CHAMPAIN

FINANCIAL SERVICES

JANUARY/FEBRUARY 2021

NEW YEAR, NEW START TO YOUR FINANCES

TAKING TIME TO UNDERSTAND YOUR FINANCIAL PLANS WILL REALLY PAY OFF

DON'T MISS THE ISA DEADLINE
Saving and investing for a future that matters. Yours.

TAX SAVING OPPORTUNITIES
It's time to identify, plan for and potentially mitigate your tax burdens

WHY CASH MAY NOT BE KING
How much of your wealth do you currently hold in cash?

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INSIDE THIS ISSUE

Welcome to our first edition for 2021. In a year of renewal, hopefully we'll see a world that is steadily returning to normal, while also rapidly accelerating into a transformed future.

Although lockdown restrictions will ease, the coronavirus (COVID-19) pandemic will continue to impact on our lives in many ways. Where will we be in six months, a year, ten years from now? One thing is certain, COVID-19 has reshaped all of our futures.

This global pandemic created overwhelming anxiety. Many people are anxious not just about the virus, but the resulting financial pressure and uncertainty. Getting our financial life in order will be a top priority for many as we enter 2021. On page 06 we focus on two key areas: goals related to being prepared for the unexpected this year, and those related to what you want to be different at the end of the year.

There are many ways that you can save or invest. Individual Savings Accounts (ISAs) are an incredibly effective means of shielding your money from both Capital Gains Tax and Income Tax. To utilise your ISA allowance, you should make use of it before the deadline at midnight on Monday 5 April 2021. The date marks the end of the 2020/21 tax year. Read the full article on page 08.

The Government has spent hundreds of billions on measures to support businesses and jobs, and fight the coronavirus pandemic. But how will it pay for these? We won't know what the extent of the final bill will be until long after the crisis is over. While the Chancellor is looking to reduce the tax gap, there are nonetheless still opportunities to review your financial arrangements for saving tax throughout the tax year. Find out what to consider on page 10.

A full list of the articles featured in this issue appears opposite.

TIME TO REASSESS HOW TO RESHAPE YOUR PERSONAL FINANCIAL JOURNEY?

The start of a new year is the perfect time to reassess how to reshape your personal financial journey. Whatever your circumstances and needs, we're here to listen to your future plans and support you in achieving them. We look forward to hearing from you.

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

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

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WEALTH NEEDS MANAGING – NOW MORE THAN EVER

ACHIEVING YOUR FINANCIAL GOALS THROUGH INVESTING, AND ONE SIZE DOES NOT FIT ALL

Even as we hope to put the coronavirus (COVID-19) pandemic in the rearview mirror in 2021, uncertainty regarding both the virus and Brexit is likely to continue to weigh on the UK and global economies as well as on our personal finances during this year.

While we hope volatility is less elevated this year, financial markets and the economy could still remain at the mercy of COVID-19 developments.

SETTING SPECIFIC INVESTMENT GOALS IS KEY

Understandably investment volatility can make it easy to focus on the short term and those temporary peaks and troughs. Setting your specific investment goals is important to keep you focused when you need it and will enable you to build a portfolio to get you where you want to be. Investment strategies should include a combination of various investment and fund types in order to obtain a balanced approach to risk and return. Maintaining a balanced approach is usually key to the chances of achieving your investment goals, while bearing in mind that at some point you will want access to your money.

MARKET FACTORS THAT DETERMINE VOLATILITY

Market volatility can be nerve-racking, even for the most seasoned investors. Many different factors can impact market volatility, sending values of investments in either direction. Some of the most common factors that determine the volatility of the market include investor concern, political events, natural disasters and major events in foreign markets. But it's important to keep matters in perspective. Avoid making rash decisions and focus on your long-term goals. Keep investing as you normally would. Also don't attempt to pick the market bottom or the turnaround to jump in. Fight the impulse to think you can.

RIDING OUT THE MARKET UPS AND DOWNS

Investments don't always go in a straight line – they have the potential to react and recover from short-term market events. Rather than looking at short-term volatility, it pays to look at the bigger picture. Over the long term, investments will usually deliver returns that allow you to grow your wealth. Looking at a twelve-month snapshot of your investment portfolio may show that investments have underperformed but look back over the last five or ten years, and you'll hopefully be on track.

TOLERANCE FOR RISK

One of the first steps in developing an investment strategy is to identify your tolerance for risk as an investor, referred to as your 'risk profile'.
Every investor has a different risk tolerance with regard to their investment selections. Making investment decisions can depend on your personality as well as the goals you are investing towards. Weighing up the level of risk you're willing to be exposed to can be challenging. Whether you're reviewing your pension or building a personal investment portfolio, balancing risk is a crucial part of the process.

WELL-ALLOCATED INVESTMENT PORTFOLIO ASSET CLASSES

During volatile times, asset classes such as stocks tend to fluctuate more, while lower-risk assets such as bonds or cash tend to be more stable. By allocating your investments among these different asset classes, you can help smooth out the short-term ups and downs. Portfolio diversification may reduce the amount of volatility you experience by simultaneously spreading market risk across many different asset classes. By investing in several asset classes, you may improve your chances of participating in market gains and lessen the impact of poorly performing asset categories on your overall portfolio returns.

DIVERSIFICATION TO PROTECT AND GROW INVESTMENTS

Diversify, diversify, diversify – in other words, 'don't put all your eggs in one basket' – is sage investing advice. In addition to diversifying your portfolio by asset class, you should also diversify by sector, size (market cap) and style (for example, growth versus value). Why? Because different sectors, sizes and styles take turns outperforming one another. By diversifying your holdings according to these parameters, you can smooth out short-term performance fluctuations and mitigate the impact of shifting economic conditions on your portfolio. ■

TIME TO REACH YOUR FINANCIAL GOALS?

There's always a purpose behind financial investments. What's yours? For many of us, building a nest egg feels like a natural thing to do. Perhaps it's performance. Or preserving your wealth for the next generation. Or maybe you want your investments to reflect your values. What's important is that you understand your situation and your financial goals. To discuss accessible ways of investing that could help you make your money work harder, please contact us.

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THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, AND YOU MAY NOT GET BACK THE FULL AMOUNT YOU INVESTED.

INVESTMENTS SHOULD BE CONSIDERED OVER THE LONGER TERM AND SHOULD FIT IN WITH YOUR OVERALL ATTITUDE TO RISK AND FINANCIAL CIRCUMSTANCES.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

/// 97% OF CAPITAL GAINS TAX REVENUE IS PAID BY OVER-35S, WITH MOST PEOPLE CAUGHT BY THE TAX IN THEIR 50S AND 60S

TAXING TIMES ON THE HORIZON!

ARE YOU PROTECTED AGAINST FUTURE CAPITAL GAINS TAX RISES?

It is almost inevitable that taxes will have to rise to help meet the potential £391 billion bill the Government has racked up in supporting the British economy through the coronavirus (COVID-19) pandemic. The Office of Tax Simplification (OTS) published a report[1] in November 2020 outlining the policy design and principles underpinning Capital Gains Tax (CGT).

The OTS acknowledged the consultation has been produced in a shorter timeframe and this hints that change to CGT will be on the cards as the Government looks to counteract the escalating deficit caused by the COVID-19 pandemic.

RAISING REVENUES

In July 2020, the Chancellor of the Exchequer, Rishi Sunak, asked the OTS to carry out a review of CGT. Mr Sunak asked for a review of its use in 'the acquisition and disposal of property' and 'the practical operation of principal private residence relief'. This suggests that reform could be on the cards.

Above an annual exemption of £12,300 (2020/21), CGT is charged on gains at 10% for basic rate taxpayers and 20% for higher and additional rate taxpayers. This rises to 18% and 28% respectively where the gains relate to residential property. Income Tax is charged at a basic rate of 20%, rising to 40% and 45% for higher and additional rate taxpayers.

According to the OTS, 97% of CGT tax revenue is paid by over 35s, with most people caught by the tax in their 50s and 60s. It means that raising additional revenues can be positioned as a tax on those with the broadest shoulders.

Conditions associated with Capital Gains Tax include the following:

- You can carry forward losses from previous years
- Capital Gains Tax arises on disposal of an asset – normally on sale, but gifts, insurance claims or compensation for losses can be chargeable disposals
- The value of the gain is normally the amount you receive, but gifts and certain sales may be valued at the open market value
- Capital Gains Tax is not normally payable on death

REFORMS PACKAGE

The OTS has suggested a package of reforms, some of which are tweaks around the edges that will be relatively quick wins and some which will cause a bit of a stir. The prospect of bringing CGT in line with Income Tax has been touted for some time and so that is relatively unsurprising, although it would lead to a significant rise in tax paid by those subject to CGT.

Other proposals, such as scrapping CGT uplift on death, have far-reaching consequences and need to be considered carefully. CGT uplift means that CGT is overlooked when an individual dies and they hold taxable assets that have gone up in value. This is because when the assets are transferred to someone else, normally a spouse or family member, they are 're-set' for CGT purposes. Instead, the assets may be subject to Inheritance Tax.

ANNUAL EXEMPTION

The OTS also suggest lowering the annual exempt amount. Their view is that while small gains should still be exempt in order to avoid administrative hassle for the sake of a minor tax bill, the current allowance results in too many profits being tax-free.

It seems highly likely that changes are on the horizon. And while it is not suitable for everyone to change their financial plans because of mere policy speculation, it is worthwhile reviewing in light of what will inevitably be a more harsh tax environment. ■

NEED GUIDANCE ON THE IMPLEMENTATION OF PROACTIVE PLANNING AND MITIGATION?

Tax-wrapped pensions and Individual Savings Accounts (ISAs) are just two solutions that are safe from CGT. It is important to fully utilise any unused allowances available and forward planning could help mitigate the tax burden of legislative changes, even if they cannot be eliminated. Speaking to us will give you the best opportunity to utilise these opportunities.

Source data:

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935073/Capital_Gains_Tax_stage_1_report_-_Nov_2020_-_web_copy.pdf

MORE OVER-55S FORCED TO DIP INTO PENSION POTS

UNDERSTANDING THE DIFFERENT WAYS YOU CAN USE YOUR PENSION MONEY

The UK has seen a rise in the number of people accessing their pension pots or enquiring about doing so. People accessing their pension as a flexible income has increased by 56%[1] according to research since the first lockdown last year. The increase is due to people withdrawing after holding off when stock markets were volatile.

An increasing number of pension savers have started to withdraw funds after many pressed pause at the start of the coronavirus (COVID-19) pandemic. The number of people taking only a tax-free lump sum has increased by 55%. Worryingly, the number of people withdrawing all of their pension in one lump sum increased by 94%.

COMPLEX TAX RULES AROUND PENSION WITHDRAWALS

Once you reach age 55 you can now access your pension pot. You can take some or all of it, to use as you need, or leave it so that it has the potential to continue to grow. In September last year the Government confirmed it would legislate to enact proposals to increase the minimum access age from 55 to 57 in 2028[2].

Due to COVID-19, many people's incomes have been significantly reduced and so taking money out of their pension pot seemed like a quick cash-flow solution. But there are complex tax rules around pension withdrawals so people should be aware of the potential consequences.

NEEDING MONEY AFTER A CHANGE IN CIRCUMSTANCES

While a tax-free lump sum can be withdrawn from a pension without incurring any tax liability, any balance withdrawn is subject to income tax. The number of people buying a guaranteed income for life (annuity) increased by 41%.

The increase in withdrawals is due to a combination of factors, including some people returning to withdraw after pausing earlier last year due to stock market volatility and some people needing the money after a change in circumstances.

FACTORS WEIGHING ON PENSION SAVERS' MINDS

Data from August and September last year showed withdrawal levels got closer to levels seen in 2019 but many pension savers still resisted the urge to access their pension pots in the face of continued financial uncertainty. When you take your pension, some will be tax-free but the rest will be taxed. You need to be aware that tax depends on your circumstances, which can change in the future.

Stock market volatility, coronavirus (COVID-19) and employment prospects are just some of the factors weighing on pension savers' minds when considering taking money out of their pension pot. Everyone is different and it is important to find the right solution for your circumstances.

TOP 5 THINGS TO CONSIDER BEFORE WITHDRAWING MONEY FROM YOUR PENSION

1. Pensions freedoms: Familiarise yourself with the pensions freedoms so you are aware of your options. You can now do a lot more with your pension pot than previously. Everyone is different and it is important to find the right solution for your circumstances. What risks are you willing to take?

2. Saving requirements: Consider the amount of money you will need each month to maintain your lifestyle. Ask yourself: How much might I need? How much might I get? Do I still have a mortgage to pay off? What other sources of income do I have, and do I need my pension to keep up with inflation? Could I consider working for longer? Do I want to have annual holidays?

3. Costs later in retirement: Think about costs later in your retirement. What will your living costs be in the future? Care needs are not a subject we are comfortable thinking about but it is important to have conversations about it with your family, as well as Powers of Attorney, Wills and inheritance.

4. Health and life expectancy: We often vastly underestimate this, but evidence shows we are mostly living longer, with a growing variation in healthy life expectancy. If you have a partner, do you need to provide for them financially after you die, or are you relying on them?

5. Time to talk to us? Few of us may expect to give up work altogether in our 50s. But a growing number of us are dipping into our pension before retirement age. Before we get into the different ways you could withdraw money, there's some more general things to think about first. Try asking yourself the following questions: How long will I need my money to last? How long do I want to keep working? How much tax might I pay? Could my health and lifestyle affect what I get? How much do I want to leave behind? ■

GUIDANCE TO ENABLE YOU TO MAKE AN INFORMED DECISION

Whether you have plans to retire completely or want to scale down your work hours, there are now more options than ever to choose from when thinking about making your savings work for you. If you are considering accessing your pension it is essential that you receive professional financial guidance to enable you to make an informed decision. If you get it wrong you could end up with a large tax bill. To discuss your situation – we're here to help you.

Source data:

[1] https://www.abi.org.uk/news/news-articles/2020/11/big-jump-in-pension-savers-accessing-pots-after-pressing-pause-in-the-first-lockdown/

[2] https://questions-statements.parliament.uk/written-questions/detail/2020-08-28/81494

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.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

NEW YEAR, NEW START TO YOUR FINANCES

TAKING TIME TO UNDERSTAND YOUR FINANCIAL PLANS WILL REALLY PAY OFF

At the start of every year we have great intentions, as financial promises are renewed. Getting our financial life in order will be a top priority for many as we enter 2021. Consider focusing on two key areas: goals related to being prepared for the unexpected this year, and those related to what you want to be different at the end of the year.

10 AREAS TO CONSIDER WHEN SETTING NEW YEAR FINANCIAL GOALS

New Year's resolutions can be notoriously difficult to stick by. However, there are a few ways to help make sure you start the year on a positive financial footing.

1. NEW YEAR, NEW FINANCIAL GOALS

There's nothing like the fresh start of a New Year. Which makes it the perfect time to sit down and set some financial resolutions for the next 365 days. Having clear financial goals to work towards will give you a sense of purpose and motivation to spend less and to save and invest more throughout the year ahead. To ensure you achieve your financial resolutions, it helps to break the bigger goals down into more manageable bite-sized objectives that you can gradually work through bit by bit to create better financial habits.

2. REVIEW YOUR BUDGET

Review this past year's budget. What did and didn't work for you? If your current budgeting methods and tools aren't working, look for a better way to track your spending. Assess your income and expenses, looking for places to save money. Revise your budget to reflect any changes to your income or expenses in the new year. If you don't have a budget, it's time to make one. Ask yourself: what are my priorities? How can I make this sustainable?

3. REVIEW YOUR BORROWING

Find out if you could save money by refinancing your mortgage, car loan or student loan. If you have high-interest debt, make a plan to pay it down. If you don't have enough extra money in your budget to make a big dent, investigate credit cards with a 0% introductory balance transfer offer. Could you transfer your high-interest balances to a card with a temporary 0% interest introductory period to save on interest? The key is making a plan to pay off the balances before the introductory period ends and you begin paying a standard interest rate. Are you utilising less than 25% of your available credit across all of your cards and loans at any one time? Anything higher could affect your overall credit rating score.

4. CHECK THE INTEREST RATE ON YOUR SAVINGS

Different types of savings accounts have different rules on how much you can put in and when. Could you deposit money into another account where you receive a better rate of interest? It's important to check how your savings are growing and at a rate above inflation, and then decide if you need to make changes. When choosing a savings account, you need to think carefully about whether you will need access to your money, how long you are looking to save for, and how you want to operate it.

5. TAKE A LOOK AT YOUR INVESTMENTS

Whether your goal is to create a nest egg for early retirement or to leave something behind for grandchildren, reviewing what your goals are and whether you're on track is important. Ask yourself these questions: How long should I be prepared to put your money away for? Do I want to invest for income, growth, or both? Are my investments aligned with my values and life goals? How can I grow my wealth? Differing circumstances and goals may mean that what was once appropriate, no longer is. It's important that you feel comfortable with the level of risk you're taking with investments. Should I review my investment portfolio? Is my portfolio sufficiently diversified? Does my portfolio reflect my goals and risk profile?

6. PLANNING FOR YOUR RETIREMENT

Even if retirement seems a long way off, think about what you want your money to do for you when you stop working. Ask yourself: Do I know how much money I may need in retirement? How long will my money need to last for? How much should I be saving today? The earlier you start the process of planning for your retirement, the more manageable it will be, and the less of an impact it'll have on your daily finances. Questions to include: Am I taking full advantage of the tax-efficiency of my Personal Pension or Workplace Pension? What am I looking forward to doing the most in retirement? How much retirement savings will I actually need? How much can I afford to spend yearly once I have retired?

7. COMBINING A NUMBER OF DIFFERENT PENSIONS

It's not uncommon now for people to have built up a number of pensions during the course of their lives. Ask yourself the following: Over my career, have I worked for different employers and built up a number of different pension pots and/or pension schemes? Do I have personal pensions built up during times spent being self-employed? Pension consolidation could potentially be a way to maximise the value of your investments. It can make it easier to track how well a fund is performing in putting your money to work on the markets to boost your investment returns. However, consolidating a pension isn't for everyone.

8. MAKE THE MOST OF YOUR TAX-EFFICIENT ALLOWANCES

Time is running out if you haven't taken full advantage of your tax-efficient allowances before the end of the tax year on 5 April. Every tax year, commencing on 6 April, you receive new Individual Savings Account (ISA) and pension allowances. Questions to ask: Have I fully maximised my contribution levels for the current 2020/21 annual £20,000 ISA allowance, and annual £40,000 pension allowance? Can I take advantage of pension carry forward to make extra pension contributions? Am I fully using my Personal Savings Allowance for tax-free interest payments? What is my financial gifts tax allowance? Can I use my Capital Gains annual allowance to create tax-free returns?

9. REVIEW YOUR ESTATE PLAN

There is never a good reason to not have a Will. How can I write my family's future? Have I written a Will, or does my existing Will need updating? Making a Will is not a task that many people look forward to. It can easily slip down the to-do list – for a number of reasons. A Lasting Power of Attorney for Health and Welfare (LPA) will also allow you to give someone you trust the legal power to make decisions on your behalf in case you later become unable to make decisions for yourself. How can I leave money to charity? How much money can I give away each year in gifts without tax implications? Can I make regular gifts out of my surplus income? Should I put my assets into a trust during my lifetime?

10. CHECK WHEN YOUR NEXT REVIEW IS

You're not sure what to prioritise – your pension, your mortgage or your ISA. You're starting to lose sleep over whether you're saving enough for your children's education. And you can't quite recall whether you have accumulated four, five – or was it six? – pension pots from previous jobs. Now may be time to consider your next financial review so that we can discuss your immediate and future plans, and talk you through your financial goals. ■

HELPING YOU TOWARDS YOUR GOALS

The beginning of a new year is the perfect time to consider your existing financial goals and decide if they still align with your priorities. It may also be a good time to check if you have the right systems and support needed to achieve these goals when you want to. If you'd like to know more about how we can help you achieve your financial and life goals, please contact us.

/// PUT YOUR 2020/21 ISA ALLOWANCE OF £20,000 INTO AN ISA BY 5 APRIL AND DON'T PAY TAX ON THE MONEY YOUR ISA MAKES

DON'T MISS THE ISA DEADLINE

SAVING AND INVESTING FOR A FUTURE THAT MATTERS. YOURS.

Each tax year, we are given an annual Individual Savings Account (ISA) allowance. This can build up quickly, letting you accumulate a substantial tax-efficient gain in the long-term.

The ISA limit for 2020/21 is £20,000. The proceeds are shielded from Income Tax, tax on dividends and Capital Gains Tax. To utilise your ISA allowance you should do so before the deadline at midnight on Monday 5 April 2021.

We've answered some typical questions we get asked about how best to use the ISA allowance to help make the most of the opportunities as this tax year draws to a close.

Q: CAN I HAVE MORE THAN ONE ISA?

A: You have a total tax-efficient allowance of £20,000 for this tax year. This means that the sum of money you invest across all your ISAs this tax year (Cash ISA, Stocks & Shares ISA, Innovative Finance ISA, or any combination of the three) cannot exceed £20,000.

Q: WHEN WILL I BE ABLE TO ACCESS THE MONEY I SAVE IN AN ISA?

A: You can take money out of your Cash ISA but how much, and how often, depends on which type of ISA you have. If your ISA is 'flexible', you can take out cash then put it back in during the same tax year without reducing your current year's allowance. Your provider can tell you if your ISA is flexible.

Stocks & Shares ISAs and Innovative Finance ISAs don't usually have a minimum commitment, which means you can take your money out at any point. That said, you should invest for at least five years. As such, if you're looking to use your money within the next few years, you should probably keep it in a Cash ISA.

There are different rules for taking your money out of a Lifetime ISA.

Q: CAN I TAKE ADVANTAGE OF A LIFETIME ISA?

A: You're able to open a Lifetime ISA if you're aged between 18 and 39. You can save up to £4,000 each tax year, every year until your 50th birthday. The government will pay an annual bonus of 25% (capped at £1,000 per year) on any contributions you make.

Q: WHAT IS AN INNOVATIVE FINANCE ISA?

A: An Innovative Finance ISA allows individuals to use some or all of their annual ISA allowance to lend funds through the Peer to Peer lending market. Peer to Peer lending allows individuals and companies to borrow money directly from lenders. Your capital and interest may be at risk in an Innovative Finance ISA and your investment is not covered under the Financial Services Compensation Scheme.

Q: WHAT IS A HELP TO BUY ISA?

A: A Help to Buy ISA is a government scheme designed to help you save for a mortgage deposit to buy a home. The scheme closed to new accounts at midnight on 30 November 2019. If you have already opened a Help to Buy ISA (or did so before 30 November 2019), you will be able to continue saving into your account until November 2029.

Q: I ALREADY HAVE ISAS WITH SEVERAL DIFFERENT PROVIDERS. CAN I COMBINE THEM?

A: Yes you can, and you won't lose the tax-efficient 'wrapper' status. Consolidating your ISAs may also substantially reduce your paperwork. We'll be happy to talk you through the advantages and disadvantages of doing it.

Q: CAN I TRANSFER MY EXISTING ISA?

A: Yes, you can transfer an existing ISA from one provider to another at any time as long as the product terms and conditions allow it. If you want to transfer money you've invested in an ISA during the current tax year, you must transfer all of it. For money you invested in previous years, you can choose to transfer all or part of your savings.

Q: WHAT HAPPENS TO MY ISA IF I DIE PREMATURELY?

A: If you die, the money and investments you hold in an ISA will be passed on to your beneficiaries. After your death, your ISA will retain its tax benefits until one of the following occurs: the administration of your estate is completed or the ISA is closed by your beneficiary. ■

STILL UNSURE WHAT'S RIGHT FOR YOU?

Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life. If you want to understand more about our ISA options please contact us.

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INNOVATIVE FINANCE ISA (IFISA) IS NOT PROTECTED UNDER THE FINANCIAL SERVICES COMPENSATION SCHEME. THIS MEANS YOUR MONEY COULD BE AT RISK IF YOU SAVE WITH AN IFISA COMPANY THAT GOES BUST.

5 HEALTHY FINANCIAL HABITS YOU SHOULDN'T IGNORE

HOW TO GET YOUR FINANCES IN ORDER TO MAKE MORE OF YOUR MONEY

Do you feel like your financial life has been turned upside down during the coronavirus (COVID-19) pandemic? Or, has the start of the new year focused you on getting your finances in order to make more of your money? Whatever the answer is, it's important to adopt healthy financial habits.

But just as bad habits can get you into financial trouble, good habits can help keep you out of it – and help you spend wisely, save well and, most importantly, reach your biggest financial goals faster.

To help kick-start this process, we've put together five habits for you to consider.

1. PAY YOURSELF FIRST

Before you pay any bills, develop a habit of paying yourself first. That means saving and investing a portion of your earnings before you do anything else with your money. In the book *The Richest Man in Babylon*, written by George S. Clason, the parables are told by a fictional Babylonian character called Arkad, a poor scribe who became the richest man in Babylon. How did he achieve this? By following the first law of wealth: 'Save at least 10% of everything you earn first and do not confuse your necessary expenses with your desires.'

It's great to start somewhere – saving something is better than nothing. The important thing is that you're building a new habit around making some of your hard-earned money work for you, as opposed to someone else. After you've paid yourself, the rest of your earnings can then be used to pay bills and purchase the things you need.

2. SPENDING LESS THAN YOU EARN

The problem is that if you routinely spend more than you earn, you could be building up more and more debt. In many cases, that may mean turning to a credit card and not paying off the balance each month, leaving you with potentially exorbitant fees and interest rates that can take years to pay off. When considering spending on something you want – always ask yourself if you genuinely need it.

3. EMOTIONS SHOULD NOT AFFECT YOUR FINANCIAL DECISIONS

For many people, money habits are tied to emotions and how we feel. It's easy to fall into the trap of spending money when we're disappointed, or angry, or even happy. While emotions are important, they aren't helpful when it comes to making financial decisions. Develop a habit of taking your time and making level-headed, rational decisions about money rather than allowing spending, saving and investing habits to be dictated by the way you're feeling at a moment in time.

4. CONTROL YOUR DEBT

Debt is not necessarily always a negative; in some cases debt can be a positive stepping stone to help get you closer to a more prosperous future. For example, although a mortgage is a form of debt, purchasing a home could be a necessity for you. Similarly, borrowing money to enhance your education could allow you to get a better paid job. You might even be borrowing money to set up a business.

On the other hand, using credit cards, for example, to cover extra spending is generally considered a bad use of debt, as the repayment terms and interest payments can often be onerous as well as expensive if it's not paid back on time. It's generally considered good practice to avoid carrying a credit card balance over from one month to the next, as over the longer term this can often become very expensive, very quickly.

5. SPEAK TO YOUR PROFESSIONAL FINANCIAL ADVISER

When it comes to managing your money, planning to build wealth, securing your future, and, above all else, drawing up an effective plan for fulfilling your objectives, talk to us. We will provide a wealth of knowledge, qualifications and experience that is difficult or impossible to achieve yourself.

Perhaps the main benefit, more so than any other, is the chance for relaxation. You can properly relax, safe in the knowledge that we are taking care of a wide range of challenges and questions that you would otherwise have to deal with. And if you do have any questions or concerns, you know you can easily contact us to get answers in a timely manner.

HOW TO BUILD NEW HABITS INTO YOUR DAILY LIFE

- Know your why – what's your reason for making the changes?
- Set realistic, measurable goals that are achievable
- Break up bigger goals into smaller actions
- Don't make too many changes at once
- Use rewards as a motivator (within reason) to treat yourself once you meet your goals

Soon enough, these good habits will become hard to break. ■

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, AND YOU MAY NOT GET BACK THE FULL AMOUNT YOU INVESTED.

NEED HELP DEVELOPING BETTER FINANCIAL HABITS IN 2021?

Making the right decisions now can bring peace of mind by offering a clearer future for you and your family. Together, we'll create a wealth plan that goes beyond simply finances, taking care of what really matters in every aspect of your life. To discuss your situation, we're here to listen.

/// NOW IS THE TIME TO REVIEW YOUR FINANCES AND MAKE SURE THAT YOU'VE TAKEN ADVANTAGE OF ALL OF THE TAX PLANNING OPPORTUNITIES AVAILABLE TO YOU.

TAX SAVING OPPORTUNITIES

IT'S TIME TO IDENTIFY, PLAN FOR AND POTENTIALLY MITIGATE YOUR TAX BURDENS

While the Chancellor of the Exchequer, Rishi Sunak, is looking to reduce the tax gap, there are nonetheless still opportunities to review your financial arrangements for saving tax throughout the tax year. Taking action now will give you the opportunity to take advantage of any remaining reliefs, allowances and exemptions before the end of the 2020/21 tax year on 5 April.

At the same time, you should be considering whether there are any planning opportunities that you need to consider either for this tax year or for your long-term future.

WHAT ARE MY TAX PLANNING GOALS?

- To reduce my current overall tax year liability
- Defer my current year's tax liability to future years, to increase availability of cash for investment, business or personal needs
- Reduce any potential future years' tax liabilities
- Maximise tax savings from allowable deductions
- Maximise tax savings by taking advantage of my available tax credits
- Maximise the amount of my wealth that stays in my family
- Minimise a potential Capital Gains Tax liability
- Minimise potential future estate taxes to maximise the amount left to my beneficiaries and/or charities (rather than the government)
- Maximise the amount of money I will have available to fund my children's or grandchildren's education, as well as my retirement plans

FIVE THINGS TO CONSIDER BEFORE THE END OF THE TAX YEAR

The end of the current financial tax year is fast approaching, which means now is the time to review your finances and make sure that you've taken advantage of all of the tax planning opportunities available to you. We've listed five things to consider before the end of the tax year.

1. MAXIMISE TAX RELIEF ON YOUR PENSION CONTRIBUTIONS BY USING ALL OF YOUR ANNUAL ALLOWANCE

Pensions are one of the most tax-efficient ways to save for your longer-term future. The annual allowance for 2020/21 is £40,000, but you can also use surplus allowance from the previous three tax years. Your annual allowance may be restricted to a maximum of £4,000 where your total income plus pension contributions for the year exceeds £240,000, and your net income exceeds £200,000.

For every £80 paid in, your pension provider can claim another £20 in tax relief from the government, so that a £100 contribution actually costs you just £80. Then, if you are a higher rate (40%) or top rate (45%) taxpayer you can claim up to an additional £20 or £25 respectively, making the effective cost of a £100 contribution for you as little as £60 or £55.

There's a key difference in how higher and top rate taxpayers claim tax relief however. While 20% is reclaimed at source by your pension provider, which works for basic rate taxpayers, if you're on a higher or top rate the additional amount has to be reclaimed through a self-assessment tax return and will reduce your overall tax liability at the end of the year.

If you are an employee, an alternative to reclaiming the extra through a self-assessment return is to ask HM Revenue & Customs (HMRC) for your PAYE notice of coding to be adjusted. This way your tax relief is given through a new PAYE code that extends your basic rate band.

2. TAKE ADVANTAGE OF THE INDIVIDUAL SAVINGS ACCOUNT (ISA) INVESTMENT LIMIT TO GENERATE TAX-FREE INCOME AND CAPITAL GAINS

An ISA allows you to save or invest money in a tax-efficient way. An ISA is a tax-efficient savings or investment account that allows you to put your ISA allowance to work and maximise the potential returns you make on your money, by shielding it from Income Tax, tax on dividends and Capital Gains Tax. The maximum annual amount that can be invested in ISAs is £20,000 (2020/21). You can allocate the entire amount into a Cash ISA, a Stocks & Shares ISA, an Innovative Finance ISA, or any combination of the three.

3. START PLANNING AHEAD FOR A FIRST PROPERTY OR RETIREMENT

A Lifetime ISA (LISA) is a dual-purpose ISA, designed to help those saving for a first home and retirement. If you are aged 18 to 39, you can open a Lifetime ISA and save up to £4,000 tax-efficiently each year up to and including the day before your 50th birthday. The government will pay a 25% bonus on your contributions, up to a maximum of £1,000 a year. Your Lifetime ISA allowance forms part of your overall £20,000 annual ISA allowance. You can withdraw your savings from age 60 onwards, if not used to buy a home before then. A penalty of 25% may be applied if you withdraw from your LISA for other purposes.

4. CONTRIBUTE UP TO £9,000 INTO A CHILD'S JUNIOR INDIVIDUAL SAVINGS ACCOUNT (JISA)

A Junior ISA is a long-term savings account set up by a parent or guardian with a Junior ISA provider, specifically for their child's future. Only the child can access the money, and only once they turn 18. There are two types available: a Cash Junior ISA and a Stocks & Shares Junior ISA.

The current annual subscription limit for Junior ISAs is up to £9,000 for the 2020/21 tax year. The fund builds up free of tax on investment income and capital gains until your child reaches 18, when the funds can either be withdrawn or rolled over into an adult ISA.

5. PLAN YOUR CAPITAL GAINS TO MAKE BEST USE OF ANY CAPITAL LOSSES

The £12,300 (2020/21) allowance is a 'use it or lose it' allowance. You can't carry it forward to future years. But remember that each individual has their own allowance, so a married couple can potentially realise gains of £24,600 this tax year without incurring any tax liability. If appropriate you could transfer assets between your spouse or registered civil partner tax-free, so it might make sense to consider transferring holdings to a spouse in a lower tax bracket or one who hasn't used their allowance.

Gains and losses realised in the same tax year have to be offset against each other, and this will reduce the amount of gain that is subject to tax. If your losses exceed your gains, you could carry them forward to offset against gains in the future, provided you have registered those losses with HMRC. ■

DON'T DELAY AND LEAVE IT TO CHANCE

When it comes to tax, knowing how best to manage your finances can be a complex task. It's important that you get it right, not only because of the financial benefits, but because getting it wrong can have serious consequences for you. To discuss your situation, don't delay and leave it to chance. Contact us for more information.

TAX LAWS ARE SUBJECT TO CHANGE AND TAXATION WILL VARY DEPENDING ON INDIVIDUAL CIRCUMSTANCES.

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

INVESTMENTS SHOULD BE CONSIDERED OVER THE LONGER TERM AND SHOULD FIT IN WITH YOUR OVERALL ATTITUDE TO RISK AND FINANCIAL CIRCUMSTANCES.

A PENSION IS A LONG-TERM INVESTMENT AND IS NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028).

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

'NEW AGE' OF SELF-EMPLOYMENT

CHANGES IN HOW PEOPLE SAVE, INVEST AND PLAN FOR RETIREMENT

Self-employment plays a vital role towards the UK's economy. In recent years the number of people who are self-employed has risen steadily. But one of the main drawbacks is that the self-employed do not have the advantage of an employer to help arrange pension provision.

At a time of rapid technological advances and societal changes, the increasing prevalence of the self-employed not only represents a change in how people work, it also calls for changes in how people save, invest and plan for retirement.

SERIOUSLY CONCERNED

Last year, the coronavirus (COVID-19) pandemic forced even more Britons to become their own bosses. More than 5 million people are now registered as self-employed in the UK, up from 3.2 million in 2000[1]. The self-employed account for 15% of the UK workforce. Yet just 31% of the self-employed are saving into a pension. 67% of self-employed people are seriously concerned about saving for later life[2].

Even if retirement seems a way off, there's no escaping the fact that we're going to need to fund it somehow. 'Being your own boss has many attractions, but unfortunately it won't stop us from getting old.'

PENSIONS CRISIS

It's perhaps no coincidence that only 31% of self-employed people pay into a pension[3], compared with 84% of employees eligible for a workplace pension[4], creating a situation that the Association of Independent Professionals and the Self-Employed (IPSE) is calling a pensions crisis.

And with the fastest growth in self-employment among the over-45s[5], how to fund retirement is a question that many will have to face up to sooner rather than later.

TAX BENEFITS

There are certainly other savings and investment accounts you can use to save for your retirement, but the fact is that pensions are built for the job and come with tax benefits that you won't get elsewhere.

With pensions, the government gives tax relief equal to the highest rate of tax that you pay. So if you're a basic rate taxpayer, you only need to contribute £80 to end up with £100 in your pension pot. And if you're a higher rate or additional rate taxpayer, you can claim back even more tax relief when you fill out your self-assessment tax return.

COMFORTABLE RETIREMENT

It's worth noting that there's an annual allowance which limits how much can be paid into your pension each year while still receiving tax relief. It's based on your earnings and is currently capped at £40,000.

Exactly how much you should pay into your pension depends on how soon you start. The earlier you begin, the less you'll have to put away every month to afford a comfortable retirement. Starting late? You'll need to save more.

SELF-EMPLOYED AND LOOKING TO SORT OUT YOUR PENSION?

Here's what to do when you don't know where to start.

1. THE SOONER THE BETTER

When it comes to pensions, it pays to be an early bird. The sooner you start paying in, the more tax relief you'll get from the government, and the more time your money has to potentially grow.

2. AIM TO PAY IN A REGULAR AMOUNT

The thought of saving a large lump sum to pay into your pension can be daunting. Getting into the habit of saving for your future is half the battle for many people – so pay in what you can regularly.

3. INCREASE IT WHEN YOU CAN

If your earnings increase or you secure a new contract, consider increasing your regular payments or paying a lump sum into your pension.

4. VISUALISE YOUR FUTURE

If retirement is still a way off, it can be hard to think of your future self and no longer working. So instead, visualise the dreams and goals you'd like to pursue when you finish working. Thinking about the positive benefits of saving can be a good motivational tool.

5. HAVE A REGULAR REVIEW

Once every six months, take a look at your pension and consider whether you're on track to save enough. Just remember that, as with any investment, the value of your pension can go down as well as up, and you may not get back as much as has been invested. ■

NEED A HAND WITH YOUR RETIREMENT PLANS?

It can be harder to think about saving for retirement if you're self-employed and don't have access to a company pension scheme, but pensions shouldn't be ignored and offer valuable tax benefits. To find out more, or to discuss your situation, please talk to us.

Source data:

[1] 1 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/ articles/coronavirusand selfemploymentintheuk/ 2020-04-24

[2] The Association of Independent Professionals and the Self-Employed 2020

[3] https://www.ipse.co.uk/uploads/assets/ uploaded/ de9c9fad-459a-4afa-96e85116aad25641.pdf

[4] https://assets.publishing.service.gov.uk/ government/ uploads/system/uploads/attachment_data/ file/712812/ workplace-pension-participation-and-saving-trends-2007-2017.pdf

[5] https://www.ons.gov.uk/employmentandlabourmarket/ peopleinwork/employmentandemployeetypes/ adhocs/008728selfemploymentbyage2001to2017

ARE YOU UNDER-PREPARED FOR A FINANCIAL EMERGENCY?

PANDEMIC CAUSES PEOPLE TO RE-EVALUATE THEIR FINANCIAL RESILIENCE

Managing your current and future finances successfully can be a minefield in today's economic climate. The coronavirus (COVID-19) pandemic has derailed many a financial plan, ushering in job losses, decreased earnings and creating lifestyle changes that have the potential to send our spending into an unhealthy cycle.

The general financial uncertainty created by the COVID-19 pandemic has resulted in over a third (37%)[1] of UK savers acknowledging they're under-prepared for a financial emergency and have started to build a rainy day fund.

BIGGER FINANCIAL CUSHION

However, while many admitted their need to build a bigger financial cushion, the findings highlighted wide geographical differences across the UK. In Edinburgh, only a quarter (24%) of people said the pandemic has prompted them to build up funds for a financial emergency, half the number of those living in London (47%).

Rainy day funds help people cope with life's unforeseen events and play an important role for short- and long-term planning. The general rule is that people should build a financial cushion, with six months' worth of living expenses regarded as a good starting point.

YEAR'S WORTH OF SAVINGS

Unfortunately, a quarter (24%) of people in the UK would struggle straight away with no rainy day fund to fall back on and almost a third (31%) would run out of money within three months. At the other end of the scale, a fifth (21%) of people have more than a year's worth of savings in their rainy day fund, with the average covering eight months.

Having a cash buffer is particularly important for those approaching or in retirement, helping to protect their pension savings during volatile market conditions. However, with over a quarter of over-55s having no rainy day fund, there is a danger that dipping into retirement savings at a time when the value has fallen will deplete their funds more quickly should there be further falls in stock markets. Having access to emergency cash funds can help tide them over while markets recover.

FINANCIAL 'HAVES' AND 'HAVE NOTS'

Unfortunately, a lack of savings or a savings pot that has already run dry means the immediate priority for one in four people is simply 'just getting by'. The stark reality is that the longer the coronavirus crisis continues, the more people will find themselves in that predicament, underlining the real need of safety net savings.

There is clearly a contrast in the UK's financial health between the financial 'haves' and 'have nots' and an individual's ability to manage their money. While the economic outlook has prompted many to begin building a rainy day fund for the first time, others have been exposed as being perilously under-prepared. ■

WHAT'S THE NEXT STEP FOR YOU?

People are now living longer than ever before, and while living longer and healthier lives is great news, it makes planning for your financial goals ever more important. We know the importance of making sure your money works as hard as it can for you, now and in the future. Speak to us if you have any concerns.

Source data:

[1] Opinium surveyed 2,000 adults for Aegon between 23 Oct - 26 Oct 2020

BREAKING UP IS HARD TO DO

MANAGING THE FINANCIAL IMPACT OF DIVORCE

When long-term relationships split up, there are a host of implications for mortgages, savings, tax and Wills requiring careful consideration to avoid hardship. If you are contemplating divorce, are in the middle of divorce proceedings or dissolving a civil registered partnership, it's important to understand how the current economic and financial situation could affect you.

/// MANY COUPLES MAY HAVE A NUMBER OF PENSION ASSETS BETWEEN THEM. UNDERSTANDING THE DIFFERENT TYPES OF SCHEME AND HOW THEIR VALUES MIGHT BE AFFECTED BY STOCK MARKET FLUCTUATIONS IS CRUCIAL.

The impact of the coronavirus (COVID-19) pandemic on financial markets highlights the importance of obtaining expert professional advice when it comes to dealing with pension assets on divorce. Many couples may have a number of pension assets between them. Understanding the different types of scheme and how their values might be affected by stock market fluctuations is crucial.

DIFFERENT TYPES OF SCHEME

Some defined benefit pensions, such as public sector or final salary schemes, guarantee a certain level of income on retirement. Usually, this is based on years of service and the final salary of the pension member. Conversely, the capital value and therefore income for private money purchase pensions are linked directly to the performance of the investments.

Even if, at the given date, the fund value or cash equivalent of the two types of pension arrangements are the same, the value of the underlying benefits and the reliability of the income stream may differ considerably.

PENSION SHARING ON DIVORCE

Two decades on from the introduction of pension sharing on divorce, the issue remains a hugely complex area that can spark highly emotive battles with no guarantee of equality. Pension Sharing Orders determine how pension assets are divided between the parties. This has to be expressed as a percentage of the fund being divided, rather than a monetary figure, so the amount paid to the recipient's pension fund can differ quite significantly in value to what was originally intended.

If you are close to retirement age and were planning to draw down on the pension part of the settlement in the near future, hoping the proposed share would produce a certain level of income, you may need to consider thinking again. One option is to consider a nominal maintenance order to hedge against anticipated income not meeting your needs.

MOST COMMON REASON GIVEN

Unreasonable behaviour was the most common reason given for opposite-sex couples divorcing in England and Wales, published in the latest divorce statistics by the Office for National Statistics (ONS)[1], with 49% of wives and 35% of husbands petitioning on these grounds.

It was also the most common reason for same-sex couples divorcing, accounting for 63% of divorces among women and 70% among men.

WHAT ARE THE DIFFERENT OPTIONS TO CONSIDER?

When couples divorce, it is important they note that there are different options for how they divide pension assets between them, including:

Offsetting: where the pension assets can be offset against other assets of the divorcing parties. For example, one party many wish to stay in the marital home in lieu of receiving part of their ex-spouse's pension rights.

Pension sharing orders: where pension assets are divided at the time of divorce and there is a clean financial break.

Pensions attachments orders: where the pension provider of one party pays an agreed amount directly to the former spouse when the pension rights come into payment. This does not represent a clean financial break between the couple and risks the loss of future income for the former spouse if the person with the pension rights dies before retiring or the former spouse remarries.

RESOLVING ASSOCIATED MARRIAGE FINANCES

The COVID-19 pandemic has thrown many of us into a difficult period of uncertainty and has had a profound impact on every aspect of our lives. This has presented particular challenges for separating couples who wish to resolve the finances associated with their marriage, especially where there are pensions to be considered within their settlement.

There has been a reduction in the stock market, so any pension plan that has invested in shares may have decreased in value. Add to this a reduction in interest rates, which has decreased the gilt rate making it more expensive to purchase annuities. This has resulted in an increase to Cash Equivalent Transfer Values (CETVs) for defined benefit schemes (usually final salary pensions).

Anyone going through a marital breakup can be forgiven for wanting to temporarily set aside thoughts about Wills, trusts and retirement for another time. However, it's a chapter in life when the people involved need to deal with both their emotional and financial well-being. ■

HELPING YOU MAKE THE RIGHT DECISIONS

Untangling finances during divorce is complex and decisions made at the time can have huge and long-lasting consequences for you and your finances. We understand that divorce can be extremely stressful, particularly where money matters are concerned. To talk to us about your particular situation, please contact us.

Source data:

[1] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/bulletins/divorcesinenglandandwales/2019

/// IF YOU ARE PLANNING TO GIVE MONEY TO A FAMILY MEMBER IT'S IMPORTANT NOT TO LOSE SIGHT OF YOUR OWN LONGER-TERM PLAN.

GIFTING GENERATION

OLDER FAMILY MEMBERS SUPPORTING YOUNGER GENERATION THROUGH THE PANDEMIC

Young people have been one of the worst-affected groups from the coronavirus (COVID-19) pandemic, particularly in terms of the labour market and mental health outcomes. But it's their parents and grandparents who are paying the price financially.

5.5 million older family members expect to provide additional financial support to younger members as a direct result of COVID-19, according to new research[1]. 15% of the older generation estimate they will provide an additional sum of £353 in financial aid, meaning £1.9 billion could be given to younger family members needing financial support through the pandemic

ONGOING FINANCIAL SUPPORT

This COVID-19 specific support comes in addition to regular ongoing financial support provided by older family members. Over a third (39%) of young adults, around 3.3 million people, receive regular financial support from their older family members and depend on it to cover their monthly outgoings.

Older family members provide on average £113 a month, collectively giving £372 million to loved ones each month in the form of regular gifts.

FINANCIAL AID RECEIVED

While the majority (31%) say they use monthly gifts to save for 'big ticket' items like a housing deposit, over a quarter use it to pay for everyday essentials (29%) and a similar amount to pay their bills (27%).

Despite the significant sums handed out, 80% of older family members who gift money feel it is only natural to provide support to their younger relatives and are more than happy to do so. Of the 50% of adults who have received financial aid from a family member, many have sought further support during this year.

YOUNGER FAMILY MEMBERS

16% have utilised the Government furlough scheme, 15% moved back to their family home to live rent free and 13% have taken out a one-off loan.

The trend of younger family members moving back home is becoming more common, with the most recent data from the Office for National Statistics showing that over the last two decades, there has been a 46% increase in the number of young people aged 20-34 living with their parents, up to 3.5 million from 2.4 million[2].

MEETING THE EXPENSE

While the majority (62%) of those who give away money do so knowing they can afford to maintain their current lifestyle, the research suggests that selfless relatives are occasionally making changes to their own finances to meet the expense.

Over a third (38%) of those who gift money to family members have made sacrifices in order to do so. While many reported cutting back on some day-to-day spending (31%) in order to gift money, a fifth (21%) admitted they struggled to pay some bills having helped out a loved one.

LONGER-TERM PLAN

If you are planning to give money to a family member it's important not to lose sight of your own longer-term plan. There is a risk that people could be underestimating what they need to fund a comfortable retirement, and therefore it's important to gift sensibly.

When gifting, HM Revenue & Customs (HMRC) stipulates you must be able to maintain your current standard of living from your remaining income to take advantage of tax exemptions and there are tax implications for anything gifted over the £3,000 annual allowance. ■

NEED HELP ACHIEVING YOUR FINANCIAL GOALS?

Do you have a financial plan that reflects what's most important to you? This is the time of year when you may be beginning to reflect on your financial choices while making goals for the year ahead. We can help you set your money and life goals and work out your financial milestones, then plot a route to get to them. For more information, please contact us.

Source data:

[1] Opinium Research ran a series of online interviews among a nationally representative panel of 4,001 UK adults between 25 September and 3 October 2020

[2] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents

YOUR FUTURE SELF

OVER-50S CONCERNED ABOUT JOB SECURITY DUE TO COVID-19 PRESSURES

The coronavirus (COVID-19) pandemic crisis could leave the next generation of retirees significantly poorer and sicker. 4.8 million people over 50 and in work fear losing their job because of the COVID-19 pandemic, according to new research that reveals fears of finding a new role[1].

One in three (31%) are concerned about finding new employment in the event of losing their job ahead of the end of furlough. Two out of five (41%) people over 50 and in work say they are worried about their job security.

SIGNIFICANT MONEY WORRIES

Amidst career uncertainty, this group also faces significant money worries, with 58% concerned about the impact of the pandemic on their long-term savings. The Government's furlough scheme is set to end on 31 March 2021.

A large number of over-50s are now facing financial worries as a direct result of COVID-19. Over a third (37%) of over-50s have seen their household income decrease during the pandemic, as companies furlough staff while cutting back on wages and head counts.

MEETING EVERYDAY LIVING COSTS

For workers who have seen their income drop, large numbers have turned to their reserves to counter this, with nearly a quarter (25%) having dipped into their savings to help meet everyday living costs.

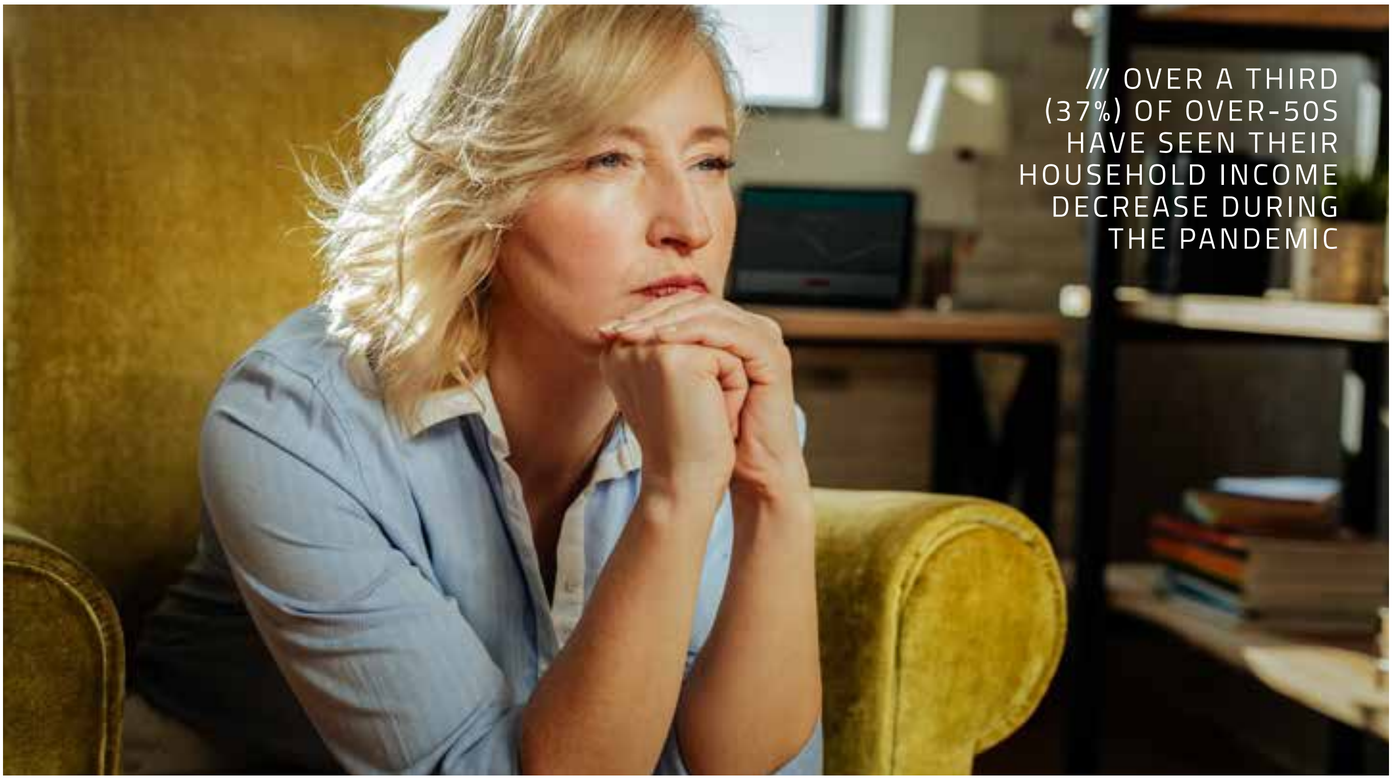
Over two-thirds (68%) are concerned about their cost of living currently, with a third (35%) reducing their daily expenditure as a result. With incomes impacted, well over half (58%) are also worried about how the pandemic will impact their savings long term. ■

PLANNING FOR A BETTER RETIREMENT

These figures are deeply concerning, leading to a lost generation entering retirement in poorer health and worse financial circumstances than those before them. But one thing retirement is not, is an age. Not any more anyway. Gone are the days of being told to stop working one day and pick up your state pension the next. We can help you make the necessary long-term choices to plan for a better retirement. Contact us for more information.

Source data:

*[1] Opinium Research ran a series of online interviews among a nationally representative panel of 2,004 over-50s from 30 July to 5 August 2020. Calculation: 1,076 out of 2,004 UK adults on a separate nationally representative survey counted themselves as aged 50 and over. 1,076 / 2,002 * 52,673,000 = 28,281,511. On the survey of 2,004 over-50s, 343 said they were currently working and were concerned about job security. 343 / 2004 * 28,281,511 = 4.8 million*



TAKING CONTROL OF MONEY MATTERS

NAVIGATING THE COMPLEX CHOICES PLANNING FOR THE FUTURE BRINGS

When we talk about financial wellbeing, we refer to how you feel about the control you have over your financial future – and your relationship with money. This includes your ability to respond to financial unpredictability and unexpected expenses.

Those with healthy financial wellbeing can meet their long-term financial goals and make informed choices that allow them to enjoy a meaningful life – both now and in retirement.

FEELING CONFIDENT AND EMPOWERED

It's important to feel confident and empowered when managing your money, and to know that it's possible to improve your situation in some way.

Most of us have faced some sort of financial difficulty – whether we've had a knot in our stomach when a bill arrived or found ourselves lying awake at night running numbers in our head.

In the UK, 11.5 million people have less than £100 saved to fall back on, the Money and Pension Service found[1]. Nine million people regularly need to borrow money for food or bills, and a third of the country say they don't know how to plan for a comfortable retirement.

Money worries are a major source of pressure on our mental health, with more than half of people in debt suffering poor mental health[2]. Improving financial wellbeing by understanding what it is and then taking some simple actions can help. This is a way of setting us free from having to face daily stresses and strains related to money – and will hopefully offer greater peace of mind.

FIVE PARTS TO FINANCIAL WELL-BEING

1. **Control over daily finances:** Sort your life admin
2. **Being able to cope with a financial shock:** Build a money safety net
3. **A clear path to identifiable objectives:** Set some goals
4. **Having financial options:** The freedom to choose how to enjoy life
5. **Clarity and security for those we leave behind:** Understanding what protections you might want in place

CONTROL OVER DAILY FINANCES

To enjoy financial wellbeing you want to feel in control of your day-to-day money matters, from paying bills on time to setting aside a bit each month in a savings pot. Setting aside a bit of time to do life admin, like setting up direct debits to pay bills and writing a monthly household budget, can really help create this level of control over your money.

Building a simple list of your outgoings on one side and income on the other can show exactly where your money goes, and where you could cut back if needed, like buying fewer takeaways or switching to a cheaper energy provider. Being able to see where your money goes is the first step in gaining control over it – and sets you on the path to financial wellbeing.

BEING ABLE TO COPE WITH A FINANCIAL SHOCK

Having a financial safety net in case something unexpected happens is a key part of financial wellbeing. It means feeling confident that a sudden financial shock, like the freezer breaking down or having to make repairs to your car, will not throw your finances off track or push you into debt.

Financial shocks will happen – the trick to overcoming them is to think ahead. A money safety net can create peace of mind and saving little and often into a rainy day fund can help us weather financial shocks. As well as this, having the right insurance and protection cover in place based on your personal situation will also help bring you better peace of mind.

Don't forget about your pension. A retirement fund is a longer-term financial safety net to allow you to have an income in retirement. Chances are you already have one – or multiple pension pots. Putting aside a bit from your salary every month into a pension pot will help towards you living comfortably based on your needs and wants when you stop working.

A CLEAR PATH TO IDENTIFIABLE OBJECTIVES

What do you want to achieve with your money? Maybe you aspire to own your own home. Or take a trip around the world. You could want to clear all your credit cards to become debt free. Or, build a retirement pot big enough to retire early.

Having goals and setting up a path to achieving them is an important part of financial wellbeing. Creating a plan can really help. Your plan could consist of three parts: how you intend to keep your outgoings lower than your income; how much that will leave over each month to save towards your goals; and, how long you'll need to save to achieve your goals.

Tracking the progress of your dream achievements lets you take control of your money and gives you a sense of financial wellbeing. You should speak to a professional financial adviser to help you look across all of your finances to meet the money milestones you want throughout your life.

HAVING FINANCIAL OPTIONS

It may seem as though financial wellbeing is a lot of restrictive rules. But the outcome is actually the opposite – financial wellbeing is about opening up more choices for you and your life. This could mean being able to afford to take your friend out for a birthday meal rather than just sending a card, or to pick out a mid-range bike instead of the basic version.

Wellbeing is created by knowing the basics – bills, expenses, savings, insurance, debts – are all under control and taken care of as part of your financial plans. Freedom to not have to worry about money, or to go for the option you really want, is your prize for taking control of your money matters.

CLARITY AND SECURITY FOR THOSE WE LEAVE BEHIND

Linked to 'having a financial safety net in place' is protection. One of the certainties in life is that we'll all experience some ups and downs. Think about what financial buffers you might want in place – this could be, for example, income protection or critical illness cover. Your ability to be able to navigate yourself (and any family members) through financial shocks is a core element of having good financial wellbeing. ■

HELPING YOU GET TO WHERE YOU WANT TO BE IN THE FUTURE

These financial tenets will never change or become irrelevant. Let us give you a complete picture of where you are now and how we can help you get to where you want to be in the future. Please contact us to find out more.

Source data:

[1] https://moneyandpensionsservice.org.uk/wp-content/uploads/2020/01/UK-Strategy-for-Financial-Wellbeing-2020-2030-Money-and-Pensions-Service.pdf

[2] https://www.moneyandmentalhealth.org/wp-content/uploads/2019/11/Money-and-Mental-Health-Manifesto-2019.pdf

PLANNING FOR A MORE RELAXING RETIREMENT

TIME TO GET BACK TO DREAMING ABOUT STOPPING WORK. NOT DREADING IT.

Life changes when you retire – and so does how you spend your money. Whatever your plans, it's important to keep on top of things and think about the lifestyle you want. It's also worth noting the average life expectancy at age 65 years is 18.6 years for men and 21.0 years for women[1].

So, it's vital if you are planning to retire soon that you make sure you have enough money to last throughout your retirement. Whether you're aiming to retire early or have worked way longer than you imagined, retirement should be what you want it to be.

EXCITING CHAPTER IN YOUR LIFE

This is a new and exciting chapter in your life. And for a lot of us, retirement will be the first time we can do what we want, when we want. With no job to tie us down, retirement is meant to be a relaxing time. However, your newfound freedom and leisure time could quickly become stress-inducing if you spend too much time fretting about your finances.

When planning for retirement the most important question for many is, 'How much money will I need to save to ensure I retire successfully?' To answer this question you need to know how you want to spend your time in order to know how much retirement will cost you.

TYPE OF LIFESTYLE YOU WANT TO ENJOY

The amount of money you'll need to enjoy a comfortable retirement is subjective and very much related to the type of lifestyle you want to enjoy during your retirement, the age you want to retire and whether you'll receive the full State Pension amount.

An active retirement involving a lot of travel and hobbies will cost more than a quiet retirement spent largely at home. You also have to think about any big-ticket purchases or other plans you'll need to make.

ESTIMATED RETIREMENT EXPENSES

Make a list of all your estimated retirement expenses and then try to approximate how much each will cost you. Remember, some of your expenses may decrease between now and retirement while others could increase.

Your housing costs may go down if you pay off your mortgage, but your travel costs could go up if you take a lot of trips and holidays. So you can use your current spending as a baseline, but you'll have to adjust each figure up or down accordingly.

5 KEY CONSIDERATIONS

Everybody's circumstances are different, but the key considerations for most people when they think about retiring will come down to factors such as:

1. How much money do I think I will need in retirement?
2. Am I planning to phase my retirement by working part-time?
3. Do I have any debt to pay off?
4. What are my health and potential life expectancy going to be?
5. How much money have I saved in pensions and other investments?

ANNUAL FIGURE FOR INFLATION

Knowing how much you need to cover your retirement isn't always the easiest number to calculate, but you can adjust your strategy depending on the size of your pot.

Once you know approximately how much you'll spend annually in retirement, you can estimate the total cost of your retirement by multiplying this figure by the number of years you expect your retirement to last, and adding an annual figure for inflation.

UNEXPECTED EXPENSES COME UP

At the point you're in retirement, it's important to keep to the budget you laid out as best as you can. If you have unexpected expenses come up, try to trim back some of your other expenditures to make up for them so you don't run short.

In recent years, the Government has made great strides in getting people to save for retirement. With retirement often lasting two decades or more, it is vital to be prepared and build up a retirement income that provides the standard of living you require in the long term. ■

ARE YOU STAYING ON TRACK WITH YOUR FINANCIAL GOALS?
We can help you achieve your financial goals by creating a tailored wealth strategy based on your unique needs. Speak to us to find out more.

Source data:
[1] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2016to2018#:~:text=1.-,Main%20points,for%20males%20and%20females%20respectively.

IS THE FUTURE OF YOUR LOVED ONES IN GOOD HANDS?

CORONAVIRUS SPURS ONE IN SIX TO TAKE ACTION ON THEIR WILL

Have you decided what will happen to your property and belongings after your death? It is never too early to be thinking of making a Will and to ensure that your assets and estate go to the people you want them to. If you don't, that may not happen.

Planning for the future is not complete without making a Will and it is something you may need to re-visit many times during your life. Research shows the coronavirus (COVID-19) pandemic has spurred one in six adults (15%) into action on their Will, whether this is enquiring about a Will (7%), updating an existing Will (6%) or creating a new one (4%)[1].

DELAYS INHERITING ASSETS

Not having an up-to-date Will can cause many complications and delays for loved ones when it comes to inheriting assets. Dying intestate – the legal term for not leaving a Will – can leave considerable costs and complications for people left behind to deal with, alongside the heartache of grieving. These complications can be greater for homeowners or parents with dependent children, so the importance of writing or updating a Will is far greater for them.

It is particularly important to make or review a Will if you face a significant life event such as marriage, having children or divorce. Your actions now will do a great deal to help your loved ones after you're gone. Getting married or entering into a registered civil partnership will automatically revoke any Will you already have unless it made a reference to your marriage.

WHY YOU NEED A WILL

It's important to make sure that after you die, your assets and possessions (known as your estate) will go to the people and organisations (known as your beneficiaries) you choose, such as family members and charities you want to support.

YOUR ESTATE INCLUDES YOUR PERSONAL POSSESSIONS, AS WELL AS ASSETS SUCH AS:

- Property (in the UK or overseas)
- Savings and investments
- Insurance funds
- Pension funds

MAIN PROMPT FOR PEOPLE

Have you made sure your wishes will be carried out to make it easier on those left behind? Unfortunately, research reveals that only two in five adults (41%) have a valid Will in place. The pandemic has been the main prompt for people to review their Will, with one in four (24%) reviewing their Will because of it. More time at home was a top prompt (21%) for reviewing a Will, followed by concerns about becoming ill (11%) and the death of a loved one (10%).

Of those who have a Will, one in seven (13%) admitted it was out of date, rising to nearly one in five (18%) among those who have previously been married, which increases the risk of assets going to the wrong person.

UNABLE TO CREATE A WILL

More than four in ten (44%) homeowners have no valid Will in place – risking their home going to the wrong person. Around two-thirds (63%) of parents with dependent children also do not have a valid Will – creating potential complications over guardianship.

Preparing for the eventuality of our own death can feel morbid and many people put off making a Will until they are older for this very reason. However, no one can predict what will happen in life and unfortunately, people do sometimes pass away suddenly or sustain an injury or illness which renders them unable to create a Will. ■

PROTECT YOUR LOVED ONES AND ASSETS, TODAY AND IN THE FUTURE

Making a Will is the most important thing you can do to ensure your loved ones are protected and provided for after you die. Don't assume the law will make provision for your loved ones in the way you intend. To discuss your arrangements, please contact us.

Source data:

[1] Commissioned by Royal London, Opinium surveyed 2,001 UK adults in September 2020.

GENDER PENSION GAP

WHAT YOU CAN DO TO REDUCE A FUTURE FINANCIAL SHORTFALL

A lot has been made of the gender pay gap, but what's not so well known is how this can affect women in retirement. Unsurprisingly, women don't fare as well as men when it comes to the savings they've built up for a healthy and economically stable retirement.

The gender pension gap, the pension savings gap between men and women, has closed to just 1% - the narrowest on record - as more women are putting enough money aside for a comfortable retirement. Almost three in five (59%) women are now saving adequately, compared to 60% of men.

PERSISTENT PAY GAP EXISTS

Despite this progress, the persistent pay gap and part-time working ratio means women saving adequately on the median wage are still saving £1,300 a year less than men, according to a new report[1].

This means that for a woman to save the same amount into her pension as a man, she would need to work an extra 37 years – which would take her over the age of 100 if retiring at State Pension age – a number that is likely to grow as the full economic impact of the pandemic is realised.

COMPOUND INTEREST BENEFITS

Young women are among those struggling most to save for later life. Just 46% of those in their 20s are saving the recommended minimum 12% of salary. This compares to 56% of men the same age, and to almost two-thirds (64%) of women in their 50s, showing that women do tend to save more as they get older.

However, not saving more while young means women miss out on the benefits of compound interest, which can help savings increase substantially over their working lives. Women are more likely to take time out of the workplace to look after children or elderly relatives, which are the two biggest drivers in the gender pensions gap.

TOP 5 PENSION TIPS:

1. Find out what you have got by talking to your employer or checking your pension statement. You can trace old pensions at www.gov.uk.
2. Check if you are eligible to join your employer pension scheme. It's a great way to build up savings, with your employer paying in on your behalf too.
3. For many women short-term stability is the priority just now but if you can, try to keep paying into your pension, even if it's the minimum for now, so your employer keeps paying too. It soon adds up.
4. Decisions like reducing hours or stopping working can leave you with less savings at retirement. If your income drops over time your partner may be able to pay into a pension for you to keep the finances balanced.
5. Claim child benefit – check if you are eligible on the government website. Going through the application process keeps your National Insurance contributions up to date, which you'll need to claim the full State Pension at retirement age.

SAVING ENOUGH FOR RETIREMENT

Also, the social structures of our families, workplaces, benefits systems and communities have an interdependent and negative impact on women's abilities to save enough for retirement. As a result of the gender pay gap, in the vast majority of cases it is women who earn less than men.

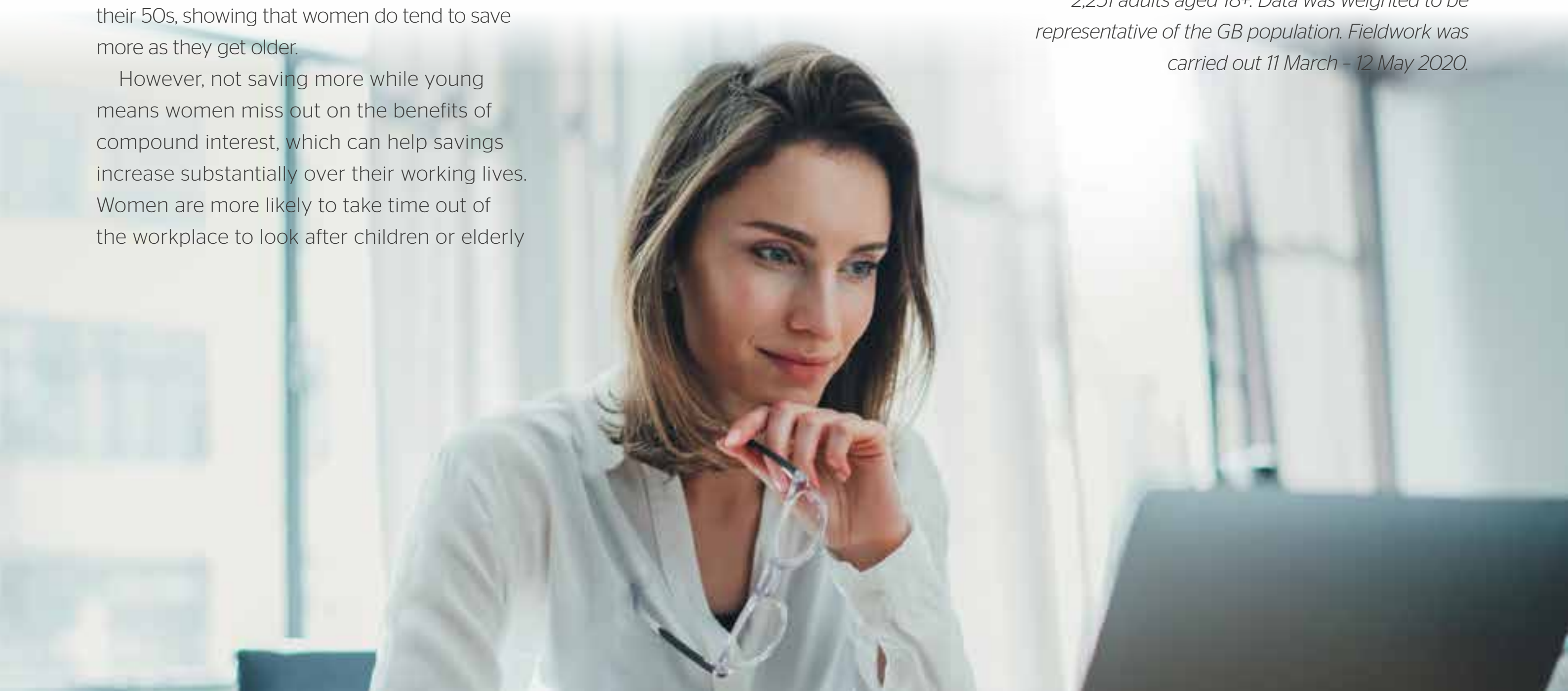
Therefore, when decisions are made about who should stay at home to look after children it usually makes sense that the lower earner takes a career break. The fact that this is seen as the norm has an impact on women's career prospects, despite their potential – and despite equal opportunities legislation. ■

WHAT DOES THE GENDER PENSION GAP MEAN FOR YOU?

Fifty years after it became illegal to pay women less than their male counterparts, it's a sign of progress-not-perfection that the pension savings gap between men and women has now closed to just 1%. In a society where women live longer and face widespread retirement poverty, it's essential to make plans for retirement. To discuss how we can help, please talk to us.

Source data:

[1] The research was carried out online by YouGov Plc across a total of 5,757 adults aged 18+. Data was weighted to be representative of the GB population. Fieldwork was carried out 26 March – 11 April 2020. An additional survey was carried out online by YouGov Plc across a total of 2,251 adults aged 18+. Data was weighted to be representative of the GB population. Fieldwork was carried out 11 March – 12 May 2020.



FILLING THE FUNDING GAP

BANK OF MUM AND DAD IS PLAYING AN EVER-PRESENT ROLE IN THE HOUSING MARKET

Across the UK, parents, grandparents, family and friends have been reaching into their pockets to help young, hopeful buyers and even growing families to make their housing plans a reality. These generous lenders are often funding most or all of the deposit buyers need to step onto or up the ladder.

To a large extent the Bank of Mum and Dad is filling the gap left by High Street mortgage lenders, many of whom have stopped offering high loan-to-value deals and/or have tightened criteria. Research shows that one in every two first-time buyers aged under 35 have received financial support from the Bank of Mum and Dad, with more than half (56%) of those under the age of 35 using a financial gift to help them step onto the housing ladder[1].

FINANCIAL SUPPORT

In a further sign that the Bank of Mum and Dad is playing an ever-present role in the housing market, 71% of these new homeowners say they would not have been likely to buy without this financial support. Instead, they would have had to delay their housing plans by four years on average.

The research follows earlier findings which showed that the Bank of Mum and Dad is stepping in to support loved ones as the economic impact of the coronavirus (COVID-19) pandemic takes hold. A third (33%) of all people looking to buy in the next five years plan on getting financial help from family or friends.

FIRST-TIME BUYERS

Last year the Bank of Mum and Dad played an active role in 73,160 property purchases among those aged under 35 in 2020. That's only an 8% decrease from 2019 transaction levels (79,631). The research also shows that the Bank of Mum and Dad is lending on average £19,000 to first-time buyers under the age of 35, with 21% of respondents in this age bracket saying they received more than £30,000.

In total in 2020, the under-35s received £1.36 billion in Bank of Mum and Dad contributions, helping them to purchase £18.11 billion worth of property. However, not all first-time buyers will receive the funding as a gift, with 30% expected to pay at least some of it back.

TOTAL LENDING

It's not just the under-35s that need financial support from the Bank of Mum and Dad, however. Financial support for home purchases by those aged over 35 will account for £2.14 billion, or 61% of the Bank of Mum and Dad's total lending in 2020.

While it's likely that this high figure is in part due to older first-time buyers looking for larger, more expensive properties as a home for their growing families, the Bank of Mum and Dad will still be behind 101,800 transactions among the over-35s – that's around 30,000 more Bank of Mum and Dad supported purchases than in the under-35s age group.

LOVED ONES

Even one in ten (9%) people aged over 55 planning to buy said they would have had to delay their purchase without financial support from the Bank of Mum and Dad.

With so many relying on the Bank of Mum and Dad for funding, and the country facing up to the economic implications of COVID-19, the Bank of Mum and Dad lenders themselves are still eager to help out. Nearly 74% of those who have seen their incomes fall during the pandemic say the crisis has made them no less willing to help loved ones onto the housing ladder. ■

WILL HELPING YOUR CHILDREN HARM YOUR OWN FUTURE AND RETIREMENT PLANS?

Living in the time of COVID-19 brings its own set of unique circumstances. Many young adults are reeling from the economic fallout of the pandemic. However, if parents aren't careful, financially supporting their adult children could harm their own future and retirement plans. To discuss your requirements, please contact us.

Source data:

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901773/MPT_Com_Jul_20_cir_V2.pdf

SETTING FINANCIAL GOALS

ANY GOAL, LET ALONE FINANCIAL, WITHOUT A CLEAR OBJECTIVE IS NOTHING MORE THAN A PIPE DREAM

The New Year is a great time to make financial resolutions but, unfortunately, achieving financial goals isn't quite that simple. Habits become ingrained and hard to overcome. For some of us, the resolutions we set, financial or otherwise, can quickly become overwhelming.

Sticking to resolutions is hard and we all know there's a lot of talk and pressure in January about getting fitter and being financially healthier. We all have different financial goals and aspirations in life. Yet often, these goals can seem out of reach.

IDENTIFYING YOUR FINANCIAL GOALS

A financial plan should seek to identify your financial goals, prioritise them, and then outline the exact steps that you need to take to achieve your goals. Figuring out your objectives and matching them with timelines are the keys to setting financial goals.

Your financial goals will be specific and unique to a number of factors related to you, like your age, your interests, your current financial situation and your aspirations. Based on these, you need to develop your goals and establish a plan to achieve them.

If your New Year's resolutions include giving your financial plans an overhaul, here are our financial planning tips to help you create a robust financial plan for 2021 and beyond.

HAVE A CLEAR OBJECTIVE

Any goal, let alone financial, without a clear objective is nothing more than a pipe dream, and this couldn't be more true when setting financial goals. It is often said that saving and investing is nothing more than deferred consumption. Therefore you need to be crystal clear about why you are doing what you're doing. This could be planning for your children's education, your retirement, that dream holiday or a property purchase.

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

KEEP GOALS REALISTIC

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

Still feeling guilty about not meeting the unrealistic targets you set for yourself in 2020? Is it worth setting more achievable goals this year? Yes, it's important to keep your goals realistic in nature as this will help you stay the course and keep you motivated throughout your journey until you get to your destination.

SHORT, MEDIUM AND LONG TERM

Now you need to plan for where you want to get to, which will likely involve looking at how much you need to save and invest to achieve your goals. The approach towards achieving every financial goal will not be the same, which is why you need to divide your goals into short, medium and long-term time horizons. As a rule of thumb, any financial goal that is due within a five-year period should be considered short-term. Medium-term goals are typically based on a five-year to ten-year time horizon, and over ten years, goals are classed as long-term.

This division of goals into short, medium and long-term will help in choosing the right saving and investment approaches to help you achieve them and it will also make them crystal clear. This will involve looking at what large purchases you expect to make, such as purchasing property or renovating your home, as well as considering the later stages of your life and when you'll eventually retire.

ALWAYS ACCOUNT FOR INFLATION

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

You could use the 'Rule of 72' to determine, at a given inflation rate, how long it will take for your money to buy half of what it can buy today. The Rule of 72 is a method used in finance to quickly estimate the doubling or halving time through compound interest or inflation respectively. Simply divide 72 by the number of years to get the approximate interest rate you'd need to earn for your money to double during that time.

MONITORING AND REVIEWING YOUR FINANCIAL PLAN

If you create goals just because you feel you should, you're unlikely to succeed in achieving them. We only achieve goals that we believe we must and can achieve; goals that are non-negotiables. So there is little point in setting goals and never returning to them. You should expect to make iterations as life changes. Set a formal yearly review at the very least to check you are on track to meeting your goals.

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

FINALLY MAKE SURE YOUR FINANCIAL GOALS ARE SMART

This is a great way to set a variety of goals. SMART stands for Specific, Measurable, Achievable, Relevant and Time-Related. ■

TIME TO FOCUS ON WHERE YOUR ARE GOING IN LIFE?

It's easy to understand why we take the opportunity to set goals at the start of a New Year. It's like an alarm that goes off, reminding us that we need to focus on where we are going in our life. To arrange a meeting, or for further information – please contact us.

WHY CASH MAY NOT BE KING

HOW MUCH OF YOUR WEALTH DO YOU CURRENTLY HOLD IN CASH?

One paradox of the coronavirus (COVID-19) pandemic is that even as businesses have shut down and jobs have disappeared, some British households have on average been saving more money than they usually do, due to lower spending, according to new research[1].

But the choice between holding large amounts of cash long term in a savings account versus investing could have a big impact on your future wealth. Prior to the COVID-19 outbreak, data also highlighted the fact that a considerable number of people already had substantial amounts of money in cash, including those with £250k or more in investable assets.

MORE MONEY TO INVEST THAN USUAL

The research reveals that 18% of those with £250k or more in investable assets have 40-60% of these assets in cash, or at least £100k. This group have also benefitted from the lockdown as 35.5% have said they have more money to invest than usual.

During periods of stock market volatility, which we've seen over the past year, it's totally understandable that cash feels safe, and can be looked upon as a security blanket of sorts. But in the long run, it can do more harm than good to your financial wellbeing.

BELOW THE RATE OF INFLATION

By leaving large amounts of money sitting in cash you could be losing out on substantial returns over the long run. The rates of return on cash accounts are extremely low and have plummeted further still since the COVID-19 outbreak, with the average currently below the rate of inflation.

The research also reveals this group are aware of the opportunities, as 42%, the largest of any wealth group, think there are good opportunities in the current market. Indeed, 29% would like to move their cash to investment but don't know what to do, and 37% plan to be more active with their investments overall.

LONG-TERM RETURN FOR SPECIFIC GOALS

Every investor needs a cash buffer in case of emergencies, but too much can negatively impact on returns. A good rule of thumb is to save six months of your salary in cash and then invest in a spread of different assets that can deliver a long-term return for your specific goals.

It's important to do this in the most tax-efficient way, by making sure you fully utilise your allowances, including the Individual Savings Account (ISA) allowance and the pension allowance.

PURCHASING POWER OVER TIME

You might choose to invest because you are looking to achieve potentially higher returns on your money than you might get from holding cash and are comfortable with the idea of setting your money aside for the long term (at least five years or more).

Whether you're concerned that you'll lose your money or just don't know where to begin investing, it's common for some people to hold large cash balances in deposit accounts, especially in times of market uncertainty. But historically cash has not been a good store of value for individuals due to the corrosive nature of inflation eating into its purchasing power over time.

WELL-STRUCTURED AND WELL-DIVERSIFIED PORTFOLIO

This is particularly acute in the current environment where deposit rates on cash are low and in the event inflation starts to accelerate. If you have excess cash balances you should consider how to protect and grow your capital to meet your specific needs.

Investing does, of course, carry its own risks but a well-structured and well-diversified portfolio, tailored to an individual's requirements and managed sensibly, ought to protect capital from inflation and the decline in purchasing power over time. Diversifying your investment portfolio is one of the best ways to reduce risk, and thus promote growth. ■

UNDERSTANDING YOUR NEEDS

It's understandable that people might choose to hold large sums in cash. However, cash does lose value and this is particularly true in the current low-interest climate. If you'd like to talk about the balance of your assets, please contact us. We look forward to hearing from you.

Source data:

[1] Quilter research of 2,005 UK adults aged 40+ carried out by Toluna. According to ONS figures over-40s hold 90% of the UK's savings.

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.

EQUITY INVESTMENTS DO NOT AFFORD THE SAME CAPITAL SECURITY AS DEPOSIT ACCOUNTS.

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