ISSUE 12 ■ WINTER 2020

INDEPENDENT NEWS

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CHARTERED FINANCIAL PLANNERS

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FESTIVE FINANCIAL GIFTS
Deciding on the right investments for the children in your life

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INSIDE
THIS ISSUE

Welcome to our latest issue. Inside, we look at a number of different topics to help you accomplish what matters most to you and your family as the festive period approaches.

In these uncertain times, it can help to focus on the things you can control. And working out what your money's doing for you now and where it might come from in the future can give you real peace of mind. On page 06, as another year rapidly draws to a close, many of us may already be starting to think about what resolutions we can make to improve our financial health in 2021. And even though we may resolve to improve our finances, it's knowing where to begin that's key.

For the first time in over a decade, the point at which people can claim a State Pension (the 'State Pension Age') is simple. If you have reached your 66th birthday, you can claim it. Otherwise you cannot. Men and women born between 6 October 1954 and 5 April 1960 start receiving their pension on their 66th birthday. For those born after that, there will be a phased increase in State Pension age to age 67 in 2028, and eventually age 68 from 2037. Turn to page 13 to find out more.

There is no easy way to say it – anticipating one's death is an uncomfortable topic. Yet it is often worth pushing past the initial discomfort to pursue the potential rewards of effective wealth transfer planning. On page 04 we consider the three places your assets can go at your death: to your family and friends, to charity or to the government in the form of taxes.

Chancellor of the Exchequer, Rishi Sunak, unveiled further support on 22 October 2020 for jobs and workers impacted by the coronavirus (COVID-19) restrictions. Announced alongside a package of business grants for companies in areas facing higher levels of coronavirus restrictions, the expansion comes after Mr Sunak first announced the Job Support Scheme (JSS) to replace furlough. Read more on page 05. A full list of the articles featured in this issue appears opposite.

YOUR LIFE, YOUR MONEY, YOUR PLAN

Whatever stage of life you're at, we can guide you through the opportunities and challenges you may face. We hope you enjoy this issue, and wish you pleasant reading.

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

WELCOME TO OUR CHRISTMAS NEWSLETTER

It's my great pleasure to welcome you once again to the Kelland's Christmas Newsletter (also available in digital format and online through our website www.kelland-hale.co.uk).

2020 for most of us will go down as one of the most dramatic years we have ever experienced. There is too much to mention here, but I would like to express my sincere condolences and best wishes to all those who have lost loved ones this year.

At this time, there are so many people who we should be so proud of in our society. I would like to say a special thank you to all the frontline NHS staff putting their lives at risk to save others. Also, the inspiration given to us by the war veteran Captain Tom Moore, whose positive mental attitude and determination has raised over £30 million for charity and been an inspiration to many.

At Kellands, we have also tried to do our little bit for charity. We have supported a wide range this year including a weekly shopping donation to the much-needed local food bank and fundraising for Mission Christmas, Marie Currie, Children's Adventure Farm in Lymm and World Vision in Africa. We will also be making our usual donation to Cancer Research in lieu of sending out Christmas cards.

I am also pleased to report that we have again received recognition from Moneyfacts, winning the Silver/Highly Commended Award for the best Tax and Estate planning advice firm in the UK, adding to our trophy cabinet of seven national awards over the last five years!

I would especially like to thank those special clients and friends who submitted such positive testimonials about the service that we have provided over the years. This has been a very challenging year for most businesses, but the whole Kellands team has stepped up with vigor and enthusiasm to the challenges of new working practices. This, together with our state-of-the-art technology, has enabled us to provide an uninterrupted and continuous service throughout the COVID-19 pandemic.

From an investment portfolio perspective, the world stock markets have been through a roller-coaster in 2020, with portfolio valuations in mid-March showing significant loses. Now only eight months on at the beginning of November, most of our investment strategies have fully recovered to the levels last seen at the beginning of the year. Therefore, a special well done to our investment committee for identifying such robust investment solutions.

In order to keep our community safe and reduce risk, many of our client meetings this year have been via remote communication. However, we are optimistic that with many new COVID-19 vaccines on the horizon, we will not only be able to get back to personally visiting you in 2021 but also hopefully seeing family life return to normality.

I very much hope you enjoy the articles in this publication and wish you a wonderful Christmas break and Happy and Healthy 2021.

Kindest Regards

G Kelland and Team
Managing Director

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.

PLANNING FOR SUCCESSION

HOW WILL YOU 'SLICE UP YOUR WEALTH PIE'?

There is no easy way to say it – anticipating one's death is an uncomfortable topic. Yet it is often worth pushing past the initial discomfort to pursue the potential rewards of effective wealth transfer planning. There are three places your assets can go at your death: to your family and friends, to charity or to the government in the form of taxes.

Almost half of all Baby Boomers say they have enough personal wealth that they can afford to gift some of it away during their lifetime, new research shows[1]. The figures, collected by YouGov, show that 48% of Baby Boomers say they could afford to give money to family members before they die. Less than a third (29%) ruled it out, and 26% say they are unsure.

LARGER ONE-OFF WEALTH TRANSFERS

Of those who say they can afford to make lifetime gifts, 40% say they would favour multiple small gifts and a third (33%) would prefer larger one-off wealth transfers. A further 30% are unsure which would better suit their needs.

Despite the large number of people who estimate they can afford to pass some of their savings and assets to family members, government statistics suggest only between 31% to 39% of people aged 50-69 have ever given a financial gift. And just a small minority appear to have a plan for regular annual gifting, with just 15% of 50-59-year-olds having gifted in the last two years.

INTERGENERATIONAL FINANCIAL ADVICE

The statistics reveal the importance of wealth transfer planning and lifetime gifting advice. It is estimated that around £5.5trn of intergenerational wealth transfers will occur over the next 30 years[2]. An effective plan can lessen the likelihood of family conflict, reduce estate costs, reduce taxes and preserve wealth.

Obtaining professional intergenerational financial advice will increasingly become a key part of financial planning for the Baby Boomer generation. This generation has accrued significant personal wealth, having benefitted from rising house prices, stock market growth and the higher prevalence of generous pension schemes, and they want to give younger generations a financial boost.

LIFELINE FOR SOME YOUNGER PEOPLE

In contrast, younger generations often find themselves facing high house prices and the need to make significant personal contributions to their Defined Contribution pensions in order to secure a decent retirement fund.

Gifting between the generations will increasingly become a lifeline for some younger people as they struggle to get on the housing ladder, pay for school fees and deal with the ever-increasing expenses of living.

CAREFUL BALANCING ACT TO FIGURE OUT

Passing on wealth to the next generation is one of the most important yet challenging aspects of financial planning. It's vital that helping the younger generations doesn't come at the expense of your own retirement funds and so there is a careful balancing act to figure out if you can afford it. If you can afford to gift, it's vitally important to consider the various Inheritance Tax and gifting rules.

Despite this, there is still a clear 'gifting gap' between the number of people who can afford to gift and those who actually have a lifetime gifting plan in place. Gifting is a great way to help you make the most of your financial assets and enjoy seeing your life savings helping your children and grandchildren. ■

WEALTH TRANSFER PLANNING PROCESS

Establishing who gets what, how they get it, and when they get it, are, as a general rule, personal matters. But these decisions can have significant financial implications. Life events, as well as market and regulatory factors, can impact the wealth transfer planning process. Therefore, it is important for your wealth transfer plan to remain flexible and be revisited and adjusted periodically. Please contact us to discuss your plans.

Source data:

[1] Research commissioned by Quilter and undertaken by YouGov Plc, an independent research agency. All figures, unless otherwise stated, are from YouGov Plc. The total sample size is 1,544 UK adults, comprised of 529 Baby Boomers, 501 Generation Xers and 514 Millennials. Fieldwork was undertaken between 07/07/2020 – 08/07/2020. The survey was carried out online.

[2] Passing on the pounds – The rise of the UK's inheritance economy. Published May 2019. Author: Kings Court Trust

WINTER ECONOMY PLAN HIGHLIGHTS

WHAT YOU NEED TO KNOW ABOUT THE CHANCELLOR'S ANNOUNCEMENT

At the end of September, Chancellor Rishi Sunak announced a new Winter Economy Plan, with new measures to support businesses and individuals through the economic impact of the coronavirus pandemic, as well as extensions of current measures.

While he faced pressure to extend the furlough scheme, the scheme ended as planned in October and was replaced with the Job Support Scheme.

Here are some support measures in place.

SUPPORT FOR EMPLOYERS AND EMPLOYEES: JOB SUPPORT SCHEME

From 1 November, the Government is now helping employers by subsidising the salary of employees who are working at least one-third of their usual hours. The aim is to reduce redundancies and keep people in the workforce.

For the hours that an employee is unable to work, the Government will pay 33% of their usual salary, up to a maximum of £697.92 per month. The scheme will run for six months.

So, if you are working half of your usual hours, you'll receive 100% of your salary for those hours, plus 33% of your salary for the unworked hours (totalling 66.5% of your usual salary), assuming the cap is not met.

SUPPORT FOR SELF-EMPLOYED PEOPLE: SELF-EMPLOYED INCOME SUPPORT SCHEME (SEISS)

SEISS grants will continue to be available to self-employed individuals if they are actively trading but their business activities have been limited by the pandemic.

One grant will cover the period from 1 November to 31 January, offering 20% of the individual's average trading profits. The second grant will cover the period from 1 February to 30 April, on the same basis.

Application for these grants is available online, following the same process as the first and second waves of grants.

SUPPORT FOR SMALL BUSINESS OWNERS: BOUNCE BACK LOAN SCHEME

The existing Bounce Back Loan Scheme is to be extended to 30 November, allowing small businesses to apply for loans of between £2,000 and £50,000 (capped at 25% of their turnover) with no repayments for the first 12 months.

The Government will pay any interest accrued in those 12 months, as well as guaranteeing the loan to make it easier for small businesses to borrow.

ADDITIONAL SUPPORT FOR SMALL BUSINESS OWNERS: PAY AS YOU GROW

Businesses that have received a loan under the Bounce Back Loan Scheme will be given up to ten years to repay that loan, significantly reducing the monthly repayments.

Plus, to give business owners added flexibility in repaying the loan, they will have two options to cope with temporary cash flow problems in the future:

- Pause repayments for up to six months (an option they can use just once within the ten-year repayment period)
- Move to interest-free repayments for up to six months (an option they can use three times).

SUPPORT FOR SELF-ASSESSMENT TAXPAYERS: TIME TO PAY

Taxpayers with taxes due in January 2021 of below £30,000 will be able to spread their payments over an additional 12-month period, i.e. until January 2022. This includes tax payments on account that were due in July 2020, which had previously been deferred until January 2021. ■

MAKING GOOD DECISIONS IN UNPRECEDENTED TIMES

During these challenging times, making good financial decisions can feel overwhelming. If you're experiencing a change in your financial circumstances due to coronavirus (COVID-19), we are here to guide you and support you with professional financial advice. Please contact us to see how we can help.

FINANCIAL ACTION PLAN

10 STEPS TO HELP YOU BUILD A BETTER FINANCIAL FUTURE

In these uncertain times, it can help to focus on the things you can control. And working out what your money's doing for you now and where it might come from in the future can give you real peace of mind.

As another year rapidly draws to a close many of us may already be starting to think about what resolutions we can make to improve our financial health in 2021. And even though we may resolve to improve our finances, it's knowing where to begin that's key.

1.
SHOW ME THE MONEY

The first step to getting your finances on track is to know where your money is going. But that isn't always obvious. Tracking your expenses can keep your spending on a parallel track with your income and help you avoid overspending. This goes hand in hand with setting up a budget. You may have a good handle on your monthly bills, but what about your daily expenses? You may be surprised by how much money you spend on smaller items. Review all of your expenses for ways to cut back, and then decide what to do with the extra money. Set specific goals, such as building an emergency savings fund, paying off your credit card bills or increasing your retirement savings.

2.
REDUCING BORROWING

Next make a list of all the borrowing you have – including mortgage, personal loans, store cards, credit cards and bank overdrafts. Calculate the amount you owe and remember that you should update this as the year progresses to track your progress. If you cannot reduce your overall borrowing, then you need to ensure you are paying as low an interest rate as possible. This may mean switching credit cards or mortgages, or consolidating various borrowings into one loan.

3.
TAX REALLY MATTERS

There are plenty of tax allowances to make use of each financial year – remember this runs from 6 April to 5 April the following year – so it's worth being aware of which annual allowances you can benefit from. All tax rates quoted in this article are applicable to the current 2020/21 financial year.

One of the most popular ways to save tax is by fully utilising your individual annual Individual Savings Account (ISA) allowance, which is £20,000. You may save or invest your ISA allowance into one or more different ISAs, or you can put up to £4,000 into a Lifetime ISA (you must be aged 18 or over but under age 40 to open a Lifetime ISA). You won't pay income tax, dividend tax or capital gains tax on the proceeds of any investments you hold within an ISA.

In addition, investors have a £2,000 tax-free dividend allowance held outside of an ISA. Basic-rate taxpayers pay 7.5% on dividends. Higher-rate taxpayers pay 32.5% on dividends. However, if your dividend income is above this amount, investing in an ISA could give you the benefit of additional tax-efficient payments.

If you are a basic-rate taxpayer the Personal Savings Allowance (PSA) permits you to earn up to £1,000 interest on your savings without paying any income tax on it. If you are a higher-rate taxpayer you have a PSA of £500 before you pay tax, while additional-rate taxpayers who earn over £150,000 do not qualify for the PSA. ISAs may remain worthwhile for those additional-rate taxpayers who don't qualify, or who have a large amount of savings and have used up the PSA.

If you have investments held outside a pension or ISA, these will usually be subject to capital gains tax when they are sold or given to someone other than your spouse. The gain is usually calculated as the sale proceeds less purchase cost from assets and is taxable at 10% (basic-rate taxpayers) or 20% (higher and additional-rate taxpayers) except for residential property, where the rates are 18% and 28%.

Everyone has an annual tax-free capital gains allowance, currently £12,300. Gains up to this amount can be realised tax-free. If an asset is held jointly with a spouse, both can use their annual exemption against the gain, effectively doubling the tax-free allowance amount.

However, remember that tax rules can change in the future and their effects depend on your particular circumstances, which can also alter over time.

4.
GOOD INVESTING HABITS

Investing money regularly, instead of as a one-off lump sum, can reduce the impact of a market downturn on your portfolio. If you are looking for a smoother ride during volatile markets, pound-cost averaging – where money is drip-fed into the market over time – may be an appropriate option. Steady, regular investments can provide you with some protection in case of sudden market corrections.

Given that we don't know what markets will do from day to day or month to month, this stops you from investing all of your money at a peak and maximising losses. Some of your money will be invested when markets are down, so when they recover you are rewarded. Over the longer term, investing monthly averages out the highs and lows.

5.
PENSION SAVINGS BOOST

It's important to think about how much money you might need in the future and whether you'll have enough to give you the lifestyle you want. Making the right choices now could make a big difference to how much money you have in the future and saving into a pension plan could help you achieve the lifestyle you would like.

Even if you feel that your savings are on track to live comfortably in retirement, you can still top up your pension plan to help give your savings a boost and increase your potential wealth in retirement.

One of the great things about saving into some pension types is the tax relief you can receive. This means that if you're a basic-rate tax payer, for every £100 saved into your pension the cost to you is only £80. This could effectively be even less if you're a higher or additional-rate tax payer.

Tax rules may be altered in the future, and their effect depends on your personal situation, which can also change. Bear in mind, too, that you can't ordinarily draw benefits from a pension arrangement until you are aged at least 55 (rising to 57 by 2028), so this is a long-term investment.

6.
FOCUS YOUR GOALS

Did you start 2020 with plans to save and invest more money and reduce borrowings, but lost your way? Refocusing your finances and recommitting to financial goals can seem challenging, especially during the coronavirus (COVID-19) pandemic, but it's not a lost cause.

Focus on making several small, short, achievable financial goals. By setting smaller goals and achieving them one at a time, you're more likely to stay motivated and reach them.

Remember, yesterday is done and gone. You cannot change what you did yesterday, whether you made good choices or bad ones. But you can change what happens today. Being clear on your financial goals is essential to making the most of your money. Making decisions with a clear endpoint in mind can make it easier to achieve financial security and independence and allow you to enjoy the life you want.

7.
STICK TO YOUR PLAN

As governments around the world take further action to stem the spread of coronavirus, stock markets continue to react with increased volatility. During any period of volatility, thinking about your reasons for investing and what you ultimately plan to do with your money is important. But market volatility is unavoidable and is part of market behaviour. Markets move through stages of growth, slowing down and speeding up. Unfortunately, the timing of those cycles can be unpredictable.

Selling out in fear can be the worst thing to do. Large falls can often be followed by large rises, leading to the risk of losing on both sides – selling when prices are depressed and not buying in until they have moved higher. Avoid the daily monitoring of investments during falling markets as this can result in an over-emotional reaction and lead to making irrational decisions.

8.
SMOOTH OUT RETURNS

When it comes to investing, you need to take on some risk in order to generate a return. One of the best ways to control that risk is through something called 'diversification'. 'Don't put all your eggs in one basket' is a common expression. This means ensuring that you spread your capital amongst different investments so that you're not reliant upon a single investment for all of your returns.

Different types of investments perform in different ways over time. When some rise in value, others are not changing or decreasing. So diversification helps to smooth out your returns. The key benefit of diversification is that it helps to minimise risk of capital loss to your investment portfolio.

9.
DISCUSS YOUR CONCERNS

When faced with certain choices and in the midst of volatile periods, some people may understandably fall prey to their stock market emotions and make decisions that are not in their best long-term financial interest. But it's natural to feel worried.

Even experienced investors steeped in the market's historical cycles may feel torn between emotions and knowledge. That's why having a professional financial adviser, who can advise you before making any decisions, is key. This will enable you to discuss your concerns to help keep those market emotions in check and work together to ensure your long-term investment strategy remains on track.

10.
REINVEST DIVIDENDS

Dividends are payments of some of the profits made by a company to its shareholders. They are not guaranteed, and are at the discretion of the company, but when they are paid, you have the option to reinvest them into more of that company's shares. Reinvesting dividends provides benefits that shouldn't be ignored.

In a current era of low interest rates, investors need to use every tool they can to make the most of their money. Reinvesting dividends can add significant wealth over normal investment returns and is one of the most powerful tools available for boosting returns over time. Those seemingly small amounts reinvested can grow into much larger amounts when used to buy even more shares of stock that can pay further dividends in turn. ■

BRINGING YOUR FINANCIAL PLANS TO LIFE

Planning for a successful future means different things to different people. Whatever your plans, expert professional financial advice can help bring them to life. As the impact of coronavirus is felt across the UK, you may have concerns about how it could affect you and your money. Please contact us to find out more or discuss your future plans with us.

GROW YOUR MONEY

INVEST IN A BETTER FUTURE

Retirement planning is one of the most important investments you can make towards your retirement, to ensure you experience the quality of life you want in later years. But millions of retirement savers are unaware that they are sitting on a powerful weapon that could be used to fight climate change and other environmental problems – their pension pot.

The trend towards sustainable investing continues to gather momentum, as people seek not just financial returns, but also to make a positive contribution to the world. Often investors look to achieve this with funds that screen out companies that do not meet a certain threshold of sustainability, or by focusing on specific ESG (Environmental, Social & Governance) themes.

EFFECTIVE WAYS TO INVEST SUSTAINABLY

The three pillars of ESG investing combine to define what most people would categorise as good business practice. Environmental issues cover how companies interact with the environment; Social issues cover companies' conduct towards their internal and external communities; and Governance issues cover how companies behave in their business activities.

A new survey[1] has revealed that the majority of UK savers are missing out on one of the most effective ways to invest sustainably – through their pension. More than two- thirds (68%) of pension holders were not aware about how sustainable their pension was and just one in ten (13%) thought it was easy to make sure their pension was environmentally friendly.

OPTIONS TO MANAGE PENSION FUNDS

Sustainable investing is important to people regardless of gender, age and income. At least a third (36%) of people in every age group, aged 18-65 and over, said that having options to invest their pension only in sustainable companies matters to them. Despite the rise in popularity, savers still believe it is complex and that there is a lack of guidance.

Nearly two- thirds (61%) of people said it was important to have clearly branded fund options which allow them to invest only in environmentally and socially responsible companies. Two- thirds (65%) of pension holders said they do not actively make choices about where their pension is invested, and one in ten were unaware that they have any options to manage their pension funds at all[2].

MAKING SUSTAINABLE FUNDS CLEARER

However, over half (56%) said a fund themed around clean energy and low-carbon transition would make them more interested in their pension, while 54% said the same of a zero- plastic themed fund. For younger savers, easier responsible investing could have an even bigger impact. Two-thirds (67%) of 18-34-year-olds said they would invest their money in a fund focused on clean energy.

With just under half (48%) of people unaware that there are ways to ensure their pension is environmentally friendly, making sustainable funds clearer and more accessible will benefit not only the environment, but also people's financial future. ■

LOOKING TO INVEST FOR IMPACT?

This year we've seen changes to the way we live, work and travel – giving many the time to reflect on the real impact we're having on our planet and society. However, even if it's something you think about with your investment portfolio, you may not have factored in your pensions. To find out more or discuss your requirements, please contact us for further information.

Source data:

[1] Survey for Scottish Widows conducted between 21 and 30 April 2020 online via the Toluna Panel of 1,346 UK residents aged 18-60 currently contributing to a pension that is not exclusively a final salary policy. Data weighted to be nationally representative.

[2] Research was carried out by YouGov Plc across a total of 5,757 adults aged 18+. Data was weighted to be representative of the GB population. Fieldwork was carried out 26 March – 11 April 2020.

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

INVESTING PRINCIPLES

FOCUS ON WHAT YOU CAN CONTROL

The deep global economic shock and uncertainty surrounding the coronavirus (COVID-19) pandemic has made everyone rethink their finances and investments, making it clear that financial security is more important than ever to our overall well-being.

While it's almost impossible to plan for a global pandemic, you should still have an investment strategy that grows with you throughout different life stages. Investing is a crucial part of any financial plan.

If you're considering investing, whether for the first time or expanding your current portfolio, there are some key things to remember. However experienced or sophisticated an investor you are, these are some basic principles that apply.

ESTABLISH A FINANCIAL PLAN BASED ON YOUR GOALS

You have dreams of the life you have yet to live. Dreams that may include a nice home, travel to exotic places, and the time and money to live comfortably so you can look back and appreciate all that you have done. Whatever your goals may be, it is important to revisit your goals at regular intervals to account for any changes to your personal circumstances. Successfully achieving your investment goals doesn't happen by chance. It needs vision, a long-term commitment and the help of professional financial experts to create and execute your strategy

UNDERSTAND THE REASONS WHY YOU ARE INVESTING

Start by thinking about your objectives and why you want to invest. The stock market tends to produce higher returns than a savings account in the long run because the interest rates on cash – and these are particularly low at the moment – don't normally match the growth potential of shares.

It's important to consider how to maximise what you can afford to invest and how much time you need to remain in the market. Don't try to time the markets, it's nearly impossible.

TIME-FRAME AND RISK TOLERANCE FOR DIVERSIFICATION

Diversification is an investment strategy wherein you spread your portfolio holdings across various types of assets throughout different sectors, and even in different countries. You need to know your comfort level with temporary losses and understand that asset classes behave differently. Don't chase past performance. Remember, when you plan for a longer time-frame, you can take more risk with your investment. So it is crucial to consider the time-frame and risk tolerance for diversifying your portfolio.

MINIMISE TAXES TO MAXIMISE RETURNS

Every investment has costs. Of all the expenses, however, taxes can have the greatest impact and take the biggest slice out of returns. The good news is that tax-efficient investing can minimise the tax burden and maximise returns. Remember, the higher your tax bracket, the more important tax-efficient investing becomes. The difference between pre-tax and post-tax investment returns can be substantial, and without a carefully planned tax-efficient investment strategy high earners in particular run the risk of facing formidable tax liabilities. Markets may be uncertain, but taxes are certain – so pay attention to net returns to minimise taxes and maximise returns.

DON'T JOIN THE HERD AND REACT TO MARKET NOISE

Investing comes with risks. Anyone who says otherwise is mistaken. But there are also risks in not investing – inflation being the most obvious. One of the keys to investment success is to avoid the noise from the plethora of omni channel media sources. It's easy to join the herd and react to market movements and short-term news flow. Investors are continually bombarded with headlines, charts and financial data over the internet and the press. Being bombarded with this information can evoke strong emotional responses from even the most experienced investors. Ignore this noise and your odds for success increase. ■

TIME TO TAKE A FRESH LOOK AT YOUR FINANCES?

Planning your investment goals is essential if you're going to have a real chance of achieving them. A financial review is a great way to take a fresh look at your finances and plan for the journey ahead. More importantly, it enables you to talk through your long-term financial objectives and discuss with us a way forward to deliver your plan to achieve them. Contact us to find out more.

FESTIVE FINANCIAL GIFTS

DECIDING ON THE RIGHT INVESTMENTS FOR THE CHILDREN IN YOUR LIFE

As the festive season approaches, have you thought about gifting your children or grandchildren something different this Christmas? Giving them a good start in life by making investments into their future can make all the difference in today's more complex world.

Many parents and grandparents want to help younger members of the family financially – whether to help fund an education, a wedding or a deposit for a first home. Christmas is a time for giving so what better gift to make to your children or grandchildren than a gift that has the potential to grow into a really useful sum of money.

There are a number of different ways to get started with investing for children that could also help you benefit from tax incentives to reduce the amount of tax paid, both now and in the future. Don't forget that tax rules can change over time so it is important to obtain professional financial advice before making financial decisions.

OWNERSHIP OF THE INVESTMENTS

Investing some money – either as a one-off lump sum or on a regular basis – is an ideal way to give a child a head start in life. There are a number of options available when it comes to ownership of investments for a child. Children receive many of the same tax-efficient allowances as adults, so it's a good idea to consider specialist child savings accounts.

Some people prefer to keep investments for children in their name; that way, if a future need arises in which you require access to the funds, it is still available to you as it has not yet been transferred to the child.

If you retain personal ownership of the investment, it will be your tax rates that apply as opposed to the child's. If the investment remains in your estate upon death, more taxes could be payable, so be aware of this.

BARE TRUSTS

You can hold investments for your child in a bare trust or designated account. Bare trusts allow you to hold an investment on behalf of a child until they are aged 18 years (in England and Wales) or 16 (in Scotland), when they'll gain full access to the assets.

Bare trusts are popular with grandparents who would like to invest for their grandchild, because the investments and/or cash are taxed on the child who is the beneficiary. This is only the case if you are not the parent of the child. If you are and if it produces more than £100 of income it will be treated as yours for tax purposes.

Grandparents can contribute as much as they like as there is no limit to how much can be invested each year into this type of account. This can be a beneficial way of reducing a potential Inheritance Tax bill if a grandparent would like to make gifts to a child.

DISCRETIONARY TRUSTS

A discretionary trust can be a flexible way of providing for several children, grandchildren or other family members. For example, you might set up a trust to help pay for the education of your grandchildren. The trust deed could give the trustees discretion to decide what payments to make, depending on which children go to university, what financial resources their families have and so on.

A discretionary trust can have a number of potential beneficiaries. The trustees can decide how the income of the investment is distributed. This type of trust is useful to give gifts to several people, such as grandchildren. However, it's worth keeping in mind that the tax rules can become complex when using a discretionary trust and the investment and distribution decisions are taken by the trustees (of which you can be one).

JUNIOR ISAS

If you want to ensure the money you give to your children remains tax-efficient, a Junior Individual Savings Account (JISA) is available for children born after 2 January 2011 or before 1 September 2002 who do not already hold a Child Trust Fund.

The proceeds are free from income tax and capital gains tax and are not subject to the parental tax rules. They have an annual savings limit of £9,000 for the current tax year which runs from 6 April to 5 April the following year.

A child can have both a Junior Stocks & Shares ISA and a Junior Cash ISA. From the age of 16, children can have control over how their JISA is managed, but cannot withdraw from it until the age of 18.

CHILD JUNIOR SIPPS

It is never too early to start saving for retirement – even during childhood. While it may seem a little early to be thinking about retirement as the parent of a child, it's worthwhile. The sooner someone starts saving, the more they will gain from the effects of compounding. There are significant benefits to setting up a pension for a child. For every £80 you put in, the Government will top it up with another £20, which is effectively free money.

A Junior Self-Invested Personal Pension Plan (SIPP) is a personal pension for a child and works just like an adult one. Parents and grandparents can save up to £2,880 into a SIPP for a child each year. What's great about this gift is that the Government will top it up with 20% tax relief. So you can receive up to £720 extra, boosting the value of your present to £3,600. This can help a child to build a substantial pension pot if payments are made every year.

But while starting a pension for your child or grandchildren will benefit them in the long run, you need to consider that they won't be able to access their money until they are much older. ■

PLANNING TO GIVE THE CHILDREN IN YOUR LIFE A FINANCIAL GIFT THIS CHRISTMAS?

A gift of money to your children or grandchildren at Christmas can be a wise choice, especially if you take a long-term approach. Many families want to give their children or grandchildren a head start for their future finances. When it comes to investing for children, tax can make a big difference to returns over the longer term. We can help you decide on the right investments for the children in your life. Please contact us to discuss the options available.

THE CRITICAL FACTOR

LIFE-CHANGING COVER, FOR LIFE-CHANGING EVENTS

The coronavirus (COVID-19) pandemic has caused many households to reassess their financial defences with the purchase of protection insurance. The diagnosis of a serious illness can mean a very difficult time for your health and your wealth. If you were to become critically ill and could not earn a living, would your family cope financially, especially to pay bills, mortgage and other expenses?

Our lifestyles may vary, but we all need to make financial safeguards. Critical illness cover can provide vital financial security when you need it most. Most homebuyers purchase life assurance when they arrange a mortgage, but overlook critical illness cover, another form of financial protection that we are statistically more likely to need before reaching retirement.

FINDING THE RIGHT PEACE OF MIND

With the right protection in place, you and your loved ones won't have to worry about money when money is the last thing they want to worry about. It's essential to find the right peace of mind when faced with the difficulty of dealing with a critical illness. Critical illness insurance pays a tax-free lump sum on diagnosis of any one of a list of specified serious illnesses, including cancer, heart attack and stroke.

The good news is that medical advances mean more people than ever are surviving life-threatening conditions that might have killed earlier generations. Critical illness insurance provides cash to allow you to pursue a less stressful lifestyle while you recover from illness, or you can use it for any other purpose.

COMBINING DIFFERENT COVER TYPES

It's almost impossible to predict certain events that may occur within our lives, so having critical illness cover in place for you and your family, or if you run a business or company, offers protection when you may need it more than anything else. You can choose how much cover you want and whether you want to combine different cover types. You can also choose to take out cover with your partner.

Even if you are single with no dependants, critical illness cover can be used to pay off your mortgage, which means that you would have fewer bills or a lump sum to use if you became very unwell. And if you are part of a couple, it can provide much-needed financial support at a time of emotional stress. Whether or not you need critical illness cover as well as life insurance will depend entirely on your individual circumstances. ■

DO YOU NEED CRITICAL ILLNESS COVER?

It's easy to think a critical illness isn't going to happen to you, but should the worst happen you can help make sure your family and loved ones are protected by easing their financial worries. To discuss how we can help, speak to us to find out more.

STATE PENSION AGE RISES

HOW COULD THE CHANGE IMPACT ON YOUR RETIREMENT PLANS?

For the first time in over a decade, the point at which people can claim a State Pension (the 'State Pension Age') is simple. If you have reached your 66th birthday, you can claim it. Otherwise you cannot.

Men and women born between 6 October 1954 and 5 April 1960 start receiving their pension on their 66th birthday. For those born after that, there will be a phased increase in State Pension age to age 67 in 2028, and eventually age 68 from 2037.

'TRIPLE LOCK' PLEDGE IS SAFE

Back in 2010, women could claim their State Pension from age 60, while men could claim theirs at age 65, but in 2018 women had their State Pension age increase to age 65 too. Further increases to the pension age are also expected for younger generations.

It comes as the Chancellor, Rishi Sunak, vowed the 'triple lock' pledge is safe. Mr Sunak said: 'We care very much about pensioners and making sure they have security and that's indeed our policy.'

INCREASING AS PEOPLE LIVE LONGER

Under this pledge, the State Pension increases each year in line with the highest of average earnings, prices (as measured by inflation) or 2.5%. The full State Pension for new recipients is worth £175.20 a week. To receive the full amount, various criteria including 35 qualifying years of National Insurance, must be satisfied.

The age at which people receive the State Pension has been increasing as people live longer, and the Government has plans for the increase to 68 to be brought forward.

However, the increases have been controversial, particularly for women who have seen the most significant rise.

PEOPLE RECONSIDER RETIREMENT PLANS

Women born in the 1950s have been subjected to rapid changes and those involved in the WASPI (Women Against State Pension Inequality) campaign lost their legal challenge, claiming the move was unlawful discrimination.

The coronavirus (COVID-19) crisis has led many people to reconsider retirement plans, especially those who feel they are more at risk from the outbreak. Former pensions minister Ros Altmann argued that the crisis meant there was a 'strong case' for people to be given early access to their State Pension, even if it were at a reduced rate. She also pointed out the large differences in life expectancy in different areas of the UK.

FUTURE FOR BOTH IS NOT ENTIRELY CLEAR

Millions of people who will rely on their State Pension in retirement need to know two things: how much will they receive, and when. The future for both is not entirely clear. Firstly, the age at which the State Pension begins has been rising, and will continue to do so.

Secondly, there is always plenty of debate over the future of the triple lock – the pledge to ensure that the State Pension rises by a minimum of 2.5% each year.

LONG-TERM FINANCIAL PLANNING

And if young workers think this has nothing to do with them, they should think again. How long we work before we receive state financial support in retirement is a vital issue for long-term financial planning.

Younger workers have also been urged by pension providers to consider their retirement options, with a strong likelihood of State Pension age rising further as time passes.

A TIMELY REMINDER TO EVERYONE

The increase to the State Pension age provides a timely reminder to everyone to check their pension pots and ask themselves whether the savings they've built up are enough for the kind of life they want in retirement.

As average life expectancy continues to increase, the State Pension age will inevitably follow suit. This means younger savers need to plan and assume they might not reach their state pension age until 70 or even beyond. Anyone who aspires to more than the bare minimum in retirement needs to take responsibility as early as possible to build their own retirement pot. ■

DON'T KNOW WHERE TO START?

It's important to think about how much money you might need in the future and whether you'll have enough to give you the lifestyle you want. You might be eligible for the State Pension but can you manage on this alone? Also, you may want to retire before your State Pension age. To discuss your retirement planning options – please contact us.

UNPRECEDENTED TIMES

PERSONAL AND PROFESSIONAL HIGHLIGHTS

This year, many of us had to abruptly shift from office life to working from home, something that's likely to continue for a little while yet. Whilst it has brought its challenges, it was a relief that Kellands was well prepared, remaining fully operational and open for business throughout the year.

The previous investments Kellands have made into its day-to-day technology and online platform have certainly come into their own! The online client Wealth Platform means than our clients can access documents, update their details and view their investments via our secure online platform. Adding into the mix the rise in popularly in various video conferences facilities, and of course the traditional telephone, it's been business as usual for us.

FOCUS ON COMMUNICATIONS

For me, having the flexibility of working from home has meant time that was normally spent commuting into the office can be invested and therefore used more productively.

However, the biggest advantage of flexible working came when myself and my wife welcomed our first child, Joel, into the world on 16 January this year. Being able to work at home has enabled me to spend more time with Joel, enjoying lunch breaks taking him out for walks, being able to sit in on health visitor appointments, as well as the less fun tasks such as taking him for his first injections!

I appreciate that it has been hard not to have face-to-face contact with clients, and I'm pleased to say there has been a real focus on our communications this year. Kellands have produced various updates on the planning opportunities that COVID-19 has brought, as well as regular market updates, which can be found on our website under the news and views section. We also regularly send updates out on our social media channels and through our e-newsletter, and of course in print with Independent News. Now, more than ever, we want to make sure we are keeping in touch with our clients, providing them with all of the Kellands and wider market news.

STRENGTH TO STRENGTH

Despite all of the challenges this year has brought, we continue to go from strength to strength. September saw further success for Kellands at the Moneyfacts Life and Pensions awards 2020. We were recognised and awarded Highly Commended in the Tax and Estate Planner of the Year category, our third time being successful in this category. Sadly, we couldn't be there to celebrate in person, but the virtual awards were great fun, and one of our Advisers even won the 'Best Dressed' award!

During October, Kellands supported financial planning week organised by the not-for-profit professional body the CISI in which we offered free financial planning sessions. It was a great success and really highlighted how important it is at the moment for people to review their finances and seek specialist advice on how to manage their money. Off the back of this, we now run our weekly Friday morning drop-in session virtually; details can be found on our website.

As you can see, whilst the year so far has been somewhat unprecedented, it has presented itself with various personal and professional highlights. As the year draws to a close, the team at Kellands wish our clients the very best – and remember, we are only a Zoom call away! ■

Andy Turner
Senior Researcher & Paraplanner

CHILDREN'S ADVENTURE FARM

STILL MAKING SPECIAL MEMORIES

The COVID pandemic has had a profound impact on our services in 2020. For the first time in our 30-year history, we were forced to temporarily close our doors when the first lockdown was announced in March.

Up until that point, we had provided activities for 700 children here at CAFT in 2020 during our Free Holiday and Day Visit Programmes, and we were on track to hit our target of helping in the region of 5,500 children before the end of the year.

It was devastating for us to close our doors, but we were determined that we would do everything possible to reach out to children and families who needed our support. Whilst initially that took the form of online games and activities, as soon as restrictions on outdoor activities were eased in June, we began to offer individual families the opportunity to spend a couple of hours enjoying the fun of the Farm whilst remaining socially distanced from each other.

Lockdown has been difficult for all families. Being cooped up indoors has been claustrophobic and stressful, but for these families it has been an often unbearable challenge due to their child's difficult behavioural or medical needs. This period of lockdown continues to be doubly stressful for them, as they are desperate for some respite, even just for a couple of hours. These day visits have provided a much-needed break in a safe, stimulating and fun environment. Involving the whole family in this project provides positive, special family memories to last a lifetime.

We are so proud of our amazing staff and volunteers who have worked tirelessly to provide these essential visits to over 1,000 families so far in 2020 – that's 2,200 children! We have a full Christmas programme planned starting on 20th November which will again see us using our outdoor facilities, giving families a festive visit they will remember forever. By the end of 2020, we are hoping to have helped almost 5,000 children, which we feel is a huge achievement when you consider the impact COVID has had on us all.

With no end in sight regarding limits on group gatherings, our intention is to continue to provide these fun and fabulous COVID-safe Family Visits in 2021, until we are again able to return to our traditional group programmes.

Only with the support and generosity of individuals, supporters and companies, such as Kellands, are we are able to do our best to help just some of those that are truly in need of caring and kindness at this time.

Please read about the inspiring work we do and upcoming events at the fantastic Children's adventure Farm, Cheshire. ■

WWW.CAFT.CO.UK

Merry Christmas from all at CAFT -

DISCOVERING CLARITY

THROUGH THE MALAISE OF 2020, THERE HAVE BEEN POSITIVES

For reasons well known, this is a year most will not miss. However, in amongst the malaise of 2020, there has been some positives. From my own perspective, it has been an exceptionally busy and yet rewarding time, working with clients to navigate the chaos which ensued since March. The easing off of travel has helped to compensate, enabling more time with the kids.

Another coping mechanism to life at home appears to be launching home improvement ventures. Equally guilty of this, a holiday refund over the summer found its way into several pallets of plants as we overhauled the garden. Not quite the relaxing break intended!

DELIVERING ON LIFE GOALS

Spending time at home appears to have highlighted the areas we would like to improve. The same is true for most areas of life, and financial planning is no exception.

A particularly welcome development arising from 'lockdown' has been an appetite to address finance and take time to ask some of life's more profound questions. Clients new and old are testing previous assumptions and exploring their 'why'. At a time where control has been restricted, using the time to build a plan to deliver on life goals is a transformational step.

WINDOW OF OPPORTUNITY

So therein lies the opportunity. The counter risk of course is a busy life – competing needs on time and 'mental bandwidth', as a client put it on a video call this morning. Others are perhaps opting for the 'head in the sand' approach. Financial planning has a habit of making its way to the bottom of the in-tray, categorised under important as opposed to urgent.

The call-to-action is to commit one hour to a financial planning discussion. The clarity one meeting can provide is powerful, and the value of further discussions will be apparent.

If you have yet to find time to raise your eyes up from the desk to the horizon through this pandemic, the window of opportunity is still open – for now! ■

Chris Bull
Chartered Financial Planner
& Business Development Manager