ESSENTIALLY **WEALTH**

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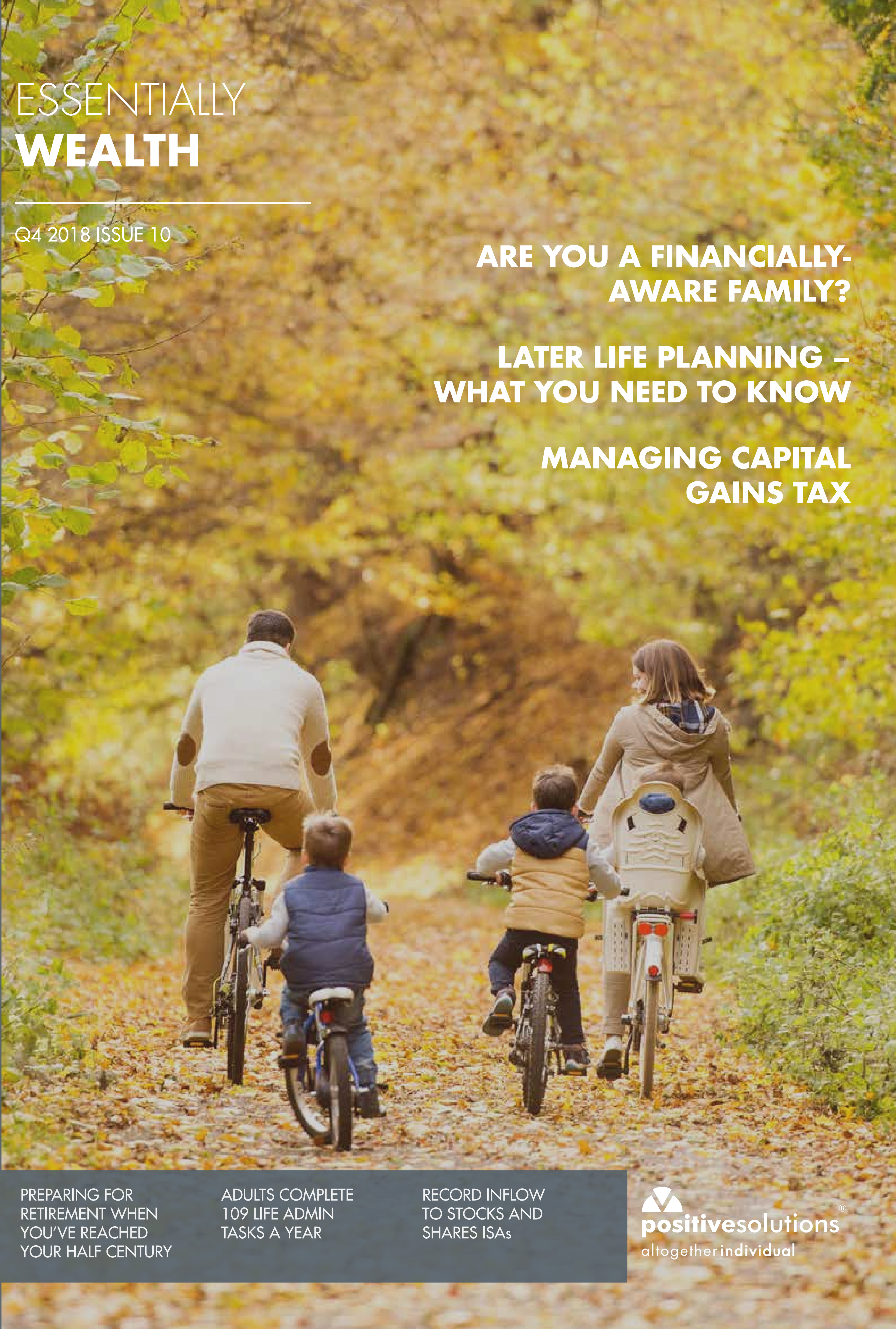

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ARE YOU A FINANCIALLY-AWARE FAMILY?

In many families, having a frank discussion about money remains a taboo. Many married couples reportedly don't know how much money their spouse earns. Well-off parents can sometimes shy away from letting their children know too much about their wealth, in an effort to prevent them becoming complacent about what they might inherit in the years to come and losing their work ethic.

Teaching the basics
With financial issues rarely discussed, children can sometimes find it hard to manage their money when they get older.

Involving children in decisions that impact the family finances will help them understand that sometimes, choices have to be made in order to keep within a budget. Knowing how interest rates affect the amount you have to repay on a loan or credit card is a valuable lesson that will stand them in good stead in later life.

Explaining the positive effects of compound interest on money that's saved over the years can spark a child's interest in opening their own savings account, especially when they hear that Einstein referred to compound interest as "the eighth wonder of the world".

Although retirement is a lifetime away, it's worth talking about pensions too; ideally, everyone should start contributing to their pension the day they begin work, so understanding the need to save for retirement as early as possible makes good sense.

A Junior ISA is a great way to teach children about tax-efficient savings, giving them an opportunity to watch their money grow over the years.

Looking to the future
Experiencing difficulties in talking openly about money isn't a problem confined just to teenagers. The Bank of Mum and Dad is often called upon to help their offspring get on to the housing ladder. Discussing as a family the impact this could have on their living standards in retirement is an important conversation for parents to have.

With the older generation living longer and potentially needing help with their finances in their later years, it's important for children of any age to be able to communicate effectively about financial issues with their parents. With more families finding themselves drawn into the Inheritance Tax net, effective planning strategies can reduce the amount of tax payable.

Taking the time to discuss important matters like Wills and Lasting Powers of Attorney with other family members will help to ensure that the right plans are in place to safeguard family interests and help prevent misunderstandings, squabbles and administrative problems arising later on.

INVOLVING CHILDREN IN DECISIONS THAT IMPACT THE FAMILY FINANCES WILL HELP THEM UNDERSTAND THAT SOMETIMES CHOICES HAVE TO BE MADE IN ORDER TO KEEP WITHIN A BUDGET

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PREPARING FOR RETIREMENT WHEN YOU'VE REACHED YOUR HALF CENTURY

When people reach their 50s, they often begin to realise that retirement, in whatever form they decide to take it, suddenly feels an awful lot nearer. If you're in that age group and haven't yet given the prospect much thought, now is a good time to start thinking about the years that lie ahead.

Plan ahead
When do you envisage starting your retirement? Having an approximate date in mind will help you work out a budget for your later years. Typically, retirees need more money to spend in their active years on things like travel and hobbies. Later in retirement they tend to need less income, with their spending levels likely to increase towards the end of their life if they need residential or nursing care.

Get a pension check
Now is the time to review your pension arrangements to see if they are on track to provide the level of retirement income you'll need. At this point, if it looks as if you need to save more to reach your target income, you still have a few years in which to step up your contributions if your earnings will allow.

You should also keep track of any pensions you may have accumulated with past employers and take advice about whether it would be in your best interests to consolidate them into just one plan.

It also makes sense to get a state pension forecast, and to check when you will receive it, as the state pension age is increasing to 67 between 2026 and 2028.

There's a lot to consider in the run-up to retirement; we're here to help.

If you're making plans for your retirement and would like some professional advice, then please get in touch.

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ADULTS COMPLETE 109 LIFE ADMIN TASKS A YEAR

Most of us have a list of personal admin tasks that need doing, such as paying bills, managing our mortgage, topping up our savings or checking our bank statements. On occasions we can all struggle to get through what seems to be a never-ending 'to do' list.

A recent survey[1] shows that the average adult has four important tasks currently pending, but never enough time to do them. These admin tasks include important things like managing their mortgage and reviewing their insurance and savings.

Whilst admin tasks can be a pain, tackling them can be financially rewarding, and give you a sense of achievement and peace of mind that you've finally accomplished them.

Getting the help you need
Working with an adviser can help you tackle some of those tasks you know you should attend to. We can review your mortgage, tell you if you're saving enough in your pension, help you put the right protection policies in place to protect you and your family, and much more besides.

[1]AAT (Association of Accounting Technicians), 2018

PROTECTION PLANS FOR ENTREPRENEURS

Whilst businesses are generally quick to insure themselves against the most commonly-encountered operational risks, it's often the case that owners, directors and shareholders can overlook the need to protect what's arguably their biggest and most precious asset – themselves, their management team and their workforce.

In today's fast-paced business environment, it can be hard to find management time to think about those 'what if' scenarios that can happen to any business at any stage of its development. However, research has shown that more than half of all UK small and medium-sized enterprises would close within a year if a key employee were to die or become critically ill[1].

Planning for the unexpected

An analysis of your business protection requirements is an important first step in highlighting the risks you run and will enable your adviser to recommend the right solutions. These will vary from business to business, but could include:

Key person insurance

– insurance that pays a lump sum if someone integral to the business dies or is diagnosed with a serious illness.

Relevant life plans

– a term assurance plan that provides death-in-service benefits for employees with the premiums paid for by the employer. Employers can choose the level of cover and the length of the policy term they require to suit their specific business needs.

Shareholder protection policies

– these provide vital finance in the event of the death of a shareholder or partner in the business, removing the need for the remaining shareholders to rush to find the funds to buy out the deceased's shares.

If you could use some advice on securing the future of your business, do get in touch.

[1]Legal & General, 2017

RECORD INFLOW TO STOCKS AND SHARES ISAs

During the 2017-18 tax year to April 2018, the popularity of stocks and shares ISAs continued to grow, with 246,000 new accounts sunscribed to. The amount paid into this type of ISA account hit a record £28.7bn over the period, up from £22.3bn the previous tax year.

Stocks and shares ISAs have been popular investments for millions of people since they were first introduced back in 1999, not least because they combine the opportunity to save for the long-term with generous tax benefits.

Higher limits
The amount you can save during this tax year is £20,000. It's important to remember that any unused allowance can't be carried forward, so in order not to miss out on the tax benefits, you need to ensure you have your money invested before the tax year-end.

Tax advantages
Any increase in the value of the investments held in a stocks and shares ISA is free from Capital Gains Tax. Income from interest-paying investments, such as government and corporate bonds, is free of income tax, so too are dividends paid on equity investments.

Cash or stocks and shares
You can put part of your annual ISA allowance into a cash ISA. Choosing between funding a cash ISA and a stocks and shares ISA will depend on your investment goals and your personal risk profile. Unlike cash, stocks and shares are subject to market volatility.

Generally speaking, if you're planning to withdraw your funds within the next five years, say for a deposit on a home or other major expense, then a cash ISA would be the low risk option.

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MANAGING CAPITAL GAINS TAX

Capital Gains Tax (CGT) is charged on the profit or gain made when you sell an asset. You won't pay CGT on the sale of your principal private residence, stocks and shares held within an ISA, proceeds from life insurance policies, or the sale of a private car. However, assets such as shares, collective investments and second properties that generate a capital gain are generally liable to CGT.

Different rates apply
Every individual gets an exemption to set against any capital gains they have made in that tax year. For tax year 2018-19, this is £11,700.

After offsetting your annual exemption, CGT is charged at different rates, depending on your income tax band. So, for tax year 2018-19, basic rate taxpayers will pay 10% and higher rate or additional rate taxpayers will pay 20%.

There is a higher charge for those selling a second home, 18% for those in the basic rate income tax band, and 28% in the higher or additional rate income tax band.

However, there are various reliefs available that can, in appropriate circumstances, be applied to reduce the tax payable, such as deemed occupation, principal private residence and lettings relief.

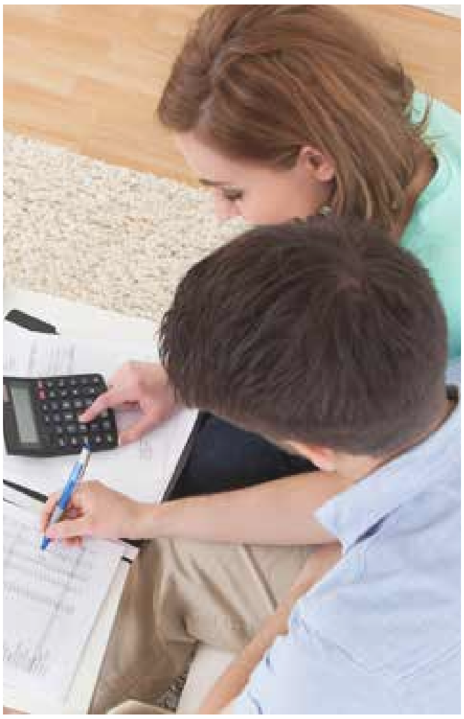
Reducing the amount payable
Since the rate of CGT you pay depends on your income tax band, making pension contributions or charitable donations could reduce your CGT liability. Making maximum use of your ISA allowance makes sense too, as any gains you make are tax-free.

Transfers made between spouses or civil partners are not liable to CGT, so for planning purposes it can pay to look at CGT as a couple.

Getting professional advice
Taxation can be complex, so professional advice is essential.

TRANSFERS MADE BETWEEN SPOUSES OR CIVIL PARTNERS ARE NOT LIABLE TO CGT, SO FOR PLANNING PURPOSES IT CAN PAY TO LOOK AT CGT AS A COUPLE

ARE WOMEN BETTER SAVERS THAN MEN?



This is the age-old question that is often hotly debated. New research shows that when it comes to pension saving, women are heeding the message that for a comfortable retirement you need to keep an eye on your pension throughout your working life, and they're saving more for their future than men, after adjusting for the difference in earnings.

However, the fact that women are saving more as a percentage of their earnings, but still achieving lower balances in their pension plans, shows the effect that the gender pay gap continues to have.

WOMEN'S EXPECTED RETIREMENT INCOME WILL HIT A RECORD HIGH THIS YEAR

Working patterns

It can be hard for women to keep up the pension savings momentum. Having time out to raise a family, or taking care of elderly parents, often means that their working patterns may change over the course of their working life.

The research[1] showed that women's expected retirement income will hit a record high this year, but their average retirement income is still likely to be around £5,000 lower than men's.

[1]Prudential, 2018

WHAT YOU SHOULD DO BEFORE YOU ENTER DRAWDOWN

Since the pension reforms in 2015, more than half a million people have put their pension into income drawdown.

If you're new to stock market investment, then it makes sense to get advice on how best to do this, how much money to invest and what funds would best suit your needs. Taking the right decisions about your pension pot at this stage is vitally important, as you will want your money to last as long as you do.

Get the financial facts

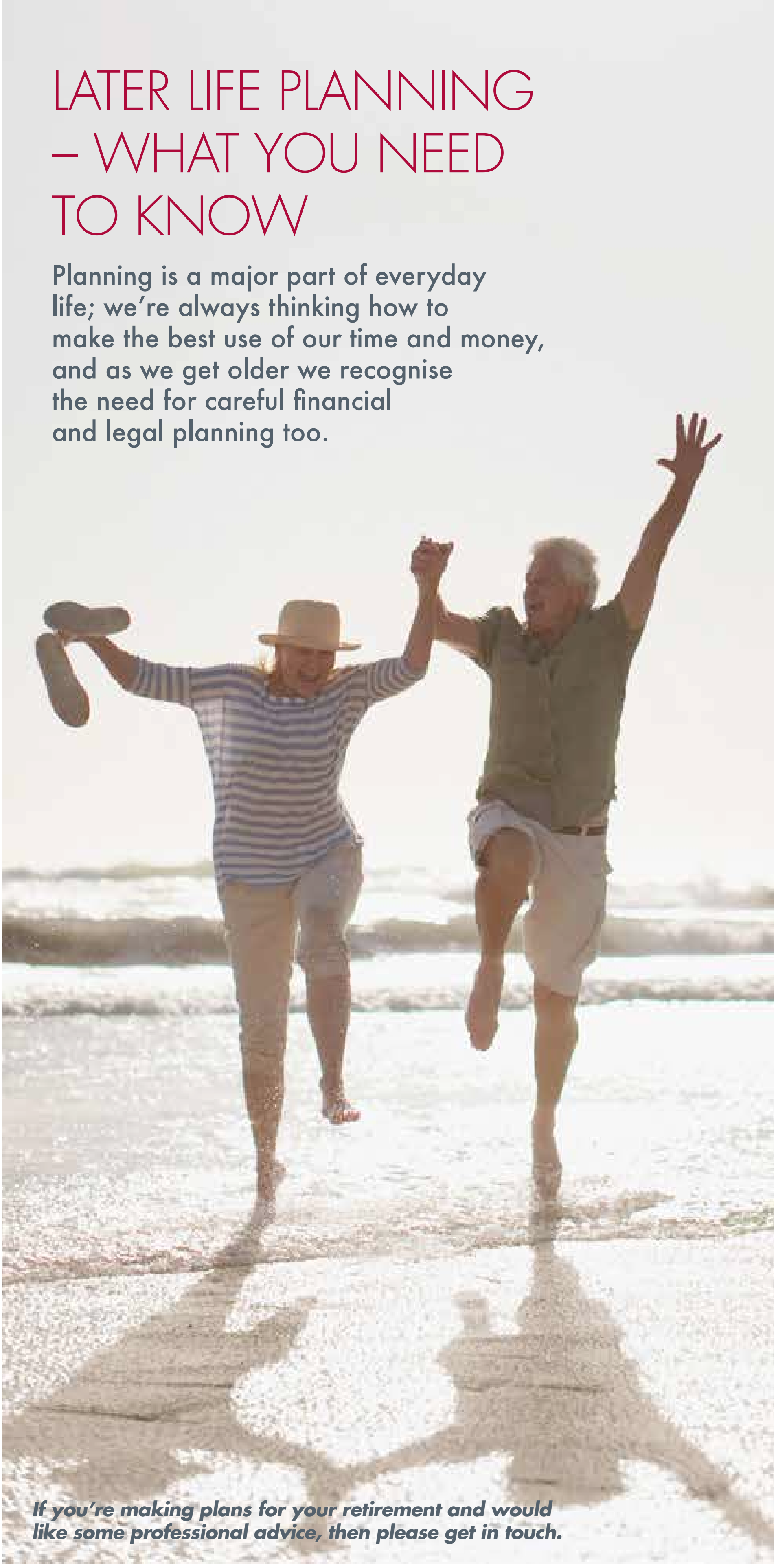
It pays to start by drawing up a budget covering what you think you'll need to spend to cover your living expenses in retirement. This will enable you to see how much income you can afford to take from your pension.

It's also important to remember that when you take money out of your pension, only 25% is tax-free. If you take out more than that, it's taxable and you might find yourself paying tax at a higher rate. Good advice will help you take the right decisions at the right time.

SINCE THE PENSION REFORMS IN 2015, MORE THAN HALF A MILLION PEOPLE HAVE PUT THEIR PENSION INTO INCOME DRAWDOWN

LATER LIFE PLANNING – WHAT YOU NEED TO KNOW

Planning is a major part of everyday life; we're always thinking how to make the best use of our time and money, and as we get older we recognise the need for careful financial and legal planning too.



If you're making plans for your retirement and would like some professional advice, then please get in touch.

There are some key issues older people need to consider. These can include writing or updating their Will to ensure that their estate will be distributed according to their wishes, putting in place Lasting Powers of Attorney to safeguard their finances and their healthcare, making plans for later life care and transferring assets tax-efficiently to the next generation.

Making a Will

Having an up-to-date Will in place that reflects how you want your estate to be distributed on your death is the cornerstone of good estate planning. Sadly, statistics show that around two thirds of UK residents have yet to take this simple step[1], including 42% of over 55s. The figures reveal that one and a half million people haven't updated their Will since getting married, making it void. Wills can have a major part to play in managing your estate's liability to inheritance tax too.

Safeguarding your wishes

A Will isn't the only piece of forward planning you should consider. A Lasting Power of Attorney enables you to choose the person or people who would be in charge of making decisions which affect you, if you are not able to do this for yourself. This makes things easier for family and relatives if you lose capacity, helping ensure that decisions that affect you would be made in your best interests, and that your affairs, both your financial and your health, are managed in the way you would have wanted.

Inheritance Tax planning

In the 2017-18 tax year, according to statistics from HM Revenue & Customs, Inheritance Tax receipts hit a hefty £5.2bn, brought about largely by rising property prices that are seeing more and more families drawn inexorably into the tax net. However, with careful planning and the use of annual tax exemptions, it is possible to reduce the amount of tax that would otherwise be payable.

Care in later life

Many people simply use the savings they have built up over the years to pay for the care they need. However, there are other ways to cover fees such as specialist long-term plans that are purchased with a lump sum and in return pay a guaranteed income for as long as you live. Taking financial advice will help ensure you've planned effectively for your future.

[1]Macmillan Cancer Support, 2018

THE AVERAGE PERSON NEEDS £260,000 FOR RETIREMENT

Research carried out by the Pension & Lifetime Savings Association shows that the majority of people would find it much easier to plan for retirement if they had income targets to guide them. The trade body is proposing three target levels covering 'minimum', 'modest' and 'comfortable' incomes and recommends carefully-chosen titles to ensure they are correctly interpreted. This approach is already used in Australia where it is said to make it much easier for savers to work out if they are saving enough.

Current estimates

According to a recent report entitled "Will we ever summit the pensions mountain?"[1] the amount that the average person will need to fund a comfortable retirement, based on someone opting to stop work at 65 and buying a single-life annuity with inflation protection, has reached £260,000.

The report also points out that those who don't make it onto the housing ladder will need to pay rent during their retirement years, so for them the figure will be even higher at £445,000. In arriving at these figures, the research assumed average earnings of £27,000 a year, and a full state pension of just over £8,500.

Make an early start

The sooner you start, the longer your contribution has to grow.

One of the most attractive features of pension saving is the tax relief. If you make contributions to a pension, or if your employer deducts your payments from your salary, you automatically get 20% tax relief as an additional deposit into your pension pot. If you are a higher-rate taxpayer you can claim an extra 20%, while those paying additional-rate tax can claim back an extra 25%. When you retire, you can take 25% of your savings as a tax-free lump sum, though not necessarily all in one go.

If you save into a workplace pension, your employer should match some or all of your contributions, providing a welcome boost to your pension.

Getting the right advice

Everyone would like to look forward to a financially-comfortable retirement that can be enjoyed rather than endured. Taking financial advice will ensure that you put the right pension plans in place from the outset and know what your savings target should be. You'll also be offered regular reviews to help ensure you keep your pension savings on track.

[1]Royal London, 2018

HALF OF PENSIONERS PLAN TO WORK ON INTO RETIREMENT

What will your retirement be like? Today, retirement means different things to different people.

Many choose to work on in their existing job, but may reduce their hours. Others take a new direction in their lives, perhaps a change of career, the chance to pursue a hobby, or the opportunity to volunteer for a good cause. Others relish the opportunity of a well-earned rest.

According to a recent survey, 54% of respondents who were considering working into retirement, or who were already doing so, said they viewed it as a way of keeping active and mentally stimulated.

However, around 8% of those scheduled to retire in 2018 have had to put their plans on hold as they cannot afford to retire. Of these, nearly half blamed the rising cost of living for their decision.

Planning ahead

These findings highlight the importance of saving as much as possible as early as possible into your pension, so you can choose to work if you want to, but can retire if you prefer.

[1]Prudential, 2018

If you're making plans for your retirement and would like some professional advice, then please get in touch.

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It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.