CURRENCY FLUCTUATIONS

Why foreign exchange markets are in uncharted territory

Election 2017
Investors need to keep focused on long-term financial goals

Funding Future Care Costs
The tragedy of old age is not that one is old, but that one is young

Pension Time Bomb
Planning to prevent the financial equivalent of climate change

That Shrinking Feeling
Don’t let your portfolio wealth simply drain away
COULD YOUR MONEY WORK HARDER?

We focus on achieving and maintaining a thorough understanding of your financial needs and aspirations.

We believe passionately that the best service is provided through personal, face-to-face advice. Our range of services is extensive, supported by a distinctive approach to investment management, enabling you to create financial plans that can adapt to your changing needs and circumstances.

CONTACT US TO DISCUSS YOUR REQUIREMENTS.
CONTENTS

05 PENSION TIME BOMB
Planning to prevent the financial equivalent of climate change

06 FUNDING FUTURE CARE COSTS
‘The tragedy of old age is not that one is old, but that one is young’

08 ELECTION 2017
Why investors need to keep focused on long-term financial goals

10 INHERITANCE TAX RULE CHANGES
Effective estate planning can safeguard your wealth for future generations

11 RETIREMENT CHOICES
How much time do you spend planning for retirement?
Welcome to our latest edition. If a week in politics is a long time, then the eight weeks of general election campaigning seemed like an eternity.

Prime Minister Theresa May’s snap UK election surprised many people. Despite polls narrowing substantially over the course of the election campaign, a Conservative-led government was considered the most likely result by investment markets. After weeks of campaigning – and with no outright winner – a hung parliament was declared. On page 08, we consider why investors should keep focused on their long-term financial goals and not panic following this period of political uncertainty.

With the UK’s population ageing, more people will be living with long-term care needs. Oscar Wilde once said: ‘The tragedy of old age is not that one is old, but that one is young.’ But the good news of rising life expectancy also brings with it the challenge of how we fund our future care costs. The question is: who is responsible for looking after us if we need care in old age? Turn to page 06 to read the full article.

Millions of workers across the UK could be heading for a significant shortfall in the amount of pension they need for an adequate income. The World Economic Forum has issued a warning that calls on the Government to impose faster pension-age rises as it earmarks the UK as one of several countries facing a ‘pension time bomb’. Turn to page 05.

The full list of the articles featured in this issue appears on page 03 and opposite.

To discuss any of the articles featured, please contact us.
PENSION TIME BOMB
Planning to prevent the financial equivalent of climate change

The pension savings gap is defined as the shortfall between current retirement pots and the amount of money needed to maintain an income of 70% of pre-retirement levels.

Commenting, the WEF head of financial and infrastructure systems, Michael Drexler, said: ‘The anticipated increase in longevity and resulting ageing populations is the financial equivalent of climate change.

‘If increases in life expectancy were matched by corresponding increases in the retirement age, the challenge would be less acute.’

He added that policymakers need to consider how to integrate 75 and 80-year-olds into the workplace.

The WEF analysis also calls for the £1 million lifetime allowance to be scrapped, arguing it sends the ‘wrong signal’ that there is a limit to pension contributions.

STATE FUNDING EXPECTATIONS
A study by the Organisation for Economic Co-operation and Development (OECD) in 2015 found that savers in the UK could, on average, expect the state to fund 38% of their working-age income when they retired – lower than any other major advanced economy. Across the 35 major economies in the OECD, the average was 63%.

While the think tank has praised the UK Government’s shake-up of the pensions system, many are still not saving enough into private pension schemes, the OECD warned. The WEF said a five-point plan was needed to ensure those born today can retire and still receive a comfortable income. They also noted that life expectancy has been increasing ‘rapidly’ since the middle of the last century, rising on average by one year, every five years.

This means that babies born today can expect to live for more than 100 years. According to the forum, the number of people aged over 65 will increase from 600 million today to 2.1 billion in 2050.

PUBLIC PURSE PRESSURE
As population growth slows, this will mean the number of workers paying for the pensions of those in retirement will fall from eight workers today to four per retiree in 2050, putting pressure on the public purse.

The WEF believes working for longer is inevitable. George Osborne, the former Chancellor, linked the State Pension age to life expectancy in the previous parliament. As a result, the Office for Budget Responsibility (OBR), the Government’s fiscal watchdog, forecasts that workers will have to retire at 69 by 2055.

Under current plans in the UK, the State Pension age will rise to 66 by 2020 for both men and women.

LONG-TERM PROJECTIONS
The OBR’s latest long-term projections suggest this move is necessary for the State Pension to remain sustainable. Official projections show 26.2% of the UK population will be aged over 65 in 2066, compared with 18% last year and 12% in 1961.

The WEF believes workers need to save between 10% and 15% of their average annual salary to support a reasonable level of income in retirement. It warned that many workers faced a shock in later life, with current savings rates ‘not aligned with individuals’ expectations for retirement income – putting at risk the credibility of the whole pension system.’

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.

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.

WHEN WOULD YOU LIKE TO RETIRE?
As people’s retirements get longer, the responsibility for funding them will shift even further towards individuals. If you have not retired but have a specific retirement date in mind, it is essential to obtain professional financial advice to put a savings plan in place to aim to meet that goal with sufficient savings in your pension pot. To discuss your requirements, please contact us.
FUNDING FUTURE CARE COSTS

‘The tragedy of old age is not that one is old, but that one is young’

WITH THE UK’S POPULATION AGEING, MORE PEOPLE WILL BE LIVING WITH LONG-TERM CARE NEEDS. OSCAR WILDE ONCE SAID: ‘THE TRAGEDY OF OLD AGE IS NOT THAT ONE IS OLD, BUT THAT ONE IS YOUNG.’ BUT THE GOOD NEWS OF RISING LIFE EXPECTANCY ALSO BRINGS WITH IT THE CHALLENGE OF HOW WE FUND OUR FUTURE CARE COSTS. THE QUESTION IS: WHO IS RESPONSIBLE FOR LOOKING AFTER US IF WE NEED CARE IN OLD AGE?

As we get older, it becomes more likely that we may need day-to-day help with activities such as washing and dressing, or assistance with household activities such as cleaning and cooking. This type of support, along with some types of medical care, is what is called ‘long-term care’.

A GOOD LIFE IN OLD AGE
Demand for long-term care is expected to rise, thanks in part to our ageing population and the increasing prevalence of long-term conditions such as dementia. This makes planning ahead essential, but when it comes to funding later life it can get quite complicated, particularly since the costs depend on several unknowns, including how long we are going to live.

The matter is further exacerbated because of how local authorities calculate whether a person needs financial assistance for the cost of residential care.

LEVEL OF STATE SUPPORT
The level of state support received can be different depending on whether you live in England, Wales, Scotland or Northern Ireland.

In England and Wales, for example, currently you can receive means-tested state assistance, which depends on your savings and assets. For instance, if your savings and assets are above £23,250 in England, you will normally be expected to pay for the full cost of long-term care yourself.

Government state benefits can also provide some help, but may not be enough or may not pay for the full cost of long-term care.

FINANCIAL SUPPORT ASSISTANCE
Long-term care insurance can provide the financial support you need if you have to pay for care assistance for yourself or a loved one. Additionally, some long-term care insurance will cover the cost of assistance for those who need help to perform the basic activities of daily life such as getting out of bed, dressing, washing and going to the toilet.

You can receive long-term care in your own home or in residential or nursing homes. Regardless of where you receive care, paying for care in old age is a growing issue.

PLANNING FOR LONG-TERM CARE
There are a number of different ways to fund long-term care. These are some of the main options available to people needing to make provision.

IMMEDIATE NEEDS ANNUITIES
This annuity is a type of insurance policy that provides a regular income in exchange for an upfront lump sum investment. When used for long-term care, it provides a guaranteed income for life to help to pay for care costs in exchange for a one-off lump sum payment if you have care needs now. Income is tax-free if it is paid directly to the care provider.

ENHANCED ANNUITIES
You can use your pension to purchase an enhanced annuity (also known as an ‘impaired life annuity’) if you have a health problem or a long-term illness, if you are overweight or if you smoke. Annuity providers use full medical underwriting to determine a more accurate individual price. People with medical conditions including Parkinson’s disease and multiple sclerosis, or those who have had a major organ transplant, are likely to be eligible for an enhanced annuity.

EQUITY RELEASE SCHEMES
If you need to fund your long-term care and have already paid off (or nearly paid off) your mortgage, an equity release scheme could be one option to consider if appropriate. It is important...
to obtain professional financial advice before committing to an equity release scheme. Your individual circumstances need to be assessed, and this is why financial advice is a must in the process and a regulatory requirement.

These schemes give you the ability to obtain a cash lump sum as a loan secured on your home. However, it’s essential to make an informed decision and consider the options and alternatives available, plus any implications regarding state benefits, local authority support and tax obligations.

**SAVINGS AND INVESTMENTS**
These two methods enable you to plan ahead and ensure your savings and assets are in place for your future care needs. If you are already retired, or nearing retirement, you should ensure that your financial affairs are in order – for example, arranging or updating your Will or Power of Attorney. It also makes sense to ensure your savings, investments and other assets are in order in the event that you or your partner may need long-term care in the future.

If you are of working age, you are in the best position to plan for your future care needs. Accumulating wealth through investments or savings while you are earning will help with the potential costs of long-term care in later life.

**WHEN PLANNING FOR FUTURE CARE NEEDS, WHAT SHOULD YOU THINK ABOUT?**
- Who in your family may most need long-term care and for how long?
- Do you or another family member need to make long-term care provision now?
- Do you have sufficient money to pay for future long-term care fees?
- How long might you need to pay for a care fees plan?
- Is there the likelihood that home care or a nursing home may be required?
- What activities may you require help with, for example, help with dressing, using the toilet, feeding or mobility?
- Would your home require additional features such as a stair lift, an opening and closing bath, or a bath seat?

**LOOKING TO REVIEW THE LONG-TERM CARE FUNDING OPTIONS AVAILABLE TO YOU?**
All in all, planning and timing are of upmost importance when it comes to funding for long-term care, and this is more the case now than ever. We can assist you to review the appropriate options available to help fund care and minimise the impact of long-term care fees. To find out more, please contact us.

**EQUITY RELEASE MAY REQUIRE A LIFETIME MORTGAGE OR HOME REVERSION PLAN. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.**

---

**DEMAND FOR LONG-TERM CARE IS EXPECTED TO RISE, THANKS IN PART TO OUR AGEING POPULATION AND THE INCREASING PREVALENCE OF LONG-TERM CONDITIONS SUCH AS DEMENTIA.**
Why investors need to keep focused on long-term financial goals

PRIME MINISTER THERESA MAY'S ANNOUNCEMENT THAT SHE WOULD CALL A SNAP UK GENERAL ELECTION ON 8 JUNE 2017 SURPRISED MANY PEOPLE. AFTER WEEKS OF CAMPAIGNING, THERE WAS NO OUTRIGHT WINNER, WITH BOTH THE CONSERVATIVES AND THE LABOUR PARTY FAILING TO SECURE A MAJORITY, RESULTING IN A HUNG PARLIAMENT.

Even though the Conservatives remain the largest party in the House of Commons, Mrs May won 318 seats, meaning she was eight short of the majority target of 326. The Conservatives lost 13 seats, while Jeremy Corbyn’s Labour gained 30. At the time of writing this article on 22 June 2017, the Prime Minister is looking to rely on the support of the Northern Irish Democratic Unionist Party to form a government.

Markets can be affected by all sorts of economic and social factors, including political decisions, consumer confidence and global events. Elections are no exception, and the outcome of this general election will have an impact on market conditions going forward.

With this in mind, you may be considering what the result could mean for your investments, but it's important not to panic. Changes can make things uncertain, but the rise and fall of market prices are a normal part of investing.

INVESTMENT STRATEGY
General elections have the potential to unsettle markets, given the uncertainty over the outcome and impact on the economy. Political events should not ordinarily prompt you to change your investment strategy over the long term. Market timing is incredibly difficult. You cannot predict for definite which way any currency or stock market index will move next, and many factors aside from politics – such as company events, inflation and deflation – affect how markets move.

LONG-TERM GAINS
Investors ideally need to focus on their long-term strategy and goals rather than any short-term impact that a political event may have on performance. Remaining with a buy-and-hold approach in funds and shares with good-quality underlying businesses should avoid missing out on long-term gains.

Diversifying across several asset classes and currencies is also important. Having a spread of different assets that come with varying degrees of risk will reduce the likelihood of portfolio values being damaged by a fall in one particular market or area.

CONSIDERABLE OPPORTUNITIES
In addition, putting some cash aside at times of uncertainty can give investors the flexibility to act as more information becomes known over the coming weeks and months. Volatility also brings considerable opportunities, and investors should avoid knee-jerk reactions.

The unexpected general election result has a number of implications, including what this means for Brexit negotiations and whether a hung parliament may result in a ‘softer’ Brexit than markets had been anticipating. A ‘softer’ Brexit would also be welcomed by business, and a fall in sterling could offset market falls given the significant proportion of overseas earnings for large-cap companies.

PORTFOLIO REVIEW
Investors who are concerned about the impact of the election result may want to review their portfolio and ensure their investments are spread across a range of assets, including...
cash, bonds and equities, alongside different industry sectors and geographical regions. This may help reduce any volatility that could result from UK economy jitters if investors fear Brexit could lead to a recession over the next few years. The longer investors stay invested in the stock market, the greater the potential for future positive returns.

No one can predict for definite which way any currency or stock market index will move next, whatever form the next government takes. Besides which, aside from politics, there are many factors that may affect market movements. These may include inflation, monetary policy and specific company events.

DON'T TIME THE MARKETS
Trying to time the market without the benefit of hindsight is hard. This involves making investment decisions at the moment when you believe markets will rise to benefit from any upturn, effectively speculating on the outcome. This is a very high-risk strategy and extremely difficult for investors to do successfully. The impulse to act can lead to mistakes and mismanagement of investments. Selling during periods of weakness in the market creates a guaranteed loss. The trouble for investors is that trying to time the market during rough periods can further compound losses in their portfolios.

ACHIEVE SMOOTHER RETURNS
Investors should have a well diversified portfolio – with a mixture of assets such as shares, bonds, cash and property, and a mixture of different sectors and countries within this group of assets. By being invested in assets that fall less in a crisis and spreading the investments, investors can achieve smoother returns than investing in just one type of asset, without reducing the expected level of returns. As a result, diversification improves the risk and return profile of a portfolio over an economic cycle. It's essential to obtain professional advice to help to ensure your portfolio is well balanced for the amount of risk you're comfortable taking – and can afford to take.

KEEP YOUR LONG-TERM GOALS IN MIND
One of the main concerns for any type of investing is market volatility. It is important to note that short-term volatility is not necessarily indicative of a long-term trend. The advantage of long-term investing is found in the relationship between volatility and time. Investments held for longer periods tend to exhibit lower volatility than those held for shorter periods. If you have a particular goal in mind with a deadline, stick to that. Don't be distracted by the short-term noise of the markets.

TAKE ADVANTAGE OF TAX-EFFICIENT VEHICLES
Minimising taxes on your investments is a key part of earning better returns. It's sensible for investors to continue making use of existing tax-efficient investments, such as Individual Savings Accounts (ISAs) and pensions allowances. If appropriate, it's important investors do not overlook the effect that tax wrappers – such as ISAs and a Self-Invested Personal Pension (SIPP) – can have on a portfolio. It makes sense to use all of one's tax allowances every year.

REGULAR INVESTMENTS
For investors concerned about where the market may move next, regular investing may help to take the emotion out of investment decisions. This strategy means investors buy more shares when prices are low and fewer when they are high. Making regular investments, perhaps on a monthly basis, is a good way to deal with volatile markets. This is called ‘pound cost averaging’. By investing regularly, investors smooth out the highs and lows of the markets by purchasing investments when their prices have fallen and benefiting when prices rise.

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

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

STOCKS & SHARES ISA INVESTMENTS DO NOT INCLUDE THE SAME SECURITY OF CAPITAL THAT IS AFFORDED BY A CASH ISA.
INHERITANCE TAX RULE CHANGES

Effective estate planning can safeguard your wealth for future generations

IF YOU WANT TO HAVE CONTROL over what happens to your assets after your death, effective estate planning is essential. After a lifetime of hard work, you want to make sure you protect as much of your wealth as possible and pass it on to the right people. However, this does not happen automatically. If you do not plan for what happens to your assets when you die, more of your estate than necessary could be subject to Inheritance Tax.

The rules around Inheritance Tax changed from 6 April this year. The introduction of an additional nil-rate band is good news for married couples looking to pass the family home down to their children or grandchildren, but not every estate can claim it.

BEREAVED FAMILIES
This tax year, according to the Office for Budget Responsibility, more than 30,000 bereaved families will be required to pay tax on their inheritance. So, it pays to think about Inheritance Tax while you can and work out as soon as possible how much potentially could be taken out of your estate – before it becomes your family’s problem to deal with.

An Inheritance Tax survey conducted by Canada Life shows that Britons over the age of 45 are either ignoring estate planning solutions or they have forgotten about the benefits these can provide. Only 27% of those surveyed have taken financial advice on Inheritance Tax planning, despite all of them having a potential Inheritance Tax liability.

LEAVING AN ESTATE
Every individual in the UK, regardless of marital status, is entitled to leave an estate worth up to £325,000 without having to pay any Inheritance Tax. This is known as the ‘nil-rate band’. Anything above that amount is taxed at an Inheritance Tax rate of 40%. If you are married or in a registered civil partnership, then you can leave your entire estate to your spouse or partner with no Inheritance Tax liability.

The estate will be exempt from Inheritance Tax and will not use up the nil-rate band. Instead, the unused nil-rate band is transferred to your spouse or registered civil partner on their death. This means that should you and your spouse pass away, the value of your combined estate has to be valued at more than £650,000 before the estate would face an Inheritance Tax liability.

CONSIDERED ‘WEALTHY’
You don't have to own a very large estate or even be considered ‘wealthy’ to leave behind an Inheritance Tax bill. The nil-rate band has remained frozen at £325,000 since April 2009, but the average price of a UK property has risen 33% over the same period.

With much of the UK population’s wealth invested in their property, a growing number of families are potentially being left with a significant Inheritance Tax bill to pay.

RESIDENCE NIL-RATE BAND
If you’re worried that rising house prices might have pushed the value of your estate into exceeding the nil-rate band, then the new ‘residence nil-rate band’ could be significant. From 6 April 2017, it can now be claimed on top of the existing nil-rate band. But claiming this new allowance is not as simple as it sounds. It can only be claimed by the estates of people on property that is, or was at some point in the past, used as their main residence and which forms part of their estate on death.

It’s only available to homeowners who plan on leaving their residence to ‘direct descendants’, such as children or grandchildren or step children. If you don't have any direct descendants, or you wish to leave your home to someone else, the new allowance can't be claimed.
**RETIREMENT CHOICES**

How much time do you spend planning for retirement?

**THE 2015 PENSION FREEDOMS GAVE US GREATER FLEXIBILITY OVER OUR RETIREMENT OPTIONS, BUT THE REFORMS HAVE ALSO MADE RETIREMENT CHOICES MUCH MORE COMPLEX. THIS MEANS WE NEED TO START THINKING ABOUT OUR RETIREMENT EARLIER. HOWEVER, HALF (50%) OF RESPONDENTS AGED 45–54 TO A LV= CONSUMER SURVEY[1] DIDN’T THINK ABOUT RETIREMENT AT ALL LAST YEAR.

Given the lack of time people spend thinking about retirement, it’s perhaps unsurprising that six in ten (62%) 45 to 54-year-olds don’t know how much they have saved for retirement, and only around one in ten (12%) say they fully understand the 2015 pension reforms.

If people spent more time planning for retirement, this could help them better identify whether they are saving enough. According to the survey, people expect to need £1,360 per month in order to live comfortably in retirement. In order to do this, someone retiring at 55 would need to have around £311,000 saved, or £158,000 if they retire at 65 – assuming they qualify for the full State Pension.

However, the average pension savings of those surveyed aged 45 to 54 years old is £71,342, with four in ten (39%) having less than £50,000, and one in seven (13%) not having anything at all. To achieve the amount they want and retire at 55, the average 45-year-old would need to save around £34,000 in pension contributions each year for the next decade. Anyone approaching retirement should check their pension pots annually and seek professional financial advice to help them make a plan.

Five areas to consider if appropriate to your retirement plans:

1. **Track down lost pensions** – If you’ve moved jobs frequently, you may have lost track of old pensions. The Pension Tracing Service is free and can help you trace a pension that you’ve lost track of, even if you don’t have the contact details of the provider. All you need to know is the name of your previous employer or pension scheme.

2. **Consider consolidating** – It’s easy to build up a number of different pensions over the course of a lifetime, and by consolidating them into one place you could save money and manage your savings more effectively. This process lets you simplify your pension arrangements and makes it easier to manage your pension savings efficiently from a single pot.

3. **Check your other assets** – Compile a list of any other savings or investments that you have which could help fund your retirement. This could include equity in property.

4. **Review the State Pension** – It’s unlikely to be enough to see you through retirement on its own, but it should be taken into consideration when looking at your options. You can check your State Pension age by using the Government’s state pension calculator – www.gov.uk/state-pension-age.

5. **Obtain professional financial advice** – Regulated professional financial advice is the best way to help you plan and save enough money to last throughout retirement. ►

---

**WHAT ARE YOUR REQUIREMENTS AND MOTIVATIONS?**

The rules around Inheritance Tax are complex, and when reviewing your particular situation you should always obtain professional advice. Everyone has different requirements and motivations – the right solutions for you are the ones that suit your personal circumstances. We can work with you to discover what these are. To discuss all the options available to you, please contact us.

---

**Source data:**

[1] Consumer survey: Opinium, on behalf of LV=, conducted online interviews with 2,404 UK adults between 12 and 27 March 2017. Data has been weighted to reflect a nationally representative audience.

[2] Methodology for retirement income: LV= calculated the size of pension pot needed to give someone in good health a monthly income of £1,360 (or annual income of £16,322) from the age of 55 until death and 65 until death, including the full State Pension. To provide a guaranteed income between 55 and 65, LV= calculated the pot size needed to purchase a Fixed Term Annuity with no money left at the end of the term. To provide an income after 65, once the State Pension kicks in, three comparison annuity quotes were produced with major providers for someone retiring at 65, and an average figure was taken for each. All quotes are gender neutral and assume a single life annuity with no death benefits.

INVESTMENT

SECURING YOUR FINANCIAL FUTURE

Investing for major life events requires comprehensive investment solutions

IF YOU REALLY WANT TO GIVE YOUR MONEY THE POTENTIAL TO GROW AND YOU DON'T NEED IMMEDIATE ACCESS TO IT, THINK ABOUT INVESTING IT RATHER THAN JUST SAVING. YOU MIGHT WANT TO INVEST FOR MAJOR LIFE EVENTS LIKE RETIREMENT OR PAYING YOUR CHILD’S OR GRANDCHILD’S UNIVERSITY FEES.
whatever the reason, investing has historically given higher returns than saving in a bank account, but be prepared – with the potential for higher reward comes more risk. Whatever you’re putting money aside for, there’s likely to be a role for Individual Saving Accounts (ISAs).

RIGHT OPTIONS
If you’re looking to grow your money over many years, perhaps to fund a dream purchase or help you in retirement, cash might not be the right option – especially when the interest rates on Cash ISAs are near all-time lows.

Up to £85,000 of your money is secure in a bank or building society through the Financial Services Compensation Scheme, unlike stocks and shares or fixed interest investments which are less secure.

LEVEL OF RISK
If you are able to accept some level of risk, investing in the markets through a Stocks & Shares ISA might offer you exposure to higher returns than cash alone can deliver.

Here are some reasons why you might consider investing some, or more, of your savings in a Stocks & Shares ISA, which could help you realise your long-term financial ambitions.

ENOUGH CASH
One of the appeals of cash savings is that you can access them when you want. There are fixed rate Cash ISAs and variable rate Cash ISAs available. The capital itself will not go up or down in value. It’s sensible to keep enough cash to cover any short-term needs, but keeping too much of your savings in cash can carry a cost.

When the price of goods and services (or inflation) is rising faster than the rate of interest you receive on, say, your cash savings in a UK bank or building society, the ‘real’ value of the amount is eroded, which could leave you worse off. Between January 2011 and December 2016, retail prices outpaced average Cash ISA rates by an average of 1.2 percentage points a year.

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

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

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

TAX-EFFICIENCY
The beauty of investing through an ISA is that any income you receive, and any capital gains from a rise in value of your investments, will be free from personal taxation, irrespective of any other earnings you have.

It’s important to remember that ISA tax rules may change in the future. The tax advantages of investing through an ISA will also depend on your personal circumstances.

MARKET CONDITIONS
Professional fund managers are constantly preparing for and reacting to changing market conditions, adjusting their portfolios accordingly. Your circumstances – and attitude towards investment risks – are also likely to evolve, meaning different types of assets will become more or less appropriate over time.

For example, if you’re close to retirement, you may want to reduce the level of risk in your portfolio or move towards income-generating assets. It’s sensible to review your investments regularly – even as a long-term investor.

DIFFERENT APPROACHES
Investing in stocks and shares through an ISA could hardly be more straightforward. You can choose to invest a lump sum or set up a regular savings plan that fits your circumstances and your financial goals.

There are a lot of different approaches to investing, each with their own risk and return profiles. It’s important that you only invest in products that are suitable and obtain professional financial advice to establish an investment approach that is right for you.◆

INVESTING FOR YOUR FUTURE
Within an ISA, you can reallocate your portfolio according to your outlook and needs at any time without losing any of the tax benefits. You can also move money from your Cash ISA to your Stocks & Shares ISA, or vice versa, as your short-term cash needs change. To explore how an ISA could help you invest for the future, please contact us.

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

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

STOCKS & SHARES ISA INVESTMENTS DO NOT INCLUDE THE SAME SECURITY OF CAPITAL THAT IS AFFORDED WITH A CASH ISA.
Why foreign exchange markets are in uncharted territory

But, more importantly, currency fluctuations on foreign exchange markets can have a significant impact on the performance of our individual investments, as well as our overall investment returns. An example of this was when the UK voted to leave the EU – in other words, ‘Brexit.’

UPS AND DOWNS
Sterling has been exceptionally prone to sudden ups and downs this year, and it has fallen sharply again amidst fears of a ‘hard Brexit’ from the EU. Before the EU referendum on Thursday 23 June 2016, the currency markets closed in London with the sterling/dollar spot exchange rate at 1.4947, which means £1 bought you roughly $1.50.

The next day, the unexpected Brexit result had a major detrimental impact on the pound, as the uncertainty over the outlook for the UK economy – and political fallout – made the UK less attractive to overseas investors. When the UK markets opened on the morning of Monday 27 June 2016, the exchange rate had fallen to 1.3445, meaning you would now only get about $1.34 for your pound.

SIGNIFICANT REVENUE
UK dividends have also been affected. Many UK companies, especially the larger ones, receive a significant amount of revenue from abroad and have dividends that are paid in dollars and euros. These dividends will have increased in value once converted back into sterling.

Similarly, if exchange rates had moved in the opposite direction (with sterling strengthening against the dollar), your subsequent returns would then look lower.

UNCHARTED TERRITORY
Markets are in uncharted territory, and sterling looks set to remain under severe pressure while Britain’s departure from the EU is negotiated. The potentially turbulent transition could dampen confidence, inward investment and growth – all of which would continue to weigh heavily on sterling.

Another major factor affecting currencies is the economic backdrop and interest rate expectations. The prospect of higher interest rates in an economy tends to bolster its currency: higher yields on assets denominated in that currency make it more attractive, whereas very low rates have the opposite effect.

EXCHANGE RATE
Many investment funds available through Individual Savings Accounts (ISAs) and pensions have overseas currency exposure. In some cases, a lot of gain or loss can be due to the currency exchange rate rather than the return of the underlying shares or other assets.

Whenever there is a large change in any currency, whether it’s rising or falling, there are always winners and losers. What’s good for some will inevitably be bad for others. Some businesses will benefit, others will not (for example, as exporting becomes easier or more difficult). Some households will find their food costs go up, while others will see their money going further by taking a staycation rather than holidaying overseas.

MIXED VIEWS
With mixed views on the outlook for sterling, it’s more important than ever to remember that investing is for the long term, and no single asset class will provide strong returns or benefit from currency movements in all economic conditions. That’s why it’s always a good idea to invest in a well-diversified portfolio that spreads your money across a variety of investments and geographies to achieve the best balance between risk and return, and to review this regularly.

Some funds will also use a strategy called ‘hedging’ to reduce the impact of currency movements. Basically, this means removing currency movements by using derivatives to bet that a currency will move in the opposite way.

DIVERSIFIED INVESTMENTS OVER THE LONG TERM
Currency risk is a consideration when investing, but one which lessens if invested for the long term. It can be mitigated by the use of a currency-hedged share class, but also by ensuring that your portfolio of investments is always diversified so that you are never overexposed to any one particular risk. If you would like further information, please contact us.

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

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.
LOOKING FOR AN EXPERT, FLEXIBLE APPROACH TO MANAGING YOUR WEALTH?

Trust, tax and insurance solutions to ensure your financial goals can be achieved.

Whether your wealth comes from building a business, successful investments or family inheritance, robust family and estate planning is essential for protecting your wealth. We’ll work to understand your requirements and bring them together as part of a coordinated financial approach.

CONTACT US TO DISCUSS YOUR REQUIREMENTS.
INVESTMENT WISE

Learning from the past and understanding the present

THE KEY TO SUCCESSFUL INVESTING isn't predicting the future, it's learning from the past and understanding the present. To give your money its best opportunity to grow, whether you're just starting to build a portfolio or looking to rebalance an existing one, we consider some of the key questions you need to consider to nurture your wealth.
You may think cash is a safe haven even in volatile times, or even as a source of income, but the ongoing era of ultra-low interest rates has depressed the return available on cash to near zero. This will leave your cash savings vulnerable to erosion by inflation over time and undermine your long-term investment objectives.

ARE YOU TAKING TOO MUCH RISK?
For example, if you are already in retirement, you may need to adjust your portfolio accordingly. If you still have a number of ‘adventurous’ investments, you may wish to consider reducing your weightings in these holdings. That way, you can realise some of the gains of previous years and reduce the overall risk of your portfolio so you’re not placing too much of your future income in jeopardy.

ARE YOU TAKING TOO LITTLE RISK?
If you’re investing for a retirement that’s more than 30 years away, for example, you may want to consider an ‘adventurous’ or a ‘dynamic’ portfolio, with fewer higher risk, higher potential return investments (such as growth-focused equity funds or perhaps a global or an emerging market fund). The longer the time horizon before you need to withdraw your money, the riskier you can afford to be, as you can ride out a few bumps and dips along the way. Although, of course, your personal attitude to risk is of paramount importance.

DO YOU KNOW YOUR RISK PROFILE?
While a higher-risk approach is generally advocated for those with a greater amount to invest and a longer time horizon, an ability to accept risk is also important. You must be comfortable with short-term losses and happy to invest for a long period of time to think of yourself as an ‘adventurous’ investor, for example. If swings in valuation worry you and/or you are closer to retirement, you might prefer to take a ‘cautious’ stance.

DO YOU HAVE ENOUGH DIFFERENT INVESTMENTS?
One of the ways to reduce the volatility of your portfolio, apart from selecting funds with a lower risk rating, is to diversify your holdings. The greater the spread of funds, the more you reduce your risk. But keep in mind that spreading your assets across too many funds means those that perform strongly will have less impact on overall performance.

DO YOU REINVEST INCOME FROM YOUR INVESTMENTS?
If you don’t require the income from your investments, you should consider reinvesting the income to boost your portfolio value further. The difference between reinvesting and not reinvesting the income from your investments over the long term can be significant.

IS YOUR INVESTMENT BALANCE SUFFICIENT?
The greater your spread of sectors and asset classes, the less your portfolio will be subject to swings in market sentiment. You could give a greater weighting to your preferred sector but still keep a percentage of your total portfolio in other areas too.

DO YOU MONITOR YOUR PORTFOLIO?
Remember to monitor your portfolio, at least on an annual basis, to prevent sector and country biases creeping in. Go back to your original goals and the sector and country weightings you were trying to achieve. As some of your investments perhaps outperform and others underperform, your portfolio weightings may have shifted. This could mean you’ve accidentally taken on a higher or lower risk profile than you intended and you need to rebalance – for example, if a volatile fund has done particularly well, you may want to sell some of your holding to realise those gains and re-invest it into something lower risk.
Almost three quarters of employees expect to work beyond the traditional retirement age

**THE PROPORTION OF UK EMPLOYEES WHO SAY THEY WILL WORK BEYOND THE AGE OF 65 IS AT AN ALL-TIME HIGH. THE FINDINGS FROM CANADA LIFE IDENTIFIED THAT ALMOST THREE QUARTERS (73%) OF EMPLOYEES EXPECT TO WORK BEYOND THE TRADITIONAL RETIREMENT AGE, UP FROM 67% IN 2016 AND 61% IN 2015.**

**THEMOTIONS OF UK EMPLOYEES WHO SAY THEY WILL WORK BEYOND THE AGE OF 65 IS AT AN ALL-TIME HIGH. THE FINDINGS FROM CANADA LIFE IDENTIFIED THAT ALMOST THREE QUARTERS (73%) OF EMPLOYEES EXPECT TO WORK BEYOND THE TRADITIONAL RETIREMENT AGE, UP FROM 67% IN 2016 AND 61% IN 2015.**

Younger workers are particularly likely to expect to work past the age of 65, rising to more than four in five (84%) of 25–34-year-olds.

**HISTORIC DEFAULT RETIREMENT**
More than a third (37%) of those who intend to work beyond the age of 65 say they could be older than 70 before they eventually retire. 10% expect to be at least the age of 85 when they retire, if they can retire at all – twenty years older than the historic default retirement.

Eight years of low interest rates has taken its toll on UK employees’ savings. Almost a third (31%) of UK workers – ten million people – say they will work past the age of 65 because of low interest on savings. This is up from 23% in 2016, with an additional three million people delaying their retirement plans in the past year.

**LACK OF PENSION SAVINGS**
Poor pension planning is another reason UK employees expect to have to work past the age of 65. More than a third (36%) say their pension will not be sufficient so they will need to continue earning a wage.

However, not all reasons for delaying retirement are negative: 34% say they enjoy their job and would like to work for as long as possible. Millennials aged 18–24 are most likely to agree with this (44%), with job satisfaction dipping to 25% among 45–54-year-olds but picking back up to 39% of 55–64-year-olds.

**TOO STRESSFUL JOBS**
Tellingly, UK employees believe that established workers aged 41–60 are one of the types of employees most likely to suffer from workplace stress (23%), suggesting workers of this age could be less inclined to want to work for longer because they find their jobs too stressful.

When asked about the biggest challenges facing those working beyond the age of 65, UK workers believe health (57%) and energy levels (48%) to be the biggest issues. Older workers closest to the traditional retirement age are notably more likely to believe health concerns will impact their ability to work beyond 65 (64% of 55–64-year-olds compared to 53% of 25–34-year-olds), potentially because they have already suffered bouts of ill health.

**TECHNOLOGY CHALLENGES**
Other challenges include keeping up with new technology (21%), coping with the daily commute (19%) and still being engaged in their job or company (18%).

Older workers are statistically more likely to develop certain health conditions, such as cancer, a stroke and diabetes. As a result, employee benefits designed to support workers through periods of ill health and workplace-based support will become even more important as the UK workforce ages.

**EARNING FOR LONGER**
Savers have suffered from very low returns ever since interest rates fell to 0.5% eight years ago, and this has had a direct impact on UK workers’ retirement plans, with many forced to work longer than they would have hoped to. As inflation continues to rise, eating into the purchasing power of UK savings, this problem will only become more pronounced. Insufficient pension savings are another key cause, with recent reforms prompting many to realise they will need to continue earning for longer to fund a decent retirement.

However, it’s not all bad news, with others working longer because they have high job satisfaction – and this older workforce brings with it a range of skills and experience to business.

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.

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.
YOU’VE PROTECTED YOUR MOST VALUABLE ASSETS.

But how financially secure are your dependants?

Timely decisions on how jointly owned assets are held, the mitigation of Inheritance Tax, the preparation of a will and the creation of trusts can all help ensure your dependants are financially secure.

CONTACT US TO DISCUSS HOW TO SAFEGUARD YOUR DEPENDANTS, WEALTH AND ASSETS – DON’T LEAVE IT UNTIL IT’S TOO LATE.
DREAMING OF AN EARLY RETIREMENT

When you quit the rat race, will you really have the time of your life?

We all know that we need to save money for our retirement, but knowing it and doing something about it are very different things! Younger generations may be bracing themselves to work well into their 70s – but the early retirement dream lives on for many people retiring this year. New research from Prudential[1] has found six in ten (60%) of those giving up work this year – the class of 2017 – are doing so earlier than their projected state pension age or company pension scheme retirement date.
Dreaming of an early retirement is what keeps many of us going through the daily grind, whether it’s looking forward to a round-the-world cruise, having the time to write a best-selling novel or simply doing the things we want to do when we want to do them. But then we reach age 50 and have a reality check. Looking at our pension pots, we wonder if we will ever be able to afford to retire at all – let alone in any sort of luxury.

With smart retirement planning, you can make your dreams come true and still be young enough to enjoy them to the full. The annual Prudential study – which for the past ten years has tracked the finances, future plans and aspirations of people planning to retire in the year ahead – shows that those members of the Class of 2017 who are planning to retire early this year are even willing to take a reduction on their expected retirement income – to the tune of £1,250 a year – in exchange for giving up the daily grind.

Those who are planning to work until their retirement date expect to retire on an income worth £18,900 each year, compared to the £17,650 expected by people retiring early.

**BETTER PREPARED**

However, this year’s retirees who are planning to quit the rat race early feel better prepared when it comes to their retirement than those who are not stopping early, with 60% of those taking early retirement saying they are financially well prepared, compared with 46% of those working towards their retirement date.

The early retirees are also more relaxed and confident about retirement than those who plan to work for longer, with more than half (56%) expecting to have enough income for a comfortable retirement, compared with just two out of five (38%) of those who are not retiring early.

**PENSION SAVING**

This confidence can be explained, in part, by their focus on pension saving. Those who are retiring early are more likely to have saved into a pension scheme – 86% compared with 71% who are not stopping work early. Just 10% of early retirees have no pension savings, compared to 21% of those who aren’t planning to retire early.

They are also more likely to have sought professional financial advice, with seven in ten (70%) having spoken to an adviser, compared to 57% of those planning to wait until their retirement date. It is encouraging to see from the study that so many of this year’s retirees are able to give up working early in order to enjoy an even longer retirement. The fact that many of these early retirees claim to be more financially well prepared than their counterparts who have had to work on is hardly surprising.

**START PREPARING**

However, a number of this year’s retirees will have also benefited from some generous final salary schemes – something which only a handful of those in future generations will benefit from. As a result, the retirees of the future who are hoping to retire early will need to start preparing well in advance, setting aside as much as they can afford as early as they can. Wales is the early retirement capital of the UK, with nearly three quarters (71%) of those retiring this year planning to do so early, closely followed by London (70%) and Yorkshire & Humberside (67%). The South East (53%), North East (56%) and Eastern England (57%) have the lowest levels of early retirement.

**TIME TO RETHINK YOUR RETIREMENT?**

Transforming your retirement dreams into reality requires planning. If you are concerned about how you will be able to afford the retirement lifestyle you want, we could help you to retire earlier than you may think. We’ll discuss ways to boost existing pensions, show you how much you should consider investing each month and provide a better understanding of the new rules and options now available at retirement. Please contact us to review your particular situation.

Source data:

[1] Research Plus conducted an independent online survey for Prudential between 8 and 22 November 2016 among 10,605 non-retired UK adults, including 1,000 intending to retire in 2017.

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.

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.
Current affairs have a significant impact on how people feel about the economy. The findings suggest that current affairs have a significant impact on how people feel about the economy, with the two sides of the Brexit argument currently feeling very different about the future. Six in ten (60%) remain voters said they felt pessimistic about the economic outlook of the UK, compared to just over one in five (22%) of those who chose to leave.

HOW PEOPLE VIEW THEIR OWN FINANCES
This negative attitude is also having an effect on how people view their own finances and how they plan to save. When asked about their personal financial situation, 32% of remain voters feel pessimistic compared to 27% of leave voters. Over a quarter (26%) of remain voters expect to save more money in the coming year. Meanwhile, less than one in five (19%) leave voters said they planned to save more, while 27% expect to save less in the next year.

Further to this, younger people appear more likely to feel pessimistic about the economy and therefore intend to increase their savings. As such, just under half (49%) of 18–24-year-olds say that they are aiming to save more money in the next 12 months, compared to just 13% of 50–64-year-olds.

HOW OPTIMISTIC DO THESE AGE GROUPS FEEL ABOUT THE ECONOMIC OUTLOOK OF THE UK?
- 18–24-year-olds: 19%
- 50–64-year-olds: 28%
- Over-65s: 36%

EFFECT OF EMOTIONS ON SAVINGS
The survey conducted by YouGov on behalf of Zurich support the findings of a unique experiment from neuroscience specialists Mindlab. The Savings in Mind research tested 900 participants to measure the effect of emotions on savings. It revealed that people exposed to negative messages are more likely to consider the importance of savings than those who only experience positive messages, showing the importance of truly understanding savings behaviour and motivations in order to encourage and support saving for the long term.

Behavioural change is often triggered by a negative stimulus, and the research shows this can prompt people to save more. Clearly, those who voted to remain in the EU are less confident in the economy than their ‘leave’ counterparts, and it seems the younger generation are taking action by choosing to put more money to one side. Consumer spending is also a key driver for economic growth – and if people are pessimistic and saving more, this could have repercussions for the wider economy.

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

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

STOCKS & SHARES ISA INVESTMENTS DO NOT INCLUDE THE SAME SECURITY OF CAPITAL THAT IS AFFORDED WITH A CASH ISA.
FINANCIAL ADVICE IS OUR BUSINESS.

We’re passionate about making sure your finances are in good shape.

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

CONTACT US TO DISCUSS YOUR REQUIREMENTS. OUR DETAILS APPEAR ON THE FRONT COVER.
PENSIONS REVOLUTION

Awareness and understanding amongst the public still remains low

6 APRIL 2017 MARKED THE ANNIVERSARY OF BOTH THE NEW STATE PENSION AND THE NEW PENSION FREEDOMS. THESE MAJOR OVERHAULS HAVE REVOLUTIONISED THE UK PENSIONS LANDSCAPE, BUT RESEARCH FROM AVIVA SUGGESTS WORK TO IMPROVE PENSION SAVING IS FAR FROM DONE AS AWARENESS AND UNDERSTANDING AMONGST THE PUBLIC STILL REMAINS LOW.
In particular, millions of young people under the age of 35 are still oblivious to the changes that will shape their retirement futures more than any other generation before them.

**FINANCIAL PRESSURES**

The financial pressures facing the young are well documented – including soaring house prices, lack of job security (with a job for life becoming a thing of the past), the burden of student debt and the decline of generous final salary workplace pensions.

When it comes to retirement, the young have time on their side to plan and prepare. However, the research shows that confidence and awareness in the recent pension changes amongst the younger generation is weak.

**CURRENT LEGISLATION**

When it comes to their retirement age, current legislation says the State Pension age for those under 35 will be 68, yet the research finds that two thirds (65%) of this population believe they will receive it before this age. This equates to nine million young people expecting a State Pension before they will receive it.

The Cridland Review[2] proposed a further acceleration in the State Pension age, which could mean that more people will be unclear on when they can retire if understanding is not improved.

**MORE OPTIONS**

The new pension freedoms were introduced in April 2015 and were designed to give private pension savers more options in what they can do with their money from age 55. But half of under-35s (50%) claim they know nothing about the pension freedoms. That is the equivalent of nearly seven million people.

Encouragingly, when the freedoms are explained to the under-35s, more than two in three (70%) believe the changes make saving into a pension a more attractive option.

**LONGER LIVES**

We’re living longer but not saving enough for our longer lives in retirement. The UK is not blind to this problem and has spent a huge amount of time, money and effort modernising the country’s pension system over recent years. However, this research finds we are still to get the full benefit of this investment, especially amongst the young.

---

**ATTITUDES OF YOUNG ADULTS TO NEW PENSION LANDSCAPE**

(Aged 20 to 34, circa 14 million people)

<table>
<thead>
<tr>
<th>Attitude to Pension Landscapes</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am confident I will receive money from the state at retirement</td>
<td>18% (3 million)</td>
<td></td>
</tr>
<tr>
<td>I don’t have confidence I will receive money from the state at retirement</td>
<td>82% (11 million)</td>
<td></td>
</tr>
<tr>
<td>I have no awareness of the new pension freedoms</td>
<td>50% (7 million)</td>
<td></td>
</tr>
<tr>
<td>The pension freedoms make saving in a pension more attractive</td>
<td>70% (10 million)</td>
<td></td>
</tr>
</tbody>
</table>

---

**Source data:**


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.

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.
There are a number of different factors that may create inflationary pressure in an economy. Rising commodity prices can have a major impact, particularly higher oil prices, as this translates into steeper petrol costs for consumers.

Stronger economic growth pushes up inflation too, as increasing demand for goods and services places pressure on supplies, which may in turn lead to companies raising their prices.

The falling pound since Britain’s vote to leave the EU in June last year and the 2017 UK general election result is also contributing to higher inflation in the UK, as it makes the cost of importing goods from overseas more expensive.

Rising inflation is eating away at the nation’s savings, yet the reality is that many people don’t know how to fend it off. A gap in consumer awareness over how some can protect their savings from inflation could mean many people will see their wealth simply drain away.

Over the long term, this could threaten to leave people financially worse off in retirement, especially when combined with ultra-low interest rates and stagnant wage growth. Of the 4,000 people surveyed by YouGov, more than a quarter (27%) said they believed property was the best way to outpace inflation.

More than one in ten (13%) people thought Cash ISAs could help them maintain their spending power – twice as many as those who said Stocks & Shares ISAs (7%). Just 4% of people said investing in the stock market could help outstrip inflation, while only 3% backed savings invested in a pension. In fact, although they come with greater investment risk, Stocks & Shares ISAs typically offer more protection against inflation than Cash ISAs.

Cash ISAs are more appropriate to save money for a rainy day but are less suitable for long-term savings, such as for retirement. From this April, the amount people can now shelter tax-efficiently in a Cash ISA has risen to £20,000 a year. With a bigger ISA pot to fill, the danger is that some people will leave more of their long-term savings stuck in cash where they will be eaten away by inflation.

Inflation is bad news for savers, as it erodes the purchasing power of your money. Low interest rates also don’t help, as this makes it even harder to find returns which keep pace with rising living costs. Higher inflation can also drive down the price of bonds. These become less attractive because you’re locked in at interest rates that may not keep up with the cost of living in years to come.

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

Investing in equities can potentially provide better protection against inflation than deposit accounts or bonds that aren’t index-linked, because companies can raise prices to cover higher costs, which in theory should enable them to grow at the same rate as inflation over time. However, investing in equities carries a high risk of losses, and you must be prepared to accept that you could get back less than what you put in and that the value of your investment may not keep up with inflation.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change. The value of investments and income from them may go down. You may not get back the original amount invested. Stocks & Shares ISA investments do not include the same security of capital that is afforded with a cash ISA.

Source: www.zurich.co.uk