

TISCO MONEY

PROTECTING YOUR ESTATE FOR FUTURE GENERATIONS

*Many individuals find the
Inheritance Tax rules too complicated*

2018/19
TAX CHANGES

New initiatives you need to know

Generous grandparents

The bank that likes
to say 'yes'

Your money, your choice

Supporting your future
financial requirements

Making the most of your pensions

Have you accumulated multiple
plans that need reviewing?

Retirement wealth

What's the right
answer for you?

TISCO Financial Planning Limited

Morton House, 80A Victoria Street, St Albans, Herts, AL1 3XH

Tel: 01727 734040 **Fax:** 01727 734041 **Web:** www.tisco.co.uk

TISCO Financial Planning Limited is authorised and regulated by the Financial Conduct Authority.

TISCO Financial Planning Limited is registered in England and Wales number 5479998. Registered office: Grove House, 1 Grove Place, Bedford, Beds, MK40 3JJ



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

COULD YOUR MONEY WORK HARDER?

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

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

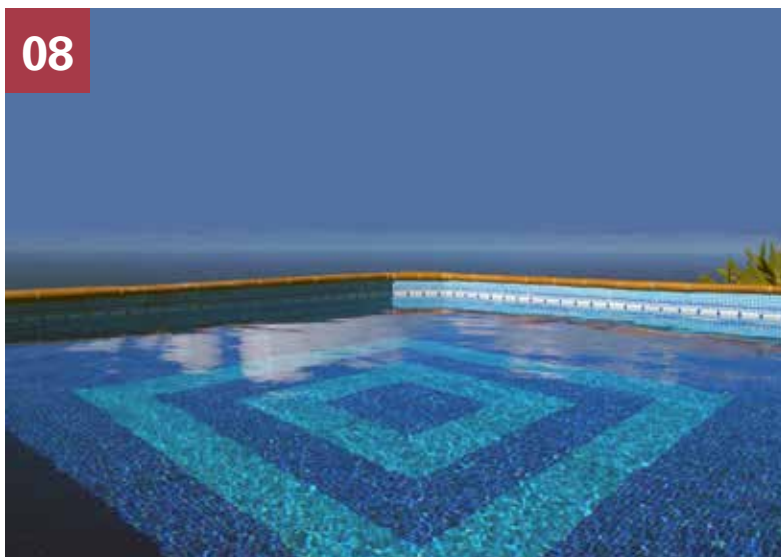
**CONTACT US TO DISCUSS
YOUR REQUIREMENTS.**

CONTENTS

06



08



10



11



CONTENTS

05 Make it a date

Keeping your target retirement plans on track

06 Protecting your estate for future generations

Many individuals find the Inheritance Tax rules too complicated

08 Financial freedom

Deciding what to do with pension savings – even if you're still working

10 2018/19 tax changes

New initiatives you need to know

11 Retirement wealth

What's the right answer for you?

12 Your money, your choice

Supporting your future financial requirements

13 Generous grandparents

The bank that likes to say 'yes'

14 Diversification, diversification, diversification

Portfolio building requires different characteristics to evaluate

16 Art of bond investing

Portfolio balancing, negating stock market volatility and lowering risk

18 Pension freedoms

Running out of money remains the biggest retirement fear for over-55s

21 Cultivating the art of patience

Sticking with a long-term commitment to your investments

INSIDE THIS ISSUE

Welcome to our latest edition. We want you to create the life you want and believe anything is possible when we manage our finances in the right way.

Inside this issue, we look at why it's important to consider the tax implications of making financial decisions. The 2018/19 tax year is now upon us, and a raft of new changes have come into force. The good news is that the overall tax burden is little changed for basic-rate taxpayers, but there are number of areas that have changed that should be taken note of. On page 10, we look at what you need to know about the 2018/19 tax year changes and new initiatives.

By the time we have been working for a decade or two, it is not uncommon to have accumulated multiple pension plans. There's no wrong time to start thinking about pension consolidation, but you might find yourself thinking about it if you're starting a new job or nearing retirement. Turn to page 12 to read the full article.

If you struggle to navigate the UK's Inheritance Tax regime, you are not alone. Whether you are setting up your estate planning or sorting out the estate of a departed family member, the system can be hard to follow. On page 06, we look at how getting your planning wrong could also mean your family is faced with an unexpectedly high Inheritance Tax bill.

Forget the Lamborghini – 2.4 million UK grandparents have either raided their pension to support their grandchildren, or plan to in the future. On page 13, we look at research that shows a quarter of generous grandparents have already given away money to their grandchildren and have taken the funds from their pension.

A full list of the articles featured in this issue appears on page 03 and opposite - we hope you enjoy this issue.

If you would like to discuss or review any area of your financial plans whether or not we've featured the topic, please contact us - we look forward to hearing from you.

13



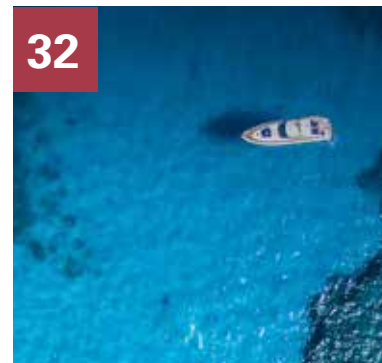
23



26



32



CONTENTS

22 Money's too tight to mention

Financial impact on annual retirement income after divorce

23 Protection matters

Families face a precarious situation if the worst were to happen

24 This time next year we'll be 'million-heirs'

Larger individual wealth and expectation of substantial inheritances

25 Retirement rewards

Common planning mistakes lead to an opaque future

26 Planning for a bigger retirement income

Looking forward to having more time to explore faraway places

27 Easing into retirement

Older workers are increasingly valuable members of the gig workforce

28 One in eight will retire with no pension in 2018

Excuses to avoid facing the difficult work of saving for retirement

30 Is inflation back? Don't panic

How to protect the value of your money from its effects

32 Making the most of your pensions

Have you accumulated multiple plans that need reviewing?

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.

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results.

MAKE IT A DATE

Keeping your target retirement plans on track

MOST OVER-45S ARE NOT MAKING PLANS TO MATCH THEIR HOPES FOR THE FUTURE, ACCORDING TO RESEARCH FROM STANDARD LIFE^[1].

THE VAST MAJORITY (86%) OF THOSE AGED 45 OR OVER ARE ALREADY DREAMING ABOUT ESCAPING THEIR WORKING LIFE FOR RETIREMENT, BUT ONLY 8% OF THE SAME AGE GROUP HAVE RECENTLY CHECKED THE RETIREMENT DATE ON THEIR PENSION PLANS TO MAKE SURE THEY ARE STILL IN LINE WITH THEIR PLANS.

Over half (56%) don't have a clear idea about when they want to retire, and only one in ten (10%) have worked out how much income they'll need when they decide to stop working. The study also reveals it doesn't get much clearer as you go up the generations: less than a fifth (17%) of those aged between 55 and 64 have recently checked to see if the retirement date on their pension policy is still fitting in with their plans.

Setting your retirement date on a pension plan does matter

Some people will have set their retirement date when they were in their 20s or 30s, and a great deal will have changed since then, including their State Pension age and perhaps their career plans. It may seem like a finger in the air guess when you're younger, but the date that you set for retirement on a pension plan does matter. It will often dictate how your money is being invested and the communications you receive as you get nearer to that date.

Why you need to keep your retirement plans up to date

Right support, right time

If the date you plan to retire changes or you simply want to take some of your pension without stopping working, it's important to tell your pension company. Otherwise, you may not receive information and support about your pending retirement at the most helpful times, as they'll be basing this on your out-of-date plans.

De-risking investments

Some investment options will start to move your pension savings into lower-risk investments as you get closer to retirement. If you don't have the right retirement date on your plan, you could be moving into

these investments at the wrong time. For example, if you move into them too early, you could potentially miss out on investment returns that could increase the value of your pension savings. But if you move too late, you could be exposing your life savings to unnecessary risk.

Investment pot size

The size of the pension pot you need to build up to maintain your lifestyle when you come to retire will depend on when you plan to do so.

Income for life

If you're planning to buy an annuity at retirement, which will guarantee you an income for the rest of your life, the amount of income you'll get will depend on the size of your pot (and annuity rates at that time), your age, your medical history and your lifestyle factors. If you prefer to use your pension savings more flexibly, you can keep your money invested, and take it as and when you need. You're then responsible for making sure your life savings last as long as you need them to.

Work longer or retire earlier

Reviewing your retirement date regularly as you get older makes real sense, and most modern pension plans enable you to change and update this date whenever you choose. It needn't be the same as your State Pension age – you might want to work longer or retire earlier – but can't normally be before age 55. Some people who plan to slow down or stop work earlier are using

money from their private pension savings to bridge the gap until they can start claiming State Pension. All you need to do is inform your pension company of your plans, even if they change again in the future. ◀

Source data:

[1] The research was carried out online for Standard Life by Opinium. Sample size was 2,001 adults. The figures have been weighted and are representative of all GB adults (aged 18+). Fieldwork was undertaken in November 2017.

Do you have a clear idea of how to achieve your aims?

Whatever you want out of retirement, we could help get you there. Whether your retirement's a long way off or just around the corner, having a clear idea of how to achieve your aims is important. To review your situation, please contact us.

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



PROTECTING YOUR ESTATE FOR FUTURE GENERATIONS

Many individuals find the Inheritance Tax rules too complicated

IF YOU STRUGGLE TO NAVIGATE THE UK'S INHERITANCE TAX REGIME, YOU ARE NOT ALONE. WHETHER YOU ARE SETTING UP YOUR ESTATE PLANNING OR SORTING OUT THE ESTATE OF A DEPARTED FAMILY MEMBER, THE SYSTEM CAN BE HARD TO FOLLOW. GETTING YOUR PLANNING WRONG COULD ALSO MEAN YOUR FAMILY IS FACED WITH AN UNEXPECTEDLY HIGH INHERITANCE TAX BILL.

Reluctant to seek professional advice

Findings from a recent survey^[1] revealed that over three quarters (77%) think the UK's Inheritance Tax rules are too complicated. Yet despite this, only a third (33%) have sought professional advice on Inheritance Tax planning.

We understand that ensuring your Inheritance Tax planning is tax-efficient is a sensitive subject, and as a result planning opportunities can be missed. Early preparation is the key to success. Taking advantage of alternative methods to secure wealth and to shelter your estate will ensure that more wealth can be passed on to the next generation.

Exempt from Inheritance Tax

Every individual in the UK, regardless of marital status, is entitled to leave an estate worth up to £325,000. This is known as the 'nil-rate band'. Anything above that amount is taxed at a rate of 40%. If you are married or in a registered civil partnership, then you can leave your entire estate to your spouse or partner. The estate will be exempt from Inheritance Tax and will not use up the nil-rate band.

Instead, the unused nil-rate band is transferred to your spouse or registered civil partner on their death. This means that should you and your spouse pass away, the value of your combined estate has to be valued at more than £650,000 before the estate would face an Inheritance Tax liability.

Here's our snapshot of the main Inheritance Tax areas you may wish to consider and discuss further with us.

Steps to mitigate against Inheritance Tax

Make a Will

Dying intestate (without a Will) means that you may not be making the most of the Inheritance Tax exemption which exists if you wish your estate to pass to your spouse or registered civil partner. For example, if you don't make a Will, then relatives other than your spouse or registered civil partner may be entitled to a share of your estate, and this might trigger an Inheritance Tax liability.

Residence nil-rate band (RNRB)

If you're worried that rising house prices might have pushed the value of your estate into exceeding the nil-rate band, then the new 'residence nil-rate band' could be significant. Introduced in 2017, it can be claimed on top of the existing nil-rate band. It is £125,000 (2018/19) and will increase annually by £25,000 every April until 2020, when the £175,000 maximum is reached.

The RNRB is only available where a property that is (or was) used as the deceased's main residence is passed to a direct descendant. From 6 April 2021, the RNRB will then increase each tax year in line with CPI. The RNRB is also

transferable between married couples and civil partners to the extent that it is not used on the first death. The RNRB is tapered by £1 for every £2 when a total estate is worth over £2 million.

Make lifetime gifts

Gifts made more than seven years before the donor dies, to an individual or to a bare trust (see types of trust), are free of IHT. So it might be wise to pass on some of your wealth while you are still alive. This will reduce the value of your estate when it is assessed for IHT purposes, and there is no limit on the sums you can pass on. You can gift as much as you wish – this is known as a 'Potentially Exempt Transfer' (PET).

If you live for seven years after making such a gift, then it will be exempt from Inheritance Tax. However, should you be unfortunate enough to die within seven years, then it will still be counted as part of your estate if it is above the annual gift allowance. You need to be particularly careful if you are giving away your home to your children with conditions attached to it, or if you give it away but continue to benefit from it. This is known as a 'Gift with Reservation of Benefit'.

Leave a proportion to charity

Being generous to your favourite charity can reduce your Inheritance Tax bill. If you leave at least 10% of your estate to a charity or number





of charities, then your Inheritance Tax liability on the taxable portion of the estate is reduced to 36% rather than 40%.

Set up a trust

Family trusts can be useful as a way of reducing Inheritance Tax, making provision for your children and spouse, and potentially protecting family businesses. Trusts enable the donor to control who benefits (the beneficiaries) and under what circumstances, sometimes long after the donor's death. Compare this with making a direct gift (for example, to a child) which offers no control to the donor once given. When you set up a trust, it is a legal arrangement, and you will need to appoint 'trustees' who are responsible for holding and managing the assets. Trustees have a responsibility to manage the trust on behalf of and in the best interest of the beneficiaries, in accordance with the trust terms. The terms will be set out in a legal document called 'the trust deed'.

Types of trust you might consider

Bare (Absolute) Trusts

The beneficiaries are entitled to a specific share of the trust, which can't be changed once the trust has been established. The settlor (person who puts the assets in trust) decides on the beneficiaries and shares at outset. This is a simple and straightforward trust – the trustees

invest the trust fund for the beneficiaries but don't have the power to change the beneficiaries' interests decided on by the settlor at outset. This trust offers potential Income Tax and Capital Gains Tax benefits, particularly for minor beneficiaries. However, it should be borne in mind that if a parent creates a bare trust for their minor unmarried child – and the gross income is more than £100 a year – under the 'parental settlement' rules, all the income will be taxed on the parent.

Life Interest Trusts

Typically, one beneficiary will be entitled to the income from the trust fund whilst alive, with capital going to another (or other beneficiaries) on that beneficiary's death. This is often used in Will planning to provide security for a surviving spouse, with the capital preserved for children. It can also be used to pass income from an asset on to a beneficiary without losing control of the capital. This can be particularly attractive in second marriage situations when the children are from an earlier marriage.

Discretionary (Flexible) Trusts

The settlor decides who can potentially benefit from the trust, but the trustees are then able to use their discretion to determine who, when and in what amounts beneficiaries do actually benefit. This provides maximum flexibility compared to

the other trust types, and for this reason is often referred to as a 'Flexible Trust'. ◀

Source data:

[1] Canada Life's annual Inheritance Tax monitor survey of 1,001 UK consumers aged 45 or over with total assets exceeding the individual Inheritance Tax threshold (nil-rate band) of £325,000. Carried out in October 2017.

Time to evaluate whether or not Inheritance Tax could become payable?

When someone dies, Inheritance Tax needs to be considered. Without the right professional advice and careful financial planning, HM Revenue & Customs can become the single largest beneficiary of your estate following your death. To evaluate whether or not Inheritance Tax could become payable, all of your assets you hold at the date of death need to be valued, and reliefs and exemptions determined. Don't leave it to chance – contact us for a review of your situation.

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.

FINANCIAL FREEDOM

*Deciding what to do with pension
savings – even if you're still working*

IT MIGHT SEEM LIKE A FAR-OFF PROSPECT,
BUT KNOWING HOW YOU CAN ACCESS YOUR
PENSION POT CAN HELP YOU UNDERSTAND
HOW BEST TO BUILD FOR THE FUTURE YOU
WANT WHEN YOU RETIRE.

On 6 April 2015, the Government introduced major changes to people's defined contribution (DC) private pensions. Once you reach the age of 55 years, you now have much more freedom to access your pension savings or pension pot and to decide what to do with this money – even if you're still working.

Depending on the scheme, you may be able to take cash lump sums, a variable income through drawdown (known as 'flexi-access drawdown'), a guaranteed income under an annuity or a combination of these options. This means being faced with the choice of deciding how much money to take out each year and setting an appropriate investment strategy. It goes without saying that your income won't last as long if you take a lot of money out of the pension pot early on.

What are your retirement income options?

There are many things to consider as you approach retirement. You need to review your finances to ensure your future income will allow you to enjoy the lifestyle you want. You'll also be faced with a number of different options available for accessing your pension. Being faced with such an important decision, it's essential you obtain professional financial advice and guidance. We've provided an overview of the main options.

Keep your pension pot where it is

You can delay taking money from your pension pot to allow you to consider your options. Reaching age 55 or the age you agreed with your pension provider to retire is not a deadline to act. Delaying taking your money may give your pension pot a chance to grow, but it could go down in value too.

Receive a guaranteed income for life

A lifelong, regular income (also known as an 'annuity') provides you with a guarantee that the income will last as long as you live. A quarter of your pension pot can usually be taken tax-free, and all the annuity payments will be taxed.

Receive a flexible retirement income

You can leave your money in your pension pot and take an income from it. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too. A quarter of your pension pot can usually be taken tax-free, and any other withdrawals will be taxed

whether you take them as income or as lump sums. You may need to move into a new pension plan to do this. You do not need to take an income.

Take your whole pension pot in one go

You can take the whole amount as a single lump sum. A quarter of your pension pot can usually be taken tax-free – the rest will be taxed. You will need to plan how you will provide an income for the rest of your retirement.

“

A lifelong, regular income (also known as an 'annuity') provides you with a guarantee that the income will last as long as you live. A quarter of your pension pot can usually be taken tax-free, and all the annuity payments will be taxed.

”

Take your pension pot as a number of lump sums

You can leave your money in your pension pot and take lump sums from it as and when you need until your money runs out or you choose another option. You can decide when and how much to take out. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too. Each time you take a lump sum, normally a quarter of it is tax-free and the rest will be taxed. You may need to move into a new pension plan to do this.

Choose more than one option and combine them

You can also choose to take your pension using a combination of some or all of the options over time or over your total pot. If you have more than one pot, you can use the different options for each pot. Even if you only have the one pot, it is possible to have a combination of guaranteed income for life with a flexible income.

Significant effect on the amount of income available

The earlier you choose to access your pension pot, the smaller your potential fund

and income may be for later in life. This could have a significant effect on the amount of income available to you, meaning it may be less than it could have been, and it could run out much earlier than expected.

Taking an appropriate income or money from your pension is very complex. We'll help you access your options. Remember: if you choose to only withdraw some of your money, what's left will remain invested and could go down as well as up in value. You could also get back less than has been invested. Also, if you buy an income for life, you can't generally change it or cash it in, even if your personal circumstances change. And the inheritance you can pass on depends on what you decide to do with your pension money. ◀

Expert and professional advice is the key

You don't have to do anything with your pension savings when you reach age 55. If you don't need the money yet, you can leave it where it is. But whatever your future plans are, it's essential to receive expert and professional advice. To review your situation and consider the ways we can to help you make the most of your retirement income, please contact us – we look forward to hearing from you.

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

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

2018/19 TAX CHANGES

New initiatives you need to know

IT'S IMPORTANT TO CONSIDER THE TAX IMPLICATIONS OF MAKING FINANCIAL DECISIONS. THE 2018/19 TAX YEAR IS NOW UPON US AND A RAFT OF NEW CHANGES HAVE COME INTO FORCE. THE GOOD NEWS IS THAT THERE IS LITTLE CHANGE IN THE OVERALL TAX BURDEN FOR BASIC-RATE TAXPAYERS. HOWEVER, THERE ARE NUMBER OF AREAS THAT HAVE CHANGED THAT SHOULD BE TAKEN NOTE OF.

Here's what you need to know about the 2018/19 tax year changes and new initiatives.

Personal Allowance

The tax-free Personal Allowance is the amount of income you can earn before you have to start paying Income Tax. All individuals are entitled to the same Personal Allowance, regardless of their date of birth.

In the 2017/18 tax year, the Personal Allowance was £11,500, and it rises to £11,850 in the 2018/19 tax year. This means you can earn £350 more in the 2018/19 tax year than in the previous tax year before you start paying Income Tax. However, bear in mind that the Personal Allowance is reduced by £1 for every £2 of an individual's adjusted net income above £100,000.

A spouse or registered civil partner who isn't liable to Income Tax above the basic rate may transfer £1,190 of their unused Personal Allowance in the 2018/19 tax year, compared to £1,150 in the 2017/18 tax year to their spouse or registered civil partner, as long as the recipient isn't liable to Income Tax above the basic rate. You are eligible for this transfer if you're married or in a civil partnership, you don't earn anything, or your income is £11,850 or less and your partner's income is between £11,851 and £46,350 (or £43,430 if you're in Scotland).

Higher-rate threshold

The threshold for people paying the higher rate of Income Tax (which is 40%) increased from £45,000 to £46,350 in the 2018/19 tax year (this does not apply in Scotland). This new figure also includes the increased Personal Allowance.

Dividend Allowance

The Chancellor of the Exchequer, Philip Hammond, announced in the Spring Budget 2017 that the Dividend Allowance would reduce from £5,000 to £2,000 from 5 April 2018.

Any dividend income that investors earn above the £2,000 allowance will attract tax at

7.5% for basic-rate taxpayers, while higher-rate taxpayers will be taxed at 32.5% and additional-rate taxpayers at 38.1%.

This may impact on shareholders of private companies paying themselves in the form of dividends, for example, rather than salary. Investors with portfolios that produce an income in the form of dividends of more than £2,000 a year, which are held outside ISAs or pensions, will also be affected by the reduction in the allowance.

National Insurance Contributions (NICs)

NICs will be charged at 12% of income on earnings above £8,424, up from £8,164 until you are earning more than £46,350, after which the rate drops to 2% on the excess. It's the same in Scotland.

Auto enrolment contributions

Auto enrolment contribution rates have increased for employees and employers. In the previous 2017/18 tax year, the minimum total contribution was 2%, with employers subject to a minimum of 1%. From 6 April 2018, the total minimum increased to 5%, with employers subject to a minimum of 2%. The employee contributes the difference between the two.

Pension Lifetime Allowance

The Lifetime Allowance increased from £1 million to £1.03 million in the 2018/19 tax year. This is the maximum total amount you can hold within all your pension savings without having to pay extra tax when you withdraw money from them.

If the total value of your pension savings goes over the Lifetime Allowance, any excess will be taxed at a rate of 25% in addition to your marginal rate of Income Tax if drawn as income, or 55% if you take it as a lump sum.

State Pension

There has been a 3% rise for the old basic State Pension and the new flat-rate State Pension. If you're on the basic State Pension (previously £122.30 per week), this has increased to

£125.95. The flat-rate State Pension has increased from £159.55 to £164.35 a week.

Inheritance Tax

Although the standard nil-rate band is frozen at £325,000, the residence nil-rate band (RNRB) has risen from £100,000 to £125,000. The RNRB enables eligible people to pass on a property to direct descendants and potentially save on death duties.

Capital Gains Tax

Capital Gains Tax is charged on profits that are made when certain assets are either transferred or sold. There's no tax to pay if all gains made in a tax year fall within the annual Capital Gains Tax exemption. For the 2018/19 tax year, this will be £11,700 (it was £11,300 for the 2017/18 tax year).

Buy-to-let landlords

Changes mean that only 50% of mortgage interest will be able to be offset when calculating a tax bill, compared with 75% previously. This is being phased in between April 2017 and April 2020. You will still be able to deduct some of your finance costs when you work out your taxable property profits during the transitional period. These deductions will be gradually withdrawn and replaced with a basic-rate relief tax reduction. ◀

Need help navigating the tax maze?

Remember that tax rules and allowances can and do change over time. Their effect on you depends on your individual circumstances, which can also change. We'll help you to optimise your tax position. For a review of your position, contact us for further information or arrange a meeting.

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.

RETIREMENT WEALTH

What's the right answer for you?

THE FIRST INCREASE IN MINIMUM AUTOMATIC ENROLMENT (AE) WORKPLACE PENSION CONTRIBUTIONS CAME INTO EFFECT ON 6 APRIL^[1]. ACCORDING TO RESEARCH FROM SCOTTISH WIDOWS, HOWEVER, ONE IN FIVE BRITONS (20%) – AMOUNTING TO MORE THAN TEN MILLION PEOPLE – SAY THEY'LL WORK UNTIL THEY'RE PHYSICALLY UNABLE TO, WHILE ONE IN 20 (6%) – ANOTHER THREE MILLION PEOPLE – SAY THEY EXPECT TO WORK UNTIL THEY DIE.



While the increase in AE workplace pension contributions will help people narrow the gap in their retirement savings, there are many who need to be doing more to ensure a comfortable retirement. The research shows that 44% of people are not saving its recommended 12% of their salary towards retirement each year^[2], which is more than double the new minimum AE contribution level of 5%.

Expectation to continue working at least part-time

In addition, the findings reveal that more than half (51%) of Britons expect to continue working at least part-time past retirement age, and a fifth (18%) say that working beyond the age of 65 will be a necessity rather than a choice.

Only a quarter (24%) expect to have completely retired by the time they're 65, the research reveals. Young people are least hopeful of this being a possibility, with only

one in 20 (5%) of 18 to 24-year-olds expecting to retire by the age of 65, but this proportion doubles among 25 to 34-year-olds (11%) and triples among 35 to 44-year-olds (16%).

Delaying retirement – make it a choice, not a necessity

Nearly one in five (18%) people say they'll work longer than they want to because they worry about their level of savings. Just under a third (32%) of 25 to 54-year-olds worry they haven't been saving enough in their early years, and two fifths (39%) of people fear running out of money completely in retirement.

Interestingly, women are more concerned than men about the cost of later life. Just over two fifths (43%) of women are concerned that they'll run out of money during retirement, while only a third (34%) of men feel this way. Others worry about facing potential shortfalls due to policy change, with four in ten (37%) citing concern about changes to the State Pension, such as a further increase to the retirement age.

Preparing for the costs of retirement

Despite the majority of British adults recognising the need to work longer to prepare for their retirement, a significant number have no contingency in place should they face increasing costs in later life. When told that people going into a nursing home can expect to pay an average of £866 per week for this, 22% of respondents said they'd never considered how they would cover this cost, and another 22% said they'd rely on the state to pay for care.

However, more than three in five (62%) people say they are unsure what behaviour they would change to make up for increasing retirement spending. Only 12% say they will hold off drawing down their maximum pension allowance for as long as possible, and just 8% say they will forego leisure spending to prepare for retirement spending. ◀

Source data:

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 3,535 adults.

Fieldwork was undertaken between 17 and 22 January 2018. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

[1] From 6 April 2018, the minimum contribution is 5%, with at least 2% from the employer; from 6 April 2019, the minimum contribution is 8%, with at least 3% from the employer.

[2] 2017 Scottish Widows Retirement Report – 44% of people aged 30+ are not saving adequately for retirement.

Keeping your finances in good shape

When you reach that next chapter in life, you'll want to make the most of it and keep your finances in good shape. Whether it's saving for retirement or living in retirement, we can help give you more peace of mind with a financial plan that, based on regular reviews, aims to keep you on track as your life continues to change. Please contact us for more information or to arrange a meeting.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR MONEY, YOUR CHOICE

Supporting your future financial requirements

YOU CAN PAY INTO AS MANY PENSION SCHEMES AS YOU WANT; IT DEPENDS ON HOW MUCH MONEY YOU CAN SET ASIDE. THERE ARE SEVERAL DIFFERENT TYPES OF PRIVATE PENSION TO CHOOSE FROM, BUT IN LIGHT OF RECENT GOVERNMENT CHANGES THE TAX ASPECTS CAN REQUIRE CAREFUL PLANNING. SO WHAT DO YOU NEED TO CONSIDER?

The UK Government currently places no restrictions on the number of different pension schemes you can be a member of. So, even if you already have a workplace pension, you can have a personal pension too, or even multiple personal pensions. These can be a useful alternative to workplace pensions if you're self-employed or not earning, or simply another way to save for retirement.

Any UK resident between the ages of 18 and 75 can pay into a personal pension – although the earlier you invest, the more likely you are to be able to build up a substantial pension pot. However, the maximum that can normally be contributed to all your pensions during the tax year and receive tax relief (known as the 'annual allowance') is £40,000 (not taking into account any unused annual allowance that may be available to carry forward). Some people who are high earners with 'threshold income' above £110,000 and 'adjusted income' of £150,000 or more will be subject to tapering and have a reduced annual allowance.

Tax relief on pension contributions

A private pension is designed to be a tax-efficient savings scheme. The Government encourages this kind of saving through tax relief on pension contributions.

In the 2018/19 tax year, pension-related tax relief is limited to either 100% of your UK earnings, or £3,600 per annum – whichever is highest. Contributions are limited by the current annual (£40,000) and lifetime allowances (£1,030,000) for most people, but not all, so it will be worth checking with your financial adviser how you are affected.

Annual allowance

The annual allowance is the maximum amount that you can contribute to your pension each year while still receiving tax relief. The current annual allowance is capped at £40,000, but may be lower depending on your personal circumstances.

In April 2016, the Government introduced the tapered annual allowance for higher earners. For individuals with 'threshold income' above £110,000 and 'adjusted income' of £150,000 or more, the standard

£40,000 annual allowance will be reduced by £1 for every £2 of 'adjusted income' they have over £150,000. However, the maximum reduction will be £30,000 – taking the highest earners' annual allowance down to £10,000.

Any contributions over the annual allowance won't be eligible for tax relief, and you will need to pay an annual allowance charge. This charge will form part of your overall tax liability for that year, although there is the option to ask your pension scheme to pay the charge from your benefits if it is more than £2,000 and contributions to that scheme exceeded £40,000. It is worth noting that you may be able to carry forward any unused annual allowances from the previous three tax years in order to reduce, or eliminate, any annual allowance charge payable.

Lifetime allowance

The lifetime allowance (LTA) is the maximum amount of pension benefit that can be drawn without incurring an additional tax charge, currently £1,030,000. What counts towards your LTA depends on the type of pension you have:

- **Defined contribution – personal, stakeholder and most workplace schemes**
The amount of money in your pension pots that goes towards paying you, however you decide to take the money
- **Defined benefit – some workplace schemes**
Usually 20 times the pension you get in the first year plus your lump sum – check with your pension provider

Your pension provider will be able to help you determine how much of your LTA you have already used up. This is important because exceeding the LTA will result in a charge of 55% on any lump sum and 25% on any other pension income such as cash withdrawals. This charge will usually be deducted by your pension provider before you start getting your pension.

Pension protection

It's easier than you think to exceed the LTA. If you are concerned about exceeding your

LTA, or have already done so, it's essential to obtain professional financial advice. It may be that you can apply for pension protection. This could enable you to retain a larger LTA and keep paying into your pension – depending on which form of protection you are eligible for. We can assess and review the options available to your particular situation.

Alternative savings

In addition to pension protection, if you have reached your LTA (or are close to doing so), it may also be worth considering other tax-effective vehicles for retirement savings, such as Individual Savings Accounts (ISAs). In the current tax year, individuals can invest up to £20,000 into an ISA.

The Lifetime ISA launched in April 2017 is open to UK residents aged 18 or over but under 40, and will enable younger savers to invest up to £4,000 a year tax-efficiently – any savings you put into the ISA before your 50th birthday will receive an added 25% bonus from the Government. After your 60th birthday, you can take out all the savings tax-free, making this an interesting alternative for those saving for retirement.

Pension beneficiaries

There will normally be no tax to pay on pension assets passed on to your beneficiaries if you die before the age of 75 and before you take anything from your pension pot – as long as the total assets are less than the LTA. If you die aged 75 or older, the beneficiary will typically be taxed at their marginal rate. ◀

Where are you along your retirement journey?

There is no one-size-fits-all tax-efficient solution when it comes to planning for your retirement. So wherever you are in your retirement journey, we're here to support you, whether it's starting a pension, saving more into your plan or helping with your options for retirement. To review your unique situation, please contact us.

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

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

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.



GENEROUS GRANDPARENTS

The bank that likes to say 'yes'

FORGET THE LAMBORGHINI – 2.4 MILLION UK GRANDPARENTS^[1] HAVE EITHER RAIDED THEIR PENSION TO SUPPORT THEIR GRANDCHILDREN OR PLAN TO IN THE FUTURE. ACCORDING TO RESEARCH FROM LV=, A QUARTER OF GENEROUS GRANDPARENTS (25%) WHO HAVE ALREADY GIVEN AWAY MONEY TO THEIR GRANDCHILDREN^[2] HAVE TAKEN THE FUNDS FROM THEIR PENSION. A FURTHER ONE IN SIX (16%) PLAN TO USE THEIR PENSION FOR THIS REASON ONCE THEY REACH RETIREMENT AGE.

Open-handed grandparents are willing to give away substantial amounts to their grandchildren, whether from their pensions, savings or wages, with the average grandparent having already spent £1,633. More than one in 20 (6%) have given gifts of more than £10,000.

The generosity shows no sign of stopping, with many grandparents (56%) planning to give away even more money in future. The average grandparent expects to give away £2,938 in the coming years, with charitable grandmas expecting to give away £173 more than grandads on average.

Living inheritance

Pension savings are used to help with a wide range of things, from helping grandchildren get on the housing ladder (21%) and other high-ticket items like university fees (20%) or cars (17%). A similar number would help out with more day-to-day expenses such as bills (21%) and hobbies (19%).

Grandparents often view the financial gifts they make as a 'living inheritance', with more than a third (37%) wanting to be around to see their grandchildren enjoy the money^[3].

Retirement focus

It's heart-warming to see grandparents so willing to help out their grandchildren both day-to-day and with large ticket purchases.

With one in five using their pension to help out, it's important that these kind individuals plan for their retirement and have enough money left for themselves, as even smaller outgoings like bills can become harder to meet later in life.

The generosity of grandparents in Britain is clear to see, and it is great that so many feel comfortable enough to be able to help out their family and plan to continue doing so. However, the average retirement is now much longer than for past generations, and people's lifestyle and associated costs are likely to change over this period. ◀

Source data:

[1] According to ONS Population Pyramid, there are 49,533,900 people aged over 18 in the UK. The research found that 39% of a sample of 2,002 adults were grandparents, indicating there are 19,318,221 grandparents in the UK. 56% of grandparents have helped or plan to help their grandchildren, and 22% of these would use their pension to do so. Therefore, 2.38 million grandparents have helped or plan to help their grandchildren, using their pension.

[2] According to research carried out by Opinium Research on behalf of LV=, 25% of grandparents have already taken money from their pension to give to their grandchildren.

[3] Statistics from research carried out on behalf of LV= by Opinium Research in June 2014

(total sample size = 2,043). The press release for this research was issued on 20 June 2014.

The research was carried out by Opinium Research from 13–16 October 2015. The total sample size was 786 British grandparents over the age of 30, and the survey was conducted online. Results are weighted to a nationally representative criteria.

Remaining generous, but also adapting to your changing needs

The flow of financial support across the generations is a striking feature of the modern family. If you find yourself in this position and are approaching retirement, it's important to structure your income in a way that offers you enough financial flexibility to enable you to remain generous, but also adapt to your changing needs. To look at the options available, please contact us.

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

DIVERSIFICATION, DIVERSIFICATION, DIVERSIFICATION

Portfolio building requires different characteristics to evaluate

THERE ARE MANY WAYS TO INVEST AND DIFFERENT TYPES OF INVESTMENTS. BUT WHEN LOOKING TO BUILD AN APPROPRIATE DIVERSIFIED PORTFOLIO, INVESTORS HAVE A NUMBER OF DIFFERENT CHARACTERISTICS TO EVALUATE. FOR EXAMPLE, IS THE INVESTMENT DESIGNED TO PROVIDE GROWTH OR INCOME? IS IT DOMESTIC OR INTERNATIONAL? DOES IT HAVE A MATURITY? ANOTHER CONSIDERATION IS WHETHER THE INVESTMENT IS ACTIVELY OR PASSIVELY MANAGED.

Sometimes, that simple, fundamental choice can make a difference in portfolio performance. During a particular market climate, one of these two methods may be widely praised, while the other is derided and dismissed. In truth, both approaches have merit, and all investors should understand their principles.

Economic and market conditions

Active fund managers select individual stocks. Stock selections decisions in active funds are based on factors such as economic and market conditions as well as company-specific issues, (for example, the profitability of a company and the strength of its management). Alternatively, passive or 'index-tracking' funds aim to replicate a specific market index.

An active fund is managed with the aim of generating returns greater than the relevant markets, as measured by an index. Active fund managers base their stock buying and selling decisions on several factors, including market conditions, political climate, state of the economy, and company-specific factors that include profitability and market share.

Industry sector or company size

Depending on the fund's objective, an active fund manager may have little or no constraint on their investment choice. Where this is the case, they can select what they consider the most promising opportunities, regardless of industry sector or company size. They aim to maximise gains in rising markets and limit the

effects when markets are falling.

Actively managed funds have the potential to outperform and, conversely, under perform compared to a market index. They have the flexibility to invest where the investment manager believes there are the best market opportunities. They have the ability to minimise losses in a falling market by investing in shares outside the index, and typically have higher annual management charges than for passive funds, in return for the investment managers' potential to outperform the market.

Trying to match the index

A passive, or index-tracking, fund is managed with the aim of replicating the performance of a specific index. To track the FTSE 100, for example, an investment manager will aim to invest in the same shares, in the same proportions, as this index. Passive fund managers won't make any 'active' decisions, as they're only trying to match the index. The fund will generally rise and fall with the index.

They perform well when markets rise and poorly when they fall, but funds can be less diversified than active funds, as the relevant index may be dominated by just a few large companies. A change in the investment manager should have no impact on its performance. In addition, passive funds generally offer lower annual management charges and typically have a lower turnover of shares that can mean lower transaction costs apply.

Risk is inherent with any investment

It's important to remember that a degree of risk is inherent with any investment, and the potential for greater returns comes with a higher degree of investment risk. While a passive fund is considered to have less investment risk associated with it than an actively managed fund, there are still risks (such as stock market risk) involved.

As with most investment decisions, there is no right or wrong selection. The choice is down to the individual investor, their investment objectives, attitude to risk, and the economic and market environment at the time. It is generally accepted that asset allocation has the biggest impact on the variability of returns within an investment portfolio. ◀

Looking to review your investment options or portfolio?

There are many ways to invest and different types of investments. If you are unsure of what is right for you, or are interested in adding further assets to your portfolio and would like to review your options or portfolio, please contact us.

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

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

The background of the advertisement is a composite image. On the left, there is a blue silhouette of a world map. Overlaid on the map and the rest of the background is a financial candlestick chart with various numerical values. A large, semi-transparent dollar sign (\$) is positioned on the left side. The overall color scheme transitions from blue on the left to orange and yellow on the right.

LOOKING FOR AN EXPERT, FLEXIBLE APPROACH TO MANAGING YOUR WEALTH?

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

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

CONTACT US TO DISCUSS YOUR REQUIREMENTS.

ART OF BOND INVESTING

Portfolio balancing, negating stock market volatility and lowering risk

BONDS HAVE HISTORICALLY BEEN AN ALTERNATIVE WAY TO BALANCE A PORTFOLIO AND NEGATE STOCK MARKET VOLATILITY, AND THEY ARE TREATED AS LOWER RISK. THE ART OF INVESTING IS ALL ABOUT MIXING ASSETS TO BUILD A PORTFOLIO ALIGNED TO YOUR INVESTMENT OUTLOOK AND ATTITUDE TO RISK, WITH SHARES AND BONDS AS PRIMARY COMPONENTS. FOR INVESTORS, BONDS CAN PROVIDE A STREAM OF RETURNS.

A bond is an IOU, typically issued by a government or company (an 'issuer'). Companies issue bonds to meet their expenditure or to settle out their debts. Governments also issue bonds in order to settle any financial deficits of the government, and also to bring development. When issued by a company, they are referred to as 'corporate bonds'. By buying a bond, you are lending the issuer money. Two things are specified at the outset: the agreed rate of interest that the issuer must pay you at regular intervals (the 'coupon'), and the date at which the issuer must repay you the original amount loaned (the 'principal').

Making different market assessments

Bonds can be bought and sold in the marketplace. Their prices change constantly because people in the market make different assessments on two main factors: the likelihood that the issuer will repay its debts ('credit risk'), and the effect of interest rates ('interest rate risk').

If more investors want to buy a bond than sell, the price normally increases. Similarly, if there are more sellers than buyers, the price normally goes down. The rising or falling price affects the yield of the bond. Yield is a way of measuring the attractiveness of an individual bond. However, bonds are not always held until the principal is repaid – they can be bought and sold at any time until the principal is repaid – so there are many ways of calculating the yield. The most common is the 'redemption yield'. This discounts the value of coupons received over time. It also adjusts for any difference in the price paid for the bond and the principal repaid at maturity.

Generally stable regular income

Bonds pay investors a regular income, and their prices are generally stable. They are also generally considered safer than equities and are issued by reputable companies or governments. Should a company that has issued bonds run into financial difficulty, the bond holders rank ahead of equity holders for repayment. However, the price of a bond can fall as well as rise, and there is no guarantee that an issuer will not default on its obligations. The effects of interest rates and inflation can also erode the future values of returns.

Investors demand a premium for the extra risk they are taking when lending money to a less well-established company or less creditworthy government. Therefore, bonds from these issuers tend to be higher yielding. Comparatively well-financed issuers are referred to as 'investment grade', while less secure

issuers are referred to as 'high yield' or 'sub-investment grade'. Different types of issuers are affected in different ways. For example, government bonds tend to be more affected by changes in interest rates, while corporate bonds are more affected by the company's profitability.

Bond investments not right for everyone

Like any security, there are many options when it comes to bond investments, and they are not right for everyone. Various types of bonds can be issued. These include inflation-linked bonds, where payments are linked to changes in inflation, and convertible bonds, which are corporate bonds that can be converted into the company's underlying equity. Certain types of bonds may be better suited to particular economic conditions or meeting particular investment objectives.

A credit rating can be given to an issuer, either to one of its individual debts or overall creditworthiness. The rating usually comes from credit rating agencies, such as Moody's, Standard & Poor's or Fitch, which use standardised scores such as 'AAA' (a high credit rating) or 'B-' (a low credit rating).

Considering economic and technical factors

Inefficiencies in the bond market cause potential returns available from one bond or sector to outweigh each other at different times. By carefully researching the issuers in the market, as well as considering economic and technical factors, bond fund managers aim to manage portfolios of bonds that suit the current investment conditions.

How bond fund managers perform is typically measured against an index of bonds in the region or type of issuer in which they invest. This is known as a 'benchmark'. The fund manager will aim to outperform the benchmark, as well as protect investors' capital when the wider market is falling.

Bond Jargon

Face Value/Par Value

The par value or face value is a term used to define the principal value of each bond, which means the amount you had paid while purchasing the bond. The amount that you paid while purchasing the bond is the exact amount that you should expect in return once the tenure of the loan is completed.

Maturity Date

The maturity date of a bond is the date on which the bond validity expires, and the

company or government that issued you the bond should pay you back the entire face value or par value at the end of the maturity date.

Coupon

A coupon is the annual interest amount in percentage that you will be receiving for the face value of the bond.

Yield

The yield of a bond is the percentage of annual interest that you get paid for your bond depending on the current market value of the bond you purchased.

Investment Grade

Investments in terms of bonds are generally made by taking the bond investment grade into consideration. The bond investment grade can be considered as the score of a company depicting how likely the company is to pay back your bond after the end of the maturity date.

The investment grade for each company is offered by different agencies such as Moody's, Fitch and Standard & Poor. In order to be considered trustworthy for buying bonds from, any company should have at least a rating of 'BBB'. The companies with a 'BBB' grade rating are highly likely to pay back your investment amount after the maturity date and are safe bond investments. The companies that have a rating of 'BB' or lower are considered to have a 'junk grade' and is not at all recommended while buying bonds. ◀

Want to review your current and future investment plans?

We believe that receiving professional investment advice is vitally important. So if you would like to review your current and future financial plans, please contact us for a review or your requirements.

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.

PENSION FREEDOMS

Running out of money remains the biggest retirement fear for over-55s

ON 6 APRIL 2015, THE GOVERNMENT INTRODUCED 'PENSION FREEDOMS', AND WITH IT MAJOR CHANGES TO PEOPLE'S PRIVATE PENSION PROVISION. ONCE YOU REACH THE AGE OF 55 YEARS, YOU NOW HAVE MUCH MORE FREEDOM TO ACCESS YOUR PENSION SAVINGS OR PENSION POT AND TO DECIDE WHAT TO DO WITH THIS MONEY

Three years on from the pension freedoms revolution, people are saving more for their retirement while the over-55s are working longer to fulfil their retirement plans, new exclusive research shows[1]. The new rules have led to consumers taking a variety of different choices when investing their pension pots.

Working for longer than originally planned

The research reveals that over-55s are planning to work for longer than they had originally planned – and about 12% say they or their partner will work full-time or part-time past their original planned retirement date. More than one in ten (11%) working over-55s say they have started saving into a pension for the first time, encouraged their partner to save more, increased pension contributions or restarted pension saving since the rules came into effect from April 2015.

One in seven (14%) are also making more effort to learn about retirement savings. However, the freedoms, which give everyone aged 55-plus flexibility on how to use their defined contribution pension funds, are not a total success with savers and the retired. Nearly two out of three (64%) over-55s say they are confused by the regulations, and the overwhelming majority (82%) want an end to any further government changes to pension rules. More than one in three (42%) are concerned about running out of money during retirement, while 41% worry about paying for long-term care.

Taking your pension

Once you reach retirement, how you use your funds can often be the largest single financial planning decision you make in your lifetime.

There is a wide range of options available that could enable you to achieve your aspirations in retirement.

Greater pension freedoms and choice has made the retirement income environment more complex for many retirees, with unprecedented control being handed over to how you utilise your pension savings. So what are your options?

- Leave your pension pot untouched
- Use your pot to buy a guaranteed income for life – an 'annuity'
- Use your pot to provide a flexible retirement income – 'flexi-access drawdown'
- Take small cash sums from your pot
- Mixing your options

Responsibility for making a pension fund last

Pension freedoms have in many cases shifted the responsibility for making a pension fund last throughout retirement directly onto retirees. Previously, most people bought an annuity to guarantee an income for the rest of their lives. Now they can drawdown as much money as they like, but the risk is that they run out of money in their lifetime. Before you make your choice, we'll help you consider all your options carefully – an important decision like this shouldn't be rushed.

Many over-55s are also preparing to work longer and save more, which highlights that they recognise this risk and are responding in a rational and responsible way. The best thing most people can do to ensure a comfortable retirement is to take professional financial advice, while also trying to save as much as they can into a pension, especially a company-based scheme where they'll

immediately take advantage of contributions from their employer. ◀

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 23 and 25 February 2018 among 1,000 UK adults aged 55+, including those who are working and retired.

When could your retirement income run out?

If you're approaching retirement and now faced with greater freedoms to spend your retirement pot as you wish, it is essential to obtain professional financial advice to make an informed decision. Cashing in your pension pot will not give you a secure retirement income. To discuss your situation, please contact us – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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

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

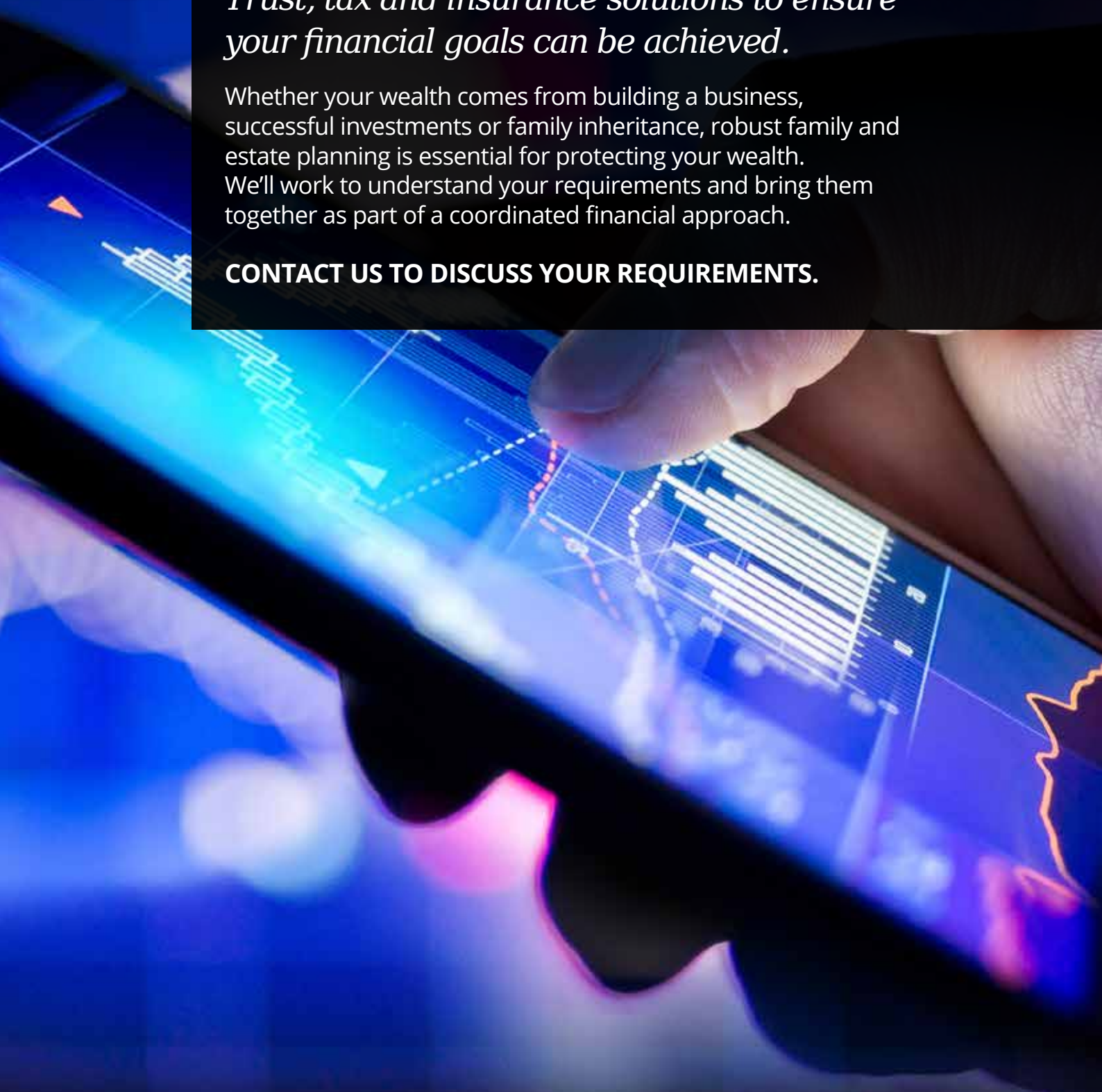
PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

LOOKING FOR AN EXPERT, FLEXIBLE APPROACH TO MANAGING YOUR WEALTH?

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

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

CONTACT US TO DISCUSS YOUR REQUIREMENTS.





YOU'VE PROTECTED YOUR MOST VALUABLE ASSETS.

But how financially secure are your dependants?

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

**CONTACT US TO DISCUSS HOW TO SAFEGUARD YOUR
DEPENDANTS, WEALTH AND ASSETS – DON'T LEAVE IT
UNTIL IT'S TOO LATE.**

CULTIVATING THE ART OF PATIENCE

Sticking with a long-term commitment to your investments

IF YOU WANT TO GIVE YOUR INVESTMENTS THE BEST CHANCE OF EARNING A RETURN, THEN IT'S A GOOD IDEA TO CULTIVATE THE ART OF PATIENCE. THE BEST RETURNS TEND TO COME FROM STICKING WITH A LONG-TERM COMMITMENT TO YOUR INVESTMENTS.

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

Putting your money into the market

Success in the stock market is all about time and patience. But it's understandable that when you put your money into the market, you will be tempted to check up on how your investments are performing on a regular basis – and in our technology-driven age, you can monitor them 24/7.

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

Leave your emotions to one side

However, at the same time, it is essential to leave your emotions to one side, because on occasion there could be a good reason to sell. Just because something appeared to be a good investment a year ago doesn't mean it will be going forward.

Developing the art of patience will help keep you focused on your goals. Whatever happens

in the markets, in all probability your reasons for investing won't have changed.

Some investors develop their own exit strategy knowing in advance how far an investment's value must fall or rise before they will consider selling. Such a plan can enable investors to ride out short-term market corrections and movements.

Help smoothing out your returns

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

Too much tinkering not only undermines your investment aims but will also ratchet up the costs. Every time you buy or sell an investment, there's a charge – sometimes several will be incurred. Investors can easily overlook the reality that by making even small adjustments, the charges can start eroding any profits earned.

Rebalancing your portfolio's risk profile

As a result, for many investors, it's best not to develop a regular buy-and-sell habit. And remember, no one knows which days will turn out to be the best trading ones – and by being out of the market, you could miss them.

For all investors, there will come a time when the portfolio needs to be rebalanced. A major reason for a realignment is when the actual allocation of your assets – be that shares, government bonds, corporate bonds or cash – no longer matches your risk profile.

Keeping your investments appropriately diversified

Alternatively, it may be because your investment horizons have shortened. Perhaps, for example, your retirement date is getting closer. These are solid reasons for selling some assets and buying new ones to keep your investments appropriately diversified. Any period of active portfolio management should be a process of change, which is both well planned and well executed.

It may be tempting to spend any income generated by your investments, but if you don't need it in the short term, why not plough it back into your portfolio? This will increase the number of shares you own. And, of course, a bigger shareholding means more dividend payments next time around. ◀

Need a helping hand planning your financial future?

Whatever you want your financial future to look like, we'll help make it a reality. So if you need a helping hand planning your financial future or navigating the world of investments, we'll guide you through the process. To find out more, please contact us.

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

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

MONEY'S TOO TIGHT TO MENTION

Financial impact on annual retirement income after divorce

FIRST COMES MARRIAGE, THEN FOR SOME COUPLES COMES DIVORCE. BUT A STABLE MARRIAGE IS ONE OF THE BEST PATHS TO BUILDING AND MAINTAINING WEALTH. DIVORCE, ON THE OTHER HAND, IS EXPENSIVE. POSSESSIONS, MONEY, FINANCIAL ASSETS AND DEBT ACQUIRED DURING (AND SOMETIMES BEFORE) MARRIAGE ARE DIVIDED BETWEEN FORMER SPOUSES. PUTTING A PRICE TAG ON A DIVORCE IS TRICKY.

However, for some couples, no amount of marriage counselling is enough to avoid a divorce. It's a tough process emotionally and financially. Untangling two people's money can be messy. Long before spousal or child support is awarded or your post-divorce budget is in place, you'll need to prepare your finances for the work ahead.

Marriage breakdown impact on pension saving

Divorcees who plan to retire in 2018 can expect their yearly income to drop by £3,800 compared to those who've never divorced, new research^[1] shows. The findings reveal that the expected annual retirement income for those divorcees retiring in 2018 is £17,600, compared with £21,400 for those who have never experienced a marriage break up.

The latest available divorce statistics from the Office of National Statistics^[2] covering up to 2016 showed that the number of people getting divorced has started to rise again, and that those over the age of 55 saw the greatest increase in 2016 compared to 2015.

Divorcees are more likely to retire in debt

Those who have been divorced are more likely to retire in debt (23%) than those who have never been divorced (16%). But it's not all bad news for divorcees though, as they will retire with lower debts (£30,500 compared with £36,900).

However, divorcees are more likely to have no pension savings at all when they retire

(15%) than those who haven't been through a divorce (11%). And they're less likely to reach the minimum standard for their annual income set by the standards the Joseph Rowntree Foundation (JRF).

Huge financial impact on people's lives

Around one in seven (14%) who have been divorced expect to have incomes lower than the JRF's benchmark of £192.27 a week, or £9,998 a year, compared with 12% of those who have never been divorced.

Divorce can have a huge financial impact on people's lives. Many may not realise that the cost of divorce can last well into retirement, as divorcees expect retirement incomes of nearly £4,000 less each year than those who have never been divorced.

One of the most complex assets to split

The stress of getting through a divorce can mean people understandably focus on the immediate priorities like living arrangements and childcare, but a pension fund and income in retirement should also be a priority. A pension fund is one of the most complex assets a couple will have to split, so anyone going through a divorce should seek legal and professional financial advice to help them do so.

For many more couples, the increase in value of pensions mean that it is often the largest asset. It goes without saying that advice is crucial as early as possible in any separation where couples have joint assets.

The heart wants what the heart wants

This research highlights the importance of divorced couples continuing to pay into their pensions even after a pension share on divorce has been implemented. Usually, a pension built up during the marriage is shared equally on divorce. If the divorcing couple are some way off retirement, this often gives the person receiving the pension share the chance to plan.

The old saying about love is that 'the heart wants what the heart wants'. When the heart wants a divorce, it can feel like your world is turning upside down. While divorces are gut-wrenching emotionally, the financial implications can be equally devastating. ◀

Assessing your financial needs

Divorce and money concerns go hand-in-hand. Not only will you have to determine how to split the assets and debts during the divorce, but you'll have to figure out how to survive financially after the divorce is finalised. Please contact us for further information or to arrange a meeting if this is an area you would like to discuss.

Source data:

[1] Research Plus ran an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

[2] Latest divorce statistics from the Office of National Statistics, published 18 October 2017 – <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/bulletins/divorcesinenglandandwales/2016>
All expected income figures rounded to the nearest £100.



PROTECTION MATTERS

Families face a precarious situation if the worst were to happen

EVERYONE'S CIRCUMSTANCES ARE DIFFERENT, BUT MOST PEOPLE START TO THINK ABOUT COVER TO HELP PROTECT THEIR FAMILY FINANCIALLY ONCE THEY HAVE CHILDREN. BUT RESEARCH FROM SCOTTISH WIDOWS^[1] REVEALS THAT 60% OF WOMEN IN THE UK WITH DEPENDENT CHILDREN HAVE NO LIFE COVER, LEAVING THEIR FAMILIES IN A PRECARIOUS SITUATION IF THE WORST WERE TO HAPPEN.

The research also shows that only 13% of mums have a critical illness policy, leaving many more at risk of financial hardship if they were to become seriously ill.

Placed at financial risk

Three in ten (31%) mums admit their household would be placed at financial risk if they lost their income due to unforeseen circumstances. One in four (25%) claim they could only pay their mortgage for a maximum of three months, while two fifths (39%) say they would have to use their savings to pay for such adverse circumstances.

The research also suggests that many mothers are underestimating the value of their role within the household. Almost a quarter (24%) say that they've not taken out life insurance because it's not a financial priority or they don't think they need it. And 7% of mums without critical illness cover say they'd rather take the risk of not having it than take out a policy.

Everyday responsibilities

However, on top of any day jobs, mums spend almost 23 hours a week on childcare and

chores such as school runs and housework^[2] – tasks which they believe their families could not afford to pay for should the worst happen to them. Three fifths (61%) of women with dependent children also say their household would struggle to complete everyday responsibilities or pay household bills if they were to fall ill or pass away.

Lack of planning is leaving many families in a vulnerable position. When asked how they'd cope should they or their partner not be able to work for six months, three in ten (29%) mothers say they'd rely only on state benefits. And more than half (57%) don't have the protection of a Will or guardianship arrangement in place for their families.

Support reduction

With a new Bereavement Support Payment system now in place, which may result in a significant reduction in the period over which support will be available, it's more important than ever for mothers to review their financial protection needs. This is especially the case for cohabitants, who still don't qualify for bereavement benefits.

The value of protection is to provide long-term peace of mind about having financial security in place for your dependents. And changes to bereavement benefits mean that it's more important than ever for mothers to review their financial protection needs and seek advice to make sure their household is covered. ◀

Is your family protected financially?

Whether you're simply planning ahead or already have children, raising a family can mean big changes to your family finances. It may be difficult to think about, but if something were to happen to you, you'd want to know your family is protected financially. If you have any concerns or would like to review your protection requirements, please contact us.

Source data:

[1] Scottish Widows' protection research is based on a survey carried out online by Opinionium, who interviewed a total of 5,077 adults in the UK between 16 and 27 March 2017.

[2] This number is calculated by combining women's self-reported time spent per week on taking children to school, preparing family meals, helping children with homework, housework, getting children ready for school, picking up children from school and watching children play sport.

THIS TIME NEXT YEAR WE'LL BE 'MILLION-HEIRS'

Larger individual wealth and expectation of substantial inheritances

WITH ESTATE PLANNING, YOU CAN DECIDE WHAT HAPPENS TO YOUR MONEY AND POSSESSIONS – EVEN YOUR PETS – IF SOMETHING HAPPENS TO YOU. BUT ESTATE PLANNING IS USEFUL IN OTHER WAYS TOO: IT CAN HELP YOU MINIMISE ANY INHERITANCE TAX LIABILITY AND ENSURE YOUR WISHES ARE CARRIED OUT IN THE EVENT OF YOUR DEATH OR IF YOU NEED TO GO INTO CARE.



Put simply, Inheritance Tax is a tax charged on your estate when you die. The Government set a tax-free allowance called the 'nil-rate band', which is currently £325,000. Any amount above this level is taxed at 40%. Your estate is the value of everything you own, such as your house, car, investments, life assurance policies and the contents of your home.

UK's massive wealth increase

One person in 25 expect to become 'million-heirs' and inherit an estate worth £1 million or more, according to Canada Life's^[1] annual Inheritance Tax Monitor survey of people over 45. Around one person in 50 expects to inherit more than £5 million.

The figures reveal the financial impact of the UK's massive wealth increase in recent decades, with rising stock markets and increased property values contributing to larger individual wealth and the expectation of substantial inheritances.

Lack of knowledge around the rules

However, without financial planning, much of the estate is likely to be lost in Inheritance Tax for assets above the available nil-rate band threshold. On an estate worth £1 million, over one fifth (£230,000) would be lost in Inheritance Tax, or roughly the equivalent of an average UK house price.

Compounding the problem is the lack of knowledge around the Inheritance Tax rules.

The majority of people (70%) could not identify the standard nil-rate tax threshold (£325,000). Meanwhile, only one in 20 of those surveyed knew about the residence nil-rate band tapering for estates over £2 million, likely leading to greater tax bills for larger inheritances.

Substantial amounts of money lost in tax

People's expectations are likely to be substantially wrong without financial planning, and it's quite likely they could lose substantial amounts of money in tax. Yet it's quite possible to ensure that by using a straightforward trust, the entire amount goes where it is intended – the beneficiaries.

There are several straightforward ways to reduce the amount of Inheritance Tax that is due. And for people expecting around £500,000 or more in inheritance, there is still a danger of losing tens of thousands of pounds in tax. The risk of a big Inheritance Tax bill drops to zero at the Inheritance Tax threshold of £325,000, below which there is no tax. ◀

Do you have potential Inheritance Tax liability?

It is possible to reduce the impact of Inheritance Tax and even avoid it altogether by planning and using the available exemptions. If you have a potential Inheritance Tax liability, please contact us to discuss which solutions could be best for your situation.

Source data:

[1] Survey of 1,001 UK consumers aged 45 or over with total assets exceeding the standard inheritance nil-rate band of £325,000. Carried out in October 2017. Percentages may not add up to 100 due to rounding or multiple answer questions. Research conducted by Atomik.

[2] The person taking out the trust must survive seven years after making the gift into the trust for the gift to become totally exempt from the estate.

RETIREMENT REWARDS

Common planning mistakes lead to an opaque future

WITH INCREASING LIFE EXPECTANCY AND RISING COST OF LIVING, THE NEED TO PLAN FOR ONE'S GOLDEN YEARS IS ESSENTIAL. ALTHOUGH RETIREMENT IS ONE OF THE MOST DISTANT FINANCIAL GOALS, IT IS IN OUR OWN INTEREST NOT TO IGNORE IT. AND ALMOST THREE QUARTERS (73%) OF PEOPLE AGED 45 OR OVER ARE LONGING FOR THE DAY WHEN THEIR LIFE IS NO LONGER CONFINED BY THEIR WORKING ROUTINE, ACCORDING TO NEW RESEARCH^[1].

Yet despite an eagerness to retire, the research shows that almost half (46%) of over-45s with a pension have no idea how much it is currently worth, and that more women (52%) than men (41%) don't know the value of their own pension savings. A fifth (19%) of those aged 45-plus don't have a pension in place yet.

Shift in lifestyle

Two thirds of those aged 45-plus (67%) are hoping for a shift in lifestyle, keen to retire early before the State Pension age commences. But only one in ten of them (12%) has proactively increased how much they are investing in their pension when they've been able to, in order to help make this happen.

Once people reach the age of 55 (age 57 from 2028), they can benefit from pension freedoms which allow them to start withdrawing money from their pension savings if they need to. It's a point at which some key decisions can be made, and the importance of knowing the value of their pension should come sharply into focus. But even among this group of people aged 55–64, some 45% still have their eyes shut and don't know what their pension savings are worth.

Life after work

Retirement is changing, and life after work in the future will not look the same as it did for our parents or their parents. But while many of us might dream of what we're going to do when we retire and when that might be, without a plan in place, these dreams are likely to stay just that.

Once you stop working, it's more difficult to boost your savings than it is when you're still

working. So I would urge everyone to really understand how they are progressing and make plans for building up their life savings while they are best placed to make a real difference. Almost all employers now have workplace pensions which include an employer contribution, so that may well be a good place to start. ◀

Source data:

[1] The research was carried out online for Standard Life by Opinium. Sample size was 2,001 adults. The figures have been weighted and are representative of all GB adults (aged 18+). Fieldwork was undertaken in November 2017.

Keeping your finances are on track

For many people approaching retirement, one of their biggest fears is running out of money. So it's extremely important to continually assess your retirement strategy to help reduce this risk. If you would like to discuss your retirement plans and make sure they're finances are on track, please contact us.



PLANNING FOR A BIGGER RETIREMENT INCOME

Looking forward to having more time to explore faraway places

TODAY, WITH MORE BRITONS LIVING LONGER AND HEALTHIER LIVES, THE CONCEPT OF RETIREMENT IS MUCH DIFFERENT TO WHAT IT WAS ONLY ONE GENERATION AGO. FOR EACH RETIREE, RETIREMENT IS DIFFERENT. PERHAPS YOU'RE LOOKING FORWARD TO HAVING MORE TIME TO EXPLORE FARAWAY PLACES, OR MAYBE YOU DREAM OF SIMPLY WAKING UP EACH DAY AND DOING WHATEVER TAKES YOUR FANCY.

However you see your future, retirement is a time for you to do the things you've always wanted to do. After all, deciding when to retire will be one of the most important decisions facing all of us at some point.

It goes without saying that investing in a pension is an essential part of modern-day financial life. If you want to enjoy a comfortable retirement, then starting to save early and ensuring you keep putting money aside is vital. These are some tips that could help you increase the money you have available in retirement.

Do you know where all your pension pots are located?

- Locate pension pots that you may have forgotten about. The Pension Advisory Service and the Pension Tracing Service can help you to trace forgotten pension pots
- Remember to take your State Pension into account

Time to consider topping up your pensions?

- Think about topping up your pension in the years leading up to your retirement. That little bit extra could make a difference
- Remember, you might be eligible to top up your State Pension too. This could be particularly beneficial if you're

self-employed or a woman, because it's possible your State Pension entitlement may be low

- From age 55, you can draw your pension savings as and when you need it and still pay into your pension. You'll continue to receive tax relief on your payments up to age 75, although taking benefits flexibly will limit how much you can put in

Have you considered retiring a little later than you'd originally planned?

- Delaying your retirement might give your pension fund more chance to grow. Remember, though, if your pension fund remains invested, the value could go down as well up, and you may not get back what you put in. If you defer your retirement, it's also important to check whether this will affect any state benefits you're entitled to
- Working part-time for a while after you finish full-time work might enable you to delay drawing money from your State Pension or your pension, meaning your money may last longer when you do retire
- Maybe you fancy trying something new, like setting up your own business. Becoming your own boss could be a good way to stay active and keep earning

Helping clarify your outlook on retirement

Everyone has a different view of what retirement means and what their own retirement may look like. Understanding what's important to you is an essential factor that not only helps clarify your outlook on retirement, but it also ensures we can recommend appropriate retirement income strategies that can be linked back to your personal goals and objectives. If you want to discuss your plans, please contact us.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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

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.

EASING INTO RETIREMENT

Older workers are increasingly valuable members of the gig workforce

WE TEND TO ASSOCIATE YOUNG PEOPLE WITH THE GIG ECONOMY, BUT NEW RESEARCH SHOWS THAT OLDER, MORE SKILLED WORKERS ARE INCREASINGLY MAKING THE MOVE. THE GIG ECONOMY HAS BEEN ENTHUSIASTICALLY EMBRACED BY MILLENNIALS WHO FAVOUR THE FLEXIBILITY IT OFFERS, ALTHOUGH IT APPEARS THAT IT IS OLDER WORKERS WHO MIGHT BE BENEFITING THE MOST.

However, over a third (36%) of gig workers aged 55 and over take on 'gig' jobs to help them ease their way into retirement, according to research from Zurich UK.

Published within Zurich UK's 'Restless Worklife' report – based on UK-wide analysis from YouGov of over 4,200 adults, of which 603 were gig workers – the research found that the same amount (36%) said flexibility and being able to choose the work they take on was the main attraction. In fact, over one in ten of all gig workers questioned only expect to stop gig work when they are over the age of 75, almost ten years after passing State Pension age.

Number of over-50s working

The number of workers over the age of 50 has grown significantly over the past few decades, with government figures showing the employment rate for people aged 50 to 64 has grown from 55.4 to 69.6% over the past 30 years.

However, the gig economy itself has attracted its fair share of criticism, with little job security or access to workplace benefits, given most are not defined as full-time employees. Lack of workplace benefits such as income protection, holiday and sick pay was put forward by 44% of gig workers over the age of 55 as the main drawback, while over a third (34%) said it was not knowing where their next paycheck would come from, and 27% said it was not having access to a workplace pension.

Popular choice for near-retirees

Not everyone wants to jump straight from working full-time into retirement, whether that stems from reluctance to stop a familiar routine or an enjoyable job – or simply because it will mean waving goodbye to a salary. As such, gig work is clearly a popular choice for near-retirees, allowing them to keep a form of money coming in without the traditional 9–5.

Instead of fully retiring, older people are using the gig economy to supplement or boost their retirement income, and it could play an increasingly important part in stretching out their pots as they live longer. However, as the world of work continues to change at a rapid rate, it shouldn't come at the expense of financial protection, particularly as older workers are more susceptible to illness. ◀

Time to discuss your plans for the future?

Whether you're planning ahead or are already retired, we'll help you make the most of your retirement. If you would like to discuss your plans for the future and what you'll need to consider to make this happen successfully, please contact us.



ONE IN EIGHT WILL RETIRE WITH NO PENSION IN 2018

Excuses to avoid facing the difficult work of saving for retirement

RETIREMENT IS ONE OF OUR BIGGEST FINANCIAL CHALLENGES. AS WITH ANY DAUNTING CHALLENGES WE FACE, WE TEND TO THINK UP EXCUSES SO WE CAN AVOID FACING THE DIFFICULT WORK OF SAVING FOR RETIREMENT. WORRYINGLY, NEARLY ONE IN EIGHT PEOPLE RETIRING THIS YEAR (12%) HAVE MADE NO PROVISION FOR THEIR RETIREMENT, INCLUDING 10% WHO WILL EITHER BE TOTALLY OR SOMEWHAT RELIANT ON THE STATE PENSION, ACCORDING TO NEW RESEARCH^[1].

This leaves some retirees starting their retirement with an income of just £1,452 a year, below the Joseph Rowntree Foundation's (JRF) Minimum Income Standard for a single pensioner^[2]. But neither panicking nor putting off the matter will solve the problem. For those people that have a shortfall in their retirement savings, there are many immediate steps that can and should be taken. If you have any concerns about your retirement provision, we can help you look at the different options available to you.

Planning to retire without a pension

There is good news, as the numbers retiring without a pension is lower than the 14% in 2017, and now nearly half the 23% recorded in 2008. Women are more likely to have no retirement savings – 18% will retire without a pension this year, compared with 7% of men. The gap is narrowing over time – in 2016, 22% per of women had no retirement savings, compared with 7% of men, while in 2008, a third of women (32%) were planning to retire without a pension.

An acceptable standard of living

A tenth (10%) of those retiring in 2018 will either rely somewhat or solely on the State Pension, which for those retiring after April this year will mean an income of £164.35 a week^[2], or just over £8,500 a year. Taking the JRF's Minimum Income Standard of £192.27 a week for a single pensioner, which is a benchmark of

the income required to support an acceptable standard of living^[3], those relying on the State Pension will fall short of the minimum standard by £27.92 a week, or £1,452 a year.

Significance of the State Pension

The research highlights the significance of the State Pension to people in retirement, including those with pension savings of their own. On average, people expecting to retire this year estimate that the State Pension will account for more than a third (33%) of their income in retirement.

Of those retiring in 2018 who do have a pension of their own, two fifths (42%) have the majority of their pension in a workplace final salary scheme, one in eight (13%) have their savings in a personal pension which is not through their employer, and 12% have the majority in a workplace defined contribution scheme. ◀

Working out how much to save now

Retirement planning is all about knowing how much to save now so you can live how you want later. Even though retirement may be a number of years away, we'll all retire someday. Therefore, saving for retirement is an issue that affects everyone. If you would like to re-evaluate your retirement plans or have any concerns, please contact us – don't delay.

Source data:

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

[2] Benefit and pension rates 2018-2019 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/662290/proposed-benefit-and-pension-rates-2018-to-2019.pdf

[3] Figures taken from the 2017 update of the Minimum Income Standard for the United Kingdom published by the Joseph Rowntree Foundation – <https://www.jrf.org.uk/report/minimum-income-standard-uk-2017>

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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

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.

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

FINANCIAL ADVICE IS OUR BUSINESS.

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

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

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

IS INFLATION BACK? DON'T PANIC

How to protect the value of your money from its effects

IS INFLATION BACK? AFTER TWO YEARS WHEN CONSUMER PRICES IN THE UK BARELY ROSE, THE ANNUAL RATE OF INFLATION HAS RISEN ABOVE THE BANK OF ENGLAND'S (BOE) TARGET OF 2% IN 2017. THE COMBINATION OF HIGH INFLATION AND LIMITED WAGE GROWTH – AS WELL AS UNCERTAINTY ABOUT THE TERMS ON WHICH BRITAIN WILL LEAVE THE EUROPEAN UNION IN 2019 – IS EXPECTED TO MEAN BRITAIN'S ECONOMY GROWS MORE WEAKLY THAN OTHER EU ECONOMIES THIS YEAR.

The BOE forecasts that consumer price inflation will remain above 2% in each year until 2021. While nowhere close to historic highs, higher inflation stands in contrast to near record low interest rates offered on cash savings.

To protect your purchasing power over time, your savings need to grow at least as quickly as prices are rising. So how can savers and investors protect the value of their money from its effects?

Cash is not king

The positive for cash savings is that they are very secure up to £85,000 in a bank or building society through the Financial Services Compensation Scheme, unlike other investments where your capital will be less secure. And keeping enough cash aside to cover any foreseeable costs you might face is always sensible.

However, relying solely or overly on cash might prevent you from achieving your long-term financial goals, which may only be possible

if you accept some level of investment risk.

And in an environment where the cost of living is rising faster than the interest rates on cash, there is a danger that your savings will slowly become worth less and less, leaving you worse off down the road.

Inflation-linked protection

Bondholders receive regular income payments, known as 'coupons', from the Government or company that issued the bond. Where coupons are fixed in value for the life of the bond – often several years – the real value of this income will be eroded if prices rise. The nominal value of the bond (known as the 'principal') will also be worth less when it matures and the loan is repaid.

Protection against this threat is offered by inflation-linked bonds, whose coupons and principal will track prices. By linking coupons to prices, the income that investors receive will rise in line with inflation, so they should be left no worse off – unless, of course, the bond issuer fails to keep up with repayments (an

unavoidable risk for bond investors).

However, if prices fall, so would the value of inflation-linked bonds and the income from them – in contrast to bonds, whose principal and coupons are fixed, and so would then be worth more in real terms. If inflation falls, protection from it rising can therefore come at a price.

Combining equity returns

To beat rising prices, the total returns from any investment – being the combination of capital growth and any income – must be greater than the rate of inflation. Company shares, or equities, potentially offer long-term investors a degree of protection during inflationary periods. Ultimately, shares are claims to the ownership of real assets, such as land or factories, which should appreciate in value if overall prices increase.

In theory, equity returns should therefore be inflation-neutral, so long as companies can pass on any higher costs they face and maintain their profitability. In turn, a company's ability to make money will typically be reflected in its share price and its ability to provide investors with an income in the form of a dividend. Also, the sum of a company's shares can be much greater than the value of its physical assets.

Where higher inflation squeezes consumers' purchasing power, however, some companies may find it difficult to pass on higher costs,



reducing profitability and, probably, investment returns. Just as a company can raise its dividend in line with inflation, it can choose to cut or stop the payout at any point.

Take an active investment approach

Selecting the right combination of investments to navigate rising inflation could be challenging for many individual investors. By investing through a fund that pools your money with other investors, you can gain access to expertise as well as a wider range of investments.

Professionally managed 'active' funds will aim to achieve a specific objective by investing in certain assets, with an approach to risk and return that may align with yours. The objective of an actively managed fund could resonate with your own goals – something that 'passive' funds, which look to mirror the performance of a broad index, may not be able to do.

Active fund managers can take inflation into account in pursuit of their objective,

which could be providing their investors with a growing income stream or achieving capital growth over the long term.

Some funds even specifically aim to deliver total returns in line with, or greater than, a given measure of inflation – for example, consumer prices in the UK. Unlike those who passively invest, active managers can handpick assets they think are less likely to suffer, or more likely to gain, from any change in the rate of inflation. ◀

How inflation-proofed are your savings and investments?

Rising prices might be a threat, but by re-evaluating how inflation-proofed your savings and investments are, you could help protect their value over the long term. If you would like us to help guide you through your investment options to ring-fence your wealth from inflation, please contact us.

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

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

MAKING THE MOST OF YOUR PENSIONS

Have you accumulated multiple plans that need reviewing?

BY THE TIME WE HAVE BEEN WORKING FOR A DECADE OR TWO, IT IS NOT UNCOMMON TO HAVE ACCUMULATED MULTIPLE PENSION PLANS. THERE'S NO WRONG TIME TO START THINKING ABOUT PENSION CONSOLIDATION, BUT YOU MIGHT FIND YOURSELF THINKING ABOUT IT IF YOU'RE STARTING A NEW JOB OR NEARING RETIREMENT.

Consolidating your pensions means bringing them together into a new plan, so you can manage your retirement savings in one place. It can be a complex decision to work out whether you would be better or worse off combining your pensions, but making the most of your pensions now could have a significant impact on your retirement.

Retirement savings in one place

Whenever you decide to do it, when you retire it could be easier having a single view of all of your retirement savings in one place. However, not all pension types can or should be transferred. It's important that you obtain professional advice to compare the features and benefits of the plan(s) you are thinking of transferring.

Some alternative pension options may offer the potential for a better investment return than existing pensions – giving the opportunity to boost savings in retirement without saving any more. In addition, some people might benefit from moving their money to a pension that offers funds with less risk – which may not have been available before. This could be particularly important as someone moves towards retirement, when they might not want to take as much risk with their money they've saved throughout their working life.

Keeping track of the charges

If you have several different pensions, it can be difficult to keep track of the charges you're paying to existing pension providers. By combining pensions into a new plan, lower charges could be available – providing the opportunity to boost retirement savings further. However, it's important to fully understand the charges on existing plans before considering consolidating pensions.

Combining pensions into one pot also reduces paperwork and makes it easier to estimate the income you can expect to receive in retirement. However, before you make the decision to consolidate pensions, it's essential to make sure there is no loss of benefits attributable to an existing pension.

Review your pension situation regularly

It's essential that you review your pension situation regularly. If appropriate to your particular situation and only after receiving professional financial advice, pension consolidation could enable existing policies to be brought together in one place, ensuring they are managed correctly in line with your wider objectives.

Gone are the days of a job for life. So many of us may have several pensions accumulated over the years – some of which we may have left with former employers and forgotten about! Your pension can and should work for

you to provide a better quality of life when you retire. Looked after correctly, it can enable you to do more in retirement, or even start your retirement early. ◀

Planning for life after work

Planning for retirement can leave many of us adrift. Getting to a position where you are able to make the most of life today, as well as life after work, requires a clear, realistic plan and expert execution. To find out more about how we can help you achieve the retirement you deserve, please contact us – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

THERE IS NO GUARANTEE EQUAL OR HIGHER INCOME/RETURNS WILL BE ACHIEVED WHEN COMPARED TO YOUR EXISTING ARRANGEMENT.

