

# Turbocharge your pension

*Will you be able to afford the retirement lifestyle you want?*



**Don't worry,  
be happy**

How to build a sustainable  
retirement income plan

**Growing  
care costs**

Ageing population faces  
significant funding crisis

**Your wealth.  
Your legacy**

Families shying away from  
difficult conversations

**Market  
sentiment**

Reaching your long-term  
investment goals

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A low-angle shot of a sailboat's mast and sails against a bright, hazy sunset sky. The sun is visible as a bright orb behind the rigging, creating a lens flare effect. The water below is a deep blue with white foam from the boat's wake.

# 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.**



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## INSIDE THIS ISSUE

Welcome to the final issue for 2017, featuring news, opinion, insights and analysis to help you navigate the complexities of today's financial world.

Inside this issue, we talk about estate planning, which is an extremely emotional subject as people generally don't like talking about money or death. On page 12, we comment on new research that shows some people would like to talk about this subject but haven't found the right time or just don't know where to start. This is worrying considering Inheritance Tax receipts increased by 22.9% in the first quarter of this tax year, according to data from the Office for National Statistics.

If you're still working, what kind of life would you like to lead when you've said goodbye to the 9-to-5? On page 06, we look at the importance of saving for retirement and how to turbocharge your pension if you want the financial freedom to enjoy your later years. After all, you'll still want to do all the things you love now – and probably a few others too.

As part of Budget 2017, Chancellor Philip Hammond announced an extra £2 billion of funding for social care and paved the way for major changes to how people pay for it. But people in the UK are still underestimating the cost of elderly care every year, according to new research. Turn to page 08 to read the full article.

The full list of the articles featured in this issue appears on pages 03 and 04.

To ensure your wealth is working for you or to discuss any of the articles featured inside this issue, 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.

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# Protect the things that mean the most to you

## *Cohabiting families risking their family's financial future*

**THE LIFESTYLE OF OUR LOVED ONES MAY BE SERIOUSLY COMPROMISED IF WE DIE.** HOWEVER, VERY WORRYINGLY, MORE THAN 2.4 MILLION COHABITING FAMILIES ACROSS THE UK – THE FASTEST-GROWING FAMILY TYPE IN THE COUNTRY – DO NOT HAVE LIFE INSURANCE, POTENTIALLY LEAVING THEIR LOVED ONES OPEN TO FINANCIAL PROBLEMS ONCE THEY PASS AWAY, ACCORDING TO NEW ANALYSIS<sup>[1]</sup>.

The research found that 73% of cohabiting families – couples living as married – do not have a life insurance policy, compared to 56% of married couples. As cohabiting families do not yet enjoy the same legal rights as married couples, this is leaving thousands of families at risk should the worst happen and their partner dies.

Cohabiting families have been the fastest-growing household type over the last decade. The latest figures from the Office for National Statistics (ONS) show that the number has more than doubled from 1.5 million to 3.3 million since 1996. Furthermore, according to the latest ONS divorce and marriage statistics, the number of couples getting married has decreased by more than 6% since 2012, potentially due to the rise in couples choosing to cohabit.

### **Not prepared for the worst**

At a regional level, cohabiting families in London, the West Midlands and the East of England are the least likely of all regions in the country to have life insurance. 87% of those living as married in London, 79% in the West Midlands and the same number in the East of England are not prepared for the worst, simply by not having a life insurance policy in place.

On the other hand, cohabiting families in Wales, the North East and Scotland are the most likely of all regions to have life insurance. Despite this, 68% of those living as married in Wales, the same number in the North East and 52% in Scotland still do not have life insurance cover. Encouragingly, the region with the most

cohabiting families – the South East – also has one of the highest proportions of those having a life insurance policy in place.

Further research found that women insure themselves for up to 30% less than men. The average level of protection that men insure themselves for stands at more than £210,000, whereas women tend to insure themselves for just under £150,000. ◀

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### **Choosing cohabitation over tying the knot**

The findings show that marriage may be on the cards for some, but many people are now choosing cohabitation over tying the knot, and this may well be the case for the rest of their lives. Whether we marry or live together, the needs of loved ones left behind shouldn't be overlooked. Life insurance can ensure the right money can go to the right person at the right time.

### **PROTECTION MATTERS**

Most of us insure our cars, our homes and even our mobile phones – but what about helping to protect our loved ones? Help protect your family and give yourself peace of mind with the right level of life insurance. To review your protection needs, please contact us.

#### **Source data:**

[1] UK life insurance company, Zurich. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,039 adults. Fieldwork was undertaken between 20 and 21 July 2017. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+). ONS Data – each region multiplied by the percentage of people who do not have life insurance





# Turbocharge your pension

*Will you be able to afford the retirement lifestyle you want?*

**IF YOU'RE STILL WORKING, WHAT KIND OF LIFE WOULD YOU LIKE TO LEAD WHEN YOU'VE SAID GOODBYE TO THE 9-TO-5?** SAVING FOR YOUR RETIREMENT IS ESSENTIAL IF YOU WANT THE FINANCIAL FREEDOM TO ENJOY YOUR LATER YEARS. AFTER ALL, YOU'LL STILL WANT TO DO ALL THE THINGS YOU LOVE NOW – AND PROBABLY A FEW OTHERS TOO.

**W**ith that in mind, it's a good idea to consider how big an income you'll actually need. But at the heart of today's challenge is rising longevity. UK life expectancy continues to rise, and a longer retirement means your savings will have to stretch further.

Pensions and Individual Savings Accounts are popular ways of saving tax-efficiently, but they are very different from each other – particularly in how they are taxed.

## **Pensions – crucial, but curtailed**

Pensions should play an important part in everyone's long-term financial planning, so ensure that you make the most of any employer's contributions. Your own contributions are typically also tax-free on the way in, making them a very tax-efficient way to save.

However, when planning long-term savings, savers with big aspirations for their retirement need to bear in mind the lifetime allowance and annual allowance.

**Lifetime allowance** – if your pension pot is valued above £1 million (2017/18), a tax charge can apply on accessing the monies which exceed this threshold. The tax rate on savings above your lifetime allowance will be either 55% if you take it as a lump sum, or 25% otherwise. The pension funds will also be tested against the lifetime allowance at age 75.

**Annual allowance** – if you contribute more than a given amount to your pension pot in any year, you usually have to pay tax on the extra amount. This cap is currently £40,000 a year for most people, but is lower for higher earners. The annual allowance is reduced by £1 for every £2 earned above £150,000. For anyone earning £210,000 or more, the allowance is £10,000 a year.

These allowances may sound higher than they are, considering that both include an employer's contribution. Remember that it is the value of your pension pot – not the amount that you contributed – that counts towards your lifetime allowance, and so investment growth over time could push you over this threshold.

Also bear in mind that all of your pension income – including from a State Pension – is normally taxed like other income. This means that, even in retirement, annual earnings above £45,000 are subject to the higher rate of tax – currently 40%.

## **Ways to boost your pension in the run-up to retirement**

Even if retirement isn't far away, there are steps you can take to increase your retirement income.

### **1. Maximise any contributions from your employer**

If your employer contributes to your pension plan, they might pay in a bit more if you do too. Some employers increase the amount they contribute when you increase your contributions (which may only be up to a certain limit).

If you put an extra percent or two of your salary into your pension plan, they might pay in more as well, and in the long run you could end up better off. Ask your employer for details of whether they contribute to your pension plan, and by how much.

### **2. Increase your regular payments whenever you can**

Another way of boosting your pension pot is to increase your monthly payments

whenever you get the chance. For example, if you receive a pay rise, why not arrange to pay some of it into your pension plan? You can also take this approach any time a regular expenditure comes to an end. If you pay off a loan, for instance, you could pay the extra money into your pension plan.

Small, regular increases like this can make a big difference to what you eventually receive when you retire. Over the long term, your pension plan will have a better opportunity to grow.

### 3. Pay in a lump sum

In addition to making regular payments, you could also pay lump sums into your pension plan. And as with any personal payments you make into your plan, the Government will top it up with tax relief, up to a certain limit.

If you received a bonus from work and paid a personal contribution of £10,000 of it into your pension plan, the Government would add £2,500 in tax relief. The tax treatment of pensions depends on individual circumstances and may be subject to change.

Please note that contributions being paid net of basic-rate tax relate only to personal pension contributions.

### 4. Review your investment choices

Where your pension plan is invested can have a considerable effect on what you'll eventually receive when you retire. You should regularly review how it's invested. As you get older, it may be appropriate to consider changing your investment strategy to reduce investment risk as retirement draws closer.

### Looking beyond pensions

Given the limits we've mentioned on how much you can put in and take out of your pension without paying potentially significant amounts of tax, it might be worth considering how to complement it with other savings and investments.

An important tool is the Individual Savings Account (or 'ISA') which can be used to hold any combination of cash savings and investments in stocks and shares. In the current 2017/18 tax year, up to £20,000 can be contributed towards your ISA.

Unlike a pension, while you will have paid tax on money that you save or invest into an ISA, any income that you receive and any capital gains from a rise in the value of your investments will be free from personal taxation, irrespective of any other earnings you have.

Your ISA should become part of your investment strategy, but it's important to remember that tax rules may change in the future, and the tax advantages of investing through an ISA will also depend on your personal circumstances.

Recent changes to pension rules mean you can access up to 25% of your pension pots as a tax-free lump sum from the age of 55.

While you can choose how to spend your Pension Commencement Lump Sum – better known as 'tax-free cash' – you should remember that any spending now is likely to reduce your potential income in retirement.

Depending on your circumstances, it may be prudent to consider using this lump sum to pay off any debts or perhaps reinvest it for your future. If you choose to save or invest through an ISA, remember that any gains or income will themselves be tax-free – unlike in a pension.

In the current economic and political climate, looking beyond pensions to put your money to work could give you more choices in retirement. The right solution will be unique to your goals and needs, but there are a number of investment strategies that could help grow your money in time for life after work. ◀

### TALK TO US SOONER RATHER THAN LATER

Professional financial advice is important before making decisions around pension saving strategy. Whether your retirement is still some time away or it is fast approaching, it's important to get a clear view of how close you are to achieving your aims. If you don't think you'll have enough money when you retire, there are a number of approaches you could take to build a bigger pot, but you'll need to talk to us sooner rather than later. Please contact us – we look forward to hearing from you.

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

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. FLUCTUATIONS IN FUND VALUE CAN IMPACT THE PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME MAY ALSO BE IMPACTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

LEVELS, BASES OF AND RELIEFS FROM TAXATION MAY BE SUBJECT TO CHANGE, AND THEIR VALUE DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF THE INVESTOR.

## Putting money in

### ISA

- 0% relief on contributions
- Annual ISA allowance for 2017/18 is £20,000
- You can invest in any combination of cash or stocks and shares

### Pension

- 20% basic-rate tax relief is added to the contribution
- Higher or additional-rate tax relief can be reclaimed from HM Revenue & Customs
- Savers can obtain tax relief on up to 100% of UK earnings every year. This is subject to an annual allowance (£40,000 in 2017/18). Savers may 'carry forward' unused allowance from the three previous tax years
- Those with no earnings get tax relief on the first £2,880 of contributions they make each year

## Taking money out

### ISA

- 100% is available tax-efficiently

### Pension

- 25% is available free
- The rest is taxed at your marginal rate, so you may pay 20%, 40% or 45% tax on your pension (or a combination)

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# Growing care costs

## Ageing population faces significant funding crisis

**AS PART OF BUDGET 2017, CHANCELLOR PHILIP HAMMOND ANNOUNCED AN EXTRA £2 BILLION OF FUNDING FOR SOCIAL CARE AND PAVED THE WAY FOR MAJOR CHANGES TO HOW PEOPLE PAY FOR IT. BUT PEOPLE IN THE UK ARE STILL UNDERESTIMATING THE COST OF ELDERLY CARE BY £7 BILLION EVERY YEAR<sup>[1]</sup>, ACCORDING TO NEW RESEARCH FROM SCOTTISH WIDOWS' INDEPENDENT THINK TANK, THE CENTRE FOR THE MODERN FAMILY.**

On average, UK adults estimate that residential care would cost £549 a week – when, in reality, it costs on average £866 for a place in a nursing home – leaving a shortfall of £317 every week<sup>[2]</sup>.

### Feeling stressed

More worryingly, the deficit could be significantly higher in reality, since one in four (25%) people admit they have no idea how they would cover these costs for themselves or a relative. Only 15% of people are saving money on a monthly basis to pay for their own care when the time comes, and almost half (49%) say they avoid thinking about the issue because it makes them feel stressed. With an ageing population and growing care costs, the nation could be facing a care funding crisis.

Instead, half (49%) of UK adults say they will have to rely on a relative to help them cover the costs. This could leave families in a difficult financial situation, particularly as more than four in ten (42%) people have £2,000 or less in life savings to fall back on, meaning they could only cover the cost of care for a maximum of two-and-a-half weeks.

### Shared responsibilities

Half (50%) of UK adults believe that the responsibility of helping parents to pay for care should be shared among siblings. However, almost half (48%) of those over the age of 55 still haven't discussed who will take on this responsibility in their family. With more than nine out of ten (92%) people not saving anything to help their parents or other older relatives, this could lead to a significant shortfall in support, particularly as people estimate they

could only afford to spend £69 a week on care for their parents.

A lack of understanding of the benefits system could also be problematic for many. Almost one in four people (24%) claim they would need, or expect, to rely entirely on state support, but two in five (42%) admit they don't actually understand what benefits – both practical and financial – they would be entitled to.

### Family sacrifices

An over-reliance on relatives to provide financial support already has a significant impact on families. Almost one quarter (23%) of those caring for a family member say it has put a strain on their finances. One in ten (12%) have been forced to make sacrifices to cover the cost of care for themselves or a relative, with a quarter (24%) of those people making major adjustments such as remortgaging their house. A similar proportion (22%) have been forced to make a moderate sacrifice, such as taking on a second job to cover the costs.

Supporting relatives practically and financially also puts emotional strain on families. Of those providing care, four in five (80%) say it has had an effect on them, with more than a quarter (27%) admitting it has put a strain on their close relationships. Although women are more likely to say they have less time to themselves (48%) than men (34%) when caring for a relative, more men (30%) than women (23%) are likely to feel that their family relationships have been impacted.

### Over-reliance

The number of people in care in the UK is set to almost double by 2035. The research

shows that an over-reliance on relatives and the state could put families in serious financial difficulty. It can seem difficult to know how to prepare for the future, but to avoid a financial care crisis, we all need to have an honest discussion on later life care as early as possible so no one is left footing a bill they can't afford.

As for state provision, it's clear that many people simply don't understand the social care benefits and support system. Providing clarity and raising awareness of what is and isn't available is critical to helping people prepare for the longer-term future. ◀

### It's important to know the facts

When looking into funding elderly care, you may be faced with a plethora of different options that can often be complicated to understand. So if you or a loved one needs to pay for care at home or in a care home, it's important to know the facts. To discuss your particular requirements, please contact us.

### Source data:

*Report based on both quantitative and qualitative inputs, including a nationally representative Opinion survey of 2,000+ UK adults (aged 18 and over). Research carried out between 14 and 20 April 2017 and between 15 and 18 July 2017.*

*[1] Figure calculated based on underestimated price of residential nursing care per week (£317, i.e. £866 minus £549) multiplied by current number of UK over-65s in care (421,100 according to the latest Laing & Buisson and detailed in Age UK's 'Later Life in the UK, August 2017' report) including with nursing and multiplied by 52*

*[2] According to regional cost figures from Laing & Buisson Care of Older People, including England, Wales, Northern Ireland and Scotland*



# Don't worry, be happy

## *How to build a sustainable retirement income plan*

**IT IS IMPOSSIBLE TO CONSIDER RETIREMENT, AND OUR EXPERIENCE OF IT, WITHOUT ALSO CONSIDERING HOW WE'LL PAY FOR IT. BUT ALMOST 30% OF PEOPLE OVER THE AGE OF 55 ARE UNSURE IF THEY WILL BE ABLE TO RETIRE ON THEIR CURRENT SAVINGS, ACCORDING TO NEW RESEARCH<sup>[1]</sup>.**

**F**our out of five Britons are unhappy with the amount they are putting into their pension fund every month, while one in four people regret not starting to save for retirement earlier in life.

A Financial Conduct Authority (FCA) retirement income study has pointed to some of the issues faced by individuals with pensions who are approaching retirement.

### **One in four Britons regret not starting to save for retirement earlier in life**

#### **1. Take advice**

As people approach retirement, it is crucial they take advice. The FCA has reported that non-advised people almost always remain with their existing pension provider instead of shopping around.

Obtaining professional financial advice will help secure the best value retirement income product to meet a retiree's needs and help them understand a safe rate of withdrawal, balancing their income needs against life expectancy and the need to invest for income, which is very different to investing for growth.

#### **2. Think twice before disinvesting your pension**

Half of people are taking their pension savings out but not actually spending them. Instead, they are investing the proceeds into other products. This could be in cash, Individual Savings Accounts or buy-to-let properties. These actions will result in them giving up the advantages that pensions offer, such as future tax-free investment growth.

Cash is unlikely to produce good long-term returns, and illiquid assets like property present their own risks. Obtaining professional financial advice will enable people to identify the right approach to investing for their individual needs that match their financial goals in the longer term.

#### **3. Do you need to touch your pension?**

Pensions are not included in an individual's estate on death, which means Inheritance Tax of up to 40% will not apply. They used to be subject to a separate 'pensions death tax' but this has been removed as part of the pension freedom reforms. Now any unused drawdown funds can be passed on and will be tax-free or taxed at the beneficiaries' marginal rate of Income Tax.

People need to consider whether it would be more tax-efficient to leave their pension invested and use other assets first. The FCA found that 94% of people who made a full withdrawal had other sources of retirement income available to them in addition to the State Pension.

#### **4. Can you afford to retire early?**

The FCA report says 72% of pension pots are accessed before age 65, and individuals rarely consider 'the future and any of the broader issues around how much they would need to live off'. Many people want to retire early, but it is important to ensure that won't leave an income shortfall later on. A lot of people underestimate how long they will live for.

Income requirements are thought to follow a 'U shape' in retirement, with the first phase being the most exciting and therefore the immediate focus. This is where people start to enjoy retirement, and the risk is that they get carried away with their spending. Spending then tends to fall as people become a little less active and slow down, but costs may then go up in later life due to health issues, and care may be required.

People should have a plan in place to see them all the way through retirement, not just focusing on the now.

#### **5. Don't rule out an annuity purchase**

Drawdown has surged in popularity versus annuities. However, before going into

drawdown, people should consider which option best suits their needs. For instance, if they cannot afford for their pension to run out, considering an annuity may be more appropriate. Or they may decide to combine drawdown with an annuity to balance flexibility with security.

#### **6. Consider your housing wealth**

Many people have a good deal of their wealth tied up in their home. Relying on their home in retirement is difficult, and accessing it isn't always simple. However, it is possible to access that wealth through equity release schemes or downsizing. ◀

### **Stepping off the corporate treadmill**

If you're planning to step off the corporate treadmill in your 50s or early 60s and maintain your standard of living, talk to us so we can assess your existing plans and advise on any necessary changes required to achieve this goal. To discuss your retirement plans, please contact us – we look forward to hearing from you.

#### **Source data:**

*[1] Pension Geeks*

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.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.



# Market sentiment

## *Reaching your long-term investment goals*

### **IT IS IMPOSSIBLE FOR INVESTORS TO PREDICT THE FUTURE.**

SHORT-TERM LOSSES CAN BE UNSETTLING, BUT HOLDING STEADY THROUGH THE UPS AND DOWNS IS THE BEST WAY TO REACH YOUR LONG-TERM INVESTMENT GOALS. A KEY TO SUCCESSFUL INVESTING IS TO REMAIN FOCUSED ON YOUR LONG-TERM OBJECTIVES AND NOT LET SHORT-TERM TRENDS DISTRACT YOU. HOLDING ONTO YOUR INVESTMENTS WHEN TIMES GET TOUGH IS A PROVEN STRATEGY FOR STAYING ON TRACK.

**V**olatility in the market is normal, and feeling uneasy about a lower portfolio value is normal too. If you want to give your investments the best chance of earning a return, then it's a good idea to cultivate the art of patience. The best returns tend to come from sticking with a long-term commitment to your investments.

The longer you're prepared to stay invested, the greater the chance your investments will yield positive returns. That means holding your investments for no less than five years, but preferably much longer. During any long-term investment period, it is vital not to be distracted by the daily performance of individual investments. Instead, stay focused on the bigger picture.

### **Focusing on long-term investment goals**

The stock market recovery since the financial crisis over the previous decade is an example of one case where focusing on long-term investment goals and avoiding knee-jerk reactions in response to the impact of any event, whether political or economic, worked well.

Maintaining a long-term view of at least five years (but preferably longer) may also help you resist the temptation to attempt to time the market. Typically, the longer you are prepared to stay invested in the stock market, the greater the chance of your investments producing positive returns. Selling your investments when markets take a downturn means you are turning paper losses into realised ones.



### In it for the long term

Success in the stock market is all about time and patience. However, it's understandable that when you put your money into the market, you will be tempted to check up on how your investments are performing on a regular basis.

Seeing investment prices fall, sometimes with alarming speed, can be enough to spook even the most experienced of investors. But remember that the reasons why you identified a particular fund or share as a sound investment in the first place should hopefully not have changed. The fall could just be down to market conditions as much as anything the individual company or fund manager has done, and in many cases, given enough time, investments should hopefully recover their value.

### Developing a buy-and-hold strategy for the long term

Whatever happens in the markets, in all probability your reasons for investing won't have changed. For example, your aim may still be to cover education costs for your children or grandchildren, or saving for retirement. A buy-and-hold investment strategy is likely to serve you best for these long-term goals.

Bear in mind, too, the benefits of so-called 'pound-cost averaging' during periods of market volatility. Essentially, if you are investing on a regular basis, your contributions will buy more shares when prices are low and fewer when they are expensive. Over the long run, this should help smooth out your returns, though there is no guarantee of this.

### When the time is right, rebalance for stronger diversification

For all investors, there will come a time when the portfolio needs to be rebalanced. A major reason for a realignment is when the actual allocation of your assets – be that shares, government bonds, corporate bonds or cash – no longer matches your risk profile. Alternatively, it may be because your investment horizons have shortened. Perhaps, for example, your retirement date is getting closer. These are solid reasons for selling some assets and buying new ones to keep your investments appropriately diversified.

It may also be tempting to spend any income generated by your investments, but if you don't need it in the short term, it makes sense to reinvest it back into your portfolio. When you reinvest dividends,

you can dramatically increase your annual returns and total wealth. When you invest in companies that pay out some of their income in the form of dividends, you should reinvest the dividends to maximise returns until it comes time to let your dividend stocks be part of your spendable income. ◀

### Getting advice on investing

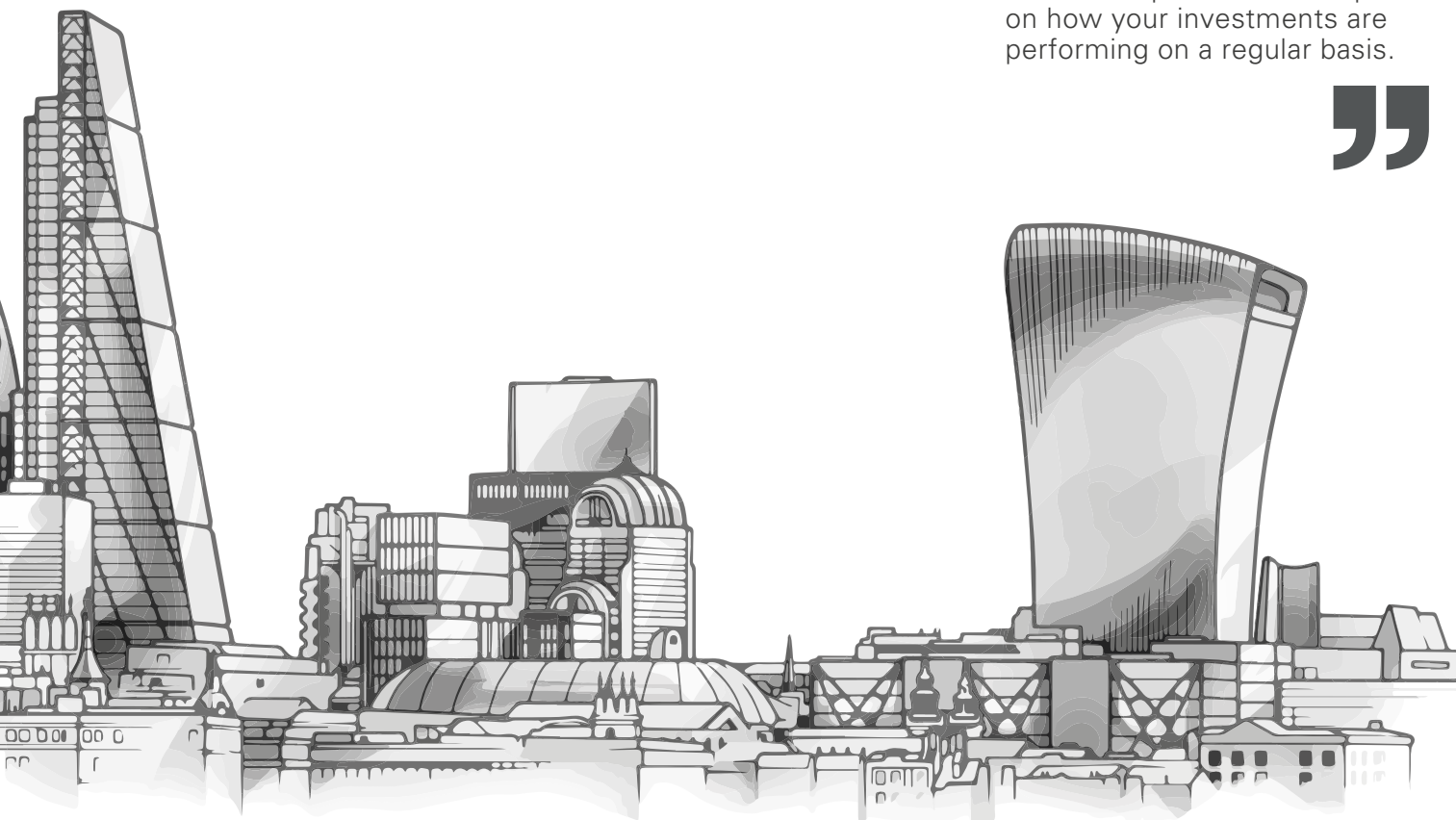
Whether you're an experienced investor or just starting out, we can discuss the different investment options to help you make the most of your money. To review your situation, please contact us.

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

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# Your wealth. Your legacy

## *Families shying away from difficult conversations*

**IF YOU HAVE SIGNIFICANT ASSETS, YOU MAY BE WONDERING WHETHER INHERITANCE TAX (IHT) AFFECTS YOU. WORRYINGLY, SOME FAMILIES APPEAR TO BE SHYING AWAY FROM DIFFICULT CONVERSATIONS, AS ALMOST HALF (47%) OF UK ADULTS SAY THEY HAVE NEVER DISCUSSED INHERITANCE MATTERS, ACCORDING TO NEW RESEARCH<sup>[1]</sup>.**

IHT receipts increased by 22.9% in the first quarter of this tax year, according to data from the Office for National Statistics. The figures show that more than £2 billion has been taken from people's estates in IHT since March.

### **Extremely emotional subject**

Talking about estate planning is an extremely emotional subject, as people generally don't like talking about money or death. However, the research shows that around one in ten people would like to talk about it but haven't found the right time, and some people just don't know where to start (7%).

When someone dies, the value of their estate becomes liable for IHT. Everyone is entitled to pass on assets of up to £325,000 IHT-free. This is called the 'nil-rate band'. It hasn't changed since 2009 and will remain frozen until 2021. Any excess above £325,000 is taxed at 40%.

### **Residence nil-rate band**

The new £100,000 residence nil-rate band was introduced in April 2017. It will increase in steps to £175,000 in April 2020, so married couples or registered civil partners with children will be able to pass on up to £1 million IHT-free. The residence nil rate band is only available when passing on the family home, or the value from the sale of it, to a direct descendant, so it is important to consider structuring your estate to make the most of these allowances.

The research of 4,000 UK adults shows that a quarter (26%) of people say they haven't discussed the subject with loved ones because they're not old, so it's not a priority. However, age isn't the only factor preventing people from talking about inheritance, as one in seven (14%) say they don't like talking about death, and one in ten (11%) say they avoid it because it's a morbid subject.

### **Talking to loved ones**

While more than a third (36%) of people say they don't feel comfortable talking about their legacy, there are some life events that may prompt

people to talk to loved ones about this important subject, such as a health scare (52%), a near-death experience (46%) and getting older (46%).

There are also some people who hold the key to unlocking inheritance conversations. After their partner or spouse (32%), people feel most comfortable talking to their mum (8%) or a financial adviser (8%) in the first instance.

### **Passing on wealth**

Of those who have broached the subject, most (36%) have talked about passing on wealth when they die, a quarter (26%) have discussed Will writing, and one in five (18%) have discussed passing on personal items such as jewellery and photos. One in ten (10%) say they have talked about which belongings they want to give to loved ones while alive.

The research suggests that as people live longer and have healthier lives, many may be torn between the desire to help loved ones while also maintaining their own financial independence. Those who have a plan estimate that 65% of their wealth will be needed to cover their 'cost of living', leaving them able to pass on a quarter (25%) to loved ones in a Will and to share 10% with their family as a 'living legacy' while they are alive.

### **Retirement or later-life care**

Gifting wealth – whether it is money, property or family heirlooms – is important to Britons, with half (45%) hoping to pass on a legacy to loved ones. The research shows that the most common reason over-50s choose to pass on wealth after they have died is because they are worried their loved ones won't have enough money to fund retirement or later-life care (52%). Other reasons include wanting to help family members even if they're not here to see them receive it (47%), and leaving younger family members something to remember them by (26%).

Those over 50 opting for a living legacy are motivated by the thought of being around to watch loved ones benefit from their wealth

(49%) and thinking that younger family members need the money more than they do (23%). One in eight (12%) also see the financial benefits of gifting money while they're alive and plan to do so for tax reasons.

### **Providing financial support**

In fact, more people are stepping in and providing financial support to family members this year, compared to last year. For instance, 59% intend to fund family weddings and deposits for first homes in 2017, compared to 52% of people in 2016<sup>[2]</sup>.

### **5 conversational topics about inheritance to have with your loved ones**

#### **1. The importance of an up-to-date Will**

When you are making a Will, this is a good time to talk to your family about your wishes. The research found just four in ten (40%) of over-55s have an up-to-date and valid Will.

#### **2. Take advantage of the gift allowance**

You can give away £3,000 each year, and this will not be subject to IHT. In addition, parents can gift £5,000 to each child as a wedding gift, while grandparents can give £2,500. However, the research shows one in three people don't know how much you can gift each year without having to pay IHT.

Gifting money regularly throughout the year can be a great way to financially help loved ones, and it can also reduce your IHT liability. Some people will find it hard asking for money, so try and speak to your children and grandchildren to find out if you can help them with something specific, such as a new car or school fees.

#### **3. Let life events help you start a conversation**

The research shows that some life events, such as a health scare, could prompt people to talk to their loved ones about inheritance matters. However, there are some positive events, like a birth in the family or getting married, that can also make people evaluate their plans. Use these opportunities as a way of talking to relatives about how you would like to pass on your wealth.

#### **4. Talk about later-life care**

Social care is a much-talked-about topic, and many people are worried about how they will



pay for care when they get older. As a result, people may be starting to plan for this earlier than previous generations. It's important to talk to your family about the care you want so they stay true to your wishes. This could be the perfect time to introduce the subject of inheritance, as estate planning and later-life care go hand in hand.

### 5. Talk about family heirlooms

If you find it hard to approach the subject of estate planning with your family, then a good place to start could be talking about family heirlooms. People love to hear stories about older relatives, even if they never had the chance to meet them. Talking about items that are important to you or were important to other family members can be a great way to start a conversation about estate planning. ◀

#### Looking to secure more of your wealth for your loved ones?

Planning for what will happen after your death can make the lives of your loved ones much easier. To discuss putting in place an estate plan to reduce or mitigate Inheritance Tax, please contact us – don't leave it to chance.

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

#### Source data:

[1] Brewin Dolphin

[2] YouGov surveyed 10,951 UK adults online between 10 and 16 August 2016

## Key Action Points

### Joint tenants or tenants in common?

- How you own your property can have a significant impact on the legacy you leave and the IHT your heirs have to pay. Joint tenants own equal shares in a property. If you die, the other owner automatically inherits your share of the property. This overrides anything you say in your Will, so you cannot leave your share of the property to anyone else
- If you want to be able to leave your share of joint asset to someone else, you should seek professional advice on whether tenants in common is appropriate, and the alternative options for your estate if not

### Pensions as an estate planning tool

- Pensions are one of the most tax-efficient ways to pass on your wealth
- If you die before the age of 75, benefits left in a money purchase pension can be paid as a lump sum or income to any beneficiaries, with absolutely no tax to pay. After age 75, benefits will be taxed at the beneficiaries' marginal Income Tax rate
- Your beneficiaries get to choose how they take the benefits
- You should seek advice to make sure you are making use of the allowances available to pay money into a pension. Alternatively, you should consider and seek advice on the best ways to structure your retirement plans so that you can preserve the IHT-friendly pension funds

### More complicated planning

Once you have explored simpler forms of planning, you may want to consider more complex schemes that can be very effective in reducing an IHT bill:

- Using trusts as a tool to pass wealth down the generations
- Using life insurance as a cost-effective IHT planning tool
- Investing in small companies\* – tax relief is available to encourage investment in certain small and growing unquoted UK enterprises, but such businesses are extremely high risk

*\*These are generally considered higher-risk investments and may not be considered suitable for all types of investors. You could lose some or all of your capital.*



# Get 'wrapped' up

*Autonomy to make your own investment decisions*

## SOME PEOPLE DON'T WANT A PENSION COMPANY DECIDING HOW THEIR PENSION SAVINGS ARE INVESTED

– THEY WANT TO CONTROL WHERE THEIR MONEY GOES AND HOW IT GROWS. FOR PEOPLE WANTING TO HAVE AUTONOMY TO MAKE THEIR OWN INVESTMENT DECISIONS WITH THEIR RETIREMENT SAVINGS, A SELF-INVESTED PERSONAL PENSION (SIPP) MAY BE AN ALTERNATIVE SOLUTION.

A SIPP is a type of pension called a 'defined contribution pension' that allows you access to a wider choice of investments when it comes to saving for your retirement. It works in a similar way to a standard personal pension. The main difference is that with a SIPP 'wrapper', you have more flexibility with the investments you can choose.

### More flexibility

The new pension freedoms introduced in 2015 mean from age 55 (increasing to 57 from 2028), you can take money out of your pension, normally 25% of which is tax-free and the rest as income, which will be subject to Income Tax.

You can choose what investments you want to put your savings into, and keep control of your savings. A SIPP can also be suitable if you want to consolidate all of your pensions into one pot before you retire, or if you want to keep your money invested after you retire so that you can draw down an income from it.

### Investment options

If you are looking to put yourself in control of your financial future and give yourself the freedom to select the investments you think will deliver the best returns, these are some of your investment options:

- Stocks and shares
- Investment trusts listed on any stock exchange
- UK government bonds, plus bonds issued by foreign governments
- Open-ended investment companies which are recognised by the Financial Conduct Authority
- Gilts and bonds
- Exchange-traded funds traded on the London Stock Exchange or other European markets

- Bank deposit accounts including non-sterling accounts
- Commercial property
- Real estate investment trusts listed on any stock exchange
- Offshore funds

### Tax facts

A SIPP benefits from the normal tax relief available to pensions. To add £100 to your pension, you pay in £80, and HM Revenue & Customs will add basic-rate tax relief at 20%. If you pay higher or top-rate tax, you can claim back the remaining tax relief through your tax return, meaning you can benefit from up to 45% tax relief. If you own commercial premises, SIPPs can offer valuable tax relief.

You can 'sell' your premises to the SIPP and free up funds to reinvest, and there are also Inheritance Tax benefits. They can also be set up under trust, meaning that it separates the legal ownership of your pension assets from your other non-pension assets. This means the fund on your death can normally be paid to a beneficiary without incurring Inheritance Tax. If you die before age 75, there is generally no Income Tax liability on any money your beneficiaries take out of the pension they inherit. However, if you die after age 75, your beneficiaries will pay Income Tax on any money they take out.

### Experience counts

SIPPs may be appropriate if you have experience of investing and are completely comfortable making your own investment decisions. Some investments that you can place in a SIPP may be risky and not suitable for you.

If you don't have experience, a stakeholder or personal pension may be more suitable for you. You may have a more limited choice of

investments, but you could choose a fund that has a range of assets in it, rather than picking your own. SIPPs can also be more expensive, and their charges could eat into your returns if you only have a small amount invested. That's why SIPPs are more suitable for people with larger amounts of savings. ◀

### Creating a vision of your ideal retirement

We can help you create a vision of your ideal retirement and calculate how much money you'll need to fund it. It's essential to obtain professional financial advice before you make any decisions. To discuss your retirement requirements, please contact us.

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.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

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The background of the advertisement is a composite image. On the left, there is a blue-tinted world map. Overlaid on the map and extending to the right is a financial candlestick chart with various numerical values. The years 2014, 2015, and 2016 are prominently displayed in large, semi-transparent white font. On the far left, a large, stylized white dollar sign (\$) is visible. The overall color scheme transitions from blue on the left to orange and yellow on the right.

# 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.**

# SAVINGS BLACK HOLE

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*Inflation set to erode Britain's  
£60 billion cash savings*

**MILLIONS OF BRITONS COULD SEE THEIR SAVINGS SHRINK, AS THEY DON'T KNOW HOW TO SHIELD THEM FROM THE THREAT OF RISING INFLATION.** CURRENTLY, UK SAVERS ARE HOARDING OVER £60 BILLION<sup>(1)</sup> IN CASH FOR LONG-TERM SAVINGS AND INVESTMENTS, WHICH STANDS TO BE ERODED BY £1.5 BILLION THIS YEAR AS A RESULT OF HIGHER INFLATION.





Inflation has seen this savings mountain eroded by £760 million so far this year. If inflation were to continue at the 2017 average (2.4%), another £760 million could be lost between now and the end of the year<sup>[2]</sup>.

### The result of inflation

According to BlackRock's Investor Pulse survey, polling 4,000 people in the UK, savers typically have £8,700 in cash, of which a quarter (£2,270) is set aside for long-term savings and investments. Of this pot, they stand to lose £55 this year as a result of inflation<sup>[3]</sup>.

Britons believe their cash savings stand to be worth even less, with three quarters of people predicting that inflation is set to rise further in the next 12 months. Inflation compounded over 20 years would see the £2,270 pot that Britons have set aside for long-term savings and investments depleted by over a third (£870) per person, amounting to over £20 billion for the nation<sup>[4]</sup>.

### Taking the leap from cash

There is still however an emotional barrier that stops us from taking the leap out of cash and into investing. If UK savers had invested their £2,270 pot of cash in the FTSE All Share over the last 20 years, it would be worth £8,350 today. Even if they were to have invested a quarter of their pot in the FTSE All Share, they would still be £1,525 better off<sup>[5]</sup>.

While we all struggle to make plans 20 or 30 years ahead, resigning all our money to cash is not the answer. We are approaching a decade of record low interest rates, which have been giving us little to no return on our money. We have to decide whether we are prepared to watch our money erode away, or try and grow our savings through investing.

### Most exposed to inflation

The Pinched are a particularly vulnerable group of 16.5 million people in the UK with savings who will be worst hit by the rising cost of living, as they have no intention of moving any or any more of their money into investments. The Pinched are least likely to feel in control of their financial futures, and only one in five feel knowledgeable about investing.

Their dependency on cash is largely driven by their need to have quick access to their money (34%). Three in ten believe that the amount of cash they have is too small an amount to be worth investing, while a further three in ten prefer to keep their money in cash to act as a safety net (28%).

### Reluctance to move savings

There are a further eight million savers in the UK who are committed to staying in cash, saying that they have decided now is not the right time to be moving any more of their savings out of cash.

The Pausers' reluctance to move any or any more of their savings out of cash has largely been driven by

worries about market volatility (32%), and compounded by their nervousness about investing (25%). A guarantee that their capital is protected is the greatest incentive for them to take any further money out of cash and into an investment.

### Higher risks for higher returns

The survey identifies three million savers in the UK who are most likely to beat the battle with inflation. This group has seriously considered moving some of their money out of cash and plan to do so in the next six months.

The Planners say that low savings rates and their fundamental belief that returns on investing are better over the long term are the main reasons why they are planning to move their savings out of cash. Of the three groups, the Planners are the most confident about their financial future (72%). Six in ten say they are knowledgeable about investing (58%) – the highest proportion of the three groups – and they are willing to take on higher risks for higher returns. ◀

#### Source data:

*Investor Pulse Survey – BlackRock's Global Investor Pulse Survey examines investing and attitudes and behaviours across the world. The 2017 survey included 28,000 respondents in 18 countries. The UK sample included 4,000 respondents between the ages of 25–74. Survey conducted in Q1 2017.*

[1] Total median cash holding: survey population of 27.5m x £2,270. June 2017

[2] Average UK CPI inflation level for 2017 (2.43%) / 2.43% as a percentage of total median cash holding

[3] 2.43% as a percentage of individual median cash level

[4] [www.buyupside.com/calculators/inflationjan08.htm](http://www.buyupside.com/calculators/inflationjan08.htm) – annual inflation rate of 2.43%, June 2017

[5] BlackRock: FTSE All Share 31/12/1996 – 30/12/2016

### Making your money work harder

It's important to set aside money for the future and protect it from inflation, whether it's a rainy day fund to cover unexpected events or for longer-term goals. Whatever your financial goals may be, we can help make it easier for you to invest. To find out more about investing, please contact us.

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# Buy-to-let

*Boom to be sustained by pension freedoms*



**IN THE PREVIOUS FIVE YEARS, BUY-TO-LET HAS SEEN THE IMPACT OF HUGE PROPERTY PRICE INCREASES.** THERE HAVE BEEN LEGISLATIVE CHANGES, NEW TAX TREATMENT AND DEEP ECONOMIC UNCERTAINTY ACROSS THE COUNTRY.

New research reveals that it's the over-50s who will help keep the buy-to-let market buoyant, with one in ten people (13%) aged 50 or over<sup>[1]</sup> likely to invest in property after they retire. This could create 1.3 million landlords<sup>[2]</sup> who consider property a safe bet when the time comes to access their pension wealth.

## Boosting income in retirement

Key reasons for considering buy-to-let include the prospect of capital growth, as well as providing a regular income (50%) or to boost income in retirement (44%). A third of the over-50s (36%) think property is a safer place for their money than investing in stocks and shares. A similar number of people (35%) also think it provides better returns than leaving the money in their pension or putting it in the bank.

Some over-50s (22%) have already experienced success at being a landlord, while 18% said they were interested in residential property and would enjoy the process of rental management.

## Withdrawing significant cash sums

There are a number of things to consider before embarking on a career as a landlord. First and foremost, a pension is designed to provide an income in retirement, which is

usually done either through drawdown or an annuity. People will need to think long and hard before withdrawing significant sums of cash from their pension, as any withdrawal over the first 25% is subject to Income Tax.

If your main priority is to generate an income, then the rental yield from the property may not provide the income you expect. Don't forget you will also have to manage the property, or pay someone to do this on your behalf.

## Diversified investment portfolio

With most people's main asset being their home, the old adage of having all of your eggs in one basket has never been truer when it comes to pensions and property. A diversified investment portfolio is more likely to deliver the retirement outcome you planned.

Ultimately, the choice of whether or not to invest in a buy-to-let property or portfolio depends on your goals. It's worth remembering that there is a consensus that the private rented sector will grow, in whatever form, very significantly. A recent survey from Knight Frank suggests that as many as one in four Britons will be renting by 2021. If you think strategically, buy-to-let could therefore still represent an appropriate investment opportunity. ◀

## Creating a durable wealth management strategy

If you are contemplating using some or all of your pension pot under the new pension freedoms rules to enter the buy-to-let sector, there may be significant tax implications if you take too much of your savings in one go. Obtaining professional financial advice is essential to avoiding any potential tax implications. Whether you're planning for retirement or looking to grow your wealth, we'll help you design a durable wealth management strategy – please contact us to review your situation.

### Source data:

[1] Research was conducted by Censuswide between 28/06/2017 and 29/06/2017. Online interviews were conducted among 1,005 people aged 50 and over, yet to retire, who have some form of private pension savings.

[2] Retirement Advantage calculation using ONS population data of over-50s.

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# 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.**

# Bank of Mum and Dad

*The UK's most lenient lender?*

**THE BANK OF MUM AND DAD IS POTENTIALLY THE UK'S MOST LENIENT LENDER.** ITS RELAXED APPROACH MEANS IT ENDS UP WRITING OFF HUGE NUMBERS OF LOANS EACH YEAR, ACCORDING TO NEW RESEARCH<sup>[1]</sup>.

**R**emarkably, every one of the more than 1,000 parents interviewed said they had already loaned money to their children or grandchildren to cover major financial commitments, or hoped to do so in the future. But there is a risk that their generosity will come at a cost to their own financial futures – one in five (19%) said they had taken money out of their pension fund or sacrificed saving into their pension to help their children.

## Short of money for emergencies

Others have had to cut back themselves as a result, with one in five (19%) saying they've had to go without certain things, while one in ten admit they have ended up being short of money for emergencies since giving the loan to a family member.

However, despite the potential costs to their own finances, nearly six out of ten (59%) of those who have lent money to their offspring have subsequently decided to write off some or all of the debt – with a generous one in three (34%) having written off the whole lot.

## Onerous terms and conditions

Part of the reason could be that more often than not, applying for a loan at the Bank of Mum and Dad doesn't involve any onerous terms

and conditions – 75% of parents who have loaned money did not impose any conditions or specific repayment terms on their loans, despite the fact that more than three quarters (77%) of them initially expected to be repaid in full.

Just one in seven (14%) lent the money with an agreement of fixed monthly repayments, and only 8% put a written repayment agreement in place. However, one in fourteen creditor parents (7%) take a tough line and have a written agreement in place specifying exactly what the loaned money should be spent on.

## Lending money their children can't repay

In another sign that the Bank of Mum and Dad is happy to write risky loans to their families, many parents admit to lending money their children can't repay. Of those who have written off some or all of their loans, two in five (41%) did so because their child simply couldn't afford to pay them back, while one in seven (15%) said their child never had any intention of repaying them at all.

Whether it's helping with a deposit to buy or rent a house, or clearing student debt, the Bank of Mum and Dad plays a vital role in the finances of younger people.

However, it is important that parents remember to consider their own futures when deciding on making loans to their families – for example, money taken now from savings and investments intended to provide for retirement could make a real dent in your income when the time comes to give up work, especially if you eventually have to write off all or some of the loan.

## Generous amount of time to pay off their loans

The research also revealed that those parents who do expect to be repaid are giving their children a generous amount of time to pay off their loans. Nearly one in three (31%) expect repayments to take up to three years, and one in six (16%) expect to wait between three and ten years before the money is back in their accounts.

If you are considering dipping into your pension savings or stopping saving altogether to give or loan money to your children or grandchildren, you should first obtain professional financial advice before making any decisions. Pension saving is for the long term and, for most people, is most effective when you save as much as possible for as long as possible during your working lives. ◀

## Source data:

[1] Research conducted by Consumer Intelligence on behalf of Prudential between 20 and 21 July 2017 among 1,057 parents.







# Balancing act

*You've worked hard for your money – now investing can get your money working harder for you*

**BEFORE INVESTING, YOU NEED TO DECIDE** HOW MUCH RISK YOU ARE WILLING TO TAKE AND CONSIDER YOUR ABILITY TO DEAL WITH ANY LOSSES. SOME INVESTORS ARE HAPPY TO TAKE HIGHER RISK IF THERE IS A CHANCE FOR HIGHER RETURNS OVER THE LONGER TERM, WHILE OTHERS DON'T WANT TO ACCEPT ANY RISK. OTHERS MAY SIT SOMEWHERE IN THE MIDDLE. THE VALUE OF INVESTMENTS CAN GO DOWN AS WELL AS UP, AND SO THERE IS ALWAYS A RISK THAT YOU MAY NOT GET BACK THE AMOUNT YOU PUT IN.

**W**hether you decide to save or invest your money will depend on your financial goals and attitude to risk. If your financial goals are shorter term, such as saving for a car or holiday, you will be unlikely to want to take any risk with your money and might prefer to keep it in a savings account. If you have a longer-term goal, you may be willing to accept the risks of investing in exchange for the potential for better returns.

## Could I manage if my investment fell in value?

Think about whether you could afford to lose your money or manage financially if your investments fell in value. Would your lifestyle be impacted? Are others financially dependent on you, and how would they be impacted? Your own financial situation will impact how you feel about this and how much of your money you are investing.

## What is my attitude to risk?

Whilst most investments carry the risk that you may not get back the amount you invested,

some types of investments carry more risk than others. The general rule of thumb is that the more risk you take, the greater the potential return – but also the greater the potential loss. The less risk you take will generally reduce potential losses but offer less potential returns.

When you invest, the value of your investment will fluctuate. Some investors are comfortable with the value of their investment going up and down over time, while others may prefer to see less or no fluctuations. You need to be happy with the level of risk you are taking.

## How do I understand investment risk?

Trying to understand and decide on the level of risk you are willing to take with your investment can be a difficult task. Understanding some of the risks that an investment could be exposed to could help you assess how much risk you are willing to take. Growth from your investment cannot be achieved without exposure to some risk.

Some investment funds are more risky than others, so how do you decide which

investments are most appropriate for you based on how much risk you are willing to take with your money? One way of balancing potential returns whilst limiting investment risk is to spread your money across different types of investment. This is called 'diversification' and is an investment concept meaning that you avoid putting all your eggs in one basket. ◀

## Get your money working harder for you

Does it feel like your savings aren't earning as much as you'd like? You've worked hard for your money – now investing can get your money working harder for you. We believe you'll be better off having the best information to hand to make investment decisions. To review your investment objectives, please call us to arrange a meeting.

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# 'Empty nesters' plan to downsize

## *Convenience rather than cash is the biggest motivation*

**THERE ARE PLENTY OF REASONS** WHY MOVING INTO A SMALLER HOME MAKES SENSE, AND MORE THAN 3.9 MILLION OVER-55 'EMPTY-NESTERS' APPROACHING RETIREMENT ARE PLANNING TO DOWNSIZE TO A CHEAPER PROPERTY LATER IN LIFE<sup>[1]</sup> – BUT IT IS CONVENIENCE RATHER THAN THE CASH THAT IS THEIR BIGGEST MOTIVATION.

The nationwide study found nearly half (47%) of over-55 homeowners are planning to sell and move to cheaper homes in later life. On average, they expect to raise around £112,000 in equity by downsizing with around one in ten (11%) expecting to make more than £200,000. In fact, more than one in seven (13%) said they could not afford to retire unless they downsized.

### **Not all about the money**

However, it is not all about the money – the main reason for downsizing is the convenience of running a smaller home in retirement. Nearly three quarters (74%) rated convenience as their main reason for downsizing compared with just 28% who said they were doing so mainly to release cash for retirement. Meanwhile, just over one in three (34%) said having a smaller garden was a major motivation.

However, worries about a shortage of homes suitable for retirement, fees and high property prices are the major reasons deterring some older homeowners from downsizing, the study found.

### **Lack of suitable available housing**

A lack of suitable available housing is the main reason over-55s believe downsizing is not more popular – nearly four in ten (38%) blame the lack of suitable houses, while 24% blamed the cost of moving in terms of stamp duty, solicitors and estate agents, and 17% say high house prices put people off.

Of those who expect to raise money from downsizing, 60% will use it to boost their retirement funds and improve their standard of living. Nearly half (47%) will use the cash for travelling more, while 13% want to release equity to help their children buy a house, and 14% will simply give the cash to their children. ◀

### **Considering making major financial decisions?**

The results highlight the fact that many people are worried that the costs involved in moving house may eat into the equity they'll be able to take from their home. If you are considering making major financial decisions in the run-up to retirement, such as selling your home, you should obtain professional financial advice for guidance on your pension options. Please talk to us.

### **Source data:**

Research conducted by Consumer Intelligence on behalf of Prudential between 22 to 23 August 2017 among 1,092 homeowners aged 50+

[1] Estimate based on English Housing Survey showing 7.725 million homeowners aged 55+ in England and Wales ([www.gov.uk/government/statistics/english-housing-survey-2015-to-2016-headline-report](http://www.gov.uk/government/statistics/english-housing-survey-2015-to-2016-headline-report)), National Records of Scotland figures showing 1.04 million households with 55+ heads of households ([www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/households/household-projections/archive/1998-based-household-projections/tables#table4](http://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/households/household-projections/archive/1998-based-household-projections/tables#table4)), and home ownership rate of 58% in Scotland ([www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/TrendTenure](http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/TrendTenure))





A scenic photograph of a traditional thatched-roof hut built on stilts over clear, turquoise water. The hut has a steep, conical roof made of dried palm fronds. A wooden deck with a railing surrounds the hut, and a set of stairs leads down to the water. The water is crystal clear, showing the sandy bottom and some rocks. The sky is bright blue with a few white clouds. In the background, a small island with green vegetation is visible on the horizon.

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# Are you ready to invest?

## *5 reasons to open a Stocks & Shares ISA*

**WHATEVER YOU'RE PUTTING MONEY ASIDE FOR, THERE'S LIKELY TO BE A ROLE FOR INDIVIDUAL SAVING ACCOUNTS (OR 'ISAS').** LOW INTEREST RATES ON CASH SAVINGS SINCE THE FINANCIAL CRISIS HAVE MEANT THAT MANY SAVERS HAVE TURNED TO THE MARKETS IN THE HOPE OF ACHIEVING A BETTER RETURN.

**A**lthough investing means taking risks with your money, this is not necessarily a bad thing – more risk could mean better returns. But if you are going to invest, you need to be prepared for the fact that you could lose some, or even all, of your savings.

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.

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.

### **1. Inflation can be the enemy of cash savings**

One of the appeals of cash savings is that you can access them when you want. Your interest is also generally fixed, so their value won't swing up and down like share prices can. 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.

However, 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.

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.

### **2. Diversify your assets**

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.

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.

### **3. Protect your investments from tax**

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.

### **4. ISA portfolios can be flexible**

Professional fund managers are constantly preparing for and reacting to changing market conditions, adjusting their portfolios accordingly. Your circumstances – and attitude towards investment risk – 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.

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.

### **5. Investing might be easier than you think**

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 number of different approaches to investing, each with their own risk and return profiles.

It's important to consider obtaining professional financial advice to help you establish an investment approach that is right for you. ◀

### **Much greater potential for growth**

If you invest your money, you have much greater potential for growth than you do if you leave your money in a savings account. In the current economic climate, with interest rates still around record lows, you could be losing out by keeping your money in a savings account because inflation will eat into your returns, meaning you could lose money in real terms. To find out more about your investment options, please contact us.

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

# Retirement delays

## *Access to health and well-being support in the workplace*

**THERE IS NOW A CLEAR TREND OF PEOPLE WORKING FOR LONGER AND DELAYING THEIR RETIREMENT.** ALTHOUGH SOME ARE STAYING IN WORK OUT OF FINANCIAL NECESSITY, OTHERS WANT TO KEEP WORKING BECAUSE THEY VALUE THE MENTAL AND SOCIAL STIMULATION THEIR JOB BRINGS.



One of the primary concerns people have about working beyond their 50s is the impact this could have on their health, or whether any health concerns might prevent them from working.

### **Access to health and well-being support**

Although it's hard to predict what the future might bring, having access to health and well-being support in the workplace can help minimise the impact health problems have on people's ability to work. Flexible working options and reduced responsibilities are also a way of ensuring those with developing health concerns can remain in the workforce.

More than five million workers over the age of 50<sup>[1]</sup> are concerned that health issues will prevent them from prolonging their working lives. Half (55%) admit to fearing that work will become detrimental to their health, or they might not be well enough to keep working, including 13% who say this is already an issue for them.

### **Advice and initiatives in the workplace**

Fewer than one in five (17%) over-50s workers say they have access to well-being advice and initiatives in the workplace which could help prevent health issues from impacting their careers.

While the research suggests the average over-50 worker expects to retire completely at 66, many intend to work into their late 60s and

beyond. Nearly half (48%) now expect to work past the age of 65 – the former Default Retirement Age – including nearly one in four (23%) who plan to work beyond 70, and 13% who do not expect to ever retire fully. Two in five (41%) don't know when they'll be able to retire fully.

### **Older employees already expect to retire later**

Many older employees already expect to retire later than they planned to at a younger age. Among those who know when they expect to retire<sup>[2]</sup>, three in five (62%, or 3.6 million people) say their expected retirement age is older than they thought it would be ten years ago. In 2010, the average retirement age for men and women was 65 and 62 respectively<sup>[3]</sup>. The research suggests the average expected retirement age for both men and women in 2017 is 66.

Those retiring later than planned are partly doing so out of financial necessity. Two in five (43%) do not have enough in their pension savings to retire when they wanted to, and 32% say the cost of living means they cannot afford to stop working.

### **Enjoying the mental stimulation of their job**

However, a third (34%) choose to keep working, as they enjoy the mental stimulation of their job, and more than one in four (27%) would be lonely without the social interaction.

Another factor which could prevent over-50s workers from working as they age is a lack of employer support – only 14% feel their workplace culture is positive towards older workers.

### **Employer views on older workers limit their future work prospects**

More than a quarter (27%) say their employer values the youth and vitality of younger employees above their experience and knowledge, while one in five (19%) say their employer's views on older workers limit their future work prospects.

Almost one in four (22%) over-50s workers – or 2.2 million people – worry their jobs won't suit their needs as long as they need it to. This could partly be due to a lack of appropriate workplace support for older workers.

### **Positive workplace culture for older workers**

The most important forms of workplace support for workers over the age of 50 are a positive workplace culture for older workers (valued by 47%), reduced working hours or part-time working/job sharing (33%), and career flexibility such as reduced responsibilities or a job description change (29%). However, not all over-50s workers are currently able to access these forms of support, with just 11% able to negotiate career flexibility.

One in ten (10%) say new skills training is important for workers over the age of 50, suggesting workplace support is also needed to help older workers continue growing in their careers. A quarter (24%) of over-50s workers agree opportunities for career progression is an important part of working life at their age. ◀

### **Source data:**

*The Real Retirement Report is designed and produced by Aviva in consultation with ICM Research and Instinctif Partners. The Real Retirement tracking series has been running since 2010 and totals 29,568 interviews among the population over the age of 55 years, including 1,177 in July 2017 for the latest wave of tracking data (Q2 2017). This edition examines data from 3,327 UK adults aged 50 and over, of whom 1,829 are still working.*

*[1] ONS Table A05: Labour market by age group: People by economic activity and age (seasonally adjusted). There are 9,934,000 workers aged 50 and above*

*[2] Representing 59% of over-50s workers, or 5,861,060 people*

*[3] ONS Pension Trends – Chapter 4: The Labour Market and Retirement, 2013 Edition*

# Priceless education

*Choosing an independent school is a serious investment*

**PARENTS OR GRANDPARENTS WISHING TO GIVE THEIR CHILDREN OR GRANDCHILDREN THE BENEFIT OF AN INDEPENDENT EDUCATION FACE STARTLING COSTS.** THIS IS FOLLOWED AFTER SCHOOL BY THE COSTS OF A UNIVERSITY EDUCATION, WHICH ARE ALSO CONSIDERABLE. HOWEVER, WITH CAREFUL PLANNING, IT MAY BE POSSIBLE TO AVOID A HUGE OUTSTANDING STUDENT LOAN OR TAX BURDEN.

Choosing an independent school is a serious investment. Recent figures show that average boarding school fees stand at over £30,000 a year, with day-only attendance costing more than £17,000. These fees continue to rise, last year increasing by 3.5% compared to 2015<sup>[1]</sup>.

## Financial sacrifice for many parents

The overall cost for just one child can end up being about the same as buying an average home in the UK. That's a massive financial sacrifice for many parents, leading them to wonder if it's better to pay for their child's education or save the money to help them onto the property ladder later in life. In any case, without planning ahead, the cost can be a huge money sink or lead to further borrowing.

There are a number of simple strategies to consider. The first option to consider is likely to be Individual Savings Accounts (or 'ISAs'), along with directly held investments in the parents' own name. This means that they will keep the right to access capital at any point with little or no tax liability through the ISA. In addition, the directly held portfolio can be

used to take annual gains tax-free if within the Capital Gains Tax (CGT) allowance (£11,300 for the 2017/18 tax year).

## Deferred rather than extinguished

Once ISA and CGT allowances have been used, further capital could be held via an investment bond. This allows a portfolio to be invested and offers the facility for 5% per annum to be drawn on a tax-deferred basis (deferred rather than extinguished), which can be particularly useful when it comes to paying annual school fees.

Investment bonds offer UK resident individuals a number of attractive benefits. The allowance is tax deferred, rather than 'tax-free'. If the 5% withdrawal allowance is not taken in any policy year, the unused allowance can be carried forward on a cumulative basis. If a withdrawal is taken which is over the 5% cumulative allowance, the excess is added to the policyholder's other taxable income and taxed as savings income in the tax year in which the policy year end falls. On the final policy encashment, all previous withdrawals are accounted for when calculating the overall policy gain.

## Reduce the tax liability on any excess

Top slicing relief may reduce the tax liability on any excess, but any withdrawals in excess of the 5% annual allowance should be discussed with us to find the most tax-efficient way to do this. ◀

## Hefty price tag

When it comes to our children, a good education is priceless – but sending them to an independent school comes with a hefty price tag. If you are planning on giving your children or grandchildren a start in life by planning for their education, we can discuss with you the various options available. To find out more, please contact us.

## Source data:

[1] *Independent Schools Council, annual census 2017*

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