YOUR OBJECTIVES

Any goal (let alone financial) without a clear objective is nothing more than a pipe dream, and this couldn't be more true when setting financial goals.

It is often said that saving and investing are nothing more than deferred consumption. Therefore, you need to be crystal clear about why you are doing what you're doing. This could be planning for your children's education, your retirement, that dream holiday or a property purchase.

Once the objective is clear, it's important to put a monetary value to that goal and the time frame you want to achieve it by. The important point is to list all of your goal objectives, however small they may be, that you foresee in the future and put a value to them.

KEEP THEM REALISTIC

It's good to be an optimistic person, but being a Pollyanna is not desirable. Similarly, while it might be a good thing to keep your financial goals a bit aggressive, being overly unrealistic can definitely impact on your chances of achieving them.

It's important to keep your goals realistic, as it will help you stay the course and keep you motivated throughout your journey until you get to your destination.

SHORT, MEDIUM AND LONG-TERM

Now you need to plan for where you want to get to, which will likely involve looking at how much you need to save and invest to achieve your goals. The approach towards achieving every financial goal will not be the same, which is why you need to divide your goals into short, medium and long-term time horizons.

As a rule of thumb, any financial goal which is due within a five-year period should be considered short-term. Medium-term goals are typically based on a five-year to ten-year time horizon, and over ten years these goals are classed as long-term.

This division of goals into short, medium and long-term will help in choosing the right savings and investments approach to help you achieve them, and it will also make them crystal clear. This will involve looking at what large purchases you expect to make, such as purchasing property

IN BOTH **2008** AND **2011**, INFLATION CLIMBED TO OVER **5%** – NOT GOOD NEWS FOR SAVERS. SO ALWAYS ACCOUNT FOR INFLATION.

or renovating your home, as well as considering the later stages of your life and when you'll eventually retire.

ALWAYS ACCOUNT FOR INFLATION

It's often said that inflation is taxation without legislation. Therefore, you need to account for inflation whenever you are putting a monetary value to a financial goal that is far away in the future. It's important to know the inflation rate when you're thinking about saving and investing, since it will make a big difference to whether or not you make a profit in real terms (after inflation).

In both 2008 and 2011, inflation climbed to over 5% – not good news for savers. So always account for inflation. You could use the 'Rule of 72' to determine, at a given inflation rate, how long it will take for your money to buy half of what it can buy today. The 'Rule of 72' is a method used in finance to quickly estimate the doubling or halving time through compound interest or inflation respectively. Simply divide 72 by the given interest rate, or inflation rate, to find the number of years in which you would double or halve your money.

RISK PROTECTION PLAYS A VITAL ROLE

It's best to discuss your goals with those you're closest to and make plans together so that you are well aligned. An evaluation of your assets, liabilities, incomings and outgoings will provide you with a starting point. You'll be able to see clearly how you're doing and may find areas you can improve on.

Risk protection plays a vital role in any financial plan as it helps protect you and your family from unexpected events.

CHECK YOU'RE USING ALL OF YOUR TAX ALLOWANCES

With tax rules subject to constant change, it's essential that you regularly review your own and your family's tax affairs and plan accordingly. Tax planning affects all facets of your financial affairs. You may be worried about the impact that rises in property values are having on gifts or Inheritance Tax, how best to dispose of shares in a business, or the most efficient way to pass on your estate.

Utilising your tax allowances and reliefs is an effective way of reducing your tax liability and making considerable savings over a lifetime. When it comes to taxes, there's one certainty – you'll pay more tax than you need to unless you plan. The UK tax system is complex, and its legislation often changes. So it's more important than ever to be tax-efficient, particularly if you are in the top tax bracket, making sure you don't pay any more tax than necessary.

CREATING YOUR COMPREHENSIVE FINANCIAL PLAN

Creating and implementing a comprehensive financial plan will help you develop a clear picture of your current financial situation by reviewing your income, assets and liabilities. Other elements to consider will typically include putting in place a Will to protect your family, thinking about how your family will manage without your income should you fall ill or die prematurely, or creating a more efficient tax strategy.

IDENTIFYING YOUR RETIREMENT FREEDOM OPTIONS

Retirement is a time that many look forward to, where your hard-earned money should support you as you transition to the next stage of life. The number of options available at retirement has increased with changes to legislation, which have brought about pension freedoms over the years. The decisions you make regarding how you take your benefits may include tax-free cash, buying an annuity, drawing an income from your savings rather than pension fund, or a combination.

Beginning your retirement planning early gives you the best chance of making sure you have adequate funds to support your lifestyle. You may have several pension pots with different employers, as well as your own savings to withdraw from.

MONITORING AND REVIEWING YOUR FINANCIAL PLAN

There is little point in setting goals and never returning to them. You should expect to make alterations as life changes. Set a formal yearly review at the very least to check you are on track to meeting your goals.

We will help you to monitor your plan, making adjustments as your goals, time frames or circumstances change. Discussing your goals with us will be highly beneficial, as we can provide an objective third-party view, as well as the expertise to help advise you with financial planning issues. ◀

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ADVICE EVERY STEP OF THE WAY

Setting goals marks the beginning of financial planning to help you achieve the objectives at various life stages. Goal-setting gives meaning and direction to the various financial decisions you will take during your lifetime. The start of a new year is the perfect time to review your financial strength, pore over your budget and make big plans for next year. To arrange a meeting, or for further information, please contact us.

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.

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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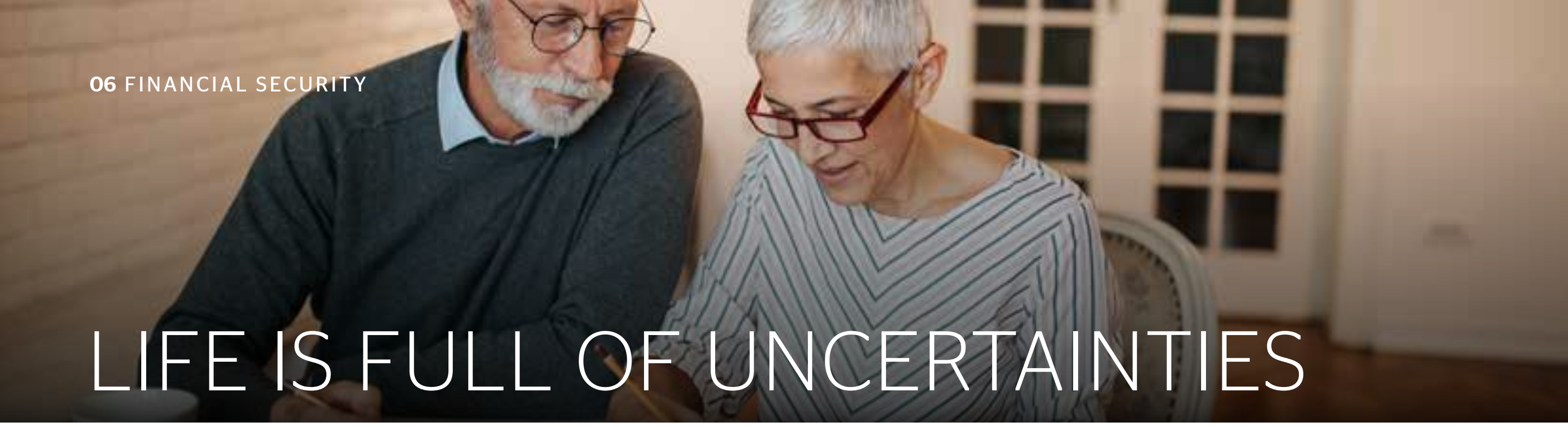

LIFE IS FULL OF UNCERTAINTIES

IF THE WORST WERE TO HAPPEN, WOULD YOUR BILLS STILL GET PAID?

Everyone should consider protection, even those who don't have a family or a mortgage! Unless they have substantial savings or inherited wealth, most people rely on their salary to pay for everything. Over the years, you may have taken out a number of different insurance policies to give you and your family financial security. Perhaps this may have been when you started a family, took out a mortgage or became self-employed.

These policies are designed to give your loved ones peace of mind by helping make sure there will be enough money in place to cover bills and other expenses should you become critically ill, be unable to work or even die.

Although state benefits provide some support, few families want to rely on the state to maintain their standard of living. It is therefore crucial to keep abreast of the level of your cover.

TIME TO REVIEW

Your personal circumstances and needs will almost certainly have changed over time. Perhaps you have children who have since flown the nest, or you've paid off your mortgage.

You may also be entitled to benefits with your current employer that either overlap with polices you already have or leave things now important to you not covered.

It could be time to review these policies, and the level of cover they provide, to make sure they are still suitable.

LIFE COVER PROTECTION

Life cover protection is designed to protect your family and other people who may depend on you for financial support. It pays a death benefit to the beneficiary of the life assurance policy.

If you have dependents or outstanding debts such as a mortgage, at the very least it should ensure your family can keep their home, but ideally it would also provide an additional sum as a financial buffer at a difficult time.

There are different types of policy available, from 'whole of life assurance' which covers you for your entire lifetime, to 'term assurance' policies which provide life cover for a fixed period of time – 10 or 20 years, for example – and are often used in conjunction with a mortgage.

INCOME PROTECTION COVER

If something happened to you, would you be able to survive on your savings or on sick pay provided by your employer? If not, you'll need some other way to keep paying the bills.

Income protection cover is designed to give you protection if you can't earn an income due to ill health, a sickness or disability. These policies protect a portion of your salary, typically paying out between 50–70% of your income. You receive monthly, tax-free payments that cover some of your lost earnings if you are unable to work.

They are vital policies for those with dependents and liabilities, paying out until you can start working again, or until you retire, die or the end of the policy term – whichever is sooner. They cover most illnesses that leave you unable to work, and you can claim as many times as you need to while the policy lasts.

CRITICAL ILLNESS COVER

If you are diagnosed with a critical illness, it can have a severe impact on your finances, as you may need to take time off work for your treatment and recovery. Critical illness cover pays out a tax-free lump sum if you're diagnosed with, or undergo surgery for, a specified critical illness that meets the policy definition.

It's designed to help support you and your family financially while you deal with your diagnosis, so you can focus on your recovery without worrying about how the bills will be paid.

Each policy will have its own list of specified conditions it covers, and it is vital to familiarise yourself with the full list and when you can claim for these illnesses before you apply.

FAMILY INCOME BENEFIT COVER

Family income benefit is a term insurance which lasts for a set period of time. If something were to happen to you, you would want to be sure your family is taken care of when you're gone.

The policy will pay out a monthly, tax-free income to your family if you die during the term, until the policy ends. So, if you take a 20-year family income benefit policy and die after five years, it will continue to pay out for another 15 years.

There is no cash in value, so if you stop making premium payments, your cover will end.

PRIVATE MEDICAL INSURANCE

Private medical insurance will pay for the cost of private healthcare treatment if you are sick or injured. If you don't already have it as part of your employee benefits package, and you can afford to pay the premiums, you might decide it's worth paying extra to have more choice over your care.

It gives you a choice in the level of care you get and how and when it is provided. Basic private medical insurance usually picks up the costs of most in-patient treatments (tests and surgery) and day-care surgery.

Some policies extend to out-patient treatments (such as specialists and consultants) and might pay you a small fixed amount for each night you spend in an NHS hospital. Premiums are paid monthly or annually, but most policies do not cover pre-existing conditions. ◀

PROTECTING YOURSELF AND YOUR LOVED ONES

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Some families would have to cut their living costs in order to survive financially in the event of the main breadwinner falling ill or dying prematurely. If your income were to stop due to an illness or death, this could mean mortgage repayments are missed, savings depleted, your home being sold and your family's standard of living eroded, with stress and worry all too evident. Putting in place sufficient protection will give you peace of mind that if the worst does happen, the bills will still get paid. Please call us to discuss your situation.

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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.

TAX-EFFICIENT INVESTING

LEGITIMATE WAYS FOR HIGHER EARNERS TO REDUCE A TAX BILL

Without a carefully developed tax planning strategy, higher-rate taxpayers run the risk of missing out on key tax benefits and paying more in taxes than necessary. A higher tax liability can diminish the value of your investment earnings over the long term.

To start with, it's important to look at how you might be able to minimise tax along the way. In other words, reduce tax where you can, but don't allow it to be your sole driver when making investing decisions or steer you away from achieving your core financial goals.

The more tax wrappers and annual allowances you use, the more money you'll be able to save and invest for your future.

WHERE CAN YOU TURN IF YOU WANT TO INVEST TAX-EFFICIENTLY?

INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

One of the most straightforward ways to invest tax-efficiently in the UK is to invest within a Stocks & Shares ISA. They are very flexible and allow you to access your money at any time, and all of the proceeds taken are free from tax on capital gains, dividend income and interest.

The current annual ISA allowance is £20,000 per person. This means that a couple can now save £40,000 per tax year between them into two Stocks & Shares ISAs, sheltering a significant sum from tax.

Once higher-rate taxpayers have used up their own ISA allowances, they could also consider investing for their children or grandchildren by putting money into a Junior ISA. Currently, the annual allowance for Junior ISAs is £4,368, and each child can own one as long as they are under 18, living in the UK and they don't have a Child Trust Fund. Bear in mind, however, that on the child's 18th birthday, money in a Junior ISA becomes theirs.

PENSIONS

Contributing into a pension is another tax-efficient strategy that those on higher incomes may wish to consider. Not only are capital gains and investment income tax-free within pension accounts, but when you contribute into a pension, the Government provides tax relief.

This is paid on your pension contributions at the highest rate of Income Tax you pay, meaning that higher-rate taxpayers receive 40% tax relief, while additional-rate taxpayers receive 45% tax relief.

For 2019/20, the annual pension contribution limit for tax relief purposes is 100% of your salary or £40,000, whichever is lower. If you are considered to be a high-income individual and have an adjusted income of more than £150,000 per year, and a threshold income of more than £110,000 per year, your annual allowance will be tapered.

You may be able to make use of any annual allowance that you have not used in the three previous tax years under pension carry forward rules.

Higher earners should also be aware of the Lifetime Allowance – the total amount of money you can build up in your pension accounts while still enjoying the full tax benefits.

VENTURE CAPITAL SCHEMES

The purpose of the venture capital schemes is to provide funding for companies that are in the relatively early stage of the business cycle. Experienced investors who are comfortable with high levels of risk may want to consider venture capital schemes.

There are three investment schemes that have been set up by the UK Government and offer very generous tax breaks.

THE ENTERPRISE INVESTMENT SCHEME (EIS)

This scheme is designed to encourage investment into early-stage companies that are not listed on a stock exchange. It offers investors a range of tax breaks, including Income Tax relief of 30%, no Capital Gains Tax on gains realised on the disposal of EIS investments provided the investments are held for three years, Capital Gains Tax deferrals if proceeds are invested in qualifying EIS investments, and Inheritance Tax relief if the investments are held for two years.

THE SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

This scheme is designed to promote investment into start-up companies that are raising their first £150,000 in external equity capital. Like the EIS, it offers a range of generous tax breaks, including Income Tax relief of 50%, no Capital Gains Tax on gains realised on the disposal of SEIS investments provided the shares are held for three years, reinvestment tax relief, and Inheritance Tax relief if investments are held for two years.

VENTURE CAPITAL TRUSTS (VCTS)

VCTs are investment companies that are listed on the London Stock Exchange and invest in smaller companies that meet certain criteria. VCTs offer investors a range of tax breaks including 30% Income Tax relief, tax-free dividends and tax-free growth. While all of these schemes offer generous tax breaks, it's important to be aware that due to the high-risk nature of investing in small, early-stage companies, they will not be suitable for everyone. Only those who can afford to take the risk should consider these tax-efficient investment schemes. ◀

TAX-EFFICIENT INVESTING STRATEGIES TO CONSIDER

Whether it is through sophisticated tax planning, pension planning or investment advice, we can help you to take a close look at your financial situation and recommend solutions tailored entirely to your needs. To discuss your requirements, please contact us.

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TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

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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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.

ESTATE PROTECTION

PRESERVING YOUR WEALTH AND TRANSFERRING IT EFFECTIVELY

Estate planning is an important part of wealth management, no matter how much wealth you have built up. It's the process of making a plan for how your assets will be distributed upon your death or incapacitation.

As a nation, we are reluctant to talk about inheritance. Through estate planning, however, you can ensure your assets are given to the people and organisations you care about, and you can also take steps to minimise the impact of taxes and other costs on your estate.

In order to establish the value of your estate, it is first necessary to calculate the total worth of all your assets. No matter how large or how modest, your estate is comprised of everything you own, including your home, cars, other properties, savings and investments, life insurance (if not written in an appropriate trust), furniture, jewellery, works of art, and any other personal possessions.

Having an effective estate plan in place will not only help to ensure that those you care about the most will be taken care of when you're no longer around, but it can also help minimise Inheritance Tax (IHT) liabilities and ensure that assets are transferred in an orderly manner.

WRITE A WILL

The reason to make a Will is to control how your estate is divided – but it isn't just about money. Your Will is also the document in which you appoint guardians to look after your children or your dependents. Almost half (44%) of over-55s have not made a Will[1], and as such, they will not have any say in what happens to their assets when they die.

Should you die without a valid Will, you will have died intestate. In these cases, your assets are distributed according to the Intestacy Rules in a set order laid down by law. This order may not reflect your wishes.

Even for those who are married or in a registered civil partnership, dying without leaving a Will may mean that your spouse or registered civil partner does not inherit the whole of your estate. Remember: life and circumstances change over time, and your Will should reflect those changes – so keep it updated.

THE REASON TO MAKE A WILL IS TO CONTROL HOW YOUR ESTATE IS DIVIDED – **BUT IT ISN'T JUST ABOUT MONEY.**

MAKE A LASTING POWER OF ATTORNEY

Increasingly, more people in the UK are using legal instruments that ensure their affairs are looked after when they become incapable of looking after their finances or making decisions about their health and welfare.

By arranging a Lasting Power of Attorney, you are officially naming someone to have the power to take care of your property, your financial affairs, and your health and welfare if you suffer an incapacitating illness or injury.

PLAN FOR INHERITANCE TAX

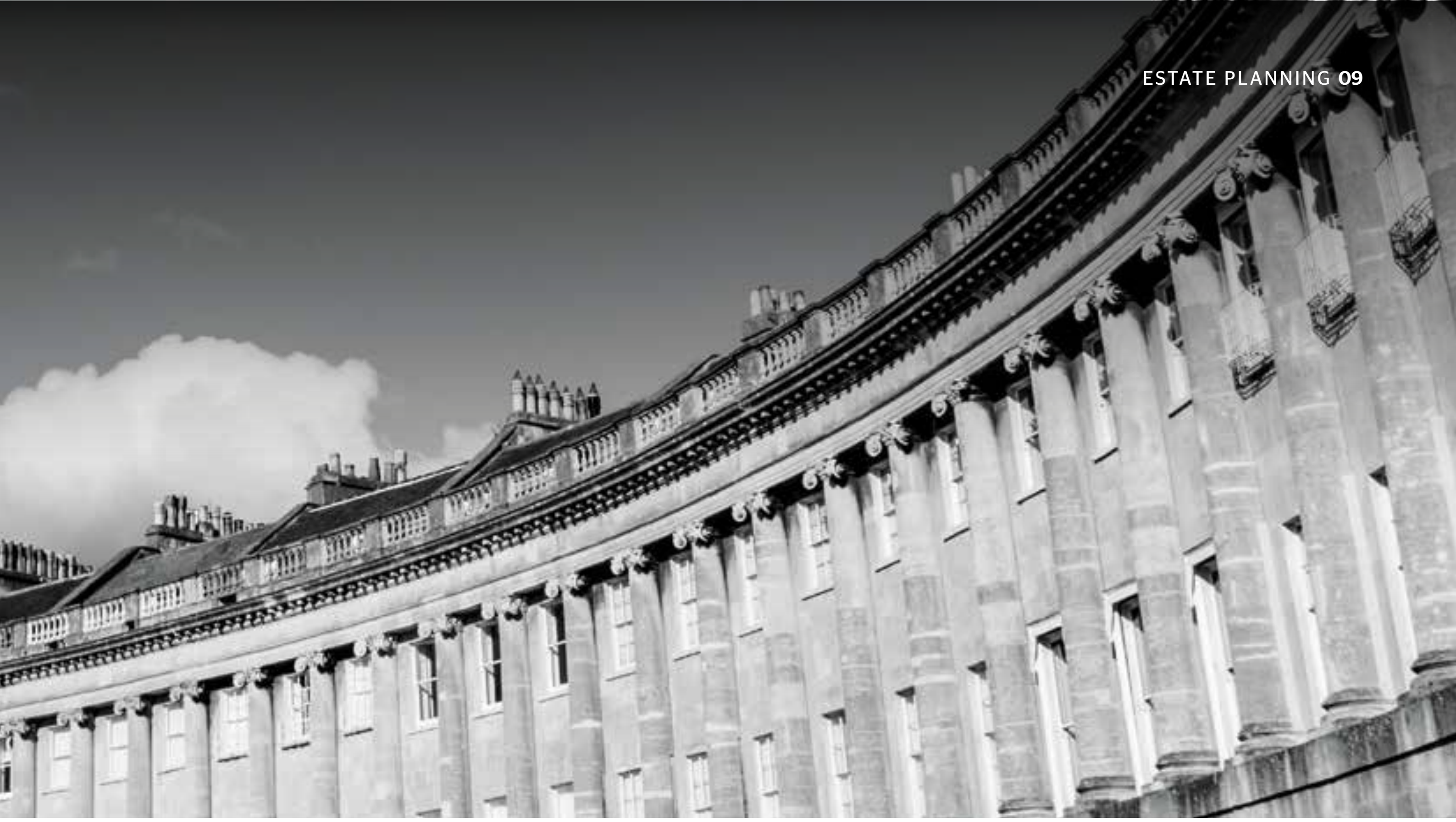
IHT is calculated based on the value of the property, money and possessions of someone who has died if the total value of their assets exceeds £325,000, or £650,000 if they're married or widowed. If you plan ahead, it is usually possible to pass on more of your wealth to your chosen beneficiaries and to pay less IHT.

Since April 2017, an additional main residence nil-rate band allowance was phased in. It is currently worth £150,000, but it will rise to £175,000 per person by April this year. However, not everyone will be able to benefit from the new allowance, as you can only use it if you are passing your home to your children, grandchildren or any other lineal descendant. If you don't have any direct descendants, you won't qualify for the allowance.

The headline rate of IHT is 40%, though there are various exemptions, allowances and reliefs that mean that the effective rate paid on estates is usually lower. Those leaving some of their estate to registered charities can qualify for a reduced headline rate of 36% on the part of the estate they leave to family and friends.

GIFT ASSETS WHILE YOU'RE ALIVE

One thing that's important to remember when developing an estate plan is that the process isn't just about passing on your assets when you die. It's also about analysing your finances now and potentially making the most of your assets while you are still alive. By gifting assets to younger generations while you're still around, you could enjoy seeing the assets put to good use, while simultaneously reducing your IHT bill.



MAKE USE OF GIFT ALLOWANCES

One way to pass on wealth tax-efficiently is to take advantage of gift allowances that are in place. Every person is allowed to make an IHT-free gift of up to £3,000 in any tax year, and this allowance can be carried forward one year if you don't use up all your allowance.

This means you and your partner could gift your children or grandchildren £6,000 this year (or £12,000 if your previous year's allowances weren't used up) and that gift won't incur IHT. You can continue to make this gift annually.

You are able to make small gifts of up to £250 per year to anyone you like. There is no limit to the number of recipients in one tax year, and these small gifts will also be IHT-free provided you have made no other gifts to that person during the tax year.

A Potentially Exempt Transfer (PET) enables you to make gifts of unlimited value which will become exempt from Inheritance Tax if you survive for a period of seven years.

Gifts that are made out of surplus income can also be free of IHT, as long as detailed records are maintained.

IHT-EXEMPT ASSETS

There are a number of specialist asset classes that are exempt to IHT. Several of these exemptions stem from government efforts over the years to protect farms and businesses from large Inheritance Tax bills that could result in assets having to be sold off when they were passed down to the next generation.

Business relief (BR) acts to protect business owners from IHT on their business assets. It extends to include the ownership of shares in any unlisted company. It also offers partial relief for those who own majority rights in listed companies, land, buildings or business machinery, or have such assets held in a trust.

LIFE INSURANCE WITHIN A TRUST

A life insurance policy in trust is a legal arrangement that keeps a life insurance pay-out separate from the valuation of your estate after you die. By ring-fencing the proceeds from a life insurance policy by putting it in an appropriate trust, you could protect it from IHT.

The proceeds of a trust are typically overseen by a trustee(s) whom you appoint. These proceeds go to the people you've chosen, known as your 'beneficiaries'. It's the responsibility of the trustee(s) to make sure the money you've set aside goes to whom you want it to after you pass away.

KEEP WEALTH WITHIN A PENSION

When you die, your pension funds may be inherited by your loved ones. But who inherits, and how much, is governed by complex rules. Money left in your pensions can be passed on to anyone you choose more tax-efficiently than ever, depending on the type of pension you have, by you nominating to whom you would like to leave your pension savings (your Will won't do this for you) and your age when you die, before or after the age of 75.

Your pension is normally free of IHT, unlike many other investments. It is not part of your taxable estate. Keeping your pension wealth within your pension fund and passing it down to future generations can be very tax-efficient estate planning.

It combines IHT-free investment returns and potentially, for some beneficiaries, tax-free withdrawals. Remember that any money you take out of your pension becomes part of your estate and could be subject to IHT. This includes any of your tax-free cash allowance which you might not have spent. Also, older style pensions may be inside your estate for IHT. ◀

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MAKE SURE WEALTH STAYS IN THE RIGHT HANDS

Estate planning is a complex area that is subject to regular regulatory change. Whatever you wish for your wealth, we can tailor a plan that reflects your priorities and particular circumstances. To find out more, or if you have any questions relating to estate planning, don't hesitate to contact us.

Source data:

[1] Brewin Dolphin research: Opinium surveyed 5,000 UK adults online between 30 August and 5 September 2018.

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

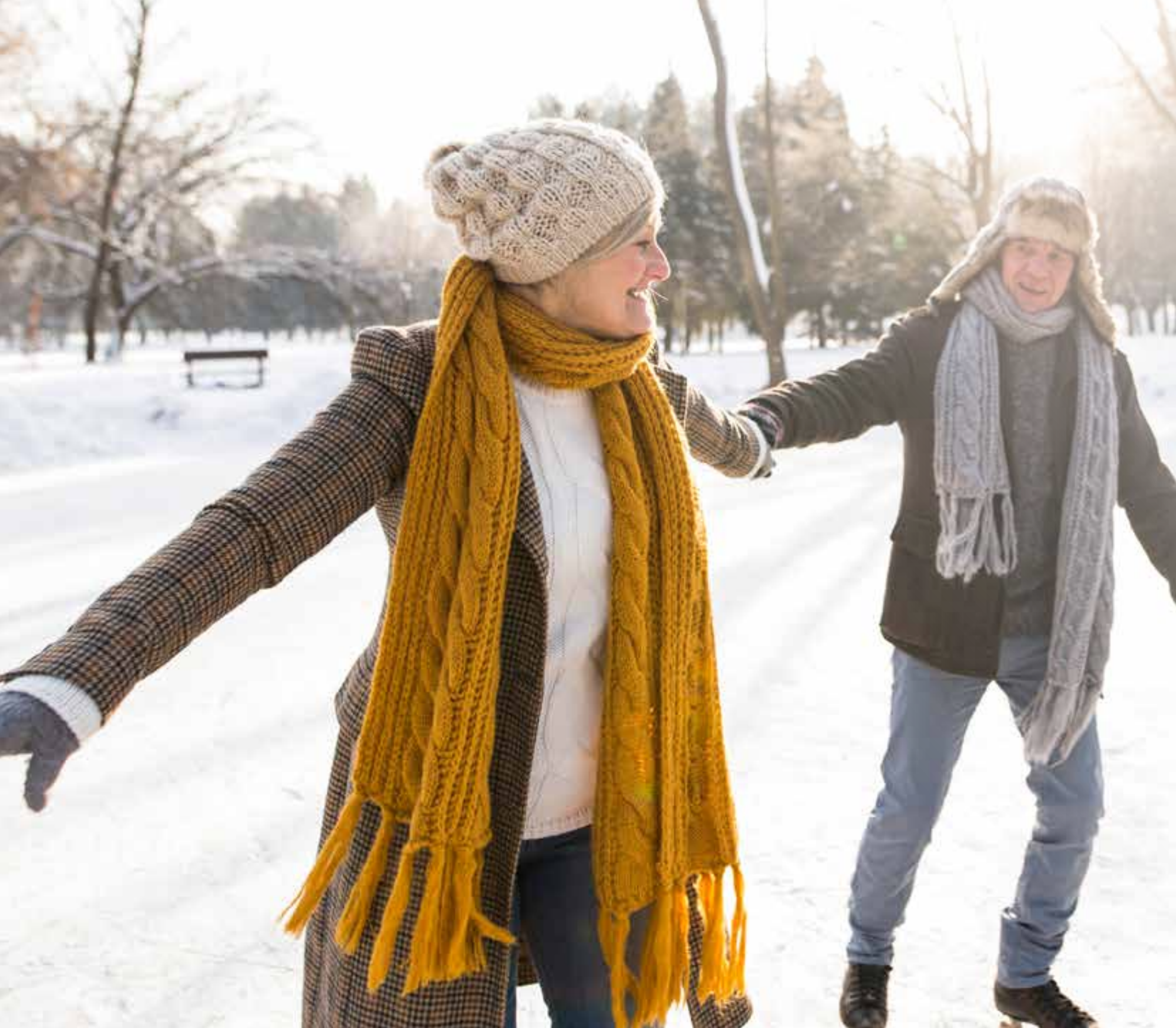
THE RULES AROUND TRUSTS ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

THE VALUE OF INVESTMENTS AND THE INCOME THEY PRODUCE CAN FALL AS WELL AS RISE. YOU MAY GET BACK LESS THAN YOU INVESTED.

PENSION FREEDOMS

RETIREES NOW HAVE A WHOLE HOST OF NEW OPTIONS

The pension freedoms, introduced on 6 April 2015, have given retirees a whole host of new options. There is no longer a compulsory requirement to purchase an annuity (a guaranteed income for life) when you retire. The introduction of pension freedoms brought about fundamental changes to the way we can access our pension savings.



There is now much greater flexibility around how you take your benefits from Money Purchase Pension (Defined Contribution) schemes, which include Self-Invested Personal Pensions (SIPPs).

HOW PENSIONS CAN BE TAKEN HAS BECOME DRAMATICALLY RELAXED

Since the rules governing how pensions can be taken have been dramatically relaxed, more people are using pension freedoms to access their retirement savings, but the amount they are individually withdrawing has continued to fall, according to the latest data from HM Revenue & Customs (HMRC).

Pension freedoms have given retirees considerable flexibility over how they draw an income or withdraw lump sums from their accumulated retirement savings. There is no doubt the pension freedoms have been hugely popular. Figures published on 30 October last year show that £30 billion[1] has been withdrawn by savers since the pension freedoms were introduced in 2015.

AVERAGE WITHDRAWALS HAVE BEEN FALLING STEADILY AND CONSISTENTLY

The quarterly numbers from HMRC cover money that has been withdrawn flexibly from pensions. Members of defined contribution pension schemes can access their pension savings early, provided they have reached the normal minimum pension age (currently 55). The figures for the third quarter last year show that £2.4 billion was withdrawn from pensions flexibly – a 21% increase from £2 billion in the third quarter of 2018.

The average amount withdrawn per individual in the third quarter of 2019 was £7,250, falling by 5% from £7,600 in the third quarter of 2018. The Government says that since reporting became mandatory in 2016, average withdrawals have been falling steadily and consistently, with peaks in the second quarter of each year.

WHAT ARE YOUR RETIREMENT OPTIONS TO CONSIDER?

LEAVE YOUR PENSION POT UNTOUCHED FOR NOW AND TAKE THE MONEY LATER

It's up to you when you take your money. You might have reached the normal retirement date under the scheme or received a pack from your pension provider, but that doesn't mean you have to take the money now. If you delay taking your pension until a later date, your pot continues to grow tax-free, potentially providing more income once you access it. If you do not take your money, we can check the investments and charges under the contract.

RECEIVE A GUARANTEED INCOME (ANNUITY)

You can use your whole pension pot, or part of it, to buy an annuity. It typically gives you a regular and guaranteed income. You can normally withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into an annuity, providing a taxable income for life. Some older policies may allow you to take more than 25% as tax-free cash – we can review this with your pension provider. There are different lifetime annuity options and features to choose from that affect how much income you would get.

RECEIVE AN ADJUSTABLE INCOME (FLEXI-ACCESS DRAWDOWN)

With this option, you can normally take up to 25% (a quarter) of your pension pot, or the amount you allocate for drawdown, as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income. You set the income you want, though this might be adjusted periodically depending on the performance of your investments. Unlike with a lifetime annuity, your income isn't guaranteed for life – so you need to manage your investments carefully.

TAKE CASH IN LUMP SUMS (DRAWDOWN)

How much of your money you take and when is up to you. You can use your existing pension pot to take cash as and when you need it and leave the rest untouched, where it can continue to grow tax-free. For each cash withdrawal, normally the first 25% (quarter) is tax-free, and the rest counts as taxable income. There might be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. There are also tax implications to consider that we can discuss with you.

CASH IN YOUR WHOLE POT IN ONE GO

You can do this, but there are important things you need to think about. There are clear tax implications if you withdraw all of your money from a pension. Taking your whole pot as cash could mean you end up with a large tax bill – for most people, it will be more tax-efficient to use one of the other options. Cashing in your pension pot will also not give you a secure retirement income.

MIX YOUR OPTIONS

You don't have to choose one option. Instead, you can mix them over time or over your total pot when deciding how to access your pension. You can mix and match as you like, and take cash and income at different times to suit your needs. You can also keep saving into a pension if you wish, and get tax relief up to age 75. ◀

THINK CAREFULLY BEFORE MAKING ANY CHOICES

The pension flexibilities may have given retirees more options, but they're also very complicated, and it's important to think carefully before making any choices that you can't undo in the future. Withdrawing unsustainable sums from your pensions could also dramatically increase the risk of running out of money in your retirement. To discuss your options, talk to us at a time that suits you.

Source data:

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841958/Pension_Flexibility_Statistics_Oct_2019.pdf

ISA RETURNS OF THE YEAR

TIME TO EXPLORE YOUR ISA OPTIONS?

An Individual Savings Account (ISA) enables you to save in a simple, tax-efficient way, while generally giving you instant access to your money. This gives you short, medium and long-term saving options, and with the end of the current tax year not too far away, it's important to make the most of your annual tax-free ISA allowance.

UK residents aged 16 or over can save up to £20,000 a year (for the 2019/20 tax year) into a Cash ISA. Those aged 18 or over can save in a Cash or Stocks & Shares ISA, or combination of ISAs.

TAX-EFFICIENT WRAPPER

ISAs are a very tax-efficient wrapper in which you can buy, hold and sell investments. For any ISA contributions to count for the current tax year, you must save or invest by 5 April.

Also, don't forget that any unused ISA allowance can't be rolled over into a subsequent tax year, so if you don't use it, you've lost it forever. Even though you'll receive a new allowance for the next tax year, you are not permitted to contribute anything towards a previous ISA.

TYPES OF ISA OPTIONS

- **Cash ISAs** – these are savings accounts that are tax-free, with the maximum allowable contribution set at £20,000 in the current tax year
- **Junior ISAs** – these are tax-free savings accounts in which under-18s can save or invest maximum contributions up to £4,368 in the current tax year
- **Stocks & Shares ISAs** – these are investments that are classed as tax-efficient, with the maximum allowable contribution set at £20,000 in the current tax year
- **Innovative Finance ISAs** – these are peer-to-peer lending investments that are classed as tax-efficient, with the maximum allowable contribution set at £20,000 in the current tax year. However, they are considered high risk, and it may not be possible to get your money out quickly. Some may not be protected by the Financial Services Compensation Scheme
- **Lifetime ISAs** – these can be either classed as savings (tax-free) or investments (tax-efficient). You must be aged between 18 to 39, and the maximum allowable contribution is set at £4,000 in the current tax year
- **Help to Buy: ISAs** – these were set up to help those saving for their first home and were only available to new savers until 30 November 2019. Existing savers can continue saving, although they must claim their government bonus by 1 December 2030.

KEY ELEMENTS

Goals, time horizon, risk and diversification are key elements to consider when saving and investing. You could put all the £20,000 into a Cash ISA, or invest it in a Stocks & Shares ISA or an Innovative Finance ISA. Alternatively, you could split your allowance between Cash ISAs, Stocks & Shares ISAs, Lifetime ISAs or Innovative Finance ISAs, depending on your specific situation and requirements.

If you are not sure what to invest in, you could temporarily hold your annual ISA allowance in cash in the short term and invest thereafter. However, cash is not good for the long term because inflation has the potential to erode its value.

TRANSFER INVESTMENTS

If you don't have £20,000 in new money to invest, you could transfer investments outside a tax-efficient wrapper into an ISA.

ISAs can also be passed on death to a surviving spouse or registered civil partner. The surviving spouse is entitled to an additional, one-off ISA allowance, equal to the value of the deceased's ISA holdings. This enables the surviving spouse to effectively re-shelter assets which were in a spouse's ISA into an ISA in their own name. ◀

WANT TO GET THE MOST FROM YOUR ISA ALLOWANCE?

ISAs enable savers and investors to build up the sums they need to meet financial goals, whether to supplement a retirement pot or a deposit for a home. However, if you don't know how ISAs work and how to use them to manage your wealth, you won't be able to take full advantage of their benefits. To find out more, or to discuss your options before the end of the current tax year, please contact us.

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THE TAX BENEFITS RELATING TO ISA INVESTMENTS MAY NOT BE MAINTAINED. 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.

AGE IS JUST A NUMBER

WHAT RISING LIFE EXPECTANCY COULD MEAN FOR YOU

We know that age is just a number, and for different people it means different things. It's also a phrase used by some people who oppose age restrictions. In the UK, 65 years of age has traditionally been taken as the marker for the start of older age, most likely because it was the official retirement age for men and the age at which they could draw their State Pension.

NO LONGER AN OFFICIAL RETIREMENT AGE

In terms of working patterns, age 65 years as the start of older age is out of date. There is no longer an official retirement age, State Pension age is rising, and increasing numbers of people work past the age of 65 years.

People are also living longer, healthier lives according to the latest findings from the Office for National Statistics[1]. In 2018, a man aged 65 could expect to live for another 18.6 years, while a woman could expect to live for 21 more years. So, on average, at age 65 years, women still have a quarter of their lives left to live and men just over one fifth.

START OF OLDER AGE HAS SHIFTED

An important further consideration is that age 65 years is not directly comparable over time; someone aged 65 years today has different characteristics, particularly in terms of their health and life expectancy, than someone the same age a century ago.

In a number of respects, it could be argued that the start of older age has shifted, but how might this be determined? Should we just move the threshold on a few years – is age 70 really the new age 65? Or, might there be a better way of determining the start of older age?

POPULATION PROJECTED TO CONTINUE TO AGE

At a population level, ageing is measured by an increase in the number and proportion of those aged 65 years and over and an increase in median age (the age at which half the population is younger and half older).

On both of these measures, the population has aged and is projected to continue to age. In 2018, there were 11.9 million residents in Great Britain aged 65 years and over, representing 18% of the total population. This compares with the middle of the 20th century (1950) when there were 5.3 million people of this age, accounting for 10.8% of the population.

OLDEST OLD ARE THE FASTEST-GROWING AGE GROUP

Looking ahead to the middle of this century, there are projected to be 17.7 million people aged 65 years and over (24.8% of the population). The oldest old are the fastest-growing age group, with the numbers of those aged 85 years and over projected to double from 1.6 million in 2018 to 3.6 million by 2050 (5% of the population).

The balance of older and younger people in the population has also tipped more towards older people, reflected in a rising median age up from 34 years in 1950 to 40 years in 2018. By the middle of this century, it is projected that median age will reach 43 years. ◀

WHEN CAN YOU AFFORD TO RETIRE?

After a lifetime of hard work, maybe it's time to take a step back and reap the rewards of your hard work. Whatever you want to do next, we can help you manage the transition. Very simply, we help you put a plan in place for the future. To find out more about how we can help you think about the type of retirement you want, please contact us.

Source data:
[1] Office for National Statistics – November 2019

HOW PREPARED ARE YOU FOR RETIREMENT?

PLANNING AHEAD HELPS ENSURE THAT YOU'RE ON TRACK

You work hard to enjoy your current lifestyle, but are you doing enough to ensure that you will continue to enjoy it in retirement? Many of us live for today, but saving into a private pension plan can help you retire sooner rather than later.

The term 'private pension' covers both workplace pensions (also known as 'occupational' or 'company' schemes), arranged by your employer; and 'personal pensions', which you manage yourself. There is no restriction on how many pensions you can have, and some people will have both.

AM I STILL SAVING ENOUGH FOR RETIREMENT ACCORDING TO MY CURRENT CIRCUMSTANCES?

Private pensions, often referred to as 'personal pensions', provide a way for you to save for retirement so that you'll have an income to supplement the amount you'll receive from the State Pension.

They are generally 'defined contribution' plans, which means any payments you make are invested. The amount you end up with at retirement depends not only on how much you've paid in, but also on how your investments have performed and the level of charges. We can assess your current retirement goals and calculate the target level of income you'll require to achieve them.

Don't forget: if you have a workplace private pension, both you and your employer will make contributions, boosting the amount you end up with at retirement.

CAN I RELY ON THE STATE PENSION TO PROVIDE A SUBSTANTIAL INCOME IN RETIREMENT?

The State Pension is a regular income paid by the UK Government to people who have reached State Pension age. The State Pension changed on 6 April 2016. If you reached the State Pension age on or after this date, you'll now be getting the new State Pension under the new rules.

The new State Pension is designed to be simpler than the old system. The new scheme pays up to £168.60 a week (as of 2019/20). It's possible you may receive more or less than this amount.

To receive £168.60, you must have a National Insurance (NI) contributions record for 35 years. If not, the amount you receive will be proportionate. If you have less than 10 years' NI contributions, you won't receive any State Pension. You can pay more to make up for any shortfall in your NI contribution record.

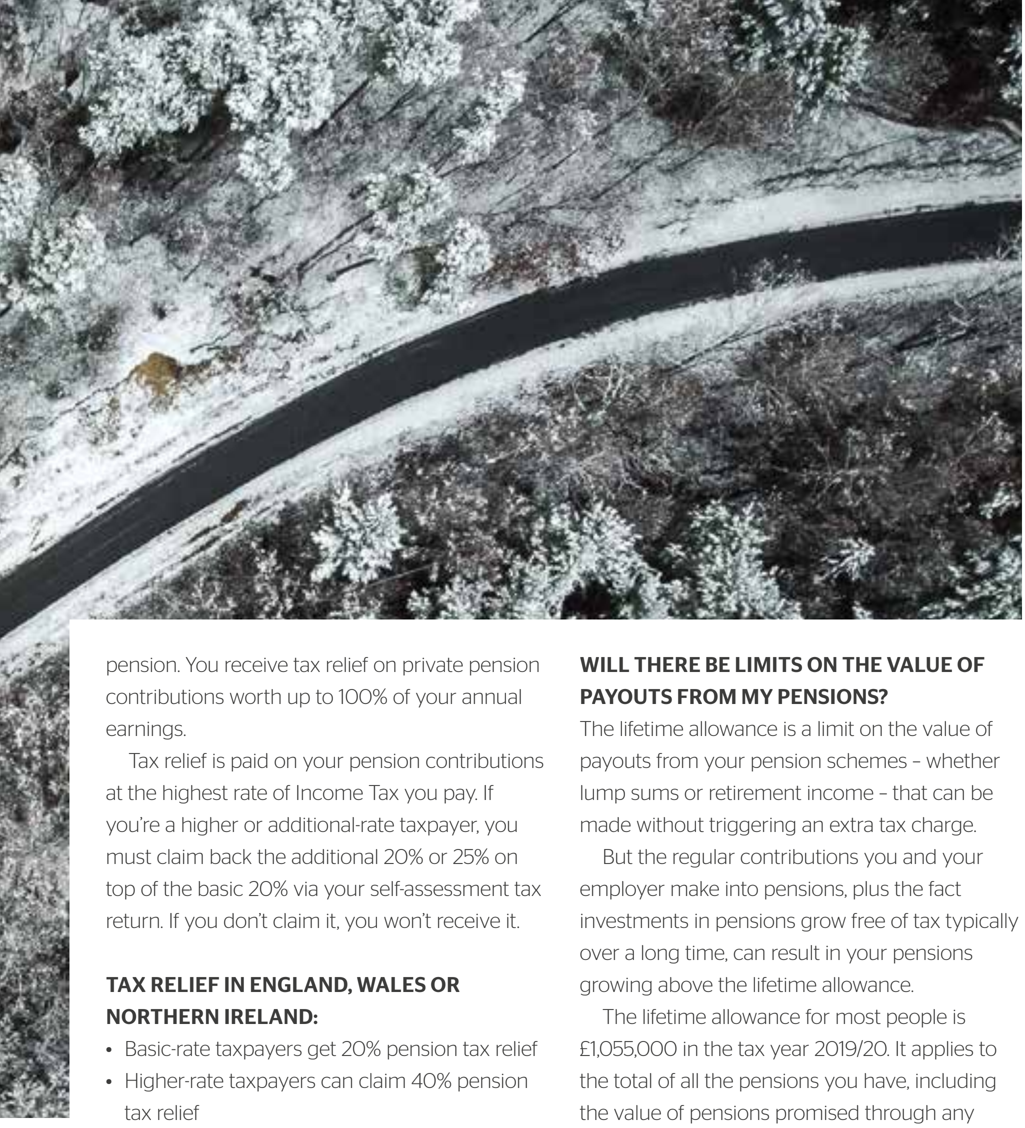
You may receive less if you opted out of the additional State Pension scheme, or 'SERPS'. This scheme ended in April 2016. If you were in a pension scheme or personal pension plan before this date, this may apply to you.

If you were entitled to a higher pension under the previous State Pension scheme, you'll still receive this. If you don't claim your State Pension in the year you reach State Pension age, it will be increased when you do take it. For each year you delay, it increases by almost 5.8%.

The State Pension is unlikely to provide a substantial income in retirement. That's where a private pension can make a big difference.

AM I MAKING THE MOST OF PENSION TAX RELIEF?

One major benefit of contributing to a pension is the boost your contributions will receive from tax relief. Pension providers can claim basic-rate tax relief at 20% on behalf of savers. So for every £80 you contribute, £100 will be invested into your



pension. You receive tax relief on private pension contributions worth up to 100% of your annual earnings.

Tax relief is paid on your pension contributions at the highest rate of Income Tax you pay. If you're a higher or additional-rate taxpayer, you must claim back the additional 20% or 25% on top of the basic 20% via your self-assessment tax return. If you don't claim it, you won't receive it.

TAX RELIEF IN ENGLAND, WALES OR NORTHERN IRELAND:

- Basic-rate taxpayers get 20% pension tax relief
- Higher-rate taxpayers can claim 40% pension tax relief
- Additional-rate taxpayers can claim 45% pension tax relief

IN SCOTLAND, INCOME TAX IS BANDED DIFFERENTLY, AND PENSION TAX RELIEF IS APPLIED IN A SLIGHTLY ALTERNATIVE WAY:

- Starter-rate taxpayers pay 19% Income Tax but get 20% pension tax relief
- Basic-rate taxpayers pay 20% Income Tax and get 20% pension tax relief
- Intermediate-rate taxpayers pay 21% Income Tax and can claim 21% pension tax relief
- Higher-rate taxpayers pay 41% Income Tax and can claim 41% pension tax relief
- Top-rate taxpayers pay 46% Income Tax and can claim 46% pension tax relief

HOW MUCH MORE SHOULD I BE SAVING FOR RETIREMENT?

Generally speaking, the more you save, the more you can expect to get back. You can choose to save as much as you can afford. If you want to, you could save up to 100% of your earnings into your pension each tax year. However, there's an upper limit on the amount that you can save into pensions each tax year.

This is known as the 'annual allowance', which is currently £40,000 in the 2019/20 tax year. If you go over this amount, a 40% tax charge will apply. Obtaining professional financial advice will ensure that you are contributing the correct amounts based on your retirement goals.

WILL THERE BE LIMITS ON THE VALUE OF PAYOUTS FROM MY PENSIONS?

The lifetime allowance is a limit on the value of payouts from your pension schemes – whether lump sums or retirement income – that can be made without triggering an extra tax charge.

But the regular contributions you and your employer make into pensions, plus the fact investments in pensions grow free of tax typically over a long time, can result in your pensions growing above the lifetime allowance.

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. The standard lifetime allowance is indexed annually in line with the Consumer Prices Index (CPI).

Any amount over your lifetime allowance that you take as a lump sum is taxed at 55%, and any amount over your lifetime allowance that you take as a regular retirement income – for instance, by buying an annuity – attracts a lifetime allowance charge of 25%.

HOW CAN I MAKE THE MOST OF MY PENSION POT WHEN I RETIRE?

How long your pension pot lasts will depend on the choices you make. From age 55, there are three main ways you can take your money. You can take your tax-free money first, take a combination of tax-free and taxable money, or take a guaranteed income for life. You could also take a combination of these three, or simply do nothing at all.

Each of the main options usually allows you to take up to 25% of your pot tax-free. You might also need to pay tax on the remaining 75% of your pension pot, depending on your circumstances and the options you choose. Tax rules can also change in the future.

The ways to access your tax-free money, and the remainder of your pension pot, are very different on each of the options though. ◀

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DON'T 'SLEEPWALK' INTO YOUR RETIREMENT

Today, the big question is not 'when would you like to retire?' but 'when can you afford to retire?' Seizing the day can be a great feeling. And this is what thousands of people across the UK are doing: taking money from their pension pot, from the age of 55, to tackle a current pressing need or opportunity. We can help you make the right decisions to balance the impact of your actions now so that you don't 'sleepwalk' into your retirement and find out too late you've made the wrong choices. For more information, speak to us about your retirement expectations.

THE BIG QUESTIONS TO ASK BEFORE YOU RETIRE

ARE YOU ON TRACK TO ENJOY THE RETIREMENT YOU WANT?

If you're among the many older UK workers who will say farewell to full-time work in the next five years, now's a good time to make sure you're truly prepared. Whether you're viewing the next phase of life as retirement, semi-retirement or an unknown adventure, it's essential that you obtain professional financial advice. From age 55, you have the flexibility to choose how you take some or all of your money from your pension.

Looking towards your retirement and planning ahead will help ensure you're on track for the financial future you want. And while some people might have been saving and planning for decades for retirement, others might be crossing their fingers or have yet to give real thought to their transition away from working.

Currently, once you reach 55, you can choose what you want to do with your pension pot, and you don't need to stop work to access it. But just how much is enough? And how much should you try to save to have a comfortable retirement?

HOW MUCH INCOME WILL I NEED FOR MY RETIREMENT?

Many people consider £39,773 as their ideal income in retirement, according to research[1]. This means that, after the State Pension of £8,767.20 per year is factored in, £31,005.80 per year is needed to reach this target.

With annuity rates at near historic lows, that means a pension pot of £668,000[2] could be needed to purchase a level of annuity that would produce this income.

It is important that you re-evaluate your preparedness on an ongoing basis. Changes in economic climate, inflation, achievable returns and in your personal situation will impact your plan.

WHAT SIZE OF CONTRIBUTIONS SHOULD I MAKE EACH MONTH?

It's hard to start a journey without knowing your destination. The first step is to set a retirement date and a desired level of income, and work backwards from there.

This way, you will see the size of contributions you need to make each month, and how close you will be able to get to your ideal income level.

You'll need to think about how much money you would like to live on and how long it needs to last, especially as the age that you start getting the State Pension is increasing.

ARE THERE OTHER WAYS TO SAVE FOR MY RETIREMENT?

It's likely you'll have heard the phrase 'the sooner you start putting money aside for your retirement, the better'. However, even if you feel you've left it too late, you could still make a difference by taking action now.

There are other ways to save for your retirement. A pension is one of them, but you may be using your home as your long-term investment, or you could have other investments that you hope will perform to match your expectations in later life.

Pensions are a long-term investment, as the sooner you start putting money aside for your retirement, the better – even if you're saving a small amount. They're also a tax-efficient way of putting money aside.

CAN I SUPPLEMENT MY WORK PENSION WITH PRIVATE SAVINGS?

Once you know your target pension amount, and what you need to pay each month to get there, you can then make your contributions into the recommended savings vehicles.

You're likely to have a pension through your employer – that's a good place to start, and it should be the bedrock for your other savings.

However, it may pay to supplement your occupational pension with private savings in an Individual Savings Account (ISA), which is highly tax-efficient and very flexible and can give you some more options when you arrive at the time you would like to retire. ISAs may allow you to retire slightly earlier, for example, while leaving your pension savings to continue to grow in the stock market. ◀

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THINKING ABOUT THE TYPE OF RETIREMENT YOU WANT?

Whether you want to discuss your existing retirement planning options, or would like to discuss starting a pension, we're here to support you. To arrange an appointment or for further information, please contact us.

Source data:

[1] Research conducted by Opinium Research amongst 5,000 UK adults between 30 August and 5 September 2018.

[2]: Source: iress The Exchange 12/9/2019; healthy life rates at age 65, no tax-free cash taken, single life, level, monthly in advance, no guarantee.

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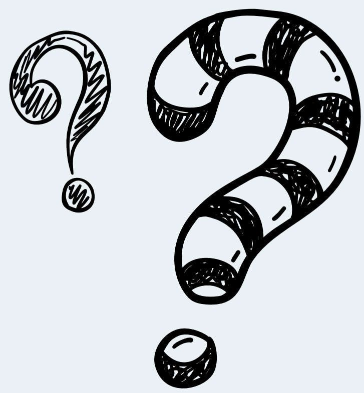
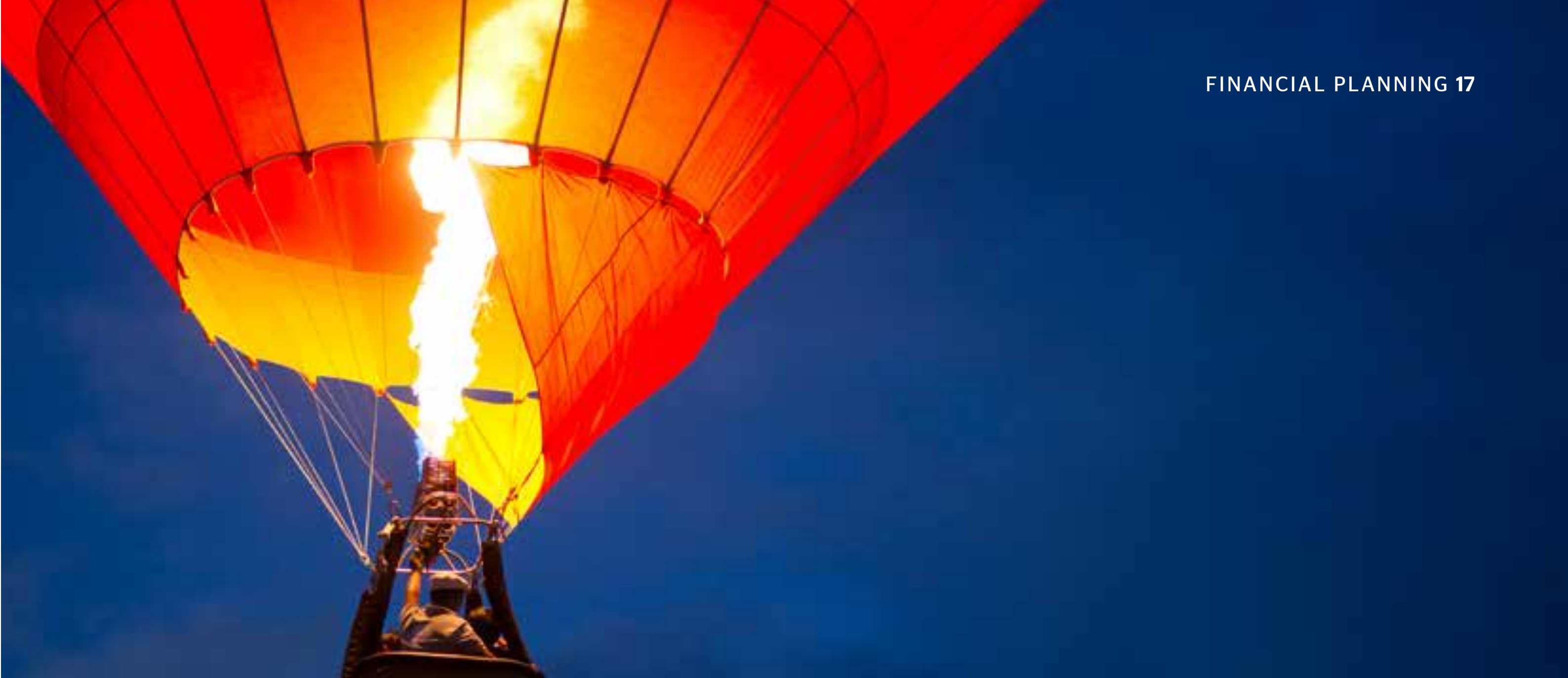
A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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.





WEALTH UPLIFT

CALCULATING THE VALUE OF FINANCIAL ADVICE

Quantifying the value of financial advice has always been a challenge because people who receive financial advice have different characteristics to those who do not. But what if it was now possible to quantify the value of financial advice and isolate a pure 'advice effect'? This is exactly what the researchers at the International Longevity Centre – UK (ILC) have been able to calculate.

WHAT IT'S WORTH

The new research[1], 'What it's worth: Revisiting the value of financial advice' from the ILC suggests that, holding other factors constant, those who received advice around the turn of the century were on average over £47,000 better off a decade later than those who did not.

This result comes from detailed analysis of the Government's Wealth and Assets Survey, which has tracked the wealth of thousands of people over two yearly 'waves' since 2004 to 2006. The wealth uplift from advice comprises an extra £31,000 of pension wealth and over £16,000 extra in non-pension financial wealth.

IMPACT OF TAKING ADVICE

One of the key findings from the research is that the proportionate impact of taking advice is greater for those of more modest means. For the 'affluent' group identified in the research, the uplift from taking advice is an extra 24% in financial wealth compared with 35% for the non-affluent group. On pension wealth, the uplift is 11% for the affluent group compared with 24% for the non-affluent.

An important explanation for the improved outcomes for those who take advice is that they are more likely to invest in assets which offer greater returns (though with higher risk). Across the whole sample, the impact of taking advice is to add around eight percentage points to the probability of investing in equities.

LARGER PENSION POTS

The research also found that those who were still taking advice at the end of the period had pension pots on average 50% higher than those who had only taken advice at the beginning of the period. However, this result is not controlled for other differences in characteristics, so may at least in part reflect greater engagement by those who have larger pension pots.

International Longevity Centre Director, David Sinclair, commented: 'The simple fact is that those who take advice are likely to be richer in retirement. But it is still the case that far too many people who take out investments and pensions do not use financial advice. And only a minority of the population has seen a financial adviser.' ◀

GETTING YOU CLOSER TO YOUR GOALS

Having a financial plan in action is one of the most important things you can do in life. It gives your finances direction and gets you closer to your goals. What is equally important is reviewing and revising your plan regularly. When it comes to managing your money, we can help you build wealth and secure your future and, above all else, draw up an effective plan for fulfilling your investment objectives. Please contact us for further information.

Source data:

[1] 'What it's worth: Revisiting the value of financial advice' was published on 28 November 2019 at http://www.ilcuk.org.uk and http://www.royallondon.com/policy-papers.

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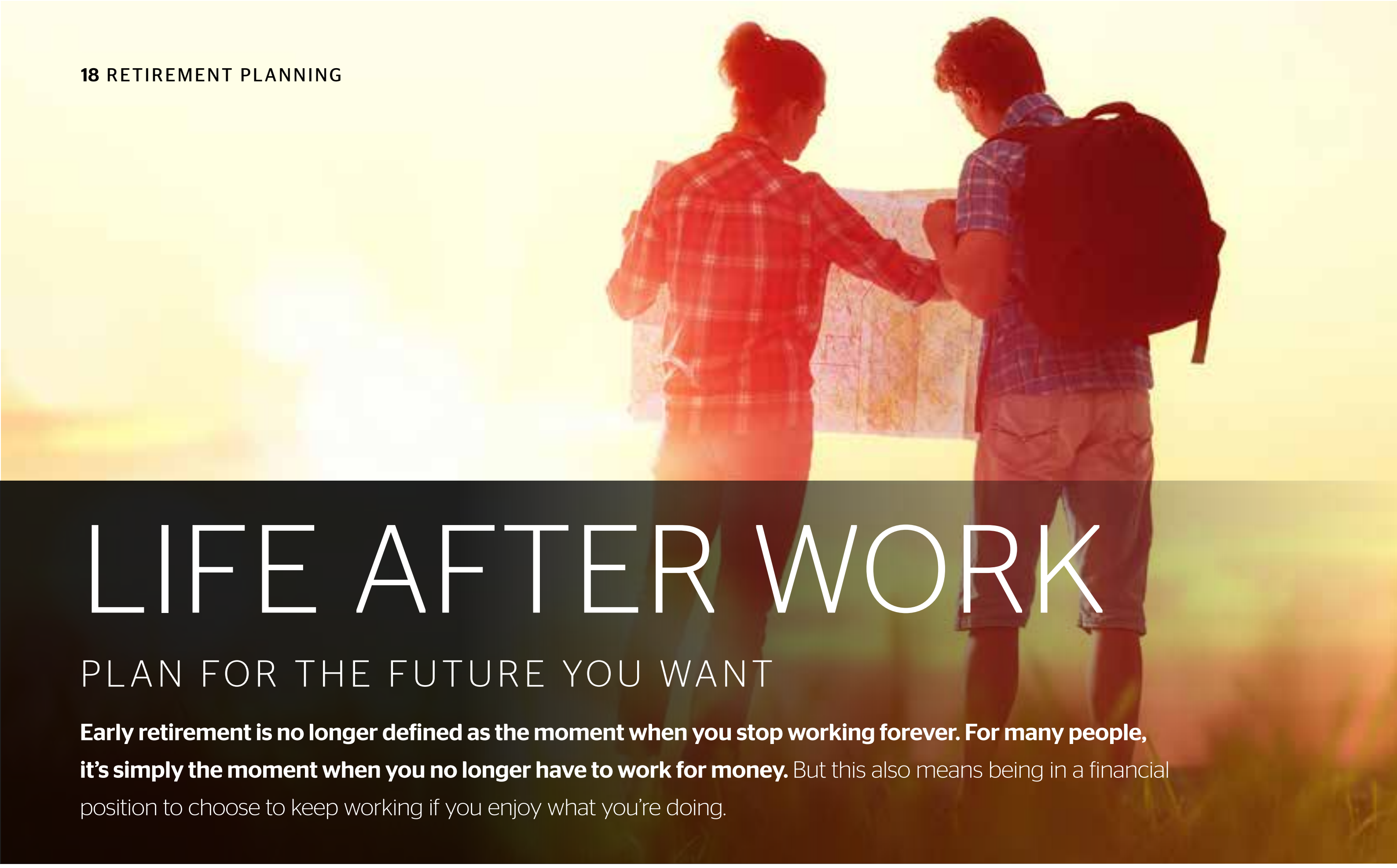

LIFE AFTER WORK

PLAN FOR THE FUTURE YOU WANT

Early retirement is no longer defined as the moment when you stop working forever. For many people, it's simply the moment when you no longer have to work for money. But this also means being in a financial position to choose to keep working if you enjoy what you're doing.

Retiring at 55 is an attainable target if you start early and develop a sound financial plan. It's worth remembering there's a big difference doing work you love or a job that you could leave if you get tired of it, because you have the financial freedom and flexibility that saving up enough money can give you.

LIFESTYLE AND SPENDING HABITS

So the question is, 'How do you know how much money is enough to last through your golden years if you want to retire early?' The answer is a highly personal one and depends on your lifestyle and spending habits.

For many people, early retirement means being able to make the shift from work they have to do to work they want to do. Taking an early retirement appeals to many people unsurprisingly, but making it a reality requires careful consideration and a well-thought-out approach to retirement planning.

MAXIMISING YOUR INCOME

Working towards an early retirement strategy is built on maximising your income – how much money you're making; expenses – how much money you're spending; and saving – how much money you're saving and investing.

Can you access the State Pension, the pension you receive from the state? The answer is 'no' if you want to retire early; the age at which you can receive your State Pension is changing for both men and women depending on when you were born.

FEELING UNDER-PREPARED

Your State Pension will not be available to claim at 55, so do not include this when working out your income for the first part of your retirement. In the UK, the State Pension age will rise for both men and women until it reaches 66 in October this year and 67 between 2026 and 2028. However, 46% of UK workers, according to research[1], who are currently aged 55 and over say they feel under-prepared for their retirement.

For some people who want to wave goodbye to the 9 to 5 grind and retire early, it may seem like a pipe dream. The good news is that you can usually access private pensions from the age of 55, which makes it an age often associated with retirement. However, retiring early may affect both your private or company pension.

ASSETS TO PRODUCE INCOME

The rules for private and company pensions vary, depending on who provides them. We can help you to check this to see how early retirement could affect your own situation. But if you do intend to retire at 55, you will need your assets to produce income for a longer period than someone who retires later.

It means developing an accurate projection of what you think you will spend each year. Then you can compare that to the sources of retirement income you think you'll have available to you.

OPPORTUNITY TO GROW

The benefit of starting a pension early on and contributing to it regularly means you're able to take advantage of the compounding effect. Compound interest causes your wealth to snowball and allows you to earn interest on top of both your savings and existing interest, and it accumulates over time, meaning the longer you save, the more your pension has the opportunity to grow.

It makes a sum of money grow at a faster rate than simple interest, because in addition to earning returns on the money you invest, you also earn returns on those returns at the end of every compounding period, which could be daily, monthly, quarterly or annually.

COMFORTABLE LIFESTYLE

If you're looking to retire at 55, you're much more likely to have the comfortable retirement you dream of if you started saving for it early in adult life. Otherwise, you may wish to increase the contributions into your pension pot so you can meet the level of income you will need for a comfortable lifestyle.

So how much will you need when you retire? One way of estimating how much you'll need is by referring to the widely used '70%' rule, which states that you'll require 70% of your working income to maintain the same level lifestyle.

UNEXPECTED COSTS

Whilst this gives you a good idea of the amount you'll require when considering retirement, you may find that you'll need more or less. You should consider what you plan to do in retirement and account for unexpected costs, such as long-term care, as these will need to be factored in to help you estimate your retirement costs.

Creating an overall budget and living costs as well as other expenditure you'd like to plan for, such as holidays, will further help you reach a more realistic retirement target figure. If you're planning to retire early, your money will need to last longer, therefore it's important to account for the extra years.

PENSION TAX RELIEF

The Government automatically adds basic-rate tax relief of 20% to pension contributions. If you pay tax at the higher rate, the tax relief percentage increases to up to 45%, depending on your income. It's important to double check that you're claiming pension tax relief. If you have a personal pension, and you're a higher or additional-rate taxpayer, you will need to complete a self-assessment tax return to receive the extra relief due.

It's worth bearing in mind that the annual allowance gives you £40,000 as the maximum amount you can pay into your pension(s) each year and get tax relief on. It's possible to use 'carry forward' to reduce your tax charge if you go over the annual allowance limit by carrying forward unused annual allowances from the last three years. There are conditions to using carry forward that need to be met, and pensions rules can change.

WITHDRAWING INCOME

When and how you can withdraw from a pension will depend on the type of pension you have, your personal circumstances and your retirement goals. At 55, you can choose to take your pension as a lump sum (once or periodically), as an income (an annuity that provides guaranteed income) or as a mix of both.

How you choose to draw your income is up to you, with 25% available as a tax-free lump sum, and the rest taxed. Withdrawing your income is a crucial decision that you often cannot go back on once it's made, so be sure to only make your choices after weighing up your options carefully. ◀

WANT THE CHOICE TO STOP WORK AND ENJOY RETIREMENT?

For most of us, the whole point of saving and investing is to bring closer the day when we have the choice to eventually stop work and enjoy retirement. Being able to do what you want to do, when you want to do it, requires planning. We can help you assess all of your pension options to make sure you secure the life you want during the retirement you deserve. To arrange a meeting or discuss your requirements, please contact us.

Data source:

[1] 2019 Close Brothers Financial Wellbeing Index – https://www.finder.com/uk/pension-statistics

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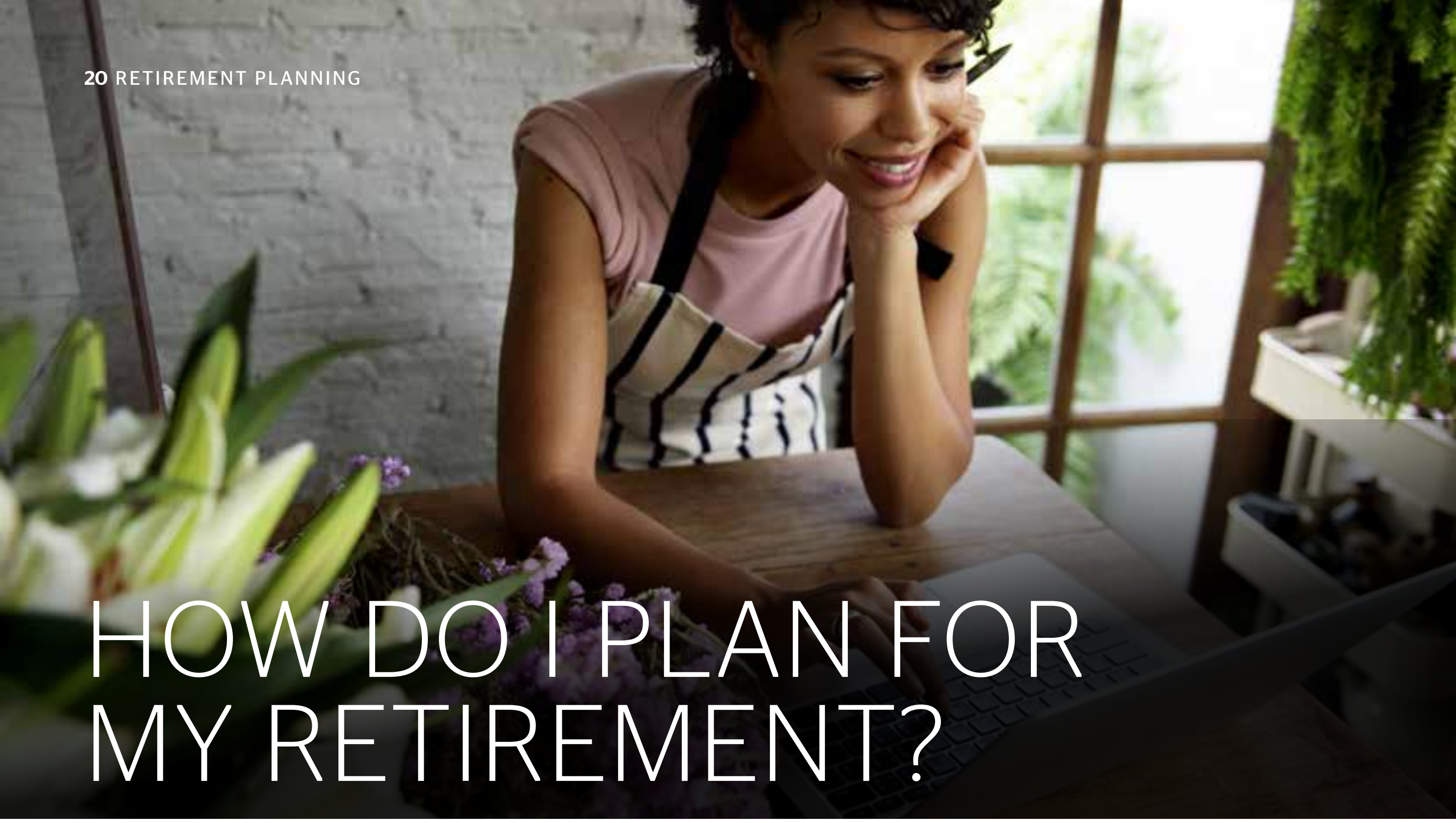

HOW DO I PLAN FOR MY RETIREMENT?

SELF-EMPLOYED BUSINESS OWNERS FACE UNIQUE CHALLENGES

Saving for retirement can be more challenging when you are self-employed, as there is no one to organise a pension for you and no employer making contributions on your behalf. On top of that, self-employed workers often don't have a regular income, so many will focus on setting aside money as a safety net if they cannot work.

New research shows[1] that some self-employed workers are heading towards a pension saving crisis as they cannot afford to save for their retirement.

LESS COMFORTABLE RETIREMENT

The nationwide study found more than two fifths (43%) of those working for themselves admit they do not have a pension, compared to just 4% of those in employment – a key reason is that 36% of the self-employed say they cannot afford to save for retirement.

Self-employed workers now make up 15.1% of the UK workforce, with more than 4.8 million people working for themselves[2], but the research found they are heading for a less comfortable retirement with many not planning to stop work.

DAY-TO-DAY EMERGENCIES

Around one in three (31%) say they will be relying entirely on the State Pension to fund their retirement, while 28% will be reliant on their business to provide the income they need.

Self-employed workers are savers, but the research found they are more focused on day-to-day emergencies than the long term of retirement. Two thirds (64%) of the self-employed save to build up a safety net in case of an emergency, in comparison with 57% of those in employment.

MORE COMPLEX REQUIREMENTS

Just one in ten self-employed people receive professional advice from a financial adviser regularly, despite having potentially more complex requirements than someone in employment. One in five (19%) are not confident with money and financial matters, while a quarter (24%) worry that they do not know enough about money.

All this adds up to an advice gap when it comes to the importance of pensions for the self-employed, as 20% admit they do not take pension saving seriously as they do not think it applies to them.

NO ONE WANTS TO WORK FOREVER

Saving for a pension is still important, as no one wants to work forever. And no matter what your employment status, having money to fund your retirement is essential, as the State Pension is unlikely to be enough to fund a comfortable retirement.

The earlier you start contributing to a pension, the bigger your retirement pot should eventually be, as your money will have a longer chance to grow, and you will have paid more in over a longer period. The more you can save, the greater the chance you will enjoy a financially comfortable retirement when you stop work. ◀

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UNSURE ABOUT YOUR FINANCIAL PLANNING OPTIONS?

It can be harder to think about saving for retirement if you're self-employed and don't have access to a company pension scheme, but pensions shouldn't be ignored as they offer valuable tax benefits. If you are self-employed and unsure about your options, contact us and we'll be able to help you with all aspects of your financial planning.

Source data:

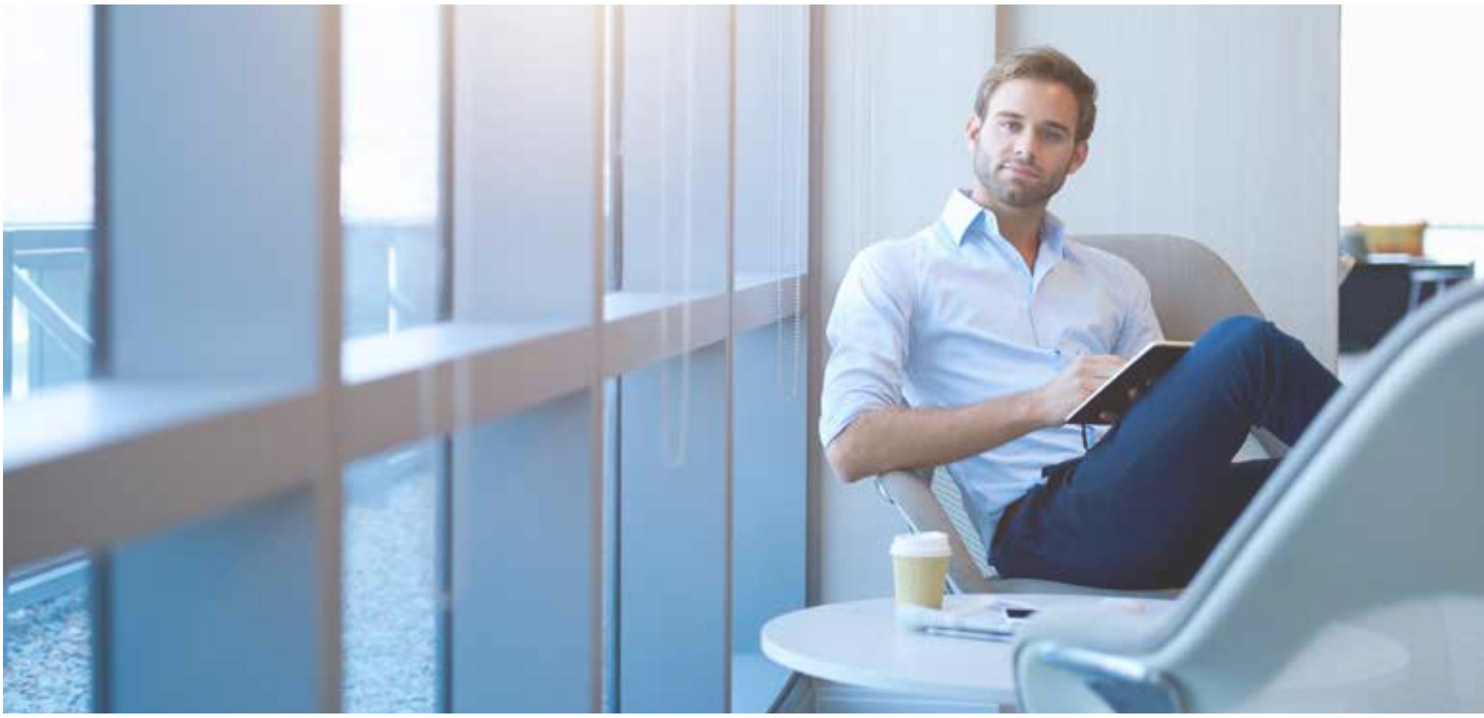
[1] Consumer Intelligence conducted an independent online survey for Prudential between 20 and 21 June 2018 among 1,178 UK adults

[2] https://www.ons.gov.uk/employmentandlabourmarket/peopleinworkemploymentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07

BULLISH MILLENNIALS

PUTTING MONEY TO WORK EARLIER ALLOWS MORE TIME FOR SAVINGS TO GROW

Millennials are more bullish than any other generation about their retirement savings, a major new study has found[1]. But with time on their side, should they be doing more?



Almost two fifths (38%) of millennial investors (aged between 18 and 37) globally are very confident they are saving enough now so they won't run out of money in their retirement. That is more than 29% for Generation X (aged between 38 and 50) and 21% for Baby Boomers (aged between 51 and 70).

BUCKING A COMMON MYTH

Millennials say they are saving on average 15.9% (including employer contributions) of their income (wages plus any other earnings) specifically for their retirement. That too is more than Gen Xers (14.7%) and Baby Boomers (13.7%).

The results of the study appear to buck a common myth that millennials aren't doing enough to save for their retirement. On the contrary, millennials appear to be saving a reasonable amount for their retirement, which is encouraging.

MIRACLE OF COMPOUNDING

The one thing that millennials have on their side over older generations is time, with up to 40 years or more until they are due to retire. Putting their money to work earlier allows more time for their savings to grow. It could also mean less of a scramble in the latter part of their careers if they have to make up shortfalls.

By starting early, millennials benefit more from the miracle of compounding – or, as Einstein called it, 'the eighth wonder of the world'. Compounding involves earning a return not only on your original savings but also on the accumulated interest, or returns, earned on your past savings. That is why total contributions should be less the earlier you start saving, because you can earn returns on returns over a longer period.

FACTORS TO CONSIDER

There are, of course, other factors to consider. Returns are by no means guaranteed, and careers can fluctuate too. Still, millennials are doing more than most when it comes to saving for retirement.

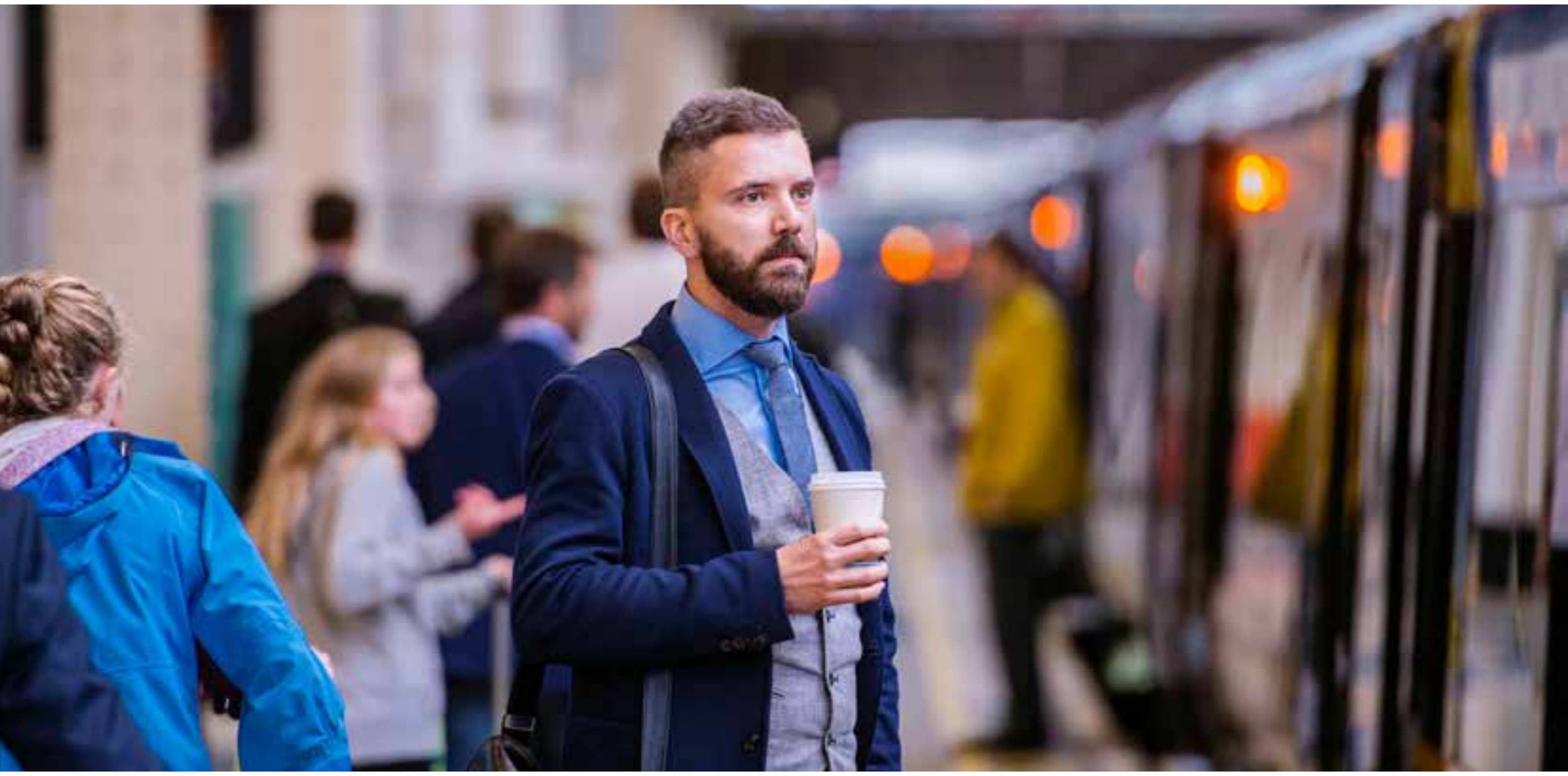
GIS 2019 found that millennials are saving more than the average non-retired investor aged 38 and above in most (20 out of 32) of the locations in which they live. Belgium (+9.0%), Austria (+8.5%) and Portugal (+5.3%) were the three locations where the disparity was highest between what millennials and non-millennials were saving, on average. ◀

LET'S CREATE A FINANCIAL STRATEGY TOGETHER

Millennials are likely to face considerably greater challenges than their parents when it comes to providing for their retirement. To find out how we can work towards achieving your financial goals in a way that fits your current needs, please contact us.

Source data:

[1] Schroders Global Investor Study (GIS) 2019, gathered from views of more than 25,000 investors in 32 locations around the world.



MIND THE GAP

SELF-EMPLOYED WOULD BACK NEW LAWS TO EXPAND RETIREMENT SAVINGS

For the self-employed, even if the will to save for retirement is there, the way can be problematic. Self-employed workers want Government help to save for retirement and would back new laws to expand auto-enrolment or to make saving for retirement compulsory, new research[1] shows.

For those who are self-employed, it can be all too easy to push pensions to the bottom of their priority list, especially as they may feel the need to have some flexibility in their finances in case of a downturn in earnings.

ENCOURAGING SAVING FOR RETIREMENT

More than half of self-employed workers questioned want the law changed to encourage them to save for retirement – 27% would support the expansion of auto-enrolment to cover the self-employed, while 27% would back compulsory pension saving.

The study highlighted the growing pension crisis among the self-employed, with more than two fifths (43%) – the equivalent[2] of more than two million workers – admitting to having no form of pension. More than a quarter (28%) say they will be reliant on the State Pension as their main source of retirement income.

MAKE YOUR OWN ARRANGEMENTS EARLY

The research shows nearly one in five (18%) self-employed people do not believe pensions apply to them, while 20% say they find the rules very confusing, and 15% worry they cannot immediately access their funds if out of work.

There has been a significant rise in the number of people working for themselves since the turn of the century. If you're self-employed, you don't have as many pension options open to you as an employed individual, so it's vital you make your own arrangements as early as possible so you don't miss out in retirement just because you've decided to go it alone. ◄

PREPARING FOR RETIREMENT IS CRUCIAL

If you're self-employed, saving into a pension can be a more difficult habit to develop than it is for people in employment. There is no one to choose a pension scheme for you, there are no employer contributions and you may well have irregular income patterns, all of which can make saving difficult. To discuss preparing for your retirement and for more information, speak to us about your requirements.

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 20 and 21 June 2018 among 1,178 UK adults

[2] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2018#summary-of-latest-labour-market-statistics

TAX SAVVY

SAVERS SHOULD THINK TWICE BEFORE USING THEIR PENSION TO PURCHASE PROPERTY

From age 55, you have the flexibility to choose how you take money from your pension. But pension savers risk throwing away thousands of pounds of their hard-earned savings if they use their pension to purchase a second property.

Research undertaken by YouGov[1] reveals one in seven (15%) people aged over 55 would consider investing in a buy-to-let property to fund their retirement. However, for those approaching the age at which they can access their pension (45-54), the figure almost doubles to 29%.

TAXES CAN BE CONSIDERABLE

The analysis shows that not only would a saver have to pay Income Tax on any pension withdrawal, but they would also incur costs such as stamp duty. These taxes can be considerable and reduce the initial sum, meaning people may need to radically rethink what type of property they can afford.

As an example[2], someone living in England with a £400,000 pension would have to pay £120,000 in Income Tax if they accessed their pension as a lump sum. As they would be purchasing a second property, they would also be liable for second home stamp duty, which would take a further £12,400 from their pot. This would leave them with just £267,600 of their initial investment. The situation for someone in Scotland is even less favourable, as the different regime means they would be left with just £261,400.

BEFORE OTHER ASSOCIATED COSTS

Someone in England with an £800,000 pot would be left with just £511,400 of their pension, while in Scotland they would be left with just over £489,000. This is before other costs associated with moving house, such as solicitor's fees, are taken into account.

While seeking professional financial advice would ensure people were aware of these costs and their likely impact, just over a quarter (27%) of those who said they would use their pension to fund a buy-to-let property said they were unlikely to take financial advice. ◀

THINKING ABOUT ACCESSING YOUR PENSION FROM AGE 55?

What to do with your pension is a big decision, so we would always recommend you obtain professional financial advice. If you would like to talk over your options, please contact us.

Source data:

[1] The YouGov research used a UK representative sample of 2,014 UK adults. This was made up of 387 in the 45-55 age group and 1,627 in the 55+ age group.

[2] These calculations take into account the following assumptions: PCLS of 25% is taken – no other taxable income in the same year – SDLT, LBTT and LTT is based on the fund less any Income Tax – the property is for buy to let purposes – no other costs of property purchase have been taken into account

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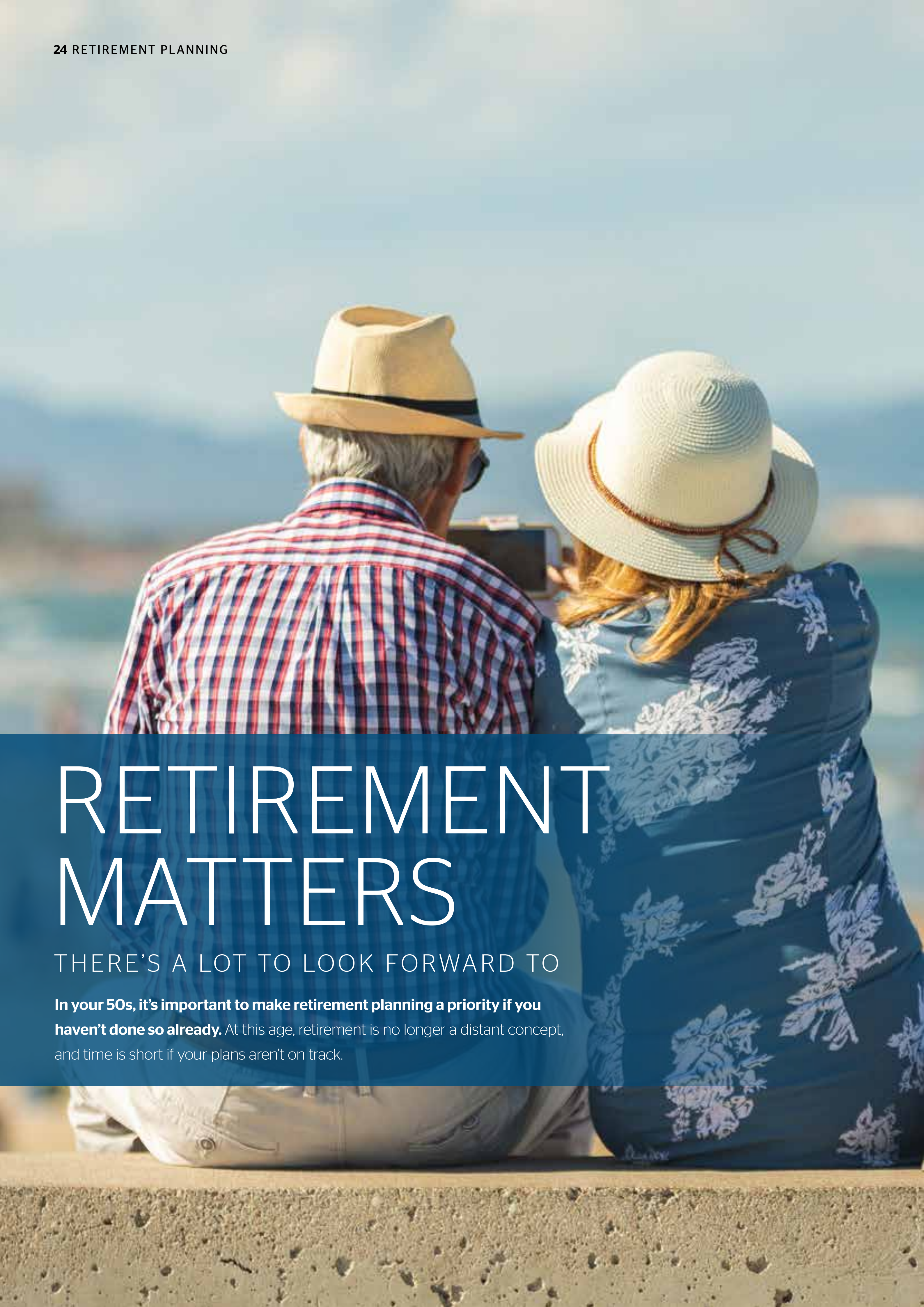

RETIREMENT MATTERS

THERE'S A LOT TO LOOK FORWARD TO

In your 50s, it's important to make retirement planning a priority if you haven't done so already. At this age, retirement is no longer a distant concept, and time is short if your plans aren't on track.

This means it's crucial to think about your retirement income goals and the steps that you need to take to achieve those goals.

VARIABLES TO CONSIDER

One of the most important things to do in your 50s is to work out how much money you'll need to retire comfortably. You will have many variables to consider, including the age that you plan to retire, your life expectancy, your income requirements in retirement, your expected investment returns, inflation, tax rates and whether you qualify for the State Pension.

Once we've worked out how much money you'll need to retire, we can then determine whether you're on track to reach your goals. We'll do this by working out how much money you have saved for retirement now across your various pension, investment and savings accounts, and projecting your total retirement savings into the future.

PROVIDING MORE CLARITY

If you have multiple pension accounts, and if appropriate, it may be worth considering a pension consolidation at this stage of the process. This can provide you with more clarity in relation to your overall pension savings and make it easier to plan for retirement. You may also benefit from lower costs.

Many people realise in their 50s that their pension savings are a little on the low side. For example, the 2019 Close Brothers Financial Wellbeing Index found that 46% of UK workers aged 55 and over felt unprepared to retire, with 45% of people in this age bracket stating that funding their retirement was one of their top three money concerns. Luckily, in your 50s, there is still time to boost your retirement savings significantly.

GROW PENSION SAVINGS

One of the most effective ways to grow your pension savings is to save money regularly into a Self-Invested Personal Pension (SIPP) account. This is a government-approved retirement account that enables you to hold a wide range of investments and shelters capital gains and income from HM Revenue & Customs.

SIPP contributions come with tax relief. Basic-rate taxpayers receive 20% tax relief, meaning an £800 contribution gets topped up to £1,000 by the Government, while higher-rate taxpayers and additional-rate taxpayers can claim an extra 20% and 25% tax relief respectively through their tax returns.

TAX RELIEF PURPOSES

For 2019/20, the annual pension contribution limit for tax relief purposes is 100% of your salary or £40,000, whichever is lower. However, you may be able to take advantage of 'carry forward' rules and make use of unused annual allowances from the previous three tax years if you had a SIPP open during this period.

Another option to consider is saving and investing within a Stocks & Shares ISA. Like the SIPP, this type of account allows you to hold a wide range of investments, and all capital gains and income are sheltered from the taxman. Each individual can contribute £20,000 per year into a Stocks & Shares ISA.

ASSET ALLOCATION

Your 50s is also a good time to review your asset allocation. You'll want to ensure that your asset allocation matches your risk profile now that you are getting closer to retirement. As you move closer to retirement, it's sensible to begin reducing your exposure to higher-risk assets such as equities.

With retirement just around the corner, you don't want to be overexposed to the stock market, as there is less time to recover from a major stock market shock. Your asset allocation is an issue that you'll want to pay close attention to as each year passes in your 50s.

DEBT REDUCTION

It's also sensible to focus on reducing your debt in your 50s. The less debt you carry into retirement, the better – and eliminating debt early could have a big impact on your overall retirement savings.

It goes without saying that higher-interest rate debt such as credit card debt should be prioritised and paid off as soon as possible. However, many people in their 50s also have mortgage debt, so it can make sense to prioritise this as well and pay this off completely. This can free up a substantial amount of cash flow that can then be redirected into your pension.

REGULAR REVIEWS

Finally, in your 50s, it's important to review your retirement plan on a regular basis. Retirement planning is a continual process, and the more frequently you review your progress, the more prepared you'll be for retirement and the more in control you'll feel. At a minimum, aim to review your retirement plan at least once per year to ensure that you're on track to achieve your goals.

As with all of life's plans, things go awry, opportunities can present themselves or you may simply have a change of heart. If you fail to go back to your financial plan, you may find years later that it hasn't suited your goals and priorities for some time. It's also the perfect time to reassess your life goals. ◀

TIME TO MAKE SENSE OF YOUR PENSIONS?

Thinking about your retirement can be daunting, and imagining life after you've stopped working can be quite difficult, but it certainly doesn't have to be. Whether you're saving for the future, starting your retirement planning or you just want to make sense of pensions, we're here to help you. For more information, please contact us.

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WOMEN BETTER PREPARED FOR RETIREMENT

RECORD HIGH DESPITE £78K PENSION POT GENDER GAP

Women in the UK are better prepared for the future than ever before, with 57% now saving enough for their retirement – the highest proportion recorded in 15 years. A recent report[1] shows that average savings amongst women are up 4.6% since 2007/08, equating to an additional £5,900 in income every year of retirement.

The number of women contributing something to a pension pot has risen by 14.6% over the last 15 years, far outstripping the rise in participation amongst men (8%) during the same period.

GENDER PAY GAP

Despite this progress, the gender pay gap means that men are still putting away more money overall – benefiting from, on average, an additional £78,000 in their pension pot at retirement. This is the equivalent to 2.5 times the average household disposable income in the UK.

While significant progress has been achieved thanks to auto-enrolment, several groups of women remain underprepared for retirement. Lower-middle female earners are still feeling the pinch, having seen the smallest improvements in savings rates over the last decade.

MANAGE CASH FLOW

Today, just 47% of women earning between £10,000 and £20,000 are saving enough for retirement, compared to 65% of those earning £40,000 or more. More than a third (37%) see no other option but to opt out of their pension scheme to manage cash flow, meaning they lose out on valuable employer contributions and tax relief.

Women in this lower-middle earner group face competing demands on their income such as paying for childcare or saving for a property, with seven in ten likely to face financial difficulties.

CAUSING FINANCIAL STRESS

Life milestones such as having a family or buying a first home, which should be positive steps, can also cause financial stress and hinder the ability to save. Pension contributions stop after 39 weeks on maternity leave, and those who are trying to juggle work with childcare commitments often work part time – 75% of these workers are women.

When it comes to housing, women face a much greater affordability challenge than men, driven primarily by differences in income. Average house prices across England are 12 times the median salary of women, compared to eight times that of men. Median rents in England consume 43% of an average woman's income, compared to 28% for men.

ISSUE OF DISENGAGEMENT

All of these challenges are compounded by the issue of disengagement: four in ten women (42%) are still unclear about how much they are actually saving for retirement, and more than half (55%) have doubts that they are putting aside enough money.

The overall progress seen in the number of women saving is consistent across the UK. Scottish women continue to lead the rest of the UK, with just over 60% setting aside enough for a comfortable retirement. Londoners were least likely to be saving adequately – just 37% did. The last 11 years have, however, seen an 18% increase in the proportion of women saving adequately in the capital to reach 55% today. ◀

NEED HELP MANAGING YOUR FINANCIAL LIFE?

Ever wondered whether you'll have enough money to retire on comfortably? Everyone should have the knowledge they need to manage their financial life. To review your situation, contact us to talk about your future plans – we look forward to hearing from you.

Source data:

[1] Scottish Widows Pensions Index and the Scottish Widows Average Savings Ratio – the research was carried out online by YouGov across a total of 5,036 nationally representative adults in April 2019. 5,148 adults were surveyed in April 2018.

The modelling in this report was conducted by Frontier Economics and is based on survey responses that probe the current income, savings and retirement income expectations of respondents. The modelling takes surveyed individuals between the ages of 20 and 29 and projects forward their future incomes and investment returns with an expected retirement age of 68. 140 men and 160 women are included in the sample.

Housing statistics are based on the findings from the Women's Budget Group, 'A home of her own, housing and women', July 2019 and are based on ONS data for average housing and incomes.

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DO YOU HAVE A FINANCIAL SAFETY NET?

ONE IN FIVE SELF-EMPLOYED AND CONTRACT WORKERS UNABLE TO SURVIVE A WEEK WITHOUT WORK

We're a nation of entrepreneurs with a record number of self-employed people now working in the UK. The world of work has changed enormously over the past 20 years. Being self-employed, freelance or working on a contract basis has become the norm for all sorts of professions.

Although it has many benefits, working for yourself means that the responsibility for providing a financial safety net shifts from the employer to the individual.

FINANCIAL SUPPORT

A survey[1] of the financial health of self-employed, part-time and contract workers reveals that if an accident or illness prevented them from working, more than one in ten (11%) wouldn't be able to last any time without using long-term savings, while 30% would run out of money in less than a month.

Also, 48% said they couldn't turn to friends or family for financial support, and one in ten said they would be forced to turn to credit cards or payday loans

Figures from the Office for National Statistics (ONS) show that the number of self-employed workers in the UK increased from 3.3 million in 2001 to nearly 5 million in 2019[2].

HELP FROM THE STATE

While a quarter (25%) of those surveyed said they would seek help from the state, benefits provide little or no support for this group. Statutory Sick Pay isn't available to self-employed workers, and for those workers that are eligible, the maximum that can be claimed is just £94.25 a week versus the average outgoing of £262.83[3] a week for self-employed or contract workers.

More than half (55%) have no life insurance, private medical insurance, critical illness cover or income protection should they find themselves unable to work due to illness or injury. Nearly half of those surveyed (45%) worry that sickness will prevent them working.

CONSISTENCY OF EARNINGS

They also worry about consistency of earnings (37%), and over a third (35%) of those workers who took time off for illness or injury last year returned to work before they felt they had fully recovered. Half (50%) of these said they did so because they couldn't afford to take any more time off work.

People in full-time employment commonly receive sick pay and life insurance through their employer, but self-employed people need to provide it for themselves. Although many self-employed people and contractors worry about the consequences of an accident or illness preventing them from working, too few are taking steps to protect themselves from any loss of earnings if they are unable to work. ◀

TAKING A PREVENTATIVE APPROACH

If you're self-employed or thinking about going down that road, it's important to consider your personal insurance options. For more information, or to review your options, please contact us.

Source data:

[1] Research among 1,033 UK self-employed, part-time, contract and gig economy workers between 1 and 7 October 2019, conducted by Opinium on behalf of LV=.

[2] EMP14: Employees and self-employed by industry.

[3] Average monthly outgoings of £1,182.76 recorded from 1,033 UK self-employed, part-time, contract and gig economy workers between 1 and 7 October 2019, conducted by Opinium on behalf of LV=.

PENSION CONSOLIDATION

SIMPLIFYING AND MAXIMISING RETIREMENT BENEFITS

The employment landscape has evolved significantly over the last few decades, and changing jobs multiple times before retirement is now very much the norm. As a result, many people have multiple pensions set up, as they have been automatically enrolled into a new pension scheme each time they have started a new job.

When you have several pension pots, things can become complicated. If you have accumulated a number of pension pots over the years from different employers, consolidating them could be a sensible move.

BRINGING TOGETHER ALL YOUR DIFFERENT PENSION POTS

You may have pensions that were set up a long time ago and are no longer suitable for your requirements, or you could be over-paying for services such as life insurance that are not required. Monitoring the performance of multiple pensions is also time-consuming. Bringing together all your different pension pots can give you more control over your money and provide a much clearer picture of your overall pension savings.

Consolidating your pension pots enables you to bring together all your different pensions and makes it easier to manage your money. Less time will be needed to monitor each different pension and check performance, and there is likely to be considerably less paperwork once your pensions are combined. You are also likely to get a better understanding of whether your retirement planning strategy is on track.

EASIER TO DETERMINE YOUR OVERALL ASSET ALLOCATION

Crucially, having all your pension savings in one place should also make it far easier to determine your overall asset allocation. If your pension savings are spread out over many different providers, it can be hard to keep track of your exact asset mix and know how much risk you are taking on. If you have a plan that was set up a long time ago, you may not even know what investments you currently hold.

Additionally, consolidating your pensions can give you the opportunity to lower costs if you switch to a more cost-effective pension provider, or boost your investment options if you transfer to a more flexible provider.

CONSOLIDATING YOUR PENSION POTS ENABLES YOU TO BRING TOGETHER ALL YOUR DIFFERENT PENSIONS AND MAKES IT EASIER TO MANAGE YOUR MONEY.

A pension consolidation could be the appropriate action to take if:

- You have a number of pension pots and want more control over your money
- You have a number of pension pots and want less hassle
- You are unhappy with the performance of a current provider
- You are unhappy with the choice of investments offered by a current provider
- You are paying high fees with a current provider

However, a pension consolidation is not always the best option. It may not be sensible to consolidate your pensions if:

- You are a member of a defined benefit pension scheme. If you transfer out of this type of pension, you'll be giving up guaranteed benefits and potentially taking on greater risks
- You have a pension that comes with valuable benefits. For example, a pension may allow you to buy a higher income in the future via a 'Guaranteed Annuity Rate'
- You have a pension provider that charges high fees to transfer to another provider

BEFORE DOING ANYTHING, CHECK WHAT YOU HAVE

Do you know how many pensions you have and what they offer? Do they, for example, have particular death benefits or financial guarantees, and do they let you take your pension money how and when you want? We can ascertain what benefits and guarantees there are that you would not want to give up and ask your pension providers for up-to-date information.

Combining pensions isn't right for everyone. If you have any pension pots worth more than £30,000, you may have to take financial advice – and it's such an important decision that you may want to take advice even if the amount is less.

MAKE YOUR OWN DECISIONS ABOUT YOUR PENSION SAVINGS

There are a number of ways that pension pots can be consolidated. For example, one strategy is to pick one of your pension pots and transfer the

other pensions to this pot. This could make sense if you are happy with the services offered by one provider in particular.

Alternatively, you could bring all your pensions together into a Self-Invested Personal Pension (SIPP) – a government-approved personal pension scheme which allows you to make your own decisions about how your pension savings are invested. ◀

IT'S GOOD TO TALK THROUGH THE OPTIONS

Because there are both advantages and disadvantages associated with consolidating pension pots, it is a complex process to work out whether it's the most appropriate option, particularly if defined benefit plans are involved. There are a number of variables to consider. If you would like to assess your options, please contact us for more information.

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.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

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. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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 POWER OF DIVERSIFICATION

INSULATING YOUR PORTFOLIO FROM ANY MARKET UNCERTAINTY

Brexit is by no means the only cause of market volatility. Whether you believe Brexit will prove a blessing or a curse for the British economy, it's important to insulate your portfolio from any market uncertainty.

One of the most effective ways to manage investment risk is to spread your money across a range of assets that, historically, have tended to perform differently in the same circumstances. This is called 'diversification' – reducing the risk of your portfolio by choosing a mix of investments.

In the most general sense, there are many adages: 'Don't put all of your eggs in one basket', 'Buy low, sell high', and 'Bears and bulls make money, but pigs get slaughtered'. While that sentiment certainly captures the essence of the issue, it provides little guidance on the practical implications of the role that diversification plays in a portfolio. And, ultimately, there is no such thing as a 'one-size-fits-all' approach.

DIFFERENT LIFE STAGES

Different investors are at different stages in their life. Younger investors may have a longer time horizon for their investing than older investors. Risk tolerance is a personal choice, but it's good to keep perspective on personal time horizons and manage risk according to when access to funds from different assets is needed. If cash is needed in the near term, it is better to sell an asset when you want to sell it rather than when you have to sell it.

Under normal market conditions, diversification is an effective way to reduce risk. If you hold just one investment and it performs badly, you could lose all of your money. If you hold a diversified portfolio with a variety of different investments, it's much less likely that all of your investments will perform badly at the same time. The profits you earn on the investments that perform well offset the losses on those that perform poorly.

MINIMISING RISK

While it cannot guarantee against losses, diversifying your portfolio effectively – holding a blend of assets to help you navigate the volatility of markets – is vital to achieving your long-term financial goals while minimising risk.

Although you can diversify within one asset class – for instance, by holding shares (or equities) in several companies that operate in different sectors – this will fail to insulate you from systemic risks, such as international stock market volatility.

FURTHER DIVERSIFICATION

As well as investing across asset classes, you can further diversify by spreading your investments within asset classes. For instance, corporate bonds and government bonds can offer very different propositions, with the former tending to offer higher possible returns but with a higher risk of defaults, or bond repayments not being met by the issuer.

There are four main types of investments, known as 'asset classes'. Each asset class has different characteristics and advantages and disadvantages for investors. An asset class is a broad group of securities or investments that have similar financial characteristics.

Traditionally, there are four main asset classes:

• Cash
• Shares
• Property
• Fixed-interest securities (also called 'bonds')

PORTFOLIO INSULATION

Effective diversification is likely also to allocate investments across different countries and regions in order to help insulate your portfolio from local market crises or downturns. Markets around the world tend to perform differently day to day, reflecting short-term sentiment and long-term trends.

There is, however, the added danger of currency risk when investing in different countries, as the value of international currencies relative to each other changes all the time. Diversifying across assets valued in different currencies, or investing in so-called 'hedged' assets that look to minimise the impact from currency swings, should reduce the weakness of any one currency significantly decreasing the total value of your portfolio.

INDIVIDUAL INVESTORS

Achieving effective diversification across and within asset classes, regions and currencies can

be difficult and typically beyond the means of individual investors. For this reason, some people choose to invest in professionally managed funds that package up several assets rather than building their own portfolio of individual investments.

Individual funds often focus on one asset class, and sometimes even one region, and therefore typically only offer limited diversification on their own. By investing in several funds, which between them cover a breadth of underlying assets, investors can create a more effectively diversified portfolio.

LESS VOLATILE RETURNS

One alternative is to invest in a multi-asset fund, which will hold a blend of different types of assets designed to offer immediate diversification with one single investment. Broadly speaking, their aim is to offer investors the prospect of less volatile returns by not relying on the fortunes of just one asset class.

Multi-asset funds are not all the same, however. Some aim for higher returns in exchange for assuming higher risk in their investments, while others are more defensive, and some focus on delivering an income rather than capital growth. Each fund will have its own objective and risk-return profile, and these will be reflected in the allocation of its investments – for instance, whether the fund is weighted more towards bonds or equities.

LONG-TERM VIEW

Stock markets can be unpredictable. They move frequently – and sometimes sharply – in both directions. It is important to take a long-term view (typically ten years or more) and remember your reasons for investing in the first place.

Be prepared to view the occasional downturns simply as part of a long-term investment strategy, and stay focused on your goal.

Historically, the longer you stay invested, the smaller the likelihood you will lose money and the greater the chance you will make money. Of course, it's worth remembering that past performance is not a guide to what might happen in the future, and the value of your investments can go down as well as up.

TIME TO GROW

Give your money as much time as possible to grow – at least ten years is best. You'll also benefit from 'compounding', which is when the interest or income on your original capital begins to earn and grow too. There will be times of market volatility. Market falls are a natural feature of stock market investing. During these times, it is possible that emotions overcome sound investment decisions – it is best to stay focused on your long-term goals.

MARKET TIMING

Resist the temptation to change your portfolio in response to short-term market movement. 'Timing' the markets seldom works in practice and can make it too easy to miss out on any gains. The golden rule to investing is allowing your investments sufficient time to achieve their potential.

Warren Buffett, the American investor and philanthropist, puts it very succinctly: 'Our favourite holding period is forever.' Over the long term, investors do experience market falls which happen periodically. Generally, the wrong thing to do when markets fall by a reasonable margin is to panic and sell out of the market – this just means you have taken the loss.

LOOKING TO GROW YOUR WEALTH?

Investing is not just about what you know but also who you are. Whether a seasoned investor or just starting out, if you would like to discuss any elements of growing your wealth or require any other information, please contact us.

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

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RETIRING ABROAD

PRIOR PREPARATION IS KEY FOR A SMOOTH TRANSITION INTO YOUR NEW LIFE

It's a dream for many that after years of hard work, it's finally time to travel to far-off lands and enjoy your retirement without worrying about finances. With some planning beforehand, the dream of retiring abroad can become a reality.

With milder winters, warmer summers and the potential to get more from your pension pot, it's not surprising that some people decide to retire abroad. With so many places in the world inspiring dreams of a more relaxed lifestyle, the population of expat retirees keeps growing.

If you're planning to retire abroad, it's important to look into the effect this could have on your finances before you make the move.

PERSONAL AND WORKPLACE PENSIONS

If you have an occupational or personal pension, it's usually paid into your UK bank account.

As long as you've paid enough National Insurance, you can claim your State Pension while living abroad. Your State Pension can be paid anywhere, so long as you inform the Department for Work and Pensions (currently, the State Pension increases each year by the greater of the increase in earnings, inflation or 2.5%. However, you're not entitled to the annual increase in every country, so you should also check this before you move).

You might also have the option to transfer your UK pension to a Qualified Recognised Overseas Pension Scheme (QROPS). Transferring could give you more control, but there are various tax and regulatory implications that you'll need to consider. It's important to obtain professional financial advice to ensure you will not lose valuable guarantees and benefits, or have to pay excessive exit fees.

Your income will be affected by fluctuations in the exchange rate, as well as local inflation, and there may be charges for currency conversion and transferring money to a foreign bank.

HEALTHCARE

As you get older, healthcare is an increasingly important consideration. It's important to look into your rights to access healthcare in your country of choice and what costs may be involved.

Currently, most pensioners retiring abroad choose European Economic Area countries. These have a special relationship with the UK that allows our citizens access to free healthcare.

Pensioners already living in these countries should continue to benefit from this agreement beyond Brexit. However, for those considering a move in future, it's still unknown if the relationship will continue, which might put your plans on hold for now.

In most other countries, you will have to pay some or all of the cost of treatments, which can get expensive in later life. Find out which medical treatments are free and which you will need to pay for. Will you need medical insurance too, and what is the quality of healthcare available?

PROPERTY

Buying a home in a foreign country can be more difficult than here in the UK, and the land titles, rights, consents, regulations, taxes and charges are almost certain to be different.

Make sure you're aware of how much it will cost to buy, and seek advice from solicitors, architects and surveyors with local experience.

Remember that not only may the cost of buying be higher, but that you might need to budget for adaptations to keep your home accessible as you get older.

TAXES

Moving abroad will almost certainly have many tax implications. Unless your new country of residence has a double-tax agreement in place, you could end up paying tax both there and in the UK. Also, taxes such as Capital Gains Tax vary from country to country.

Make sure you understand the effects of tax on your income and your own tax responsibilities. These tax burdens can be frustrating for many retirees. Complicated tax issues can also make it difficult to buy property abroad, and understanding all the local laws and implications can be a daunting task. ◀

READY TO RETIRE ABROAD IN 2020?

A move abroad and the lifestyle change that comes with it may be the final result of years of dreaming and planning. Whether you're moving abroad to be closer to friends and family, to experience a different culture or just for a better quality of life, planning ahead is key. If you would like further information, please contact us.

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