ISSUE 15 ■ WINTER 2022

INDEPENDENT NEWS

KELLANDS
CHARTERED FINANCIAL PLANNERS

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Millions of retirees help out in cost of living crisis.

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Welcome to **Kellands** Independent News

Welcome to the Kelland's winter newsletter. It is my immense pleasure to again welcome you to the Kellands Christmas newsletter (also available in digital format and online through our website www.kelland-hale.co.uk).

2022 has been an important year as we have readjusted to our regained liberties of a post lockdown/Covid world. For me the pandemic period now seems a blur, as we have quickly had to refocus on the latest set of challenges, many of which were unthinkable at the beginning of the year. The shocking invasion of Ukraine has woken us up to a new humanitarian crisis and made us question our own national security and safety policies. This conflict has also triggered a cost of living crisis across the world. It is now a fact that people's number one concern in the world is inflation. The political landscape in the UK has been no easier and at the time of writing we have seen three different prime ministers within 12 months.

However, as we approach Christmas, I am optimistic that much of the gloomy economic outlook has already been priced into portfolio and asset values and that 2023 will bring better news.

However, it will be an incredibly tough winter for many, and it is with this backdrop that we at Kellands feel extremely fortunate to be in a position to help donate to a number of charities struggling to raise money for their many worthy causes. This year more than any other there is a desperate need to raise additional funds and I would like to thank my staff and all our supporters who have helped raise money for Mission Christmas, Cancer research, Wood Street Mission, Wythenshawe food bank, Marie Curie and World Vision.

This year has been another highly successful year for winning national awards – Professional Adviser best firm in the North West and Moneyfacts Best Retirement Planning Firm & Best Estate Planning Firm. I would like to say a special thank you to all our fantastic clients that took the time to provide testimonials.

I very much hope that you enjoy reading our newsletter and wish you all a wonderful Christmas break and a Happy and Healthy 2023.

Guy and all the team at Kellands

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LOOKING TO MAKE THE MOST OF TOMORROW BY PLANNING TODAY?

Your wealth needs to serve you differently at different stages of your life. Find out how we can help you make the most of tomorrow by planning today. To discuss how we can help, please contact us.

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YOUR
LONG-TERM PLAN

Ian Boasman,
Independent
Financial Adviser

My previous article highlighted the importance of sticking to a long-term plan, which is tried and tested in times of uncertainty. This 'plan' should be robust enough to see you through the darker days, as market falls should be factored into long-term thinking. However, there are certain events that you cannot exactly predict, the main one being inflation. History tells us that inflation averages out somewhere around 3% per annum in the UK, which is the long-term target of the Bank of England (BoE).

When inflation exceeds this average, we all feel the pinch as rarely do wages keep up with the 10% we are seeing this year. This causes us to spend less on luxury items as we cover the increase in household bills.

As the BoE increases interest rates to help curb inflation by encouraging us to save more, we see our cash work harder for us. However, as we spend more to live, it reduces our ability to save!

Over 12 months, if inflation has been at 10% and your investment portfolio has fallen by 10%, then the real (paper) value of your investment has fallen by 20% in that period. Whereas if you hold a cash savings account at 4% interest with inflation at 10%, the real loss has only been 6%.

So, should we be reducing our contributions into vehicles such as pensions and Stocks ISAs and redirecting those into cash savings for higher interest rates? This depends on where you are in life. For those who are at least ten years off retiring or drawing from these pots, continuing to invest in the stock market is important at this stage. As markets fall, they also provide a good buying opportunity, and your regular contributions will purchase cheap unit/share prices. In later years when markets recover, those cheap units you purchased in the harder times will help your retirement pot appreciate rapidly.

If you have less capacity for risk and are at a different stage of life with surplus cash savings, taking advantage of these higher interest rates is a good way to diversify your portfolio and add some degree of short-term certainty, however.

Yes, having lots of cash over the long term is not advisable if inflation and interest rates remain where they should be. However, using this period of rising interest rates to get more on your savings is important to steady the ship and reduce the effects of high inflation when investments are falling in value. It also provides quick access and liquidity for when further buying opportunities present themselves in the markets later on.

In terms of taking money out of stocks and shares to put into cash, this is a difficult thing to get right and is not usually advisable unless you require that money for specific purposes. Cashing in an investment when markets are down could mean crystallising a loss and that paper valuation suddenly becomes a real figure. If replacing stocks with cash makes you feel more secure, then perhaps you were not aligned to the correct risk approach within your investment portfolio in the first place.

Let's also not forget the most important thing – do not be afraid of making tweaks along the way if it means keeping or improving your standard of living today. With the bad news circulating around the world, it is important that you take time to find a balance and enjoy life now, rather than overevaluating the future. A professional adviser should help you plan long term whilst allowing you to appreciate life now. ■

WOMEN IN **RETIREMENT**

Studies continue to show that women will enter retirement on average with fewer assets in retirement than men, when in fact they require greater assets due to longer life expectancy and nursing care costs.

Scottish Widows estimates that on average women live between two/three years longer than men, resulting in a need to enter retirement with a savings pot £50,000 greater than men. Alternatively, they will be required to work for longer than their male counterparts.

In addition, a function of living longer means women are statistically more likely to need some form of care in later life than men. Those women already in care will also spend on average a year longer in a care home than a male of the equivalent age. This additional year in a care home has been estimated to cost in the region of £35,000. Clearly, without the necessary resources choices and options will be restricted and more informal care choices may need to be chosen.

The reasons for the current gender gap on savings are complex, but society now clearly recognises and is trying to address the issues of working patterns, forced career breaks and wage inequality.

As financial advisers it is important that we play our part in helping women of all ages take ownership and control of their own financial futures as early as possible. Education and guidance in planning for the future is critical if these extra financial savings needed to enter retirement are going to be planned and funded.

We often find that many of our female clients in heterosexual relationships put too much faith on their partner's pensions and savings pots. It is easy to forget that, as a female, you are more likely to outlive your partner and properly consider the financial impact that may have on your combined finances. There are a staggering two million widows in the UK over the age of 65.

The situation in divorce is also important to consider and very often pension assets are not properly assessed/appreciated in the process of settlement.

Wellbeing and quality of living in later life are always top priorities for the majority of our clients, both male or female. The benefit of planning cannot be underestimated as the highest level of care is extremely costly, as has been mentioned above. I thought to finish it may be of benefit to just recap on where the current safety net lies in relation to how the social care system in England now operates. It is a means-tested system based on an individual's assets and income. Individuals with assets greater than £100k are expected to pay for their care in full. Those clients with £100k or less would pay a tapered contribution down to a level of £20k (the floor). Individuals are required to contribute 100% of their income down to a personal expenses allowance, which is currently set at £24.90 per week.

It is important that women and couples are aware of this potential extra financial burden that women may face in retirement. By taking advice early, you can then appreciate the demands on your future savings and understand what is required to fund a happy lifestyle in retirement. ■

Charlotte Knight,
Indepentdent Financial Planner

TAX-EFFICIENT INCOME **IN RETIREMENT**

After the working life is over and retirement beckons, one of the most important elements of retirement is ensuring income is taken in the most tax-efficient way.

If retirees ensure they use allowances and make the most of tax-efficient financial planning then the majority, if not all, of their retirement income could be tax free.

As advisers, using a range of different investments could allow a client to have a total income that is outside of Income Tax.

Although Tax allowances may become increasingly less favourable over time notably because of the deficit the Chancellor will have to fill following the multi-billion Covid-19 costs. However, there are still ways to use every last allowance available to clients.

When clients come to retirement, planning retirement income well to use all available allowances can make clients' funds stretch further.

HOW TO UTILISE TAX ALLOWANCES

Pensions: The personal tax allowance currently stands at £12,570, meaning this can be drawn from the taxable element of a pension as tax-free income. This is in addition to any Pension Commencement Lump Sum taken. (gov.uk)

ISAs: Unlimited funds can be drawn from ISAs without being taxed.

General investments:

- Using the annual Capital Gains Allowance of £12,300 per annum allows sales from collective investments to be drawn to this level, providing tax-free funds. (gov.uk)
- General investments can also be used to distribute dividends up to the current tax-free allowance of £2,000 per annum. (gov.uk)

Interest on cash-based savings: As a basic rate taxpayer, there is a Personal Savings Allowance of £1,000 that can be generated as interest from cash-based savings tax free. Higher rate taxpayers have a reduced allowance of £500. (gov.uk)

Offshore Bonds: The starting rate for savings allows those with income below £17,570 to get up to £5,000 of interest and not have to pay tax on it. A withdrawal from an offshore bond (in addition to the 5 per cent allowance) of up to £5,000 to use the starting rate savings allowance.

Assuming a starting rate limit of £5,000 for those with income under £17,570, using the above allowances could provide a total of £32,870. In addition to this, there is the pension commencement lump sum, ISA and capital.

Using a diverse set of investment products and using the available tax allowances for 2022/23, then a tax-free income up to certain limits can be produced in retirement.

Diversifying across different products allows you to take home a small amount of tax-free income each year, which when added together provides you with a considerable amount.

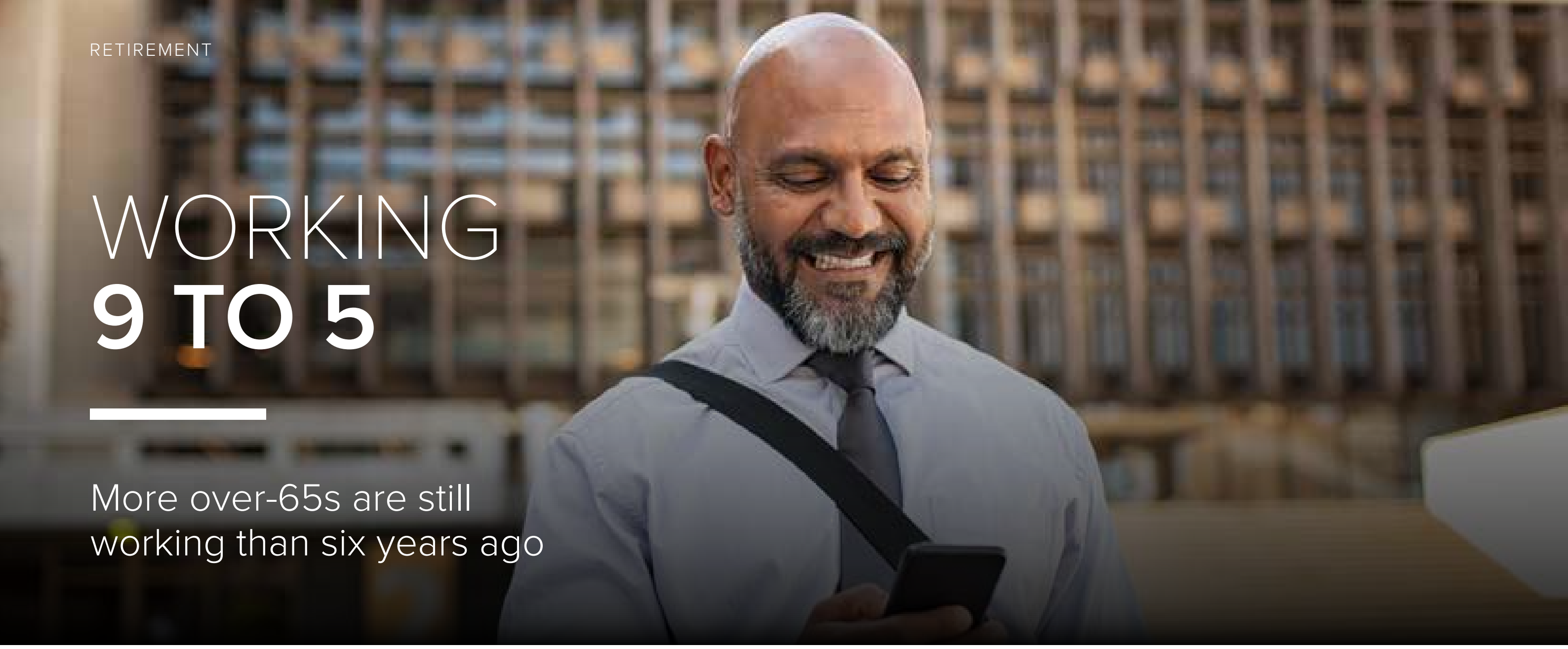
The tax treatment and suitability of each option depends on the individual circumstances of each client. There is careful planning to be done on retiring to ensure an appropriate detailed plan is put in place for each client.

Understanding the tax allowances and using them can save a significant amount of tax over retirement

In addition to tax efficiency, it is also important to ensure all the client circumstances are considered to ensure each product is suitable and appropriate for their financial needs and circumstances. This will help determine the most appropriate solution for each client. ■

Jennifer Skehan,
Chartered Financial Planner

Source data:
https://www.gov.uk/income-tax-rates
https://www.gov.uk/capital-gains-tax/allowances
https://www.gov.uk/tax-on-dividends
https://www.gov.uk/apply-tax-free-interest-on-savings



WORKING
9 TO 5

More over-65s are still working than six years ago

More people in the UK aged between 65 and 74 are still working compared to six years ago, new research shows[1]. The findings show there's a marked increase in the number of people over 65 who remain in the workforce compared to 2016, and a fall in the number drawing their State Pension.

At a time of rising cost of living pressures, the data shows fewer people across all age groups eligible to retire have done so compared to six years ago. The greatest shift has been for those aged between 65 and 74. Whereas 92% of this age group were already retired in 2016, only 79% are now.

DISPROPORTIONATELY IMPACTED

This is due to increases in the State Pension age, which was raised from 65 to 66 between December 2018 and October 2020 – and is set to rise further in future. The increase has disproportionately impacted 65 to 74-year-olds, who have been directly affected by this change in the last six years.

In 2016, 96% of people in this age range said the State Pension accounted for some of their income, compared with 71% now. This represents a 25% decrease in the proportion of people in this age bracket receiving part of their income from the State Pension.

ALTERNATIVE SOURCES OF INCOME

As the State Pension Age continues to rise, this age group will need to plan to find alternative sources of income. The research results show the gap is only partially being plugged by people continuing to work for longer.

There has only been a small rise in those saying wages or other earned income constitute a portion of their overall income – 23% versus 18% in 2016. For a fifth of people in this age bracket, an income gap left by State Pension deferral has not been replaced by wages.

RUNNING OUT OF RETIREMENT MONEY

In the UK, the 65 to 74 age group is larger than ever before, according to the 2021 Census statistics[2]. People between those ages now account for almost 19% of the UK population, compared with 16% a decade ago.

For those over 65, money worries about retirement figure more prominently than six years ago. In 2016, only 1% of this cohort said they were worried about running out of money in retirement, while another 1% said they wouldn't have enough money to fulfil plans and dreams such as travelling. Six years on, the proportion has risen substantially to 11% for both.

AMOUNT OF CAPITAL HELD IN PROPERTY

One asset that has grown for this age group, however, is the amount of capital they hold in property. Sixty-five to 74-year-olds have, on average, lived in their current house for 24 years, which means they have benefitted from nearly all the property price increases that have occurred since the late 1990s, when the current property boom began.

In 1998, when this age group typically bought their current house, the average cost of property in the UK was £66,231[3]. The research results show this age group's property is now worth on average £302,000, more than four times the original purchase price.

PLANNING FOR A COMFORTABLE RETIREMENT

Nearly two-thirds of them own their property outright. Typically, those who do have been in tenure six years longer than those with a mortgage.

This suggests people may have accumulated more wealth in this asset than they realise. As cost of living pressures ramp up, the equity in people's homes could become increasingly important when looking at ways to plan for a comfortable retirement. ■

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SECURING YOUR FINANCIAL FUTURE

Whether you want to grow your wealth for a retirement income or a legacy to pass on to future generations, we can help you set goals and try to achieve them. To find out more, please get in touch.

Source data:

[1] Aviva Real Retirement Report conducted by ICM Unlimited April 2016. 1,506 general consumers aged 45+ Research conducted by Censuswide April 2022.

[2] 2021 National Census figures released by ONS

[3] HMLR's UK House Price Index. www.gov.uk/government/collections/uk-house-price-index-reports.

PENSION SAVING **REVOLUTION**

Auto-enrolment: celebrating a decade that has encouraged a culture of saving

Since it was introduced ten years ago, auto-enrolment has revolutionised pension saving for millions of people in the UK, encouraging a culture of saving for the long term. It's been a positive initiative and, crucially, individuals now have to take more responsibility for their retirement savings.

This has meant many people now put some money away each month for retirement. In April 2021, the UK workplace pension participation rate was 79%, compared to 47% in 2012 when auto-enrolment was introduced, according to new research[1].

SIGNIFICANT GAPS

All employers must provide a workplace pension scheme and automatically enrol employees into a pension scheme and make contributions to their pension if they are classed as a 'worker', are aged between 22 and State Pension age, earn at least £10,000 per year and they usually ('ordinarily') work in the UK.

However, significant gaps remain in pension awareness and engagement, with female and lower income workers disproportionately less likely to review their pension. The research highlights overall, almost one in five UK workers have never reviewed their pension.

PENSION SAVINGS

This rises to a quarter (25%) of female workers, compared to only 13% of males who have never reviewed their pension. Those with lower incomes are also more likely never to have undertaken a review of their pension savings, with 34% of those with an income between £10k and £20k, and 21% of those with an income between £20k and £30k saying they have never checked their pension. This drops to 15% among those earning between £30k and £40k, and 14% among those earning between £40k and £50k.

The research showed that the majority (58%) of workers could define what an auto-enrolment pension is, correctly selecting 'Employers offer a workplace pension scheme and automatically enrol eligible workers in it.' However, 23% incorrectly defined it, while a fifth (19%) admitted that they simply do not know what an auto-enrolment pension is.

KEY TRIGGERS

For those who do review their pension, the main prompt for doing so is receiving their annual statement (28%) – rising to 37% among 35 to 54-year-olds, compared to 18% among 18 to 34-year-olds and 28% among those aged 55 and over.

Other key triggers include receiving communication from their pension provider (19%), receiving their monthly pay (16%), changing jobs (12%) and getting a promotion or pay rise (11%). The younger demographic (aged 18 to 34) are most likely to be prompted to review by receiving their monthly pay (24%), changing jobs (19%) and receiving a pay rise (19%).

KEY BENEFITS OF BEING AUTO-ENROLLED

Regular savings habit – When you have a workplace pension plan in place, it's easy to stay in the habit of saving because payments usually come straight from your salary. You don't have to sort any of this out yourself either, as when you join a company you're automatically put into the pension scheme, so it's really easy to save this way.

Employer contributions – With a workplace pension scheme, your employer has to contribute a minimum of 3% of your qualifying earnings towards your future too. Some employers will pay more than the minimum and others will pay more into your pot if you do – known as matching. If you don't remain in the scheme, then you will miss out on these contributions.

Tax relief – Most people will receive tax relief from the government when they pay into a pension, and this is one of the major benefits of the scheme. Individuals usually currently receive at least 20% tax relief from the UK Government on their pension payments, meaning it will only cost you £80 to have £100 invested into your pension plan. Most people are entitled to claim tax relief on the pension payments they make based on up to the highest rate of income tax they pay. This means the benefits are usually even more for higher or additional rate taxpayers.

Option to pay in more – You can pay in more than the minimum amount required to your pension, and if you can afford to do so, this can be beneficial in the long term. Topping up your payments means the impact of compound interest is much more significant and can result in a much larger retirement pot. ■

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WANT TO DISCUSS PLANNING FOR YOUR RETIREMENT?

We all want to enjoy life after we stop working. Whether you want to see more of the world or spend more quality time with your family. Whether it's just around the corner or feels like a long time in the future. Planning for your retirement can make all the difference. To find out more, please contact us.

Source data:

[1] Research conducted for Standard Life by Opinium, among 2,000 UK adults between 2– 6 September 2022. All results are weighted to nationally representative criteria.

PENSIONERS' INCOMES

What is the average UK retirement income?

Thinking about the amount of money you need to retire can be daunting, but it's important to have a savings target in mind to fit your desired lifestyle in retirement, that you can work towards.

New analysis of government figures[1] highlights that the average retired UK couple has a pension income worth £284 per week, made up of both occupational and private pension income and excluding State Pension income.

For those approaching retirement who have a similar weekly income target in mind, to buy a 'level' annuity which would guarantee this income for life, but might not maintain purchasing power for future years, they would need to have amassed £267,000 in retirement savings.

INCOME FOR LIFE

Meanwhile, the top fifth of pensioner couples have pension incomes of £704 per week, requiring a savings pot of £660,000 to secure the same type of annuity and guarantee their income for life. To buy an 'index-linked' annuity, which increases income in line with inflation, the required pot is considerably larger; however, this provides an income that is more likely to keep up with cost increases.

The analysis comes as annuity rates are, however, rising. Rates are estimated to have improved by 25%[2] since the start of the year, meaning that savers can generate larger incomes from their savings.

INFLATIONARY ENVIRONMENT

The analysis also found that over the last ten years, the average income of retired couples has increased by around 7% in real terms, with the richest fifth increasing by 4%, compared to 7% for the least well-off pensioners.

It is encouraging that over the past ten years pensioners' incomes have increased in real terms. However, in the current environment with inflation having recently reached double figures, there is an increased challenge of making money last.

So, even while we are in a challenging situation that can lead to a focus purely on short-term finances, if you're able to continue paying attention to your long-term pension savings, it will be extremely worthwhile by the time you come to retire.

HOW TO MAKE YOUR SAVINGS WORK HARDER DURING THIS INFLATIONARY PERIOD

Revisit your financial goals – As you start to notice the effects of increased prices, you might find that your current financial goals could take longer to reach than originally planned, or they might need to be adjusted. So now could be a prime time to revisit your plans and consider if they need to change.

Have a Direct Debit detox – Many of us sign up to memberships and subscriptions that we could probably live without, so have a think about whether you could cancel them or shop around for a better deal. You might be surprised at how much money you could save.

Prioritise your spending – It's worth seeing if you can put off purchases you'd planned for a while longer. If it's not essential, you might be better waiting until you're confident that making that purchase now won't impact your standard of living. However, if you've been thinking about making a big purchase, such as a car or a required home improvement, and you have the money to do so, you might find you'd be better off going ahead now rather than waiting until later when prices could be even higher and the pound in your pocket is worth less, saving you money in the long run.

Try to clear any outstanding debt – When inflation rises, interest rates are generally increased to help control the economy. If you have any variable rate debt, you might find that your regular payments go up as a result. So, it's best to review debt arrangements as a priority, making sure you are reducing interest being paid as much as possible.

Make the most of tax-efficient savings and consider making investments – It's worth bearing in mind that you receive tax benefits on pension payments, effectively meaning it costs less to save more into a pension plan.

So even if you're focused on short-term finances at the moment, it's important to continue contributing to your pension: time in market is one of the most important factors in investing, and if you choose to stop contributing you could miss out on valuable contributions from your employer. Although remember that you can't access your pension savings until you're aged 55 (rising to 57 in 2028 unless you already have a plan with a protected pension age).

If you want to access your money before age 55, while giving your savings the opportunity to grow in line with inflation (and, importantly, stand a chance of beating it), it's advisable to invest over the medium to long term, which is generally five years or more. Stocks & Shares ISAs are a tax-efficient way to save for medium or long-term goals without having to tie up your money.

Or you could consider a Cash ISA for shorter-term goals like rainy day funds – but, of course, be mindful of the impact of inflation on the value of these. ■

ARE YOU ON TRACK FOR A SECURE FINANCIAL FUTURE?

Start talking to us today about your future retirement plan and we can help you make sure it's a resilient one. We understand that your goals, aspirations and dreams are unique to you and we'd love to discuss how we could help. We look forward to hearing from you.

Source data:

[1] According to Pensioner Income Series Data – https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-2020-to-2021/pensioners-incomes-series-financial- year-2020-to-2021

[2] Figure is based on Standard Life internal analysis of market annuity rates as at July 2022.

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

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.
THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

PASSING WEALTH DOWN THROUGH **THE GENERATIONS**

Millions of retirees help out in cost of living crisis

The rise in the cost of living is affecting millions of people. A third of young adults (18-34) and families with young children are struggling financially. Many are turning to family and friends for help with day-to-day expenses such as utility bills, housing costs and childcare, according to new research[1].

One striking aspect is the extent to which grandparents are stepping in with thousands of pounds of support and helping grandchildren with housing deposits in addition to everyday expenses.

OPTIONS AVAILABLE

It's understandable why grandparents want to help their family and pass wealth down through the generations. When doing this, there are a number of options available, each with different advantages and disadvantages.

Gifting money early can reduce Inheritance Tax liabilities and a grandparent can gift up to £3,000 a year without being added to the value of their estate. Currently, a couple could therefore gift £6,000 a year. If some or all of it was invested in a pension it would receive tax relief.

GIFTING MONEY

Grandparents interested in helping a grandchild save for a house could also consider saving into a Lifetime ISA (LISA). Only the child/grandchild, as the account holder, can open and manage their LISA but it's possible to gift money to an account holder to pay into their LISA.

Those helping grandchildren, the research highlighted, gave £15,000 on average, while 10% gave over £50,000. The main reasons grandparents helped out grandchildren financially were to help with day-to-day costs (43%) and help with bills (37%). One in four (24%) grandparents gave money to help their grandchildren buy a house.

SAVING FOR A CHILD OR GRANDCHILD

Parents and grandparents have several options when saving for a child or grandchild. Choosing the right one can make a big difference.

CONTRIBUTING TO A PENSION

Although most people won't set up a pension until they reach working age, a Junior Self-Invested Personal Pension (SIPP) can be started as soon as someone is born. In addition, any contributions made by a parent or grandparent, which can be made directly to the plan as 'third-party contributions', will be treated for tax relief purposes as if they were made by the beneficiary themselves.

This means that contributions paid to a 'relief at source' scheme will currently receive tax relief of 20% (£20 for every £80 net contribution) as long as the gross contributions do not exceed the beneficiary's relevant UK earnings for the tax year or £3,600 if more. In addition, where a beneficiary has paid Income Tax at a higher rate, they will be able to claim the difference directly from HM Revenue & Customs through self-assessment, so a further 20% for a higher rate (40%) tax payer on some or all of the contributions.

Although a child under the age of 18 is unlikely to have relevant UK earnings, total contributions up to the 'basic amount' of £2,880 net (£3,600 gross) can be made each year and will still benefit from tax relief.

Pension contributions can be one of the more tax-efficient ways to gift money to a child or grandchild, but the money is likely to be inaccessible until they reach age 57 (normal minimum pension age is rising from 55 to 57 in April 2028).

LIFETIME ISAS (LISAS)

If the child or grandchild is aged between 18

to 40, helping them save into a lifetime ISA (LISA) can be beneficial, especially if they are trying to raise a deposit for a first home. This is because the government will add a 25% bonus to subscriptions of up to £4,000 a year (i.e. £20 for every £80 subscribed).

However, if withdrawals are made for any purpose other than purchasing a first home, a tax penalty of 25% (i.e. £25 on a withdrawal of £100) will apply unless the individual is terminally ill or aged 60 or above. Since the tax penalty exceeds the initial bonus, it is normally not the most tax-efficient investment if the penalty is likely to be incurred.

Only the child or grandchild, as the account holder, can open and manage their LISA but it's possible to gift money to an account holder to pay into their LISA.

TRUSTS

For those who want more control over how money is spent, setting up a trust can help ensure any investment is used appropriately. There are a wide variety of trusts that can be used to meet individual requirements. ■

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WANT TO DISCUSS HOW TO INVEST FOR YOUR CHILDREN OR GRANDCHILDREN?

All parents and grandparents want to give their children or grandchildren the best possible start in life. When it comes to investing for a child's future, putting aside just a small amount of money on a regular basis can really add up. So, are you ready to start saving? To find out more, please get in touch.

Source data:

[1] Research from LV= highlights how millions of people have helped friends and family financially in the past six months. The LV= Wealth and Wellbeing Monitor – a quarterly survey of 4,000 UK adults – reveals that many people struggling with everyday living costs are turning to family and friends for support 23/08/22.

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

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION AND TRUST ADVICE. TRUSTS ARE A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING.

DON'T ABANDON PENSION **CONTRIBUTIONS AS PRICES RISE**

Savers could miss out on thousands of pounds in retirement

As the cost of living continues to soar, with inflation reaching a 40-year high, the impact on household finances is taking its toll. But it is essential to try to maintain a savings habit even in the current climate. The impact of any breaks in pension contributions could mean savers miss out on thousands of pounds in future that will mean less income during retirement.

Research has highlighted that reducing or stopping pension contributions, even for a relatively short period of time, can have a significant impact on the final pot, with savers potentially being thousands of pounds less well off in retirement as a result[1].

HAVING AN EVEN BIGGER IMPACT

For example, someone who began working with a salary of £25,000 per year and paid the standard monthly auto-enrolment contributions (3% employer, 5% employee) from age of 22, would have a total retirement fund of £456,893 at the age of 68.

However, stopping pension contributions at the age of 35 for just one year, would result in a total pot of £444,129 – almost £13,000 less than if they had not stopped paying in. Stopping contributions for a longer period would have an even bigger impact.

RISK OF SACRIFICING SAVINGS TO COVER EVERYDAY EXPENSES

While currently relatively low, the risk of sacrificing savings to cover everyday expenses continues as long as these challenging circumstances go on. Almost all (93%) say that increasing costs and high inflation are going to impact, or are already impacting, their financial situation.

If possible, the first port of call should be to reduce spending, for example, cutting back on unnecessary purchases and shopping around for better value deals. Doing this, rather than making decisions that will affect future finances such as reducing or stopping pension contributions, even if for a short period only, will be beneficial in the long term.

TIPS FOR POTENTIAL SPENDING CUTBACKS IN THE CURRENT ENVIRONMENT

1. Review your expenditure for potential areas of savings – By looking through your monthly outgoings, you may find there are ways to make savings. Do you have any subscriptions or memberships that you no longer use and could cancel or pause? Do you spend a lot of money on things that are a luxury, such as takeaways? Taking some of these small steps could make a difference.

2. Shop around for better deals – You may be able to switch household providers and find cheaper deals, such as for broadband or your mobile phone. Many providers have package deals for new customers so it's worth using a price comparison website to see if there are savings to be had.

3. Set budgets – To help you keep an eye on your outgoings, it is a good idea to set a budget for things like food shopping and socialising so you don't spend more than your means. ■

HELPING YOU ACHIEVE YOUR GOALS

We can help you achieve the financial future you want for you and your family. If you would like to review your current plans, to meet your financial goals now and in later life, please contact us.

Source data:

[1] Research conducted among a sample of c.2,600 contactable Standard Life customers between 9–22 May 2022. Calculations are intended for the sole purpose of providing an illustration regarding the projection of savings and pensions. They should not be used with the intention to give an accurate representation of real world outcomes.

SPOTTING AN **INVESTMENT SCAM**

How scammers are getting more convincing

Around half of UK adults (51%) have or know someone who has received a suspicious communication in the last 12 months, according to new research[1]. This equates to 27 million people across the UK.

Most of these cases can be described as 'phishing scams' (51%), when a fraudster attempts to imitate a legitimate company or person to secure important information from the victim.

PENSION TRANSFERS

Crypto scams are also becoming worryingly common, with one in five reporting they or someone they know has received one in the last 12 months.

Pension transfer scam communications account for almost one in ten (8%) of contacts, while romance scams or dating scams are similar at 11%.

SCAMMER APPROACHES

Around a fifth (21%) of those who have or know someone who has been contacted say they have lost money because of approaches by scammers. However, among 18 to 34-year-olds, this increases to almost half (46%).

The average loss to scams for themselves/someone they know was around £207, with this amount almost doubling to £361 for those aged 18 to 34 years old, compared to £112 for those aged 55+.

PERFECT OPPORTUNITY

With many families struggling to make ends meet, and as the cost of living squeeze tightens, offering easy access to your pension might seem the perfect opportunity to dig yourself out of trouble. The reality is you can't access your pension savings before the age of 55, so it's very likely it will be scammers.

Follow the simple rule of thumb: if it appears too good to be true, it inevitably is. Simply walk away, hang up or delete the email or text to keep your money safe from the scammers.

- 51% of UK adults – 27million people – have received or know someone who has received a suspicious communication in the last 12 months
- Younger people are more likely to know someone who has lost money, and are aware of someone losing more than older generations
- Almost one in ten (8%) communications relate to pension transfers

10 TIPS TO HELP IDENTIFY AND AVOID FINANCIAL SCAMS

1. If you receive an offer to help you access your pension savings before age 55, for example, through 'pension loans' and 'free pension reviews'. It is only possible to access your pension before age 55 in rare situations, for example, if you are very ill.

2. Warnings that the deal is limited and you must act now. This is a pressure tactic and making any financial decisions should not be done under pressure.

3. HM Revenue & Customs (HMRC) will never contact you by email, phone or text informing you of a tax refund, so simply delete or ignore any contact made this way – HMRC will only contact you via post.

4. You are discouraged from seeking professional financial advice or talking to Pension Wise.

5. Sign up for Action Fraud Alert, a free service provided by the National Fraud Intelligence Bureau. The service alerts about new types of crime or those which are increasing in their severity. If you sign up, you will receive those alerts which are relevant to you. https://www.actionfraud.police.uk/sign-up-for-action-fraud-alert

6. Contact by somebody who is not on the Financial Conduct Authority (FCA) Register. The Register is a public record of all the regulated firms and individuals in the financial services industry, including pension providers and investment companies. https://register.fca.org.uk/

7. Be very cautious around any recommendation to take a large amount of money, or your whole pension pot, in a lump sum and invest it elsewhere, for example, in overseas property, forestry, car parking or storage units. And be very wary of unsolicited offers of 'amazing investment returns'.

8. Seek advice from your professional financial adviser who will be able to explain the rules and tax implications of different options and help you make the best choices for your personal circumstances, so be very suspicious if this is discouraged.

9. There can be significant tax implications if you choose to cash in your pension in one go, so check the tax position before you make any decisions.

10. Check www.fca.org.uk/scamsmart for known scams and use the tools to help identify a potential scam. ■

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LOOKING FOR FINANCIAL ADVICE?

We know you'll have different priorities for your wealth at different points in your life. Whatever your financial aims, we have the expertise that can help you achieve them. Please contact us to discuss your plans.

Source data:

[1] Source: Research among 2,000 UK adults conducted by Opinium, with fieldwork between 12–16 August 2022.

INVESTING FOR **POSITIVE CHANGE**

More investors align investments with personal values

Over the past few decades, there has been a growing interest and awareness in investing in companies that take into account environmental, social and governance (ESG) factors.

This type of investing – also known as sustainable, responsible or impact investing – aims to generate both financial returns and positive social and environmental impacts.

INVESTMENT PORTFOLIOS

The origins of ESG investing can be traced back to the 1960s, but it was in the 1970s that the environmental movement gained momentum, with investors increasingly calling on companies to address issues such as pollution and resource depletion. And in the 1990s, corporate governance came into the spotlight following a series of high-profile corporate scandals.

ESG investing has its roots in the field of responsible investing (RI), which emerged as a response to growing concerns about the negative social and environmental impacts of businesses. RI investing initially focused on screening out companies with poor ESG records from investment portfolios.

CORPORATE BEHAVIOUR

Over time, RI evolved into a more proactive approach that seeks to engage with companies on issues related to their ESG performance and influence corporate behaviour for positive change. This is often referred to as 'active ownership' or 'impact investing'.

Today, ESG investing is a mainstream investment strategy used by institutional investors and individual investors alike. In fact, one in six investor respondents to a global responsible investing survey are committed to aligning their portfolios to net zero, with a further 42% intending to align their investment portfolios to net zero before 2050[1].

RESPONSIBLE INVESTMENTS

While debate continues about whether doing well (financially) and doing good (morally) need not be mutually exclusive, the survey finds that more than two-thirds (69%) of respondents with exposure to responsible investments are satisfied or very satisfied with their returns to date.

Increasingly, investors are also reflecting more on what it means to be 'responsible'. Specifically, many are actively considering what impact their investment approach can have on society and the environment. The survey identified one of the main reasons for including responsible investments in portfolios is the perception that they will lead to better risk adjusted returns when compared to 'traditional' investments.

PERSONAL VALUES

Investors' concerns around major ESG issues continue to rise, and many are in the process of addressing at least some of these in their investment strategies. For some, it's simply a matter of aligning their investments with their personal values.

Others believe that companies that manage ESG risks well are likely to be more financially successful over the long term. And still others see ESG investing as a way to generate positive social and environmental impacts. ■

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HOW CAN YOU MIX ESG INTO YOUR PORTFOLIO?

Climate change, demographics, biodiversity and the need for social justice are at the top of the agenda for many investors. The world of investment is catching up. An increasing number of funds now boast of their ESG credentials. If you would like to discuss how this could form part of your portfolio, please contact us for more information.

Source data:

[1] Aon's Global Perspectives on Responsible Investing Report January 2022.

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

HOW TO MAXIMISE THE VALUE OF **PENSION SAVINGS**

Mistakes to avoid when you're aiming to build your pension pot

Many people are feeling the pressure on their finances at the moment due to the backdrop of rising inflation and the cost of living soaring. In these circumstances, it can be difficult to think about your long-term finances or even contemplate saving for the future.

However, even in the current climate there are ways to maximise the value of any pension savings you do have. By sidestepping seven common mistakes, you could take your pension planning to another level and reduce the risk of falling short of money later.

SIMPLE RULES TO FOLLOW WHEN RETIREMENT PLANNING AND MISTAKES TO AVOID

DON'T TURN DOWN MONEY FROM YOUR EMPLOYER

When offered the opportunity to join a workplace pension, it's nearly always a good idea to do so. For most people, your employer must automatically enrol you in a workplace pension scheme, and you may even be offered a pension plan if you don't meet the criteria.

Workplace pension schemes are made up of your own payments (5% or more of earnings), which are deducted from your salary, in some cases before you pay tax, making it easier to save, and your employer's contribution, which at the very least, must be equivalent to 3% of your qualifying earnings. Many employers offer more than this or match any extra payments you make, so it's worth checking if you're getting the most out of this valuable benefit.

DON'T SAY 'NO' TO EXTRA MONEY FROM THE GOVERNMENT

Anyone who decides against investing in a workplace or personal pension also turns down help from the government. That's because in order to encourage people to save for retirement, the government provides a top-up called 'tax relief' to pension payments. How you receive this tax relief depends on the type of plan you have and the rate of Income Tax you pay.

But as an example, if you're a basic rate taxpayer saving into a personal pension in the current tax year, you receive 20% tax relief on your payments. So, if you pay £200 a month into your pension plan, the £40 of tax relief you receive on that payment means it will only cost you £160. Higher rate or additional rate taxpayers could claim back even more.

Some workplace pension schemes offer tax relief in a different way, such as through salary sacrifice or exchange schemes, so check with your employer if you're not sure how this works for you. And in Scotland, the tax relief details differ slightly. But in all these cases, the general point is the same: each time you defer paying into a pension plan, you miss out on an extra boost.

DON'T EXPECT THE STATE PENSION TO COVER EVERYTHING

Another common mistake is to assume that the State Pension will meet your retirement needs. However, it's important to know that the State Pension won't be available until your late 60s and may not cover all of your outgoings.

Currently, pensioners who are entitled to the full new single-tier State Pension receive £185.15 a week in 2022/23, worth £9,627.80 for the year. But remember that what you get depends on your National Insurance record, so you could get less.

Pensioners that reached State Pension age before April 2016 and receive the basic State Pension get £141.85 a week, or £7,376.20 a year.

DON'T LOSE TRACK OF YOUR PENSION PLANS

It has never been more important to keep track of all your old pensions plans. You are at most risk of having lost track of a pension if you have changed jobs multiple times, moved home often and not updated your pension providers or opted out of SERPS (the State Earnings-Related Pension Scheme) in the 1980s or 1990s.

DON'T ASSUME THAT THE MINIMUM IS ENOUGH

Auto-enrolment has boosted the pension savings of millions of people but the 8% minimum payment may not get you the retirement lifestyle you want. It's important to therefore have a retirement lifestyle in mind. We can discuss with you how much money you could have in your pension pot in the future, so you can ensure that you don't find yourself in a situation whereby you have an income shortfall.

DON'T LEAVE YOUR PENSION POT UNLOVED OR NEGLECTED

You might not want to talk about your pension plan every day, but dismissing pensions as boring is a mistake, and one that becomes increasingly serious over time. While this might be difficult at the moment, steps such as topping up your payments, especially in your 20s, 30s or early 40s, can make a large difference, thanks to the snowball effect of compounding.

Knowing whether it's workplace or private, understanding how to get more 'free' payments from your employer or the government, or using it to pay less tax (such as through bonus sacrifice) could make a major difference to your long-term finances.

DON'T SUPPOSE THAT ONE PENSION PLAN IS THE SAME AS ANOTHER

A related mistake is not knowing where your pension pot is invested, whether that matches your life-stage and priorities or how to choose the right investment options. For example, if your retirement is still some years ahead, you could potentially afford to take a little more risk. Conversely, you may want to dial down the risk as you get nearer to retirement. ■

IT ALL STARTS WITH A FINANCIAL PLAN, TO HELP BRING YOUR GOALS TO LIFE

Do you have a dream retirement in your head? Are you on track to make it a reality? To find out more about how we can turn your dreams into reality, please contact us for more information.

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

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

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