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NOVEMBER/DECEMBER 2012

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Financial planning is our business.

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Our range of personal financial planning services is extensive, covering areas from pensions to inheritance matters and tax-efficient investments.

Contact us to discuss your current situation, and we'll provide you with a complete financial wealth check.

TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US

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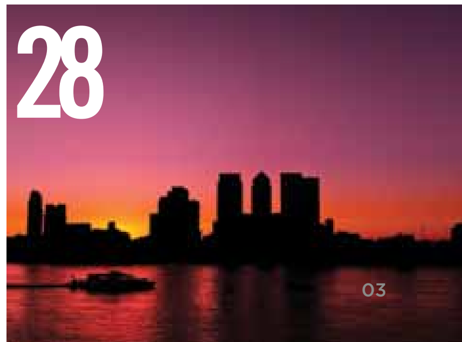

EDITORIAL

There's a saying that goes, 'People don't plan to fail, but they do fail to plan.' The run-up to Christmas is the perfect time to review your financial goals for the start of the New Year. On page 13 we consider why setting financial goals is all about starting with the end in mind – thinking about the outcomes you are hoping for. If you are clear about what you are trying to achieve, it will help you to make good investment decisions.

From 21 December 2012 (G-Day), the new European gender law means that men and women will have to be treated the same when it comes to annuity rates. On page 10 we have provided answers to some of the most common questions we've been asked on this subject. If an annuity contract isn't in place by 21 December it will have to be done on terms that are gender-neutral.

October saw the start of the UK's new pension auto-enrolment system, which is expected to take six years to be fully rolled out. Under the new system, initially any workers over 22 years old and under the state pension age, not already in a scheme and who earn more than £8,105 a year from a large employer will automatically be enrolled. Turn to page 12 to read the full article.

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

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MIND THE WEALTH GAP

50-year-olds need another £43bn to become financially secure

The average 50-year-old believes they need another £50,000 in savings and investments, including pension and property equity, in order to feel financially secure, new research [1] from MetLife shows.

AVERAGE NET WORTH OF 50-YEAR-OLDS

MetLife's study of the finances of 50-year-olds shows their average net worth is around £179,000 [2] – equivalent to around £155.3bn in property equity, pension funds, savings and investments.

But they believe they need around £229,000 to feel financially secure – a wealth gap of £43.4bn or £50,000 per person. The research also shows that nearly three quarters (72 per cent) of their total net worth is made up of property equity, with the average 50-year-old holding £130,600 in housing wealth.

HIGHLIGHTING THE FINANCIAL PRESSURES

The research highlights the financial pressures faced by the Uncertain Generation – those born between 1961 and 1981 – the U-Gen.

The net worth, including property and pensions, controlled by 50-year-olds highlights what they have achieved but also how much more they feel they need to do. There is clearly a pension and wealth gap in the UK and the uncertainty is increased by ongoing financial and economic volatility, but it is important that people focus on the positives of retirement planning and maximise the assets they have.

STILL PAYING OFF HOME LOANS

The research shows that women on average have total net worth of £167,500 and men £192,000. The averages, however, do not tell the whole story as 36 per cent of 50-year-olds have total net worth of less than £25,000.

Around 21 per cent of 50-year-olds own their homes outright without a mortgage while another 44 per cent are still paying off home loans and 32 per cent rent their homes. ■

If you are concerned about a potential retirement income shortfall, don't delay any further. It is essential to seek professional financial advice now to help you plan for and seek to achieve as much certainty as possible about your financial future. Please contact us and we'll assess the best options available to you.

[1] Research conducted by Harris Interactive amongst a nationally representative sample of UK adults aged 50 in October 2011.

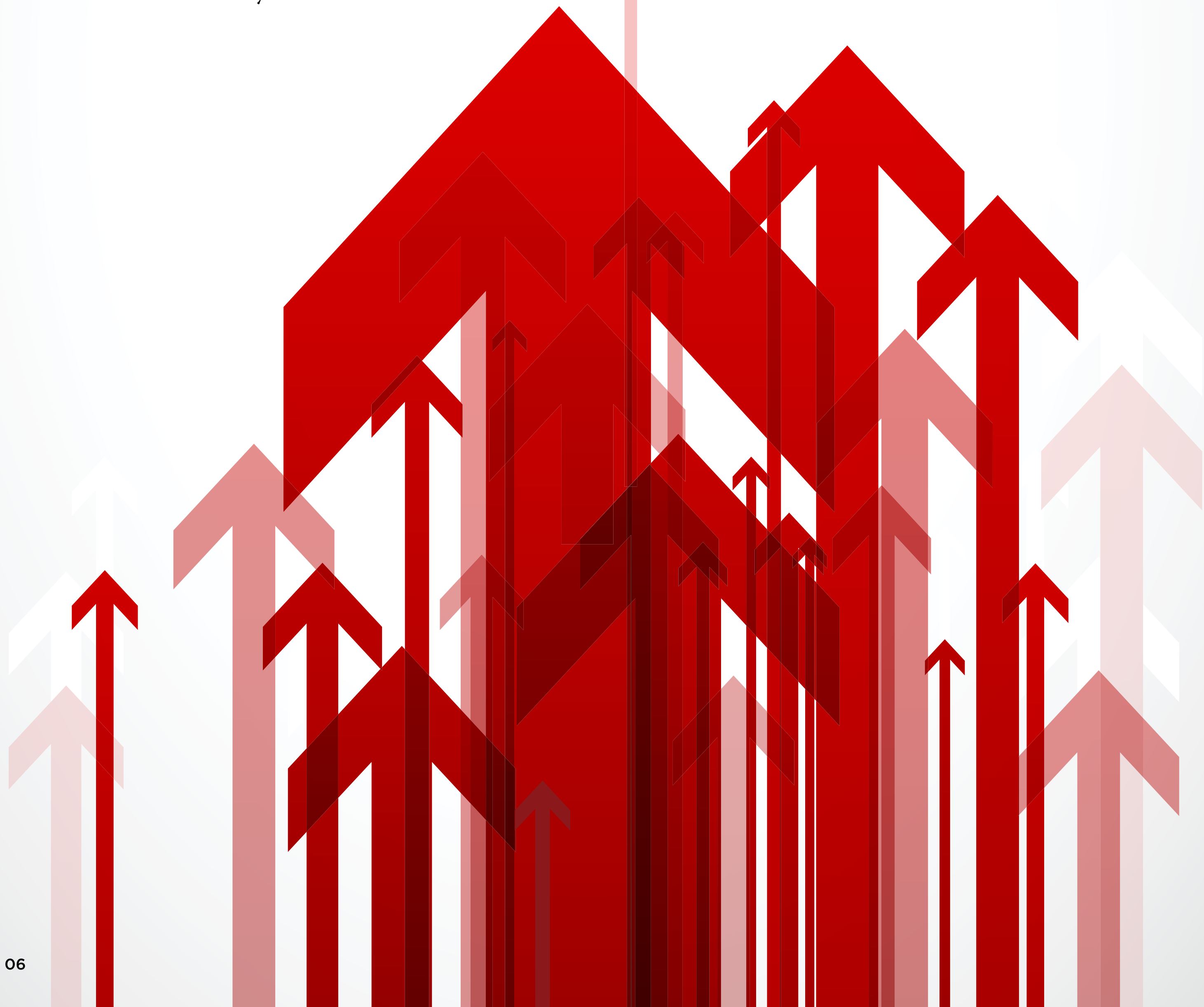
[2] All figures rounded to the nearest £100. Some simplifications exist in the calculation, so all figures should be treated as indicative.

> MetLife's study of the finances of 50-year-olds shows their average net worth is around £179,000 [2] – equivalent to around £155.3bn in property equity, pension funds, savings and investments.

BOOSTING YOUR CHILD'S INHERITANCE BY THOUSANDS

You need to take action while you're still alive

Parents could boost the value of their children's inheritance by thousands of pounds if they start to take action while they are still alive. Something as simple as using surplus pension income to pay into a pension for their children can make a significant difference to the value of the inheritance they leave behind.



PROTECTING A CHILD'S INHERITANCE

Funds held in capped drawdown can be very inefficient from a death benefit perspective. If the capital is to be paid to the children as a lump sum when they die, it will currently be subject to a 55 per cent tax charge.

This means the children will receive only 45 per cent of the value of that fund when the parent dies. If a key aim of the parents is to protect their children's inheritance, and they are not utilising their maximum available income, if appropriate it may make sense for them to use this surplus income for some proactive estate planning.

PASSING ON WEALTH TAX-EFFICIENTLY

There are many ways in which parents are able to pass on surplus income to help their children, such as paying off their debts or reducing their mortgage. However, a tax-efficient way of passing on wealth is by making a pension contribution for them. Any income tax suffered by the parent on the income they take is usually negated by the fact that contributions made on behalf of their child can be grossed up at the child's highest marginal rate of tax.

SECURING A CHILD'S LONG-TERM FINANCIAL FUTURE

Putting money into a pension means that the parent is securing the long-term financial future of their child, especially where a child's earnings may limit the amount they can currently save personally for their future. As the money is not immediately available, this removes the risk of children 'frittering away' their inheritance. Instead they will have access to the money from the age of 55, when they could use it to pay off their mortgage and help fund their lifestyle in retirement.

UTILISING SURPLUS INCOME FROM A PARENT'S PENSION

The following demonstrates how effective it can be from a tax and estate planning perspective to utilise surplus income from a parent's pension to fund a child's pension. In this example, the parent currently has a drawdown fund of £300,000.

> "Putting money into a pension means that the parent is securing the long-term financial future of their child, especially where a child's earnings may limit the amount they can currently save personally for their future."

If the parent takes no action, and they die ten years from now, their drawdown fund could have grown to £495,000[1]. This would leave an inheritance of £222,750 for the child after 55 per cent tax has been paid.

If the parent instead starts to take £10,000 a year from their drawdown fund to pay into their child's pension, although the parent will suffer 20 per cent income tax, the child will receive 20 per cent tax relief (assuming both are basic rate tax payers)[2].

So if the parent dies ten years from now, their drawdown fund could now be worth £361,000. This would leave a lump sum of £162,450 for the child after 55 per cent tax has been paid. In addition, the contributions paid to the child's personal pension could be worth £135,700 after ten years, bringing the total value of the child's inheritance at that point in time to (£162,450 + £135,700 =) £298,150.

This simple planning could therefore increase the value of the child's inheritance by (£298,150 - £222,750 =) £75,400 after just ten years.

Depending on the age of the child when the parent dies, they may not be able to access their pension immediately. If the pension stays locked away for longer, then it has more time to grow. For example, leaving the pension fund untouched for a further ten years could see it grow to £231,406.

STARTING PLANNING SOONER RATHER THAN LATER

Parents fortunate enough to have accumulated substantial savings may like to consider the best way to pass some of those savings on to their children. Parents are likely to be more successful with estate planning if they start sooner rather than later, and pass on some of their intended inheritance while they are still alive, especially if they know they have savings that far exceed their foreseeable needs.

AVOIDING ANY FUTURE RETIREMENT INCOME PROBLEMS

Utilising surplus pension income to fund a child's pension can help boost the value of the inheritance parents pass on to their children. A pension still remains one of the most tax-efficient forms of saving and it will ensure the child is better positioned to avoid any future retirement income problems. Those in retirement know better than anyone how important it is to have adequate savings, so what better way for parents to provide for their children than to ensure their long-term security through opening a pension for them? ■

Contact us to discuss how we could help you mitigate inheritance tax on your personal wealth, family business and investment portfolios. We have developed a proactive approach and can ensure your own financial needs are met and that you avoid giving away too much too soon. We look forward to hearing from you.

All figures relate to the 2012/13 tax year. Information is based on our current understanding of taxation legislation and regulations. A pension is a long-term investment, and the fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation. Pension drawdown is a complex product and is not suitable for everyone. The Financial Services Authority does not regulate estate planning, wills or trusts.

[1] Figures assume a growth rate of 6.5 per cent p.a.
[2] To use such planning, the contributions made by the parent (plus any contributions currently being made by the child/employers) in any tax year must not exceed the greater of £3,600 or 100 per cent of the child's earnings.

ARE YOU CHEERFUL OR FEARFUL?

Where to invest your money now to cash in on recovery or fresh disaster

Is the world teeming with opportunity or full of danger right now? For shrewd investors, the answer is, of course, both – and if you make the right calls, you can expect to profit. There's no avoiding it: investing and risk go hand-in-hand. The truth is that understanding risk is less risky than not investing at all.

NOBODY HAS A CRYSTAL BALL

But what is risk? In its simplest sense, risk is the variability of returns. Investments with greater inherent risk must provide higher expected yields if investors are to be attracted to them. Risk can take many forms, including valuation risk (paying too much for an asset), currency risk, exchange rate risk, market risk, political risk and volatility. Assessing which investments will perform well in future is much harder than looking at which have done well in the past – nobody has a crystal ball.

LEADING RATHER THAN FOLLOWING THE HERD

To make money from the stock market, for example, you need to anticipate which companies everyone else will choose, and buy them first. This means leading rather than following the herd. When investment markets have fallen, it is human nature to shy away, fearing further losses. Yet history has shown that this is often the right time to buy. Likewise, when good news abounds and markets are making progress, it's easy to make the decision to invest – yet the optimism at such times often means stock prices are too high.

“To make money from the stock market, for example, you need to anticipate which companies everyone else will choose, and buy them first.”

DON'T MINIMISE THE CHANCE OF ACHIEVING YOUR GOALS

Risk is a fact of life for any investor. Thanks to inflation, there's even risk in doing nothing. To earn rewards you have to assume some level of risk. If you minimise risk you may also minimise your chance of achieving your goals.

Understanding the level of risk you are willing to take is crucial – a process known as 'risk profiling'. This is essential as the more accurate your risk profile, the greater the chance of selecting the most suitable investments for your needs.

AN IMPORTANT PART OF THE RISK PROFILING PROCESS

Of course, your personal circumstances form an important part of the risk profiling process. Are you investing for retirement or looking to save for a luxury holiday? Your age is also important: if you are a young investor saving for a pension, you may be more likely to take higher levels of risk due to the greater length of time to recover short-term losses.

All types of investment carry some risk of making a loss; the main thing is to be comfortable that your investments represent, as closely as possible, a level of risk acceptable to you, and continue to do so.

HELPING YOU MEASURE YOUR APPETITE FOR RISK MORE PRECISELY

Historically, some of the measures of risk for various investments have been somewhat broad-brushed. Many investors have been categorised on three levels: 'cautious', 'balanced' or 'aggressive'. There are now many sophisticated risk profile questionnaires and online tools available to help you measure your appetite for risk more precisely, with investment strategies designed to match the outcome.

INCREASE YOUR CHANCE OF BETTER LONG-TERM RETURNS

There's no rule to say you have to have a diversified portfolio, but investors who focus on one area will only be right some of the time. Diversifying increases your chance of better long-term returns. This includes choosing investments across different asset classes (for example, shares, bonds and commodities), geographical regions and also fund management styles. Bear in mind that your portfolio can also be too diversified. Too many investments and your portfolio will tend towards the average and simply track the market.

Remember that over time, as your personal circumstances and the economic outlook change, so too might your attitude to risk. So it's essential that you regularly review your investments to make sure they continue to reflect your needs. ■

Creating and maintaining the right investment strategy plays a vital role in securing your financial future. Whether you are looking to invest for income or growth, we can provide the quality advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. Please contact us for further information.

Levels and bases of and reliefs from taxation are subject to legislative change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested.

EU LAWMAKERS CHANGE ANNUITIES FOR GOOD Q&A

Men and women will have to be treated the same when it comes to annuity rates

From 21 December 2012 (G-Day), the new European gender law means that men and women will have to be treated the same when it comes to annuity rates.

We have provided answers below to some of the questions asked about how from this date it may affect enhanced annuities, investment-linked annuities and fixed-term annuities.

Q: What is the Gender Directive?
A: The European Court of Justice ruled last year that the current exemption to the Gender Directive, which allows gender-specific pricing for insurance contracts, is not consistent with the EU's long-term principles of equality.

As a result, from 21 December 2012, it will not normally be lawful to offer clients different insurance rates for males and females. This means that annuities will generally need to be written on unisex terms.

Q: What is the scope of the Gender Directive?
A: The Gender Directive relates to contracts taken out by individuals. Any member purchasing an annuity from Defined Contribution Schemes using their Open Market Option would fall within the scope of the Directive.

Q: Why will it affect annuities?
A: From 21 December 2012, providers will no longer be able to use gender as a factor when determining annuity rates offered to individuals.

Annuity providers currently assume that males generally have shorter life expectancies than females. This is the reason that males are normally offered better annuity rates than females. In future, males and females must be provided with the same annuity rates. This means that annuity rates are likely to fall for males, but could improve for females.

Q: How will providers calculate their unisex annuity rates?
A: Annuity providers are likely to calculate their annuity rates by 'blending' their male and female rates. This means that their unisex annuity rates are likely to fall somewhere between their current male and female rates.

Exactly where the unisex annuity rate ends up will depend on how much weighting each provider gives to its male and female rates. This will be determined by the proportion of the business they expect to write for each sex.

For example, if a provider expects a large proportion of its business to be written on females (as is likely to be the case in the immediate aftermath of G-Day), their unisex rate will be weighted more towards the female rate. This would result in a bigger drop for male annuity rates and little gain for females. On the other hand, if a provider expects more of its business to be written on males, their unisex rate will be weighted more towards the male rate. This would result in a smaller drop in male annuity rates and a bigger gain for females.

Q: Why will it affect pensions?
A: From 21 December 2012, providers will no longer be able to use gender as a factor when determining the Government Actuary's Department (GAD) maximum available to individuals.

The Government Actuary's Department currently has separate tables for males and females due to differences in life expectancy. This is the reason that males are normally offered higher GAD maxima than females. In future, males and females must be provided with the same maxima and HM Revenue & Customs has confirmed that for the time being that will be the current male table. This means that the maximum income rate will stay the same for males, but improve for females. For new business, cases completing on or before 20 December 2012 will be subject to the current GAD tables; for those completing on or after 21 December 2012, both males and females will be subject to the existing 2011 table for the male rate.

For existing pensions business, cases that have reviews where the reference period starts on or after 21 December 2012 will be dealt with using the gender neutral GAD table even where the calculation is done using a nominated date up to 45 days prior to that date. ■

DO YOU NEED TO ACT NOW BEFORE 21 DECEMBER?

Anyone who wants to get their annuity in place by 21 December, mainly men for obvious reasons, should act immediately because if the contract isn't completed by then, it will have to be done on terms that are gender-neutral. If this could affect you, please contact us immediately so that we can review your options. Once taken, an annuity cannot be changed.

HIPPIES SET TO CASH IN EQUITY

Many working over-50s believe their home will play a significant part in funding their retirement

Over a quarter (28 per cent) of working homeowners over the age of 50 (1.9 million people [1]) plan to access the equity in their home to help fund their retirement, according to retirement specialist LV=, dubbing them the 'HIPpies' (Home Is Pension) generation.

LOW CONFIDENCE IN THE HOUSING MARKET

The LV= 2012 HIPpies report reveals that despite low confidence in the housing market, many working over-50s still believe their home will play a significant part in funding their retirement. While over a quarter are planning to use the equity in their home, nearly half (49 per cent) of homeowners aged over 50 say they would consider downsizing to a smaller property, or using an equity release product (17 per cent) to access the money in their property during retirement.

Many over-50s are faced with the reality that their house may not be as valuable as they had once hoped, with 39 per cent of homeowners over 50 believing that their property has decreased in value over the last three years by an average of £21,749 – a massive £58 billion [2] collectively.

INVESTING IN PROPERTY TO FUND RETIREMENT

In order to maximise the money they could use from their property, 18 per cent of over-50s who believe their property value has fallen aim to wait for their property value to improve before considering using the equity to help fund retirement, and a further 9 per cent plan to make improvements to their home to try and increase its value. Despite the uncertainty in the housing market, more than half (54 per cent) of over-50s with children would recommend that their child invests in property to fund their retirement.

DELAYING RETIREMENT FOR FINANCIAL REASONS

With finances being stretched from all angles, it is no surprise that over a third (35 per cent) of over-50s admit they may need to delay their retirement for financial reasons, with an additional fifth (20 per cent) looking at ways to boost their retirement income before they retire, such as taking a second job or taking in a lodger. One in seven (14 per cent) will be retiring when they planned but will take a lower income in retirement than they originally thought they would. Worryingly, one in six (16 per cent) are not thinking about their retirement finances at all.

PROVIDING AN ADDITIONAL STREAM OF INCOME

Turbulent times may still be ahead for the UK economy, but despite the uncertainty surrounding the housing market the HIPpies generation have not been discouraged. The number of over-50s planning to use their home as their pension has remained stable when compared to the LV= 2011 HIPpies report. A property is often the largest asset people have, so, if appropriate, it makes sense for them to see it as a way of helping to provide an additional stream of income for them when they retire.

CASHING IN TO SUPPLEMENT RETIREMENT INCOME

As well as using the cash in their property to supplement their retirement income, one in ten (10 per cent) of those aged over 50 plan on using the money locked in their home to help their children or grandchildren to buy a new home, save for a wedding or help with school fees. A further tenth (10 per cent) also plan to use the money to pay for care in retirement. While many are accessing the money in their homes through necessity, 5 per cent plan to use it to fulfil a lifelong ambition in retirement, such as travelling around the world or buying a boat.

SIGNIFICANT CONCERN TO THOSE SAVING FOR RETIREMENT

Low interest rates are a significant concern to those saving for retirement, as the interest received on savings has fallen significantly since the start of the recession. A third (33 per cent) of homeowners aged over 50 said they would be pleased if rates rose, as the positive effect on their savings would outweigh any increase in the cost of paying back debt. Just over one in ten (13 per cent) say an increase in the base rate would reduce their retirement income, as the increased cost of paying debts such as loans and credit cards would restrict their ability to save. ■

All 2012 figures taken from research carried out for LV= by Opinium Research from 28 August to 3 September 2012 amongst 1,051 UK adults aged over 50 and in employment.

According to the 2012 ONS Labour Force Survey, there are 8,437,258 over-50s currently in full or part-time employment. 81% of these own their own home, giving a base of 6,834,179.

[1] 28% of over-50s are still working and own their own home – 28% of 6,834,179 gives a nationally representative figure of 1.9 million.

[2] 39% of over-50s who are homeowners and who have not retired said their property has decreased in value – the average value wiped off properties is £21,749. 39% of 6,834,179 is 2.66 million. This is then multiplied by £21,749 to give a total of £57.9 billion rounded to £58 billion.

With the purse strings being firmly tightened, it is impossible to ignore the need for those aged over 50 to consider additional sources of retirement income. Planning ahead is vital and seeking professional financial advice is essential. To discuss how we could help you arrange your financial affairs to build a bigger income for your retirement, please contact us for further information.

MAKING IT 'PERSONAL' IS CRITICAL TO RETIREMENT SAVING IN THE UK

Auto-enrolment signals a new era in workplace communications

October saw the start of the UK's new pension auto-enrolment system, which is expected to take six years to be fully rolled out. Under the new system, initially any workers over 22 years old and under the state pension age, not already in a scheme and who earn more than £8,105 a year will automatically be enrolled.

THE UK'S LARGEST FIRMS

Workers employed by the UK's largest firms (those employing more than 120,000 people) from 1 October 2012 have started to be automatically enrolled into company pension schemes. Between now and 2018 all other employers will have to ensure that UK-based workers aged over 22 years and earning a minimum of £8,105 (for the current 2012/13 tax year) are also enrolled into a pension.

EARNINGS ALLOCATED TO A WORKPLACE PENSION

Employees will initially see a minimum of 0.8 per cent of their net earnings allocated to their workplace pension. Their employer will contribute 1 per cent of their earnings and tax relief adds a further 0.2 per cent. From October 2018, these amounts will increase to a minimum of a 4 per cent contribution from the employee, 3 per cent from the employer and 1 per cent in tax relief.

GETTING THE NATION'S WORKERS SAVING

The Department for Work and Pensions (DWP) estimates that 380,000 workers were signed up during October alone, increasing to 600,000 by the end of this year. The government believes that Britain's employers hold the key to getting the nation's workers saving for their retirement, but to be successful they will need to find innovative ways of discussing money matters in the workplace.

THE SUCCESS OF AUTOMATIC ENROLMENT

It is essential that employers consider their pension options carefully before deciding on the best solution for their business and employees.

Working closely with employees to actively engage with them on how they could personally benefit is also essential to the success of automatic enrolment.

WORKERS UNAWARE OF THE CHANGES

The Scottish Widows Workplace Pensions Report 2012 reveals that 52 per cent of workers – equivalent to 9.9 million people [1] in the UK – have been completely unaware of the changes, despite an increase in the average amount people are willing to save for retirement.

EXPECTATION TO HEAR MORE FROM THE GOVERNMENT

A survey was carried out for Standard Life [2] in August this year to find out more about the levels of awareness and interest in automatic enrolment among employees in Britain who don't have a pension. It found that more than four fifths (83 per cent) of those surveyed who would be interested in finding out more would expect to find out more from their employer, while over half (54 per cent) would expect to hear more from the government.

27% of employees who don't currently have a pension said they would like to know more about opting out.

40% wanted to find out more about when they would start paying.

23% were keen to know about the investment options.

52% - equivalent to 9.9 million people in the UK - have been completely unaware of the changes.

KEEN TO KNOW ABOUT THE INVESTMENT OPTIONS

When asked what aspect they would like to find out more about, nearly three fifths of employees (58 per cent) said they would like to know more about how much they would need to contribute; two fifths (40 per cent) wanted to find out more about when they would start paying; and almost a quarter (23 per cent) were keen to know about the investment options. Just 27 per cent of employees who don't currently have a pension said they would like to know more about opting out.

HELPING PEOPLE TO SAVE MORE FOR THEIR RETIREMENT

For many employers and employees in the UK, the introduction of auto-enrolment is still some way off, due to the staggered start dates. For several years now, there has been a downward trend in the number of people actively saving into a workplace pension. This trend should be reversed as more people are helped to save more for their retirement.

EMPLOYERS HAVE AN IMPORTANT ROLE TO PLAY

Communicating the benefits of being enrolled into a workplace pension is essential to the success of auto-enrolment. Employers, the government and pension scheme providers all have an important role to play in this respect. There is clearly still a gap to close and a TV and print advertising campaign by the Department of Work and Pensions has been launched to help people understand the opportunity workplace pensions bring. ■

MAKE THE MOST OF YOUR RETIREMENT OPPORTUNITIES

Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension requirements. Whether you need to set up or review existing pension arrangements, for you or your employees, we can discuss ways to help you make the most of the different retirement opportunities. Please contact us, don't leave it to chance.

[1] Calculated by the pension regulator/employers/staging-date-timeline

[2] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,125 adults, of which 1,098 confirmed they were workers and 387 of them did not have a pension. Fieldwork was undertaken between 29–31 August 2012. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

PEOPLE DON'T PLAN TO FAIL, BUT THEY DO FAIL TO PLAN

What financial New Year's resolutions will you make?

There's a saying that goes, 'People don't plan to fail, but they do fail to plan.' The run-up to Christmas is the perfect time to review your financial goals for the start of the New Year. Setting financial goals is all about starting with the end in mind – thinking about the outcomes you are hoping for. If you are clear about what you are trying to achieve it will help you to make good investment decisions.

ORGANISING YOUR FINANCIAL LIFE MEANS STOP PROCRASTINATING

People are typically great planners when it comes to life's 'fun activities'. We plan holidays months in advance, have no trouble putting together birthday and anniversary party 'to do' lists and easily imagine how we'll spend our retirement decades before we get there. But when it comes to organising our financial lives, the energy to plan sometimes seems to vanish into thin air. It's a task many people procrastinate over or avoid altogether.

DESTINATIONS YOU AIM TO REACH WITH THE WEALTH YOU BUILD

Financial planning is a journey and your financial goals should be the destinations you aim to reach with the wealth you accumulate over time. For most people a comfortable retirement is the single most common goal, but most of us have more than one goal. So it's important to identify each goal and arrange them by the time horizon you have set for achieving them.

A FINANCIAL GOAL MUST HAVE A TIME FRAME

Setting tangible and realistic goals, following them and tracking your progress are the key to success in achieving all of your financial aims. Each must have a time frame in which it needs to be achieved. If the time frame is open-ended, how will you know when the money is needed? How will you track your progress? How will you know how much you will need to invest over time?

You might find it easier to break your financial goals into short, medium and long-term. Some of your goals might be specific – for example, to buy a classic car, go on a dream holiday, buy a second home abroad or aim to retire by the age of 50.

TRACKING YOUR PROGRESS FORCES YOU TO BE ACCOUNTABLE

Write your financial goals down at the beginning of the year and then review them throughout the year to track your progress. The exercise of discussing and writing down your goals will force you to be accountable.

We can help you work out how much you might need to save and invest to reach your goals or the return you might need if investing a lump sum. You'll also need to factor in inflation. Fixed-income investors are typically the most affected by inflation, so this needs to be considered.

Other goals could be more indeterminate, such as 'I want financial security'. You may find it helpful if you think about what a goal means in monetary terms. For example, financial security could mean to become mortgage-free sooner rather than later, having enough income to live comfortably and some capital to fall back on. ■

TIME TO TAKE STOCK OF YOUR FINANCIAL FUTURE?

Financial goals can help you plan your finances more efficiently. You can set one goal, or several goals as part of an overall financial plan. The products suitable for achieving your goal or goals will depend on your resources and individual factors such as timescales and attitude to risk. The start of a New Year is the perfect time to take stock of your financial future. Please contact us to discuss your dreams and aspirations; don't leave it to chance.

> Trusts and inheritance tax (IHT) planning – and the right advice – can help you and your family avoid making the taxman your largest beneficiary when you die.

PASSING ON YOUR WEALTH

How to make sure loved ones get your hard-earned money and not the taxman

Financial planning doesn't end at your retirement. For most of us, protecting our savings for those we leave behind is a priority, even if it means making tough decisions today. It makes sense to plan for the future, whether it is for yourself or your business. Tailored wealth succession planning enables a smooth transition to the next generation. It also helps minimise tax liabilities.

ORGANISING YOUR FINANCIAL AFFAIRS WELL IN ADVANCE

Trusts and inheritance tax (IHT) planning – and the right advice – can help you and your family avoid making the taxman your largest beneficiary when you die. So, to make sure that the right people benefit from the estate you leave behind, it makes good sense to organise your financial affairs well in advance.

NOTHING IS CERTAIN BUT DEATH AND TAXES

When Benjamin Franklin said, 'In this world nothing is certain but death and taxes', he probably hadn't made a will and ensured through careful planning that the taxman would not be the first in line with a claim on the Franklin estate. Your estate is basically everything you own, including any property, such as your home, your car, your life assurance policies and any other investments. It also includes any valuable items such as jewellery.

LOTS OF WAYS TO MANAGE YOUR IHT BILL

But there are lots of ways to manage your IHT bill long before you even get to that point. The basic premise is that when you die, the value of all your assets, whether property, investments, the odd Cezanne you might have stashed away or even life insurance payouts are added up. Take away the current 2012/13 IHT threshold of £325,000 and whatever is left is subject to a 40 per cent tax charge. So if your assets are worth £450,000, the bill your heirs face would be 40 per cent of £125,000 – that's £50,000.

Couples in registered civil partnerships or marriages can leave their entire estate to their spouse when they die. When the remaining spouse dies, the estate gets the double allowance – in other words currently £650,000 - before IHT is payable.

BEING GENEROUS WHILE YOU'RE STILL BREATHING

After that, it's all about being generous while you're still breathing. You could reduce your IHT rate to 36 per cent by giving money to charity during your lifetime. You can give away cash up to £3,000 a year free of IHT (gifting £3,000 from the previous tax year if not used), or as many small gifts of up to £250 per individual as you like. Or you could give away the lot and potentially sidestep IHT (as long as you don't receive any benefit from the assets), including putting assets in trust for a beneficiary. This can be particularly effective when it comes to life insurance policies.

THE BASICS OF HOW TO LIMIT YOUR INHERITANCE TAX LIABILITY

Make a will. By writing a valid will you can make sure that your estate goes to the people you want it to.

Transfer unused tax-free allowances. Spouses and registered civil partners can inherit from each other without paying IHT. Your executors can also use any unused nil-rate band from your deceased spouse or civil partner's estate.

Make gifts. The tax rules allow you to make certain gifts out of your estate that are immediately exempt from tax and others on which the IHT liability reduces gradually. Any gift made more than seven years before your death is exempt from IHT.

Use a trust. A trust is an arrangement that can help you to remove money from your estate so that it may not be liable for IHT in the future. There are different types of trusts for different circumstances. Investment bonds, life assurance policies and pensions can all be protected from IHT by using an appropriate trust. Some trust arrangements even allow you to receive a regular payment from your investment during your lifetime. ■

MITIGATING AGAINST IHT REALLY SHOULDN'T BE AN ACTIVITY EXCLUSIVELY FOR THE RICH AND FAMOUS

There are many approaches to reducing your IHT liability. Some are more complex than others and may not be suitable for you. Mitigating against IHT really shouldn't be an activity exclusively for the rich and famous. Obtaining professional financial advice will enable you to consider various planning strategies to help you keep more assets in the family. To find out how we could help, please contact us for further information.

All figures relate to the 2012/13 tax year. Taxation levels and the basis of reliefs are dependent on current legislation, individual circumstances are not guaranteed and may be subject to change. The Financial Services Authority does not regulate estate planning, wills or trusts.

THE WORRIES, WEALTH AND GOALS OF UK ADULTS

Squeezed-middle ages getting squeezed further

Britain's "squeezed middle ages" need an additional 32 per cent of their income in order to feel financially secure as the economic climate continues to take its toll.

Those aged between 35 and 44 years say they need an extra £612 a month - the highest of any other age group and up from £596 (4 per cent) in Spring 2012. They are also the group most worried (32 per cent) about affording the cost of main household bills, like heating, water and council tax, followed by 28 per cent of those aged 45-54.

FEELING THE MOST FINANCIAL STRAIN

The results come from the second Aviva Times of our Lives Report [1], published on 25 October, which details the worries, wealth and goals of UK adults. It reveals that while the "squeezed middle ages" (35-54) are feeling the most financial strain, everyone is feeling the pinch - only the over 65s don't require a significant monthly increase in income – just £23 a month.

DIFFICULT ECONOMIC CLIMATE

Overall the income gap across all ages is £466 a month, which is a rise of 13 per cent (£55) from the £411 revealed in Aviva's first report in spring this year. This shows the extent to which people are feeling financially squeezed as they struggle to cope with inflation and the difficult economic climate.

As well as affording the main household bills, costs of everyday items like food and clothing (22 per cent of 35-44 year olds) and unexpected costs like boiler repairs and car breakdowns (20 per cent) are also major worries for the middle age groups.

LONGER TERM FINANCIAL STABILITY

Simon Warsop, business development director at Aviva, comments: "In the past six months Britain's "squeezed middle ages" – have become ever more pressured and it is interesting to note that the immediate high costs of living like paying for heating and council tax bills are a greater worry than longer term financial stability like savings and pension provision.

"For the middle age group of 35 to 44 years responsibilities are mounting, they are more likely to have the additional costs of running their own home and bringing up a young family, resulting in a need for the most additional income, over £600 a month extra, to feel financially secure."

CAN'T DO WITHOUT

Although people are struggling financially, there are still things they can't do without. Cars and home insurance top the list with 38 per cent and 36 per cent respectively saying they're the last things they would give up.

According to Aviva data [2] the 45-54 years olds have, on average, £35,000 worth of possessions to protect which might explain the importance placed on ensuring those belongings are properly protected should the worst happen.

Mobile phones and holidays are the next items that people wouldn't want to give up (29 per cent would give them up last), with the dependence on mobile phones decreasing steadily through the ages – only 12 per cent of over 65s would not give them up compared with 56 per cent of 18-24s.

REFLECTION OF THE DIGITAL AGE

And when it comes to possessions, electrical items continue to rule, with 51 per cent of Brits saying they're most important – ahead of jewellery and photographs at 46 per cent. This is a strong reflection of the digital age we live in and the importance electrical items have in our every day life.

However, even though their possessions are important to them, the report shows that Britons are significantly underestimating the value of their belongings – by over £10,000 on average. The biggest "insurance gap" is among the 35-44 year olds who value their possessions at £17,178 when, in reality, the average is around £32,000. It's likely people aren't considering items like carpets, white goods and furnishings when thinking about what they own.

The research shows that home insurance cover is the second least likely item that people across all ages would give up, but it is clear that there is a disparity between what people think they have and what our data shows the average person actually owns. So it's important that people choose the right cover to suit their needs to ensure that everything they have worked hard for over the years is properly protected.

HEALTH, WEALTH AND FAMILY

As people's lives progress, their worries change as they get older. Health is an area of concern throughout life but it significantly rises through the ages. 20 per cent of 18-24 year olds are worried about their health, rising steadily to 50 per cent of over 65s.

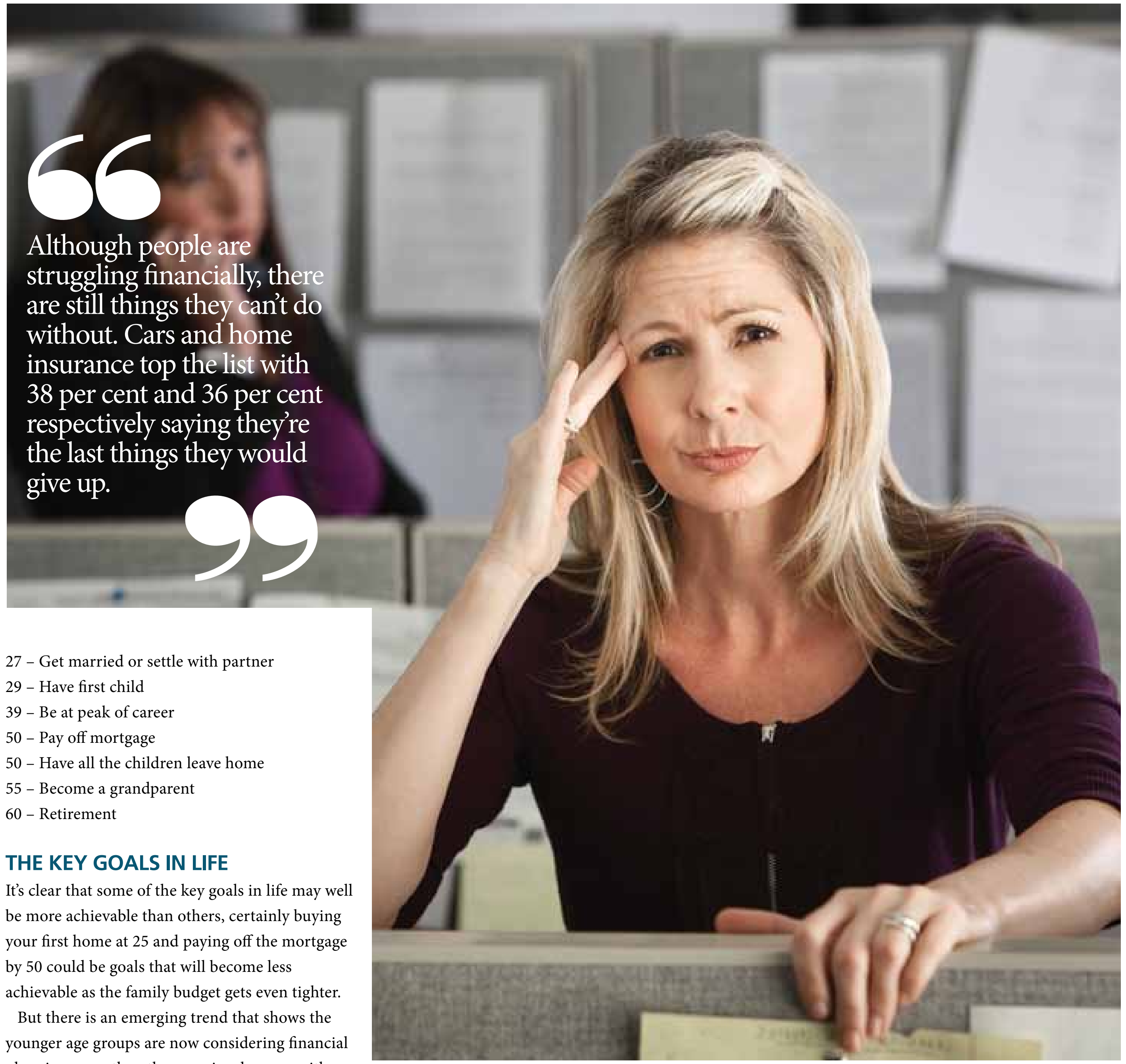
And when it comes to goals in life, there are certain things that are consistent across the age groups. Everyone rates a happy family and personal life as one of their top three goals, with it number one for all those aged over 35. But the younger age groups are showing more determination than they were six months ago to achieve career goals and start saving regularly – both rank above a happy family life for the 18-24 year olds.

THE MOST SELF-CONFIDENCE

Meanwhile the middle age groups say saving regularly, paying off debts and reducing their mortgage are key parts of their two-year goals. But despite the middle ages being the time of most financial pressure, as in Spring 2012, 35 is still considered the best age to be. It is the time when people feel they will or have had the most self-confidence and happiest personal life.

The report also reveals the ideal age to achieve other key life goals:

18 – Get first job
21 – Buy first car
21 – Move out of parents home
21 – Start saving for a pension
25 – Buy first house



27 – Get married or settle with partner
29 – Have first child
39 – Be at peak of career
50 – Pay off mortgage
50 – Have all the children leave home
55 – Become a grandparent
60 – Retirement

THE KEY GOALS IN LIFE

It's clear that some of the key goals in life may well be more achievable than others, certainly buying your first home at 25 and paying off the mortgage by 50 could be goals that will become less achievable as the family budget gets even tighter.

But there is an emerging trend that shows the younger age groups are now considering financial planning more than they previously were, with over a third (38 per cent) rating saving regularly as one of their top goals. This is clearly a wise move as they enter adulthood with more economic constraints than ever before. ■

It's so important to save for your future. Putting as much as you can invest as soon as you can gives you a much better chance of having the future you want. It's never too soon to start investing. To discuss you requirements please contact us for more information.

[1] The Times of Our Lives report is based on interviews conducted with 2,316 adults by Opinion Matters between 8 and 22 August 2012.
[2] Aviva data 2012.

INCOME GAP BY AGE GROUP AUTUMN 2012

	All	18-24	25-34	35-44	45-54	55-64	65+
Average annual gross household income	£28,889	£26,524	£32,523	£29,735	£30,212	£26,630	£25,077
Average net monthly household income	£1,848	£1,714	£2,054	£1,896	£1,923	£1,720	£1,632
Desired extra monthly income (net)	£466	£532	£581	£612	£559	£316	£23
Extra percentage of income desired	25%	31%	28%	32%	29%	18%	1%
Desired extra monthly income Spring 2012	£411	£451	£627	£596	£490	£317	£23

Achieving a comfortable retirement.

Do you need a professional assessment of your situation to make this a reality?

If you are unsure whether your pension is performing in line with your expectations, and that you've made the right pension choices – don't leave it to chance.

Contact us to discuss these and other important questions, and we'll help guide you to a comfortable retirement.

FREEDOM OF CHOICE

Would you like to take more control over your pension fund investment decisions?

A Self Invested Personal Pension (SIPP) is a pension wrapper that is capable of holding a wide range of investments and providing you with the same tax advantages as other personal pension plans.

EXPERT PROFESSIONAL ADVICE

However, they are more complex than conventional products and it is essential you seek expert professional advice. SIPPs allow investors to choose their own investments or appoint an investment manager to look after the portfolio on their behalf. Individuals have to appoint a trustee to oversee the operation of the SIPP but, having done that, the individual can effectively run the pension fund on his or her own.

A fully fledged SIPP can accommodate a wide range of investments under its umbrella, including shares, bonds, cash, commercial property, hedge funds and private equity.

MORE CONTROL

You can choose from a number of different investments, unlike other traditional pension schemes, which may give you more control over where your money is invested. Once invested in your pension, the funds grow free of UK capital gains tax and income tax (tax deducted from dividends cannot be reclaimed).

TAX BENEFITS

There are significant tax benefits. The government contributes 20 per cent of every gross contribution you pay – meaning that a £1,000 investment in your SIPP costs you just £800. If you are a higher or additional rate taxpayer, the tax benefits could be even greater. In the above example, higher rate (40 per cent) taxpayers could claim back as much as a further £200 via their tax return. Additional rate (50 per cent) taxpayers could claim back as much as a further £300.

CARRY FORWARD

There is an annual maximum tax-relievable contribution level of £50,000 for 2012/13. You could contribute more, but would be taxed at your marginal rate. Commencing from the start of the 2011/12 tax year, it is now possible to carry forward any unused allowance from the previous three tax years (for this purpose the maximum allowance is £50,000 per tax year). We would strongly recommend that you obtain professional financial advice if you would like to utilise this option.

Pensionable income, including employment income, bonus, benefits in kind, self employment and partnership profits, can all potentially be contributed. Pensionable income does not include investment income, rental income or pension income however.

OTHER CONSIDERATIONS

You cannot draw on a SIPP pension before age 55 and you should be mindful of the fact that you'll need to spend time managing your investments. Where investment is made in commercial property, you may have periods without rental income and, in some cases, the pension fund may need to sell property when the market is not at its strongest.

Because there may be many transactions moving investments around, the administrative costs are often higher than those of a normal pension fund. The tax benefits and governing rules of SIPPs may change in the future. The level of pension benefits payable cannot be guaranteed as they will depend on interest rates when you start taking your benefits.

The value of your SIPP may be less than you expected if you stop or reduce contributions, or if you take your pension earlier than you had planned. ■

PLANNING YOUR RETIREMENT?

Whatever stage you're at we can help you choose the options that are right for you. Please contact us; don't leave it to chance.

A pension is a long-term investment. The fund value may fluctuate and can go down as well as up. You may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

INCREASING LONGEVITY ADDS UP FOR PENSIONER HOUSEHOLDS

Savers need to focus on tax as part of their retirement income planning

The average UK pensioner household could face a £111,400 tax bill in retirement as increasing longevity means pensioners are living on average up to 19 years past the age of 65, new analysis from MetLife shows.

PUSHING THE BILL UP

Every year in retirement adds an extra £5,864 in direct and indirect taxes based on current tax rates to the costs for the average pensioner household, with the average 19 years life expectancy at 65 pushing the bill up.

FEMALE LIFE EXPECTANCY

Women face potentially even bigger bills as female life expectancy at age 65 is 20.4 years compared with 17.8 years for males. In the past five years alone, longevity at 65 has risen by a year on average.

On average a pensioner household pays out 29 per cent of its income in retirement to the taxman through a combination of direct and indirect taxation – based on the average gross pensioner household income of £20,130 that equates to £5,864 per year.

Dominic Grinstead, Managing Director, MetLife UK, said: "Savers need to focus on tax as part of their retirement income planning and they need to ensure they factor in longevity as a major part of the calculations.

"Tax is clearly a major factor and careful financial planning in the critical decade leading up to retirement is crucial to ensure people are prepared."

MetLife's analysis shows direct taxes, including income tax and council tax, account for around two-fifths of a retired household's tax bill with indirect taxes, including VAT, duty on tobacco, alcohol and petrol, vehicle excise duty and TV licences, accounting for the rest.

However, less well-off households proportionally pay out the most in direct and indirect tax with 42 per cent of their gross household income being paid out in tax. The bottom tenth of pensioner households, in receipt of gross income estimated at £8,259 a year, pay £3,599 in taxes. The top 10 per cent of pensioner households, with gross income of £47,992, see 29 per cent of their income going in direct and indirect tax. ■

MetLife analysis of the ONS Wealth and Assets Survey. ONS estimates there are 7.151 million retired households and ONS healthy life expectancy data

> Every year in retirement adds an extra £5,864 in direct and indirect taxes based on current tax rates to the costs for the average pensioner household, with the average 19 years life expectancy at 65 pushing the bill up.

FINANCIAL CONFIDENCE AND SECURITY

Britons seek emotional comfort more than financial gain when taking financial advice

Research from Standard Life released on 18 October 2012 has found that while most UK adults seek out professional financial advice for a practical reason, such as a specific financial need or life event, what many actually value is the emotional reassurance the advice process provides them.

PROFESSIONAL FINANCIAL ADVICE

The survey of 1,600 people who had used a professional financial adviser, carried out by YouGov plc for long-term savings and investment company Standard Life, found almost 60 per cent of UK adults who have ever used a professional financial adviser said that a specific financial need (34 per cent) or life event (25 per cent) - like a divorce, redundancy or moving home - were two of the top reasons why they sought professional financial advice.

FINANCIAL CONFIDENCE AND SECURITY

But it is financial confidence and security that is given as the most desired outcome from seeking professional financial advice (36 per cent), greatly outweighing more obviously material concerns such as more wealth (7 per cent), greater income (9 per cent) or a bigger pension (11 per cent). Almost half (47 per cent) said they felt more confident that they were in control of their finances after taking professional financial advice.

MOST VALUABLE ASPECT OF THE FINANCIAL ADVICE

Consumers who have used a professional financial adviser rate 'reassurance that I am doing the right thing' as the most valuable aspect of the financial advice they were given (21 per cent), with having a 'clear financial plan for the future' (13 per cent) being considered the next most valuable.

The research comes as the financial advice sector heads towards a critical change, the implementation of the Retail Distribution Review (RDR) at the start of 2013.

HOW IT MAKES CONSUMERS FEEL

Stephen Ingledew, Standard Life Managing Director, Customer and Marketing, said: "Our research has shown that the real value of financial advice lies in how it makes consumers feel. It's clear for many people that reassurance and confidence are more important than more material considerations such as being demonstrably better off. In other words 'peace of mind' can be priceless.

"In the run up to the introduction of the RDR regime there has been a lot of focus on the cost of financial advice. But we believe the more fundamental impact will be that more and more people recognise the value of the professional services that financial advisers can provide in delivering this peace of mind.

While many advisers have been moving away from product-based sales for some time to provide a holistic, long-term financial planning service, RDR will make this the industry standard as advisers will be required to clearly articulate their on-going services and client engagement. This can only be good news for the industry and the customer and we believe there will be a thriving advice profession in the post-RDR market for many years to come."

ABILITY TO EXPLAIN FINANCIAL MATTERS

Eight out of ten (81 per cent) of those who have used a professional financial adviser say they trusted their financial adviser. When asked why, their adviser's ability to explain financial matters was given as the most rated factor (42 per cent), with quality of previous advice given as the second most important factor (21 per cent).

Having 'great knowledge and expertise' was given by the most respondents as the best description of their professional financial adviser (19 per cent), closely followed by 'he/she was interested in my financial situation' (18 per cent) and 'he/she worked in my best interest rather than his or hers' (16 per cent). ■

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4,175 adults, 1,600 of whom had sought professional financial advice. Fieldwork was undertaken between 28 September and 1 October 2012. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

LIFESTYLE LUXURIES ARE CENTRAL TO MANY PEOPLE'S HAPPINESS

Britons spending on 'lifestyle essentials' increases to £158 billion

Following the October announcement by the Office for National Statistics showing the Consumer Price Index (CPI) had fallen from 2.5 per cent to 2.2 per cent in September, protection specialist LV='s annual 'Lifestyle Inflation Index' [1] reveals Britons have spent a huge £158 billion on what they consider to be their 'lifestyle essentials' in the last year alone despite a drop in inflation.

ANNUAL SPEND ON 'LIFESTYLE ESSENTIALS'

These top ten 'essentials' include holidays, meals out, TV subscriptions and that all-important haircut, but the luxury shop-bought daily coffee has fallen out of the top ten for the first time. The average annual spend on 'lifestyle essentials' is £6,194 per household (£5,850 in 2011), with the UK as a whole spending £9 billion more than last year on these items, despite almost one in five (19 per cent) people suffering a pay freeze during the same period [2].

LIGHT AT THE END OF THE TUNNEL

The Lifestyle Inflation Index found the 'essentials' (see table one) have an overall inflation rate of 3.2 per cent to August 2012, significantly more than the increase in the nation's pay packets over the same period (1.5 per cent). However there is some light at the end of the tunnel as the inflationary rate of some 'lifestyle essentials' slowed in the last year, with nights out at 2.5 per cent from 6.6 per cent in 2011, and takeaway meals increasing by 2.1 per cent compared to 5.6 per cent.

Households are still firmly in need of their routine escape as holidays and weekend breaks remained the lifestyle element deemed most essential, with households spending £3,250 each on average, over £83 billion collectively. Restaurant dining accounted for just over £20 billion of household spending in 2012 (19.4 billion in 2011) and takeaways/delivery meals exceeded £12 billion (£7.8 billion in 2011).

CUTTING BACK TO SAVE THE POUNDS

In order to afford the more 'luxury' items people deem essential to their lifestyle, over three quarters (78 per cent) say they are making cutbacks in areas of household spending. The most common cutback is buying cheaper or own brand basic food (48 per cent). The 'economising' theme continues, with one third (34 per cent) stating they have switched to buying clothes and other personal items at cheaper shops than they may have in the past, and one in five (20 per cent) say they are buying clothes and other personal items second hand.

The need to get away from it all is important to people when economic times are hard, which explains why holidays and weekend breaks remain the lifestyle aspect that most people are most unwilling to do without. It is no surprise that people are trying to 'keep calm and carry on', and making cutbacks in other areas to maintain the little luxuries in their life.

OTHER CUT-BACKS BRITONS ARE MAKING IN ORDER TO LEAD A LIFE OF LUXURY

- A third (32 per cent) save money by regularly taking their lunch to work instead of buying it
- One in ten (11 per cent) take their own tea or coffee into work
- One in six (16 per cent) grow their own fruit and vegetables in order to save money

BEING UNABLE TO COVER THE REAL DAY TO DAY ESSENTIALS

It is clear that these lifestyle luxuries are central to many people's happiness. However, people need to consider how they would continue to pay for the real essentials should their financial circumstances change. Over eight in ten (83 per cent) working adults said they do not have any protection in place to cover their income should they be unable to work due to accident or illness, leaving many at risk of not only missing out on their 'essential luxuries', but being unable to cover the real day to day essentials, such as their mortgage, food and energy bills. ■

> "It is clear that these lifestyle luxuries are central to many people's happiness. However, people need to consider how they would continue to pay for the real essentials should their financial circumstances change."

[1] The LV= Lifestyle Inflation Index was constructed by research carried out by Cebr (The Centre for Economics and Business Research) using ONS data sources to calculate how much households spent on the top ten lifestyle essentials, which totalled £158billion for the year up to and including August 2012.

Cebr used ONS data to calculate the annual inflation rate on the top ten "lifestyle essentials" year on year (for the month of August between 2000 and 2012) and compared this to CPI data for the same period. And comparing average weekly earnings (for the month of August between 2000 and 2012).

[2] Research was also conducted online from 25 – 27 September 2012 by Opinium Research on behalf of LV= (total sample size was 2,020 adults over the age of 18 years), which identified the top ten lifestyle essentials (see table one).

TOP FIVE LIFESTYLE ESSENTIALS BRITONS WOULD BE UNWILLING TO CUT BACK IF INCOME WAS CUT OR SQUEEZED

Lifestyle essentials	Percentage of those not willing to cut back on spending
Holidays / weekend breaks	23%
TV subscriptions	17%
Haircuts / styling by a professional	16%
Meals out in restaurants	16%
Nights out in the pub / bars	15%

BRITAIN'S MOST LOVED LIFESTYLE ESSENTIALS AND WHAT THEY'RE COSTING US

Lifestyle essentials	Percentage of people who consider it a lifestyle essential	Inflation rate (August 2012)	Total amount spent by UK households in the year to August 2012	Total amount spent by UK households in the year to August 2011
1. Holidays / weekend breaks	44%	3.7%	£83.3 billion	£81.5 billion
2.Meals out in restaurants	27%	3.1%	£20.2 billion	£19.4 billion
3. TV Subscriptions	22%	3.0%	£8.1 billion	£7.8 billion
4. Haircuts	18%	1.3%	£4.5 billion	£4.4 billion
5. Nights out in pubs / bars	18%	2.5%	£12.1 billion	£11.6 billion
6. Takeaways and delivery meals	17%	2.1%	£12.5 billion	£12.1 billion
7. Culture and arts	17%	2.8%	£2.8 billion	£2.7 billion
8. Gym / Sports memberships	15%	3.4%	£6.5 billion	£6.3 billion
9.Trips to the cinema	15%	3.4%	£833 million	£804 million
10. Premium foods	14%	2.1%	£7.3 billion	£7 billion
Total / average		3.2%	£158 billion	£149 billion

GENDER GAP IN RETIREMENT SAVINGS HAS INCREASED

Women fall nearly £30,000 behind men in retirement savings

The gap between the amount men and women are saving for retirement has grown to a record high, as women continue to be hit disproportionately by the economic downturn, according to the eighth annual Scottish Widows Women and Pensions Report.

FEELING WORSE OFF THAN A YEAR AGO

Half of women report feeling worse off than a year ago (compared to 45 per cent of men). The report finds that the gender gap in retirement savings has increased by over 10 per cent in 12 months. In terms of savings put aside for retirement, women are now saving an average of £776 per year less than men for use in old age – significantly higher than the £700 gender gap recorded last year. This means that a 30 year-old woman who maintains this average annual rate of saving will face a shortfall of £29,800 in today's money, compared to her male counterpart, if she chooses to retire at 65 years-old.

FAILING TO PUT ANYTHING ASIDE FOR OLD AGE

Based on a sample of 5,200 adults, the report found that the number of women saving nothing at all for retirement has also increased since last year. Over a quarter of women (26 per cent) are now failing to put anything aside for old age, compared to 23 per cent of women who reported not saving last year. In comparison, just under a fifth (19 per cent) of men admit to saving nothing for retirement. As can be seen in the table below, this worrying lack of provision is back at the level it was at three years ago, reversing the improvements seen in 2010 and 2011.

RAISING AWARENESS OF THE GENDER GAP IN RETIREMENT SAVINGS

Important differences in lifestyle such as being more likely to work part-time or have a full-time caring role, mean women often find it more difficult to save for the long term and retirement. It has therefore never been more important for the pensions industry, Government and employers to raise awareness of this gender gap in retirement savings and help women prioritise their pensions.

DEBTS TAKING THEIR TOLL ON RETIREMENT SAVINGS

A third of women (31 per cent) are prioritising debt repayments over saving for their retirement, with the average amount owed (excluding mortgages) jumping significantly from £10,174 last year to £10,922 this year. In line with this, retirement savings rates amongst women have dropped alarmingly in the past 12 months, as a result of the need to repay short-term debt. Since last year, the average monthly saving has fallen steeply from £130 to £95 for women, whilst the average for men has risen from £174 to £185 during the same timeframe.

The fall in monthly saving carries considerable long-term consequences. For a 30 year-old woman, this £35 drop in monthly savings could reduce her final fund by £16,000 in today's money if she retires at 65 years-old. Meanwhile, the slight increase in men's retirement savings would see a 30 year-old man's fund bolstered by around £5,000 by the time he reaches the average retirement age of 65 years-old.

COMMITMENT TO SAVE PREVAILS DESPITE TOUGH CLIMATE

As many Britons continue to face pressure on household finances amid wider economic uncertainty, it is clear that long-term saving is being side-lined by many women in favour of a more short-term approach; 42 per cent of women have prioritised living expenses above saving for old age in the last year. Further proving that retirement is not a top priority for many women today, the most popular reason for increasing long-term saving is to 'save for a rainy day', with 31 per cent of women citing this.

A POSITIVE SHIFT IN ATTITUDES AMONGST WOMEN

This year's report also showed a positive shift in attitudes amongst women who are already saving into pensions, many of whom are reluctant to cut their contributions. If faced with a 10 per cent fall in income, most women said they would cut spending on food, clothing and going out first and just 3 per cent would cut back on pension contributions. In addition to this, women are also well aware of the need to save for their old age, with 28 per cent of those surveyed who plan to save more over the next 12 months doing so because they want to save more for their retirement. ■

FAILING TO SAVE FOR RETIREMENT (%)

	Men	Women
2012	19	26
2011	17	23
2010	19	25
2009	15	26

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 5,200 adults. Fieldwork was undertaken between 4th - 11th March 2012. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18 years plus).

AGREEING RETIREMENT TARGETS BASED ON CERTAIN ASSUMPTIONS

Making the best use of the cash you have available to prepare for your retirement

The concept of lifetime planning is very important in ensuring a comfortable retirement. During your working life you are in your accumulation period. By drawing up an accurate profile of your current monthly expenditure, it's possible to work out how much you have available to commit to longer-term savings.

PROFESSIONAL FINANCIAL ADVICE

It's sensible to obtain professional financial advice so that you can agree retirement targets and, based on certain assumptions, we will then be able to calculate the amount you need to save.

With this decided, it's important to get the right mix of products. The obvious choice to produce income in retirement is a pension plan. But to focus solely on pensions limits your opportunities for a tax-efficient retirement income. Regularly saving into an individual savings account (ISA) allows you to build up a fund in a tax-efficient environment, allowing you to draw a tax-free income alongside your pension income.

NOT TO BE IGNORED

Other areas that should not be ignored are savings accounts for emergency funds and aiming to be debt-free in time for the start of your retirement.

BRIDGE ANY SHORTFALLS

Being within five years or so of your retirement, you will have a clearer idea of your likely expenditure. This means we will be able to more precisely calculate the size of fund you'll need to draw on to support your retirement goals, and how to bridge any shortfalls.

We can help you assess whether you need to make changes to your investments as you approach retirement.

- Investing in non-pension savings will enable you to use these to supplement your pension income – and still access your money if you need to.
- Having the right mix of investments will help your savings outpace inflation.
- If you are approaching retirement you will generally be able to take up to 25 per cent of your pension fund as a tax-free lump sum. This could be used to supplement your retirement income by reinvesting in a flexible investment.

Wherever you are with your retirement savings, don't be put off from taking action – there are still steps you could take to boost the income you'll get when you retire. ■

WANT TO DISCOVER WHAT THE FUTURE WILL LOOK LIKE

Even if your pension is up and running, that's not the end of the story. It's important that you review your payments, particularly if you have a change of circumstances. If you don't know how your pension's doing, you can't know what your future will look like. To discuss how we could help you plan for retirement, please contact us for further information.

A pension is a long-term investment. The fund value may fluctuate and can go down as well as up. You may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

PROTECTING YOUR FAMILY'S LIFESTYLE

Choosing the right options for your loved ones

Bad news can impact on any one of us at any time, in the form of an illness, or sudden death. We don't like to think about it, but we do have to plan for it. So having the correct protection strategy in place will enable you to protect your family's lifestyle if your income suddenly changes due to premature death or illness. But choosing the right options can be difficult without obtaining professional advice to ensure you protect your family from financial hardship.

PROFESSIONAL ADVICE

Obtaining professional advice is essential to making an informed decision about the most suitable sum assured, premium, terms and payment provisions. We work with our clients to create tailored protection strategies that meet their financial goals and needs and we're committed to ensuring that our clients enjoy the best financial planning service available.

Whether you're looking to provide a financial safety net for your loved ones, moving house or a first time buyer looking to arrange your mortgage life insurance - or simply wanting to add some cover to what you've already got - you'll want to make sure you choose the right type of cover. That's why obtaining the right advice and knowing which products to choose – including the most suitable sum assured, premium, terms and payment provisions – is essential.

UNDER-INSURED

Life assurance helps your dependants to cope financially in the event of your premature death. When you take out life assurance, you set the amount you want the policy to pay out should you die – this is called the 'sum assured'. Even if you consider that currently you have sufficient life assurance, you'll probably need more later on if your circumstances change. If you don't update your policy as key events happen throughout your life, you may risk being seriously under-insured.

STAGES IN YOUR LIFE

As you reach different stages in your life, the need for protection will inevitably change. These are typical events when you should review your life assurance requirements:

- Buying your first home with a partner
- Having other debts and dependants
- Getting married or entering into a civil partnership
- Starting a family
- Becoming a stay-at-home parent
- Having more children
- Moving to a bigger property
- Salary increases
- Changing your job
- Reaching retirement
- Relying on someone else to support you
- Personal guarantee for business loans

LIFESTYLE FACTORS

Your life assurance premiums will vary according to a number of different factors, including the sum assured and the length of your policy (its 'term'), plus individual lifestyle factors such as your age, occupation, gender, state of health and whether or not you smoke.

If you have a spouse, partner or children, you should have sufficient protection to pay off your mortgage and any other liabilities. After that, you may need life assurance to replace at least some of your income. How much money a family needs will vary from household to household so, ultimately, it's up to you to decide how much money you would like to leave your family that would enable them to maintain their current standard of living.

TYPES OF LIFE ASSURANCE

There are two basic types of life assurance, 'term' and 'whole-of-life', but within those categories there are different variations.

The cheapest, simplest form of life assurance is term assurance. It is straightforward protection, there is no investment element and it pays out a lump sum if you die within a specified period. There are several types of term assurance.

The other type of protection available is a whole-of-life assurance policy designed to provide you with cover throughout your entire lifetime. The policy only pays out once the policyholder dies, providing the policyholder's dependants with a lump sum, usually tax-free. Depending on the individual policy, policyholders may have to continue contributing right up until they die, or they may be able to stop paying in once they reach a stated age, even though the cover continues until they die.

TAX MATTERS

Although the proceeds from a life assurance policy are tax-free, they could form part of your estate and become liable to Inheritance Tax (IHT). The simple way to avoid IHT on the proceeds is to place your policy into an appropriate trust, which enables any payout to be made directly to your dependants. Certain kinds of trust allow you to control what happens to your payout after death and this could speed up a payment. However, they cannot be used for life assurance policies that are assigned to (earmarked for) your mortgage lender.

Generally speaking, the amount of life assurance you may need should provide a lump sum that is sufficient to remove the burden of any debts and, ideally, leave enough over to invest in order to provide an income to support your dependants for the required period of time.

The first consideration is to clarify what you want the life assurance to protect. If you simply want to cover your mortgage, then an amount equal to the outstanding mortgage debt can achieve that.

FINANCIAL SUPPORT

However, if you want to prevent your family from being financially disadvantaged by your premature death and provide enough financial support to maintain their current lifestyle, there are a few more variables you should consider.

- What are your family expenses and how would they change if you died?
- How much would the family expenditure increase on requirements such as childcare if you were to die?
- How much would your family income drop if you were to die?
- How much cover do you receive from your employer or company pension scheme and for how long?
- What existing policies do you have already and how far do they go to meeting your needs?
- How long would your existing savings last?
- What state benefits are there that could provide extra support to meet your family's needs?
- How would the return of inflation to the economy affect the amount of your cover over time?

We take the time to understand your unique needs and circumstances, so that we can provide you with the most suitable protection solutions in the most cost-effective way. If you would like to discuss the range of protection services we offer, please contact us for further information.

A VITAL ROLE IN SECURING YOUR FINANCIAL FUTURE

Creating and maintaining the right investment strategy

The single best way to protect your portfolio is to spread your risk across several different types of investments. There are many different assets in which you can invest, each with different risk characteristics. While the risks attributable to assets cannot be avoided, when managed collectively as part of a diversified portfolio, they can be diluted.

THE OVERALL LEVEL OF RISK EXPOSURE

The main assets available are shares, bonds (also referred to as 'fixed interest'), cash and property. While individual assets have a bearing on the overall level of risk you are exposed to, the correlation between the assets has an even greater bearing.

The aim is to select assets that behave in different ways, the theory being that when one is underperforming, the other is 'outperforming'. Fixed interest investments and property, for example, behave differently to share-based investments by offering lower, more consistent returns. This provides a 'safety net' by diversifying away many of the risks associated with reliance upon one particular asset.

SPREADING INVESTMENTS ACROSS DIFFERENT ASSETS

Keeping track of lots of individual assets can be a daunting task. A much simpler solution is to acquire investment funds containing those assets and leave the diversification worries to a professional management team. By purchasing a fund that invests in, say, large blue chip companies, another that invests in smaller growth companies and others that invest overseas, you can spread investments across hundreds of different assets.

REDUCE SHARE-SPECIFIC RISK INVESTMENTS

You can diversify within assets. For example, you can spread your investments into different shares or bonds to ensure your portfolio is exposed to lots of different types of investments rather than, for example, having shares in just a few large companies. In that way, share-specific risk can be reduced should one of those companies experience difficulties.

DIFFERENT SECTOR AND COMPANY EXPOSURE

It is just as important to spread your investments across different sectors as well as different companies. Companies are classified by the sector in which they reside, which is dependent on the goods or services they sell or provide. BT, for example, resides in the Telecommunications sector and Shell in the Oil and Gas sector.

For many reasons, companies within different sectors perform in very different ways. By diversifying across sectors you can access shares with high growth expectations, without overexposing your portfolio as a whole to undue risk.

GEOGRAPHICAL DIVERSIFICATION CAN ACHIEVE BETTER RETURNS

It may be natural to feel more comfortable investing a portfolio in your home market, but this is not necessarily the most sensible option. Because investments in different geographical economies generally operate in different economic cycles, they have less than perfect correlation. That's why greater geographical diversification can help to offset losses in a portfolio and help to achieve better returns over time.

AN INVESTMENT STYLE TO SUIT YOUR NEEDS

Investment style is another important aspect to consider when building an investment portfolio. Some investment funds use a 'passive' management approach, which aims to mirror or 'track' the performance of a financial index. This is normally done either by investing in the exact constituents of an index or by taking a representative 'sample' of that index.

This means that these funds simply track the performance of a chosen index, for example the FTSE 100. Other funds use an 'active' approach and aim to beat the index by using their own research and analysis to select shares they believe will achieve greater returns. There are many reasons for using both types of strategies, and obtaining professional financial advice will enable you to assess which approach is best suited to your needs. ■

WANT TO ESTABLISH THE MOST APPROPRIATE BLEND OF ASSETS FOR YOU?

Picking the right balance of assets for your portfolio depends upon your own risk profile. We take account of the information gathered about your own investment objectives and your risk profile to establish the most appropriate blend of assets for you. No matter what your investment goals are and how much you wish to invest, we can work with you to develop the best portfolios for you. For more information, please contact us.

Levels and bases of and reliefs from taxation are subject to legislative change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested.

Published by Goldmine Media Limited,
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL