BROMIGE FINANCIAL

LIVE FOR TODAY. PLAN FOR TOMORROW.

MARCH/APRIL 2021

REDUCE YOUR INHERITANCE TAX BILL

10 WAYS TO PROTECT YOUR ESTATE FOR YOUR LOVED ONES

RESPONSIBLE INVESTING
Invest today. Change tomorrow

PASSING ON PENSION BENEFITS
Providing for your loved ones after your death

TAX PLANNING REIMAGINED
Identifying the best options to preserve your wealth

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INSIDE THIS ISSUE

Welcome to our latest edition. At the time of publishing, Chancellor of the Exchequer Rishi Sunak had not delivered his Budget 2021 speech. We'll look at the key announcements and how these could affect your personal, family and business finances in the next edition.

You've worked to create a legacy for the people you care about. But have you put in place plans so that your loved ones can receive the most from the estate you intend to leave behind? Even if you believe you have moderate wealth you may still need to take action to minimise Inheritance Tax. On page 10 we consider why it can be a great concern for individuals with wealth exceeding the current £325,000 nil-rate band (2020/21 tax year).

Responsible, sustainable and environmentally friendly investing is here to stay. But, while demand is growing among all age groups, genders and income bands, some savers and investors are missing their biggest opportunity for responsible investing, which is through their pension. Read the full article on page 08.

If you've spent a lifetime saving for retirement, you'd probably like any remaining money to go to a loved one after your death. But whether pension benefits are payable to a beneficiary, and how they'll receive them, is dependent on the type of pension you've chosen and how you've accessed it in your retirement. Find out what to consider on page 03.

No one likes to pay tax on their hard-earned money. But due to the complexities of the tax system, without expert professional financial advice, some individuals could be paying more tax than necessary. Turn to page 06 to see what you may need to consider before the end of every tax year on 5 April. A full list of the articles featured in this issue appears opposite.

PLANNING FOR LIFE'S JOURNEY

Your wealth needs to serve you differently at different stages of your life. Individual life planning should not be a one-off exercise. Your personal circumstances, requirements, expectations and aspirations will develop over time. That's why we're here to support you through life's adventures and provide the right solution at every step of the way. To discuss how we can help you plan for life's journey, please contact us. We look forward to hearing from you.

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

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

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ISA DEADLINE 5 APRIL 2021: USE IT OR LOSE IT

MAKE THE MOST OF THE TAX BREAKS BEFORE IT'S TOO LATE

If you hold a Cash Individual Savings Account (ISA) you may be dissatisfied with the low rates of interest you receive, which could make it difficult to grow your money even at a rate that keeps pace with inflation.

Stocks & Shares ISAs offer the possibility of higher returns than Cash ISAs, but only if you're prepared to take some risks with your savings. These investment accounts offer tax-efficient benefits, and while a Cash ISA is simply a tax-efficient savings account which offers capital security, a Stocks & Shares ISA lets you put money into a range of different investments.

MAKE THE MOST OF YOUR ISA ALLOWANCE

All UK residents over the age of 18 receive an annual ISA allowance of £20,000 (2020/21 tax year). This is the amount you can pay into your ISA (or split between several ISAs of different types) to allow it to grow through interest, capital gains or dividend income, and you won't pay tax on these proceeds.

Because you can't carry over your ISA allowance into a new tax year, it's important to use it by 5 April each year. You need to bear in mind, though, that tax rules can change in future and that their effects on you will depend on your individual circumstances.

DON'T OBSESS OVER TIMING

When getting started, a common concern is that the market will fall just after you've made a large investment. Some people make the mistake of trying to 'time the market' – buying in just before prices spike – which, while tempting, is very difficult given the unpredictable nature of investments.

If appropriate, a safer strategy can be to drip-feed money into your Stocks & Shares ISA throughout the year. Sometimes you might buy when the market is high, and sometimes when it is low, but over time the aim is for this to average out.

TIME TO MAKE YOUR DECISION

When you set up your Stocks & Shares ISA, you'll make some decisions about how your money is invested. How involved you are in your investment decisions varies between different ISA providers; some allow you to choose individual investments, while others provide ready-made portfolios.

Either way, your professional financial adviser can explain how funds work. These funds may invest in shares in specific markets, regions or industries, or in bonds, in property, in a combination of these, or in entirely different assets.

MATCH YOUR INVESTMENT GOALS

Funds tend to advertise themselves based on their past performance, so it's naturally tempting to choose those that have achieved the most growth in recent years. But past performance doesn't guarantee future performance and outstanding performance last year could be the result of a trend that will self-correct this year. Don't base your decisions on this factor alone.

Instead, select funds with a stated objective that matches your investment goals in terms of risk and return. Any investment involves an element of risk. But multiple factors can raise or lower the risk level of a fund, including the assets it invests in, the region, industries and companies it invests in, and the way it is managed. Consider all these factors.

REVIEW YOUR INVESTMENTS REGULARLY

Once you have made your investment selections, you should review your Stocks & Shares ISA regularly to make sure it still meets your needs, which may change over time. For example, if you hope to buy a house in ten years, you might initially choose higher-risk investments, but after five years you might want to reduce your risk level to protect your existing capital.

While annual reviews of your investment strategy are wise, more frequent adjustments are not usually recommended. There are many reasons you might be tempted to adjust your investments. You might have heard of a well-performing stock that's offering unbelievable returns. Or you might have suffered a sudden loss and decide your existing investments are underperforming.

INVESTMENTS, BY NATURE, FLUCTUATE IN VALUE

It's more helpful to recognise that investments, by nature, fluctuate in value. A sudden rise in one doesn't mean you should buy and a sudden fall in another isn't a sign you should sell – in fact, you may recoup that loss quicker by holding it.

Constantly moving funds can be stressful and ultimately unproductive. In most cases, you're better off sticking with your investments through ups and downs. Diversification (which can be achieved by investing in several unrelated funds) can also help to manage your risk level. ■

INVEST IN YOUR FUTURE TODAY WITH A STOCKS & SHARES ISA

Amid the mayhem caused by the coronavirus (COVID-19) pandemic, it is easy to forget that the end of the current tax year is approaching on 5 April and that means you don't have much time left to make use of the tax advantage of your £20,000 ISA allowance. For help selecting funds to suit you, contact us for more information.

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

INFLATION BEATERS

HOW TO ENSURE YOUR MONEY IS PROTECTED FROM RISING INFLATION

With current interest rates on cash savings very low, it is difficult to achieve growth above the rate of inflation. And if the cost of living is rising faster than your savings are growing, you're effectively losing money.

With cash savings, a penny saved is a penny earned. But thanks to inflation, over time, the value of the penny saved could be much less than when it was earned. When looking at investments, always focus on what is the real return or the return net of inflation.

Over longer periods, well-managed investments usually grow by more than cash. Even if inflation isn't a worry right now, you should still factor it into your investing strategy. Here we explain in simple terms how to beat inflation.

CONSISTENTLY OUTPACED INFLATION

Investments that change in value a lot day-to-day tend to increase in value the most over several years. Investments that change in value a little day-to-day tend to increase by less over several years.

So, if it doesn't worry you to see falls in value occasionally, and you have enough money in other places that it wouldn't affect your lifestyle, you might target high growth with higher risk investments, for example, a portfolio of equities. Investing in equities over a long period has consistently outpaced inflation.

LOWER RISK INVESTMENTS

Otherwise, you might target just enough growth to beat inflation with lower risk investments. One example is bonds: loans given to governments and companies that are repaid at a fixed rate of interest.

Either way, there is always the risk that you could lose money, so you should keep enough savings separately in a cash account to cover any emergency expenses and short-term savings goals.

AHEAD OF INFLATION

One good way of staying ahead of inflation is buying stocks that pay good dividends. Dividends are a tangible return paid by companies and can keep up with inflation. And just like inflation, dividends, too, can be calculated annually.

This figure, called the dividend yield, can be measured by adding dividends received during the year and dividing it by the stock price. The yield must be higher than the annual inflation rate. Asset allocation is also critical. In this, one can look at an opportunity to diversify globally. This will make your portfolio more stable and less vulnerable to domestic volatility and inflation.

INVESTING TAX-EFFICIENTLY

Because investments have potentially higher returns than cash savings, it's important to protect your returns from tax. Two common ways to do this are through Individual Savings Accounts (ISAs) and pensions.

ISAs currently allow you to invest up to £20,000 a year (tax year 2020/21), which can provide a tax-efficient return through interest, capital gains and dividend income. Pensions offer the same benefits, plus tax relief on your contributions up to a maximum of £40,000 a year (or 100% of your salary if it is less than £40,000). However, you can't currently access your pension money until you reach age 55. ■

PROTECT YOUR PORTFOLIO FROM INFLATION

Inflation is low, but that doesn't mean investors should ignore it. To create a portfolio aligned with your goals and choosing the right inflation-beating investment vehicles, it's important you have a good mix of investments in your portfolio. To discuss your options, please contact us today to find out more.

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TAX PLANNING REIMAGINED

IDENTIFYING THE BEST OPTIONS TO PRESERVE YOUR WEALTH

No one likes to pay tax on their hard-earned money. But due to the complexities of the tax system, without expert professional financial advice, some individuals could be paying more tax than necessary. Before the end of every tax year on 5 April, you have the opportunity to save money on taxes and plan for the year ahead.

As we approach the end of the tax year, now is the time to review your tax affairs to ensure that you have taken advantage of all reliefs and options available to you. If you think you may be overpaying tax, here are some ways in which you might be able to reduce your bill. This information should not be construed as advice and is applicable to the 2020/21 tax year end.

INCOME TAX

KEEP YOUR PERSONAL ALLOWANCE

Income Tax rules appear simple at first: income under £12,500 is within your tax-free personal allowance, and increasing rates apply to income in higher bands.

But there is an additional rule: for every £2 you earn over £100,000, your personal allowance reduces by £1. Once you reach £125,000 your personal allowance is zero.

If you're close to the £100,000 threshold, it may therefore be sensible to request tax-efficient alternatives to bonuses or salary increases, such as higher pension contributions.

TRANSFER ASSETS TO YOUR PARTNER

If you're close to the £100,000 threshold and you have other income yielding assets, you could consider transferring these to a partner with a lower taxable income.

CLAIM TAX RELIEF FOR WORKING FROM HOME

If you're currently working from home due to the coronavirus (COVID-19) pandemic you may be entitled to tax relief for your increased costs, such as heating or broadband. You could claim the exact amount, based on bills and receipts, or a set amount of £6 per week.

REVIEW YOUR CHILD BENEFIT

Individuals with a taxable income of over £50,000 who claim Child Benefit will pay a higher income Child Benefit charge, which could be equal to the benefit you receive.

Your options for reducing this charge include keeping your taxable income below the threshold (by exchanging salary for tax-efficient alternatives), temporarily stopping your Child Benefit, or deciding not to claim.

DIVIDEND TAX

USE YOUR DIVIDEND ALLOWANCE

Dividend income is taxed differently to other income. Every taxpayer has a tax-free dividend

/// WHETHER YOU ARE ABOUT TO RETIRE OR ARE STILL WORKING TOWARDS PUTTING YOUR FUND TOGETHER FOR RETIREMENT, THERE ARE MANY THINGS THAT YOU SHOULD CONSIDER WHEN IT COMES TO PLANNING YOUR PENSION.

allowance of £2,000, above which dividend income is taxed at 7.5% in the basic rate band, 32.5% in the higher rate band, and 38.1% in the additional rate band.

Company owners can therefore benefit by taking income from dividends rather than salary.

CAPITAL GAINS TAX

USE YOUR CAPITAL GAINS ALLOWANCE

Every taxpayer has a tax-free allowance of £12,300 when realising capital gains. Careful consideration of the split of assets between spouses can have a significant beneficial impact on a couple's Income Tax burden.

If you're approaching this limit, you may want to consider transferring assets to your partner to use their allowance.

INVEST FOR CAPITAL GAINS

Capital gains are currently treated more favourably than income and dividends for taxation purposes, at a maximum rate of 20% (28% for residential property), although this is currently under review.

So, for investments outside of a tax-efficient wrapper, for example, an Individual Savings Account (ISA), it can be more tax-efficient to target a return through capital gains than through interest or dividend income.

SAVINGS ACCOUNT (ISA)

USE YOUR ISA ALLOWANCES

All UK residents over the age of 18 have an annual ISA allowance of £20,000, which can be saved or invested in a tax-efficient environment. Under-18s have an allowance of £9,000 each.

LIFETIME ISAS

Contributions into a Lifetime ISA qualify for a 25% government bonus. This can be a tax-efficient way to help adult children buy a home.

PENSION TAX RELIEF

REVIEW YOUR PENSION CONTRIBUTIONS

Whether you are about to retire or are still working towards putting your fund together for retirement, there are many things that you should consider when it comes to planning your pension.

Pension contributions made through your employer are often the most tax-efficient. So, discuss options with your employer to exchange some of your salary for larger pension contributions. If you own the company, this could also help you save on Corporation Tax.

CARRY FORWARD YOUR PENSION ALLOWANCE

Your pension annual allowance (the amount you can make in contributions while claiming tax relief) is capped at £40,000 and reduces for higher earners who exceed the limits on threshold income and adjusted income (as a guide, this typically applies only if your income is above £200,000).

So, if your taxable income increases above these thresholds, your annual allowance could drop dramatically. Carrying forward unused annual allowance from up to three previous years could allow you to claim more tax relief.

MAKE PENSION CONTRIBUTIONS FOR OTHERS

If you have used your annual allowance, you can still contribute to other people's pensions, including your children and grandchildren, and they will receive tax relief.

PROTECT YOUR PENSION

There is a Lifetime Allowance on pension savings, currently £1,073,100. Above that limit, you'll be taxed severely when taking benefits. If you're approaching that limit, you should seek advice on applying for protection before accessing your pension.

INHERITANCE TAX (IHT)

USE YOUR IHT NIL-RATE BAND

Your nil-rate band for IHT is £325,000, plus any unused nil-rate band from a deceased partner. You also have an additional nil-rate band of £175,000 when leaving a home to a direct descendant.

CLAIM IHT RELIEF ON CHARITABLE GIFTS

If you leave at least 10% of your total estate to charity, IHT is applied on the portion outside of your nil-rate band at a reduced rate of 36% (otherwise 40%).

USE IHT RELIEFS WHILE AVAILABLE

IHT reliefs currently under review include Agricultural Relief and Business Relief. Business owners in particular should look at how their estate is arranged to ensure their wealth can be passed on efficiently.

UPDATE YOUR WILL

When there is any significant change in your financial circumstances, or to tax rules, reviewing and updating your Will can help to reduce your IHT exposure. ■

READY TO TALK TAX?

How can you help yourself and reduce the impact that these tax burdens could have on your financial affairs? If you would like to have an informal, no obligation conversation or have any questions to discuss ways of reducing tax in your individual circumstances, contact us for more details.

RESPONSIBLE INVESTING

INVEST TODAY. CHANGE TOMORROW

Responsible, sustainable and environmentally friendly investing is here to stay. But, while demand is growing among all age groups, genders and income bands, some savers and investors are missing their biggest opportunity for responsible investing, which is through their pension.

We all want to make responsible choices as more of us are becoming aware of global challenges, such as environmental issues, human rights and climate change. We're also starting to care more about how our behaviours affect the planet and society.

FUTURE SUCCESS

Taking ESG (Environmental, Social and Governance) factors into consideration when investing is becoming more mainstream. It is acknowledged that companies that act responsibly to their employees, the environment and the public have a better chance of future success than those that don't. Investing in these companies is a logical approach financially as well as ethically.

Many pension holders understand this approach and see the value of it. In a recent survey, more than one-third of respondents said that the option to invest their pension only in sustainable companies is important to them[1]. Nearly two-thirds said having clearly branded funds for investing in environmentally and socially responsible companies is important.

PENSION INVESTMENTS

The same survey suggests that pension holders feel that sustainable investing isn't just important, but interesting. More than half of respondents said that a fund focused on clean energy and lowering carbon would make them more interested in their pension. A similar number felt that way about a zero-plastic fund.

But while pension holders feel these issues are important and interesting, that isn't yet affecting the way they invest. Most people don't manage their pension investments themselves, instead leaving their pension invested in the default options set by a provider chosen by their workplace. So, more than two-thirds of pension holders do not know how sustainable their pension is.

ENVIRONMENTALLY FRIENDLY

Many pension holders don't know that they can choose their own funds, and therefore that they can choose sustainable or responsible funds. Around half are unaware of ways to ensure their pension is environmentally friendly.

Clearly, there is a large audience of individuals who would like to invest their pension more sustainably and responsibly but don't know where to start. There are plenty of options, but without specialist experience, it can be difficult to select those that are truly responsible and environmentally friendly and will also deliver the financial return you're seeking. ■

INVESTING WITH PURPOSE

Responsible investors essentially take responsibility for the impact that the companies they invest in have on the world. Speak to us about what responsible investing options are available in your pension scheme and for advice on how to help your money have the greatest impact. We look forward to hearing from you.

/// MANY PENSION HOLDERS DON'T KNOW THAT THEY CAN CHOOSE THEIR OWN FUNDS, AND THEREFORE THAT THEY CAN CHOOSE SUSTAINABLE OR RESPONSIBLE FUNDS. AROUND HALF ARE UNAWARE OF WAYS TO ENSURE THEIR PENSION IS ENVIRONMENTALLY FRIENDLY.

Source data: [1] https://adviser.scottishwidows.co.uk/assets/literature/docs/2020-09-responsible-investment.pdf

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL 55 (57 FROM APRIL 2028). THE VALUE OF YOUR INVESTMENT (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 THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

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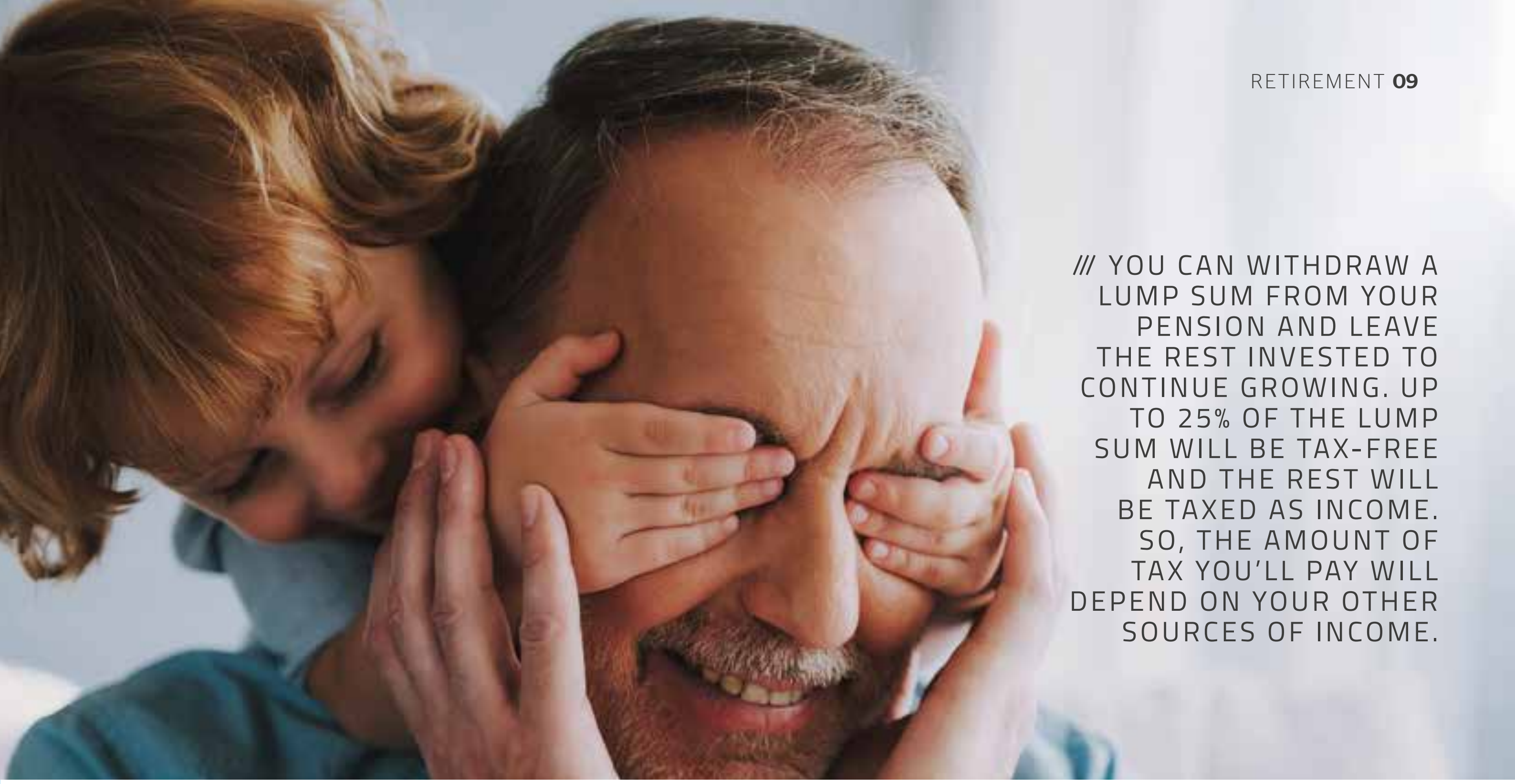

/// YOU CAN WITHDRAW A LUMP SUM FROM YOUR PENSION AND LEAVE THE REST INVESTED TO CONTINUE GROWING. UP TO 25% OF THE LUMP SUM WILL BE TAX-FREE AND THE REST WILL BE TAXED AS INCOME. SO, THE AMOUNT OF TAX YOU'LL PAY WILL DEPEND ON YOUR OTHER SOURCES OF INCOME.

PENSION OPTIONS

PLANNING YOUR FINANCIAL FUTURE, AND HOW TO GET THERE

One thing retirement is not, is an age. Not any more anyway. Gone are the days of being told to stop working one day and pick up your State Pension the next. Today you have new pension freedoms to decide when and how you retire.

Pension freedoms in 2015 fundamentally changed the rules for cashing in your pensions. Current rules allow you far more freedom and flexibility over how to take your pension than in previous generations.

If you've saved into a defined contribution pension scheme during your working life, you'll eventually need to decide what to do with the money you've saved towards your pension when you retire, or at age 55, whichever is sooner.

LEAVING YOUR PENSION INVESTED

You may not be ready to take your pension at the age of 55. Leaving your pension invested and continuing to contribute can provide you with more retirement income once you are ready to take your pension. Obtaining professional financial advice will ensure that you have your pension invested effectively.

WITHDRAWING YOUR ENTIRE PENSION

At the other end of the scale, you have the option to withdraw all the savings in your pension at once. But this option has serious drawbacks, as clearly you won't be able to take an income from your pension if you've withdrawn all the money. You may also receive a significant tax bill to pay. While the first 25% of your pension can be taken tax-free, you'll pay income tax on the rest at your highest marginal rate. It would be unwise to do this without obtaining expert professional financial advice.

WITHDRAWING A PORTION OF YOUR PENSION

You can withdraw a lump sum from your pension and leave the rest invested to continue growing. Up to 25% of the lump sum will be tax-free and the rest will be taxed as income. So, the amount of tax you'll pay will depend on your other sources of income.

BUYING AN ANNUITY

An annuity is a guaranteed income for life (or for another set period). The income you'll receive depends on how much you have in pension savings with which to buy an annuity, as well as some other factors, such as your health. If you choose to buy an annuity, you can also take up to 25% as a tax-free lump sum when you start your retirement.

TAKING A FLEXIBLE INCOME FROM YOUR PENSION

Finally, you can take a regular income from your pension while it remains invested and has the opportunity to grow. You can take this income at whatever rate you want, but you are responsible for ensuring it lasts throughout your retirement years. Your professional financial adviser will help you establish a sustainable withdrawal rate and make sure that the rest of your pension is invested appropriately. ■

UNDERSTANDING YOUR OPTIONS

If you have a defined contribution pension, at some point you'll have to decide how you're going to take it. But if you're still working in your 50s or 60s, now's the perfect time to make sure your retirement savings are on track to provide you with the sort of lifestyle you want when you stop work. To find out more, please contact us.

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REDUCE YOUR INHERITANCE TAX BILL

10 WAYS TO PROTECT YOUR ESTATE FOR YOUR LOVED ONES

Even those who believe they have moderate wealth levels may still need to take action to minimise Inheritance Tax, particularly if they own property and have savings and investments.

/// ONE OF THE BETTER-KNOWN WAYS TO PASS ON WEALTH FREE FROM INHERITANCE TAX IS TO GIFT IT MORE THAN SEVEN YEARS BEFORE YOUR DEATH. OF COURSE, THERE IS A DEGREE OF UNPREDICTABILITY IN THE OUTCOME.

Inheritance Tax is payable in the UK on death, and sometimes when you give away certain assets during your lifetime. It can be a great concern for individuals with wealth exceeding the current £325,000 nil-rate band (2020/21 tax year).

Naturally, you'll want to pass on as much as possible to your loved ones, rather than paying 40% to HM Revenue & Customs (HMRC). Are you worried your family could be left with an Inheritance Tax bill after you're gone?

HERE ARE 10 TIPS TO PAY LESS OR AVOID INHERITANCE TAX:

1. POTENTIALLY EXEMPT TRANSFERS

One of the better-known ways to pass on wealth free from Inheritance Tax is to gift it more than seven years before your death. Of course, there is a degree of unpredictability in the outcome. If you were to die within seven years of making the gift, Inheritance Tax may be charged, though the rate will be reduced if more than three years have passed.

2. PERSONAL GIFTS

Gifts up to a certain value can be made free from Inheritance Tax, even in the last years of your life. Your allowance includes: large gifts totalling no more than £3,000; unlimited small gifts of up to £250; and wedding gifts of up to £5,000 for your children, £2,500 for your grandchildren, or £1,000 for others

Gifts made within your regular pattern of income and normal expenditure (for example, quarterly payments towards a grandchild's school fees from your annual income) can usually be made free from Inheritance Tax, although you may need to document this pattern for three or more years.

3. CHARITABLE GIFTS

Gifts to registered charities can be made entirely free from Inheritance Tax, which can help you to reduce the size of your estate to within the Inheritance Tax threshold.

Additionally, if at least 10% of your total estate is gifted to charity, it will reduce the rate of Inheritance Tax payable on your remaining estate (above the nil-rate band) from 40% to 36%.

4. INSURANCE

It is possible to take out a life insurance policy written in an appropriate trust that can provide a lump sum on your death to be used to pay the resulting Inheritance Tax bill. If this policy is within a trust, the lump sum paid out will not count towards your estate.

Insurance can also be taken out when making large financial gifts to cover the Inheritance Tax bill if you were to die within the following seven years (for example, before they are excluded from your estate). This is called a 'term assurance' policy.

5. PENSIONS

Typically, though with some exceptions, pensions are excluded from the calculation of your estate and can be passed on free from Inheritance Tax. It is important to name a beneficiary to whom you wish to pass on your pension benefits.

It is also possible to make payments in your lifetime into another person's pension, which will protect this money from Inheritance Tax. For example, you can set up a Junior Self-Invested Personal Pension for a grandchild under the age of 18 and pay in up to £2,880 a year. But they will not usually have access to this money until they reach age 55.

6. DISCRETIONARY TRUSTS

A discretionary trust can help you to reduce your Inheritance Tax liability by holding money in the name of your beneficiaries while you retain control. You can use your nil-rate band to pay in up to £325,000, which will be excluded from your estate after seven years. Funds above the nil-rate band may attract a lifetime tax charge.

7. LOAN TRUSTS

If you would like to protect your money in a trust but need to know you can withdraw it if you need it, it's possible to loan money to a trust. You will always have the option to withdraw the original capital you loaned, but any growth on that capital will be protected within the trust from Inheritance Tax.

8. DISCOUNTED GIFT TRUSTS

If you would like to earmark some wealth to be passed to a beneficiary or beneficiaries on your death, but you want any income generated to be paid to you in your lifetime, you can do this through a discounted gift trust. This will exclude the contents of the trust from your estate for Inheritance Tax purposes but still provide you with regular payments from it.

9. BUSINESS RELIEF

Business assets can usually be passed on either in your lifetime or after your death with Inheritance Tax relief of up to 100%. A business, interest in business or shares in an unlisted company will usually qualify for 100% Business Relief. Land, buildings and machinery related to the business will usually qualify for 50% Business Relief, as will shares controlling more than 50% of the voting rights of a listed company.

10. AGRICULTURAL RELIEF

If you own agricultural property (land or pasture used to grow crops or rear animals as part of a working farm), this can usually be passed on in your lifetime or after your death free from Inheritance Tax. ■

TIME TO PLAN YOUR ESTATE?

Inheritance Tax planning can be a complicated process, especially as rules and legislation seem to change every year. But with the right forward planning, it is possible to significantly reduce or even eliminate a potential Inheritance Tax liability. To identify the best ways to protect your assets for future generations, don't delay. Contact us to discuss your options.

WEALTH CREATION

WHERE CAN YOU TURN IF YOU WANT TO INVEST TAX-EFFICIENTLY?

Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life.

If you have an income of over £50,000 it doesn't just push you into a higher income tax bracket, it also means that you'll pay higher tax on capital gains and dividend income from your investments. So, it's important to choose a tax-efficient investment vehicle that is appropriate for your particular investments goals and tax position.

INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

ISAs come in various forms, including the Stocks & Shares ISA, for tax-efficient investing.

You can invest up to £20,000 a year (tax year 2020/21) in a Stocks & Shares ISA, and all capital gains, interest growth and dividend income from these investments are protected from tax.

If you've used your ISA allowance, you may wish to consider paying into accounts for your partner (who also has a £20,000 annual ISA allowance in this tax year) and your children (who have a £9,000 annual ISA allowance in this tax year). Bear in mind that the money will be in their names and will legally be theirs.

PENSIONS

Pensions are designed primarily for retirement saving and can usually be accessed from the age of 55. Not only do pensions offer protection from tax on capital gains, interest growth and dividend income (like ISAs), but you'll also receive tax relief on your contributions. Higher rate taxpayers receive tax relief at 40%, while additional rate taxpayers receive 45%.

There is a limit on the pension contributions you can receive tax relief on, which in the current tax year is capped at £40,000 a year (or 100% of your salary if your salary is lower). But if you have contributed less than your limit in recent tax years, you may be able to pay in more this year.

If you have an annual income of over £200,000, you may have a lower limit on contributions and should obtain professional financial advice to assess your options. If you are approaching your Lifetime Allowance on pension savings, currently £1,073,100 (tax year 2020/21), another investment vehicle may be more tax-efficient. ■

INTERESTED IN TAX-EFFICIENT INVESTING?

If you are a higher rate taxpayer, tax-efficient investing is a crucial component of your financial planning. To learn more about these and other tax-efficient investing ideas, contact us to discuss your options in detail.

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PASSING ON **PENSION BENEFITS**

PROVIDING FOR YOUR LOVED ONES AFTER YOUR DEATH

If you've spent a lifetime saving for retirement, you'd probably like any remaining money to go to a loved one after your death. But whether pension benefits are payable to a beneficiary, and how they'll receive them, is dependent on the type of pension you've chosen and how you've accessed it in your retirement.

Thanks to changes in the way that pensions are taxed, more of your fund can survive your death and provide an income or nest egg for your loved ones to enjoy, long after you are gone. Since April 2015 it has been easier to safeguard your pension for your heirs, but it's important to make sure you're keeping up with the changes.

The way that you decide to take your pension will affect what you can do with it when you pass away. And while it's not always easy to talk about, the way you eventually pass on your pension has the biggest impact on other people, so it could help if you talk to your spouse, partner, children or other people close to you when you're deciding how you take your pension savings.

PENSION DEATH BENEFITS

If you have not yet accessed your pension, or you have made withdrawals from your pension but left some money invested, it can usually be passed to a beneficiary after your death.

The specifics, for example, in what form they will receive these death benefits and whether they will pay tax, will depend on your individual circumstances (such as your age) and the scheme rules.

You should always obtain professional financial advice to assess your specific situation. But if your pension scheme allows you to choose a beneficiary, ensure you have named the person you intend to leave your money to.

ANNUITY DEATH BENEFITS

If you have used your pension savings already to purchase an annuity, this can only be passed on to a beneficiary in certain cases, which must be established when the annuity is purchased. A typical lifetime annuity only provides a guaranteed income for the lifetime of the annuity holder, regardless of how long this is.

For your annuity income to go to a loved one after your death you must choose either an annuity with a guarantee period (which provides an income for a set period, whether you are still living or not) or a joint life annuity (which provides an income for life for whichever partner lives longest).

STATE PENSION INHERITANCE

In certain circumstances, your partner can continue to receive your State Pension after your death. For example, if you're a man born before 1951 or a woman born before 1953, and you're receiving the Additional State Pension, this can be inherited by your partner (husband, wife or registered civil partner) after your death if they have reached the State Pension age. ■

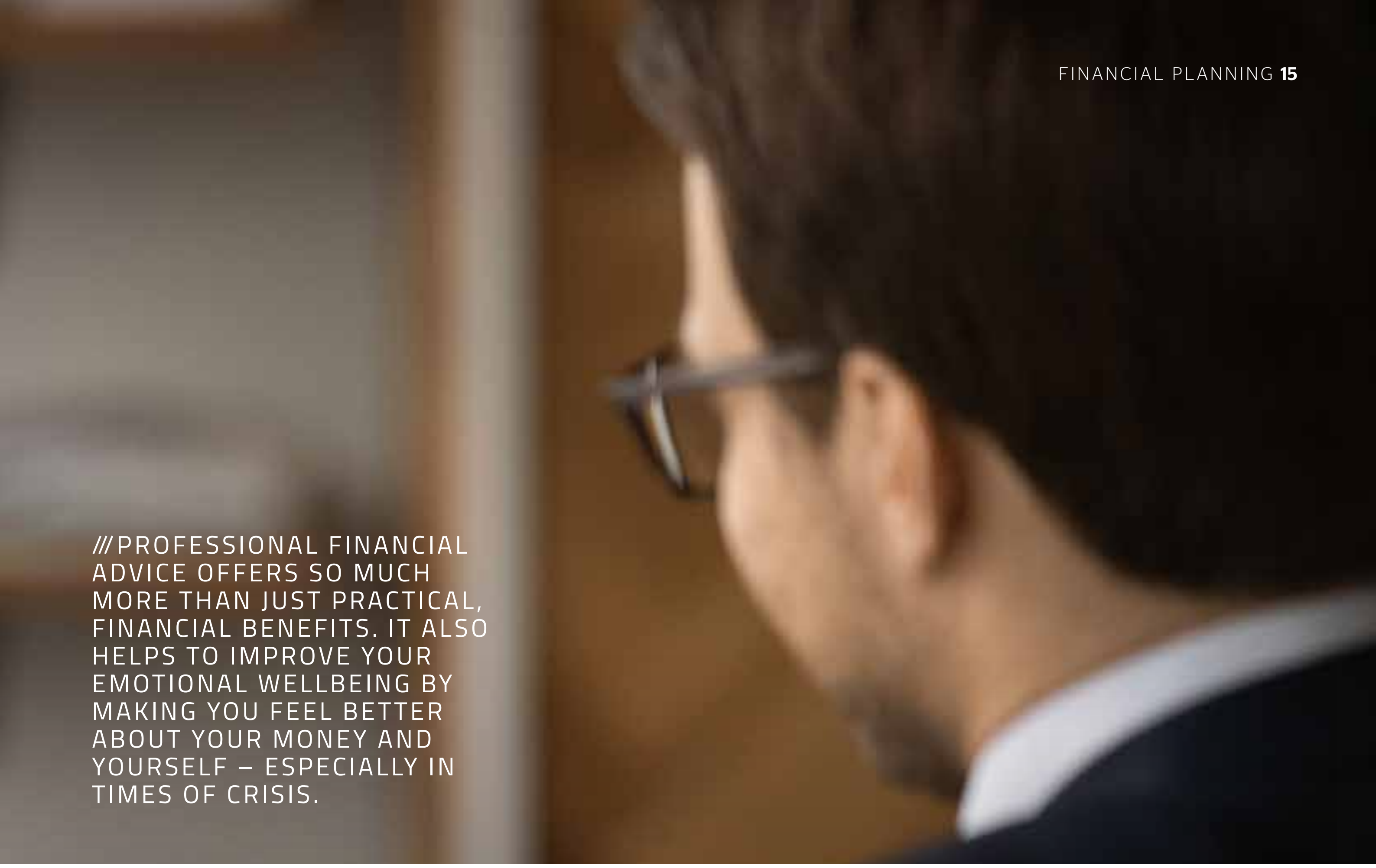
PROVIDING AN INCOME OR NEST EGG FOR YOUR LOVED ONES TO ENJOY

You've worked and saved throughout your life so that your pension will provide you with enough to live on in retirement. Now, thanks to changes in the way that pensions are taxed, more of your fund can survive your death and provide an income or nest egg for your loved ones to enjoy, long after you are gone. Contact us to find out more.

ADVICE MATTERS

LIFE EVENTS THAT PROFESSIONAL FINANCIAL ADVICE CAN HELP YOU NAVIGATE

In the current climate, we understand that you may be feeling worried about your work, your finances and what the future holds.



> ///PROFESSIONAL FINANCIAL ADVICE OFFERS SO MUCH MORE THAN JUST PRACTICAL, FINANCIAL BENEFITS. IT ALSO HELPS TO IMPROVE YOUR EMOTIONAL WELLBEING BY MAKING YOU FEEL BETTER ABOUT YOUR MONEY AND YOURSELF – ESPECIALLY IN TIMES OF CRISIS.

Research carried out by the Office for National Statistics (ONS) found that, since the outbreak of coronavirus (COVID-19), over 25 million people have experienced 'high' levels of anxiety[1].

Professional financial advice offers so much more than just practical, financial benefits. It also helps to improve your emotional wellbeing by making you feel better about your money and yourself – especially in times of crisis.

And receiving advice isn't just for the very wealthy; most people can benefit from an expert overseeing their finances. Let's explore what it means to take advice and what it might be able to do for you.

Here are five situations you're likely to encounter in your lifetime when professional financial advice could help you and ensure you avoid making costly mistakes.

CONSOLIDATING YOUR PENSIONS

These days it's common to have multiple pensions from previous jobs, and there are various benefits to consolidating them, such as managing all your money in one place and paying just one set of fees.

However, you could lose out on pension benefits when you transfer funds to a different provider and may also encounter unexpected fees. Your professional financial adviser will advise on the most appropriate options.

MAKING FINANCIAL GIFTS

You might want to help your family members by making a financial contribution towards their education or home, or to celebrate a special occasion. But unless you know the complicated rules around Inheritance Tax and gifting, you might leave the recipient with a potential tax bill in the future.

Your professional financial adviser can ensure that you make tax-efficient financial gifts within the specified limits. They can also assess how much you can afford to give away without causing yourself financial difficulty.

LEAVING ASSETS TO LOVED ONES

When you make a Will, you'll want to ensure that your money, assets and property go to the intended recipient. But if your estate is larger than the current threshold of £325,000 (2020/21 tax year), Inheritance Tax of 40% may be applied, meaning that a large portion could be taken by HM Revenue & Customs.

Your professional financial adviser can suggest options that will protect your wealth from tax and ensure that it goes to your loved ones.

STARTING TO INVEST

Investment always involves an element of risk, but the level of risk involved varies significantly between different asset classes, markets, industries and geographical areas, to mention just a few. It can be very difficult to assess the level of risk involved in an investment. Your adviser will help to match you with investments that are appropriate for your goals and investment risk.

BEING TARGETED BY SCAMMERS

When you're contacted unexpectedly by someone with an incredible investment opportunity, the returns they promise can make it very difficult to turn down. Unfortunately, these opportunities often turn out to be scams.

If you're considering an opportunity or have already handed over money to someone you suspect is a scammer, your professional financial adviser is there to help. They can suggest legitimate ways to safeguard and grow your money. ■

COULD ADVICE HELP YOU NOW?

Financial decisions can be difficult to make on your own. And they're rarely just about you. Either directly or indirectly, they can also affect your partner or family – which can add to the pressure. If you'd like to discuss any of the issues we've mentioned, please contact us. We look forward to hearing from you.

Source data:

[1] Office for National Statistics Research, Personal and economic wellbeing in the UK, May 2020

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION AND TRUST ADVICE AND WILL WRITING.

CRITICAL FACTOR

PROTECTION FOR YOU AND YOUR LOVED ONES

What would life be like if you were diagnosed with a serious illness? Things could change very suddenly. You'd get your family together and tell them what was going on. Before long, you'd start spending time in hospital for treatment. You may also need to take some time off.

It's hard to know what the financial impact of all this would be for you and the people who depend on you. A critical illness can affect anyone at any age and can turn your life upside down. In the event of being unable to work due to a critical illness, having a financial cushion in place would alleviate some of the stress of the situation.

FINANCIAL IMPACT

Some people may use their savings to supplement their loss of income, others may rely on an employment benefit package, while others may find that critical illness cover is their best option. Critical illness cover can help minimise the financial impact on you and your family if you become critically ill.

For example, if you needed to give up work to recover, or if you passed away during the length of the policy, the money could be used to help fund the mortgage or rent, everyday bills or even simple things like the weekly food shop, giving you and/or your family some peace of mind when you need it most.

TAX-FREE LUMP SUM

After surviving a specified critical illness, you may not be able to return to work straight away (or ever), or may need home modifications or private therapeutic care. It is sad to contemplate a situation where you survive from a serious illness but then endure financial hardship. Preparing for the worst is not something we want to think about when feeling fit and healthy, but you never know what life is going to throw at you next.

Critical illness cover, either on its own or as part of a life insurance policy, is designed to pay you a tax-free lump sum on the diagnosis of certain specified life-threatening or debilitating (but not necessarily fatal) conditions, such as a heart attack, stroke, certain types/stages of cancer and multiple sclerosis.

EMOTIONAL STRESS

A more comprehensive policy will cover many more serious conditions, including loss of sight, permanent loss of hearing, and a total and permanent disability that stops you from working. Some policies also provide cover against the loss of limbs. But not all conditions are necessarily covered, which is why you should always obtain professional financial advice to consider your options.

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 the much-needed financial support at a time of emotional stress.

FAMILY'S FINANCES

The good news is that medical advances mean more people than ever are surviving conditions. Critical illness cover can provide cash to allow you to pursue a less stressful lifestyle while you recover from your illness, or you can use it for any other purpose.

What would life be like if you were diagnosed with a serious illness? Things could change very suddenly. Being diagnosed with a critical illness is a life-changing moment. It'll disrupt your home and work life, and could put a strain on your family's finances. ■

LIFE-CHANGING COVER, FOR LIFE-CHANGING EVENTS

Almost everyone knows someone who has been affected by a life-changing condition such as cancer, stroke, heart disease or a serious accident. To review your situation or consider your options, please contact us – we look forward to hearing from you.

SOME TYPES OF CANCER ARE NOT INCLUDED AND YOU NEED TO HAVE PERMANENT SYMPTOMS TO MAKE A CLAIM FOR SOME ILLNESSES.

THIS IS NOT A SAVINGS OR INVESTMENT PRODUCT AND HAS NO CASH VALUE UNLESS A VALID CLAIM IS MADE.

INVESTING FOR **YOUR CHILD'S FUTURE**

EVEN SMALL AMOUNTS CAN BUILD UP A SUBSTANTIAL NEST EGG

Decided it's time to start saving for your little one? Putting money aside for your child is a great way to prepare them for their future, and can also teach them valuable lessons about their managing their finances.

Whatever hopes and dreams you have for your children or grandchildren, it's reassuring to know that you can help make this happen by setting them on the path to financial security when they are young. To fund the future you want for them, it's crucial to start saving early.

BUILDING WEALTH FOR YOUR CHILDREN OR GRANDCHILDREN

JUNIOR INDIVIDUAL SAVING ACCOUNT (JISA)

Junior ISAs share the same set of rules as adult ISAs, though with a lower annual limit on contributions, currently £9,000 (2020/21 tax year).

This means they're a tax-efficient way to save in your child's name. The money cannot be withdrawn before the child's 18th birthday, so cannot be used for certain expenses, such as school fees. The child will take control of the money, and can make their own investment choices, from the age of 16.

BARE TRUSTS

As with a Junior ISA, a child can withdraw money from a bare trust in their name once they turn 18. However, withdrawals can also be made for the benefit of the child before this age. So, it can be used for school fees, for example.

A second difference is that there is no limit on how much can be paid in. While it is not protected from tax (as a Junior ISA is), it will be taxed as if it belongs to the child, so will often fall within their personal allowances.

DISCRETIONARY TRUSTS

Discretionary trusts offer more control and flexibility to the trustee. It is possible to establish one in the name of a group of beneficiaries (named or unnamed), for example, all your grandchildren. The trustee retains control over the money and investment choices and sets the payment terms.

However, the tax treatment is more complex than for bare trusts, usually resulting in higher taxes and more administration.

JUNIOR SELF-INVESTED PERSONAL PENSION (SIPP)

Junior SIPPs operate according to the same rules as other pensions, except that they have a lower £3,600 annual limit on contributions (2020/21 tax year).

This means that, like other pensions, tax relief is added to contributions, and no tax is paid on income and capital gains. It also means that, currently, withdrawals are not possible until the child reaches age 55. So, while they offer very little flexibility, there is potential for even small investments to grow significantly. ■

WANT TO DISCUSS INVESTING FOR YOUR CHILDREN?

As the costs of private education, university, getting on the property ladder and weddings continue their relentless upward march, investing for your children early is crucial. If you'd like to discuss the best way to save for the next generation, contact us for more information.

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

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

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GENERATION COVID-19

FINANCIAL SUPPORT TO YOUNGER MEMBERS AS A DIRECT RESULT OF THE PANDEMIC

The coronavirus (COVID-19) pandemic has led to more people supporting younger family members financially. New research shows that 5.5 million older family members expect to provide additional financial support to younger members as a direct result of the pandemic[1].

Of these, 15% estimate they will provide an additional sum of £353 in financial aid. The most common reasons given for the payments were to help cover household bills, rent payments, allowing them to move back to the family home or paying off debts. This equates to £1.9 billion being given to younger family members needing financial support.

REGULAR GIFTS

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

Older family members provide on average £113 a month, collectively giving £372 million to loved ones each month in the form of regular gifts. While the majority (31%) say they use monthly gifts to save for 'big ticket' items like a housing deposit, over a quarter use it to pay for everyday essentials (29%) and a similar number to pay their bills (27%).

FINANCIAL AID

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

16% have utilised the government furlough scheme, 15% moved back to their family home to live rent free and 13% have taken out a one-off loan. The trend of younger family members moving back home is becoming more common, with the most recent data from the Office for National Statistics (ONS) showing that over the last two decades, there has been a 46% increase in the number of young people aged 20-34 living with their parents, up to 3.5 million from 2.4m[2].

GIFT MONEY

While the majority (62%) of those who give away money do so knowing they can afford to maintain their current lifestyle, the research suggests that selfless relatives are occasionally making changes to their own finances to meet the expense. Over a third (38%) of those who gift money to family members have made sacrifices in order to do so. While many (31%) reported cutting back on some day-to-day spending in order to gift money, a fifth (21%) admitted they struggled to pay some bills having helped out a loved one.

Most parents and grandparents will gladly help out when they can, but people are often making personal compromises to provide this support. Giving money to a family member has the potential to be a special experience, but the key is not to lose sight of your longer-term plan.

PROPERTY WEALTH

There is a risk that people could be underestimating what they need to fund a

/// THIS COVID-19 SPECIFIC SUPPORT COMES IN ADDITION TO REGULAR ONGOING FINANCIAL SUPPORT PROVIDED BY OLDER FAMILY MEMBERS. OVER A THIRD (39%) OF YOUNG ADULTS, AROUND 3.3 MILLION PEOPLE, RECEIVE REGULAR FINANCIAL SUPPORT FROM THEIR OLDER FAMILY MEMBERS AND DEPEND ON IT TO COVER THEIR MONTHLY OUTGOINGS.

comfortable retirement, and therefore it's important to gift sensibly. Utilising property wealth, by either downsizing or using equity release, can often be helpful here as it allows the opportunity to give a living inheritance without touching your income.

These decisions aren't easy, and the tax rules mean gifting money can be complicated. When gifting, HM Revenue & Customs stipulates you must be able to maintain your current standard of living from your remaining income to take advantage of tax exemptions and there are tax implications for anything gifted over the £3,000 annual allowance. ■

"BANK OF MUM AND DAD" OPEN FOR FINANCIAL SUPPORT

Younger generations, who stand to be impacted most by the crisis, may need to call on you – the 'Bank of Mum and Dad' – for financial support. If this is the case you need to evaluate how any cash calls could impact your own retirement plans. To discuss any concerns that you may have, please contact us.

Source data:

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

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

FUNDING **LONG-TERM CARE**

HOW MUCH WILL IT COST TO ENJOY LIFE IN LATER YEARS?

Long-term care covers everything from residential and nursing homes to home care. It is provided by a range of different organisations, including local authorities, the NHS and private and voluntary organisations. But choosing the right care setting for ourselves or a relative is not something which many of us have experience of.

Paying for care is a prospect that increasingly many of us will need to think about. The cost will depend on a whole host of factors, including the type of care that's required.

According to new analysis, the average weekly cost of private residential care in Great Britain is £848[1]. However, the data indicates a significant difference in care costs at a local level, varying by more than £800 a week across the country – that's £41,600 a year.

FAMILY MEMBER

Knowing what care you or a family member may need, and how to find it, isn't easy. Some 1.3 million older people request care each year, but only around 700,000 are receiving it[2]. As the number of over 80s steadily rises, demand is only set to increase, highlighting the need for more innovation from public, private, charity and social enterprise sectors to make the choices families face easier to navigate.

Very few families plan their finances to take into account later life care. On average, people can expect to pay more than £800 a week for private residential care, which is more than double the average weekly income for people in retirement (£320), according to the Department for Work & Pensions[3].

EXPENSIVE COSTS

Care can be one of the more expensive costs someone will encounter in their life. It's important for people to obtain advice so that they are aware of the cost implications and benefit options for residential care particular to their area, so that they can then realistically plan ahead and anticipate how much they need to have set aside.

If you are living in an expensive location, such as London, for instance, you need a lot more money to fund care and the risk of running out of money is much higher. Even in many of the least expensive locations for residential care in Britain, there is a disparity between the cost of private care and the local council paid fee. On average, there is a £229 difference in this figure across Great Britain.

LONG-TERM CARE STRATEGY

As people live longer, the need for long-term care planning becomes more of a 'when' than an 'if' situation. By having a long-term care strategy in place earlier, you'll be better prepared for the tough financial, emotional and administrative decisions you and your loved ones may need to make.

The reality is that there is no national system of long-term care. It is a complex process that can be very different for individuals based on a number of factors, such as their benefit entitlements or health needs. ■

TIME TO CONSIDER A FINANCIAL PLAN FOR LONG-TERM CARE FUNDING?
With care costs increasing, legislation subject to change and people living longer lives, it is more important than ever to consider a financial plan for long-term care funding. For further information to discuss how we could assist you or a family member, please contact us.

Source data:
[1] Average care home fees by Council with Adult Social Services Responsibilities (CASSR) for OLDER PEOPLE (65+) AND DEMENTIA 2019/20
[2] https://www.legalandgeneralgroup.com/media/18159/1263642-green-paper_aw_web.pdf
[3] https://www.ifs.org.uk/publications/15212

HOW MUCH IS THE STATE PENSION?

UNDERSTANDING WHAT YOU'LL RECEIVE AND WHEN

While many people have some savings for retirement, most of us will also depend on the State Pension to help cover our living costs. The full new State Pension payment is currently £175.20 a week (2020/21 tax year), but not everyone will receive the full amount and the age at which you'll receive it varies.

If you reached State Pension age before 6 April 2016, you'll receive the basic State Pension. The most you can currently get from the basic State Pension is £134.25 a week (2020/21).

WHO IS ELIGIBLE FOR THE STATE PENSION?

Eligibility for the State Pension is based on your National Insurance record, that is, the number of years in which you've either made National Insurance contributions (through employment or voluntarily) or received National Insurance credits (while unemployed, ill or raising children, for example).

To claim the full State Pension, you'll need at least 35 qualifying years on your National Insurance record. If you have less than 35 but more than 10, you'll be entitled to a reduced amount. With less than 10 qualifying years, you are not eligible for the State Pension.

WHEN WILL YOU RECEIVE THE STATE PENSION?

The current State Pension age is 66, but it is rising over time. By 2028, it will be 67, and by 2046 it will increase to 68. Plans that are currently being discussed could bring that increase forward to between 2037 and 2039, affecting anyone born after 1970.

HOW MUCH WILL YOU RECEIVE?

The current full State Pension is £175.20 a week but will increase to £179.60 on 6 April 2021. It will continue to increase every year, either by 2.5%, by the average growth in earnings, or by the average growth in prices (whichever is highest).

If you are eligible to a reduced State Pension based on your National Insurance record, the amount you receive is based on the number of qualifying years you have. You can estimate this amount by dividing the full State Pension by 35 and multiplying by the number of years on your National Insurance record, for example, for 10 years, your estimate would be around £50 a week.

If you'd like to increase the amount you are entitled to, you could fill gaps in your National Insurance record by making voluntary contributions.

IS THE STATE PENSION ENOUGH TO LIVE ON?

Even if you are entitled to the full State Pension, you should have other savings to improve your standard of living in retirement.

Most people have some savings in a workplace pension, and you might also consider a personal pension to help you reach your savings goal.

Retirement might seem a long way off. And if that's the case, then great, because you're in the best position to start planning for what should be the longest holiday of your life. ■

BUILDING A BETTER RETIREMENT?

No matter where you are on your retirement journey, to discuss how much you'll need to live on in retirement and how to save effectively, please contact us to review your options.

GOALS-BASED INVESTING

ARE YOU GIVING YOURSELF THE BEST CHANCE OF SUCCESS?

Before you start, defining any goals you may have will help you plan, budget and choose the right investments. Your goals might be around enhancing your current lifestyle, planning for your family or your own retirement.

The sooner you start investing, the better off you will be. Match your long-term investment goals with your short-term lifestyle aspirations. When you have created your goals and time frames, define your budget. Be realistic about what you can afford to put aside for your investments.

To help you stick to your budget, look at your cash management and put strategies into place.

It's well worth taking the time to think about what you really want from your investments. Knowing yourself, your needs and goals, and your appetite for risk is a good start.

HOW TO GET STARTED CHECKLIST:

1. GOALS
Be clear about what you're investing for. Investing is generally most appropriate for medium and long-term goals (at least five years). If you want access to your money before that, you might want to think about saving instead.

2. PAYMENTS
Before you start investing, first make sure that you can afford your essential living costs, as well as any debts. It's also a good idea to make sure you have some savings to cover emergencies.

3. INVESTMENT RISK
Have a think about how much risk you feel comfortable taking with your money. You should also consider your other financial commitments when deciding how much risk to take. If you don't want to or can't take any risk with your money, then investing may not be for you right now.

4. TIMESCALE
The longer your money is invested, the more opportunity it has to grow in value and reach your goal. Each year, not only will the money you invest potentially grow in value, you'll also potentially get growth on any previous growth. This is commonly known as 'compounding', and over longer time periods it can make a significant difference to the value of your investments.

5. WHAT YOU'LL GET BACK
The final value of your investments will depend on three main factors: how much you pay in, how your investments perform, and how long you're invested for. Generally speaking, the more you pay in, the better your investments perform. And the longer you can keep your money invested, the more you're likely to get back at the end.

6. MIX IT UP
Putting all your money in one type of investment can be a risky strategy. You can help reduce that risk by spreading your money across a mix of investment types and countries. Different investments are affected by different factors: economics, interest rates, politics, conflicts, even weather events. What's positive for one investment can be negative for another, meaning when one rises, another may fall.

7. BE TAX-EFFICIENT
You can do this by putting your money into your pension or using up your Individual Savings Account (ISA) allowance.

8. REVIEW, REVIEW, REVIEW
Make time to regularly review your investments to check they're on track to meet your goals. ■

TIME TO DETERMINE YOUR INVESTMENT OBJECTIVES?
A sound investment plan begins by determining your objectives while understanding any limitations or constraints that may exist. While most objectives are long-term, a plan must be designed to persevere through changing market environments and be able to adjust for unseen events along the way. To discuss your options, please contact us.

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/// THE LONGER YOUR MONEY IS INVESTED, THE MORE OPPORTUNITY IT HAS TO GROW IN VALUE AND REACH YOUR GOAL. EACH YEAR, NOT ONLY WILL THE MONEY YOU INVEST POTENTIALLY GROW IN VALUE, YOU'LL ALSO POTENTIALLY GET GROWTH ON ANY PREVIOUS GROWTH. THIS IS COMMONLY KNOWN AS 'COMPOUNDING,' AND OVER LONGER TIME PERIODS IT CAN MAKE A SIGNIFICANT DIFFERENCE TO THE VALUE OF YOUR INVESTMENTS.

ISA TRANSFERS

TIME TO WIDEN YOUR RANGE OF INVESTMENT CHOICES?

If you have accumulated a number of Individual Savings Accounts (ISAs) over the years, keeping them all in one place could give you better control and help you save money. There's a common misconception that you can't move your existing ISAs from one provider to another.

Whether you have a Cash ISA or a Stocks & Shares ISA, it could make sense to bring them together. Transferring your ISAs doesn't affect its tax-efficient status, but you should make sure that you don't have to pay penalties or give up valuable benefits.

If you want to switch from an existing ISA provider to a new one, you're perfectly within your rights to do so. Much like a mortgage, you shouldn't feel as though you're saddled forever with your first choice of ISA provider. Transferring your ISAs could allow you to widen your range of investment choices, as the range on offer can differ between providers.

LOWER FEES AND CHARGES

You may want to transfer your ISA if you're willing to take some risk and get potentially higher gains on your existing ISA. You may also want to move because you prefer to keep all your investments conveniently in one place, where they're easier to monitor and manage. Another reason to switch is that you could find you're better off because another provider is offering lower fees and charges.

You can transfer your ISA from one provider to another at any time. You can also transfer from one type of ISA to a different type of ISA – for example, you can move money held in a Stocks & Shares ISA into a Cash ISA, or from a Cash ISA to a Stocks & Shares ISA. Similarly, money held in an Innovative Finance ISA can be transferred into a Stocks & Shares ISA or into a Cash ISA.

TAX-EFFICIENT STATUS

Remember that not all ISA providers will accept transfers. Also, bear in mind that the ISA provider you are moving from might charge you for the transfer. If you transfer cash from an existing ISA into a Lifetime ISA, it will count towards your £4,000 Lifetime ISA allowance for the year and qualify for the government bonus, but will not count towards your overall ISA allowance of £20,000 in 2020/21. It is not advisable to transfer from a Lifetime ISA.

Transferring your ISAs won't affect their tax-efficient status, provided you follow the correct process. You might think that to make a transfer from one ISA to another, you'll need to close down an existing account, make a withdrawal, then open up a new account and pay in. But closing down your current ISA means you'll immediately lose all the tax benefits, so never withdraw your savings to pay into a new ISA.

INHERIT ISA TAX BENEFITS

Instead, if you want to make a transfer, we'll contact your provider to inform them and manage the entire transfer process for you. Remember that tax rules can change in future, and their effect on you will depend on your individual circumstances.

If you are looking to transfer ISA tax benefits following the death of your spouse or registered civil partner, the survivor can now inherit their ISA tax benefits. This will be in the form of an additional permitted allowance equal to the value of the ISA at the holder's death and will be in addition to your own ISA allowance. ■

TIME TO DISCUSS TRANSFERRING YOUR ISA?

We can make transferring existing ISAs simple and straightforward to help you reduce your administration and manage all of your investments in one place. Whether you're a novice or an experienced saver or investor, we'll help you get the most from your 2020/21 ISA allowance. Please contact us for more information.

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

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

SUSPENDING PENSION CONTRIBUTIONS

THINK CAREFULLY ABOUT HOW ACTION TAKEN NOW COULD AFFECT YOUR RETIREMENT

As more people worry about money and are struggling financially as a consequence of the coronavirus (COVID-19) pandemic, it's likely that reducing or stopping their pension contributions may be an option to ensure they survive financially.

However, while it might be tempting to cut back on your pension contributions to have more money in the short term, it can have a significant impact on your finances and quality of life in the long term. Before making such a decision to improve current cash flow, it's important to understand the impact this could have on future finances.

SUSPENDING CONTRIBUTIONS

Suspending pension contributions will reduce the total amount you've saved by retirement. How much it falls by will depend on how old you are, how much you usually pay in, and how long you suspend contributions for.

Recent figures suggest that a 25-year-old who suspends contributions for three years could see a 7% reduction in the total value of their pension at retirement, assuming they have an average salary and their employer also suspends contributions[1].

LOWER PENSION VALUE

How much extra money you'll receive by suspending your contributions depends on how much you usually pay in. Let's say that you're a basic rate taxpayer who usually makes pre-tax contributions of £140 a month. If you suspend your contributions, you'll receive more salary but also pay more tax and National Insurance contributions, meaning you'll receive approximately £4,000 extra over three years.

If, instead, you paid this into your pension and received tax relief, and your employer matched the contributions, a little over £10,000 would have been added to your pension. This could grow significantly if left invested until retirement, so you would also lose out on the investment growth.

DAMAGING INCOME EFFECTS

Reducing your pension contributions may seem like a good alternative. But this will also substantially reduce your pension value, particularly if you fail to increase your contributions again later. Permanently reducing your contributions by 1% at age 25 could result in an 18% drop in retirement income[1].

If you feel that you have no choice but to suspend your pension contributions to make ends meet, you should aim to restart your contributions as soon as you're able to. The longer you leave it, the more serious the impact this will have on your eventual retirement income. ■

PROTECTING YOUR PENSION

Cost cutting may be high on the agenda for many families at the moment and one obvious way to save some money is pausing pension contributions. But if you would like to discuss alternative ways of improving your cash flow and protecting your pension, speak to us to review your options.

Source data:

[1] https://moneyweek.com/personal-finance/pensions/602564/suspending-your-pension-contributions-remember-the-magic-of

RETIREMENT FINANCES

COVID-19: THIRD OF RETIREES FEARFUL DUE TO NEGATIVE IMPACT

Six years on from pension freedoms, non-advised savers aged over 50 are facing a ticking time bomb at retirement, according to a new survey[1]. 66% of those saving into a defined contribution pension and 58% of those who have already retired have either no firm plans or no plans at all for their retirement finances.

/// 57% EXPRESSED CONCERNS DUE TO THE PANDEMIC, COMPARED TO JUST 41% OF THOSE WHO HAD ALREADY GIVEN UP WORK. MORE THAN A THIRD (35%) OF PROSPECTIVE DRAWDOWN USERS ADMIT THEY KNOW NOTHING ABOUT THE FUNDS THEY ARE INVESTED IN, AND ANOTHER THIRD IS UNSURE.

This has translated into considerable concern, with 57% of savers and a third of retirees fearful about their financial situation in retirement. Non-advised savers are also less informed than their retired peers and more likely to say that their financial situation has been negatively impacted by COVID-19, which was their top financial worry.

PROSPECTIVE DRAWDOWN

57% expressed concerns due to the pandemic, compared to just 41% of those who had already given up work. More than a third (35%) of prospective drawdown users admit they know nothing about the funds they are invested in, and another third are unsure.

The 25% tax-free lump sum remains the most well-known and appealing feature of defined contribution pensions. 42% of existing drawdown users have already accessed their pot to take advantage of this, while 39% of those who have not yet retired expect to withdraw their tax-free cash and leave the rest of their pot invested.

SQUEEZED SAVERS

Ensuring this benefit stays will be crucial for future retirees. And for squeezed savers, phasing these withdrawals could ensure they don't take out too much, too soon.

Meanwhile, a low risk tolerance and reluctance to engage informed the desire of 56% of those who had used a default fund during the accumulation journey to stay in the same product during decumulation. Pension decumulation is the process of converting pension savings to retirement income.

INCOME DECISIONS

The research also highlights that a lifetime of low engagement with pensions impacts at the time when pensions really matter – at the point of making retirement income decisions.

Some individuals lack knowledge and show over-stated confidence in their abilities to make good decisions and this is likely to have consequences on their outcomes in retirement for many years.

As defined contribution pension pots grow, the decisions made by individuals as they near their retirement could have significant consequences for their finances and standard of living. ■

WANT TO UNDERSTAND YOUR RETIREMENT OPTIONS?

We can help you to understand your retirement options. We'll conduct an analysis of your current circumstances and objectives and address the specific need to plan for your future cash flow requirements. To find out more, please contact us.

Source data:

[1] Research by NMG Consulting for L&G is based upon in-depth exploration, using qualitative in-depth interviews with 40 consumers approaching or in pension drawdown on a non-advised basis, all age 50 plus. This was complemented by a quantitative online survey amongst 1,150 consumers, age 52+, all non-advised and considering access to, or already drawing down their DC pension. Those with pensions wealth of less than £10,000 were excluded from the study. Fieldwork took place in September and October 2020.

COMBINED FINANCES

PLANNING AHEAD FOR YOUR FINANCIAL FUTURE TOGETHER

Some couples may prefer to keep their finances separate, while others share everything. Whichever method you've chosen, when it comes to retirement saving, it's worth planning together to ensure you've made the most of all the allowances and benefits offered to couples.

Your golden years may ultimately be the best of your relationship if you understand each other's future goals, needs and expectations.

SET YOUR BUDGET

The first step of planning for retirement is to look at how much money you'll need to cover your outgoings. Start by analysing your current spending, and then identify where your spending might increase and decrease over the years.

If you have different perspectives on how extravagant your lifestyle will be, it's best to discuss this openly and early on as you'll need to come to an agreement. One of you might be underestimating how much you'll need or overestimating what you can realistically afford.

Remember to plan for different circumstances. Hopefully, you'll enjoy a decades-long retirement together, but your finances might look very different if one of you were to fall ill or die. It might be unpleasant to discuss but is essential to plan for.

ASSESS YOUR FINANCES

Next, look at the income you'll both have from the State Pension and any private pensions. Set aside some time to trace pensions from previous workplaces that you might have forgotten about or not known an employer was paying into, as many people find extra cash that way.

Make sure you understand all of your options for withdrawing your pensions, as the amount you get back from your pension depends, in part, on which option you choose. Consider, for example, whether you want to take a tax-free lump sum of up to 25% of your pension savings at the start of your retirement, and how best you could use that.

If you have any debts or savings you haven't mentioned to your partner, it would be wise to open up about these now.

TOP UP YOUR SAVINGS

If your existing pension savings won't provide the income you think you'll need, look at ways to address the shortfall. Could you make some lifestyle changes now to save more for later?

If one or both of you have less than 35 years on your National Insurance record, you can make voluntary contributions to receive more State Pension.

It's worth obtaining professional financial advice about using both of your pension allowances, and whose pension it is more sensible to contribute to. You both have an 'annual allowance', which is £40,000 in the 2020/21 tax year, or 100% of your income if you earn less than £40,000.

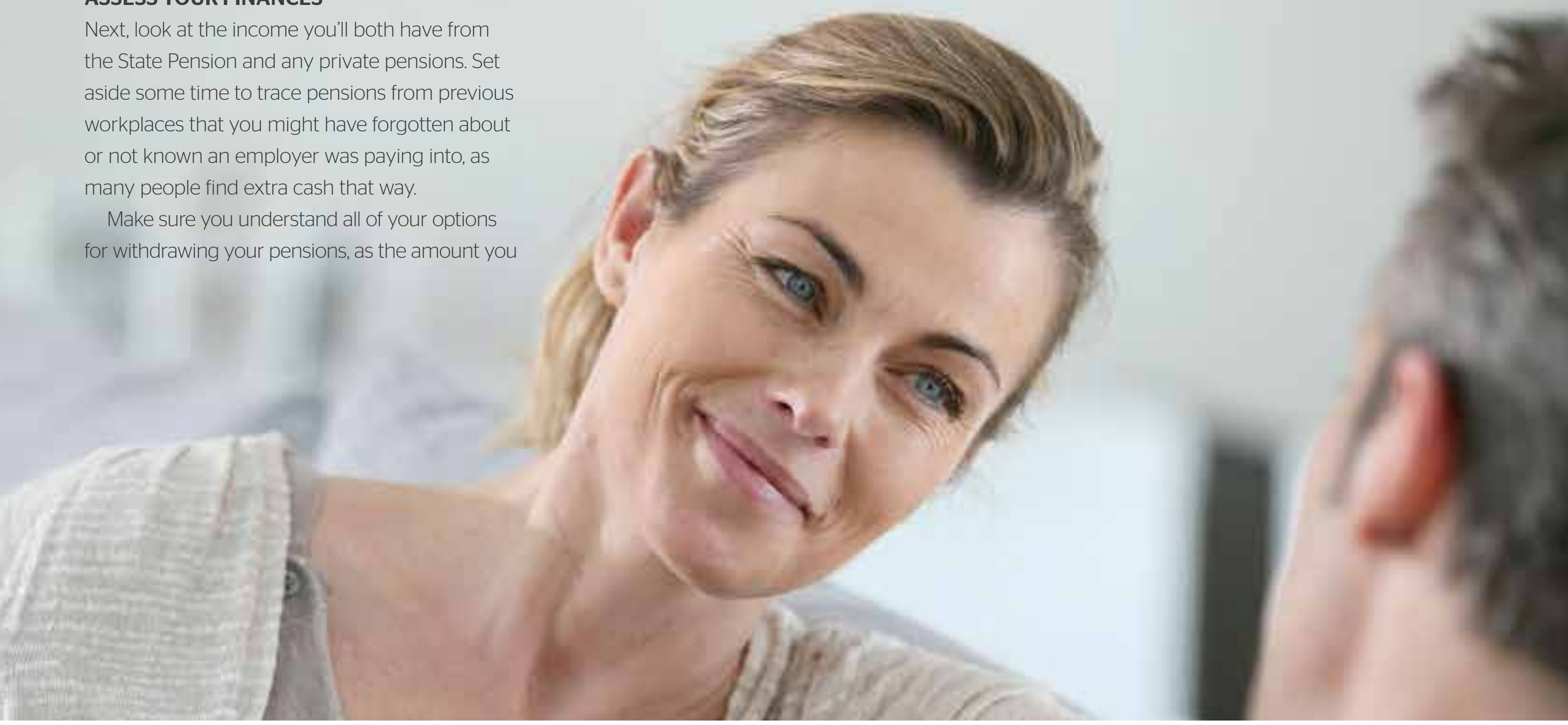
This means with the current annual allowance limit, someone paying Income Tax at the standard rate of 20% would receive a maximum sum of £8,000 of pension tax relief towards their pension pot. If you pay tax at the higher rate of 40% you would receive up to £16,000 of tax relief, while those in the additional rate band of 45% would currently receive £18,000 of tax relief. ■

NEED HELP WITH YOUR RETIREMENT PLAN?

It's important to carry out any financial planning exercise together, holistically, as a couple. If you don't fully understand your options or want to boost your pension savings, speak to us to discuss your circumstances.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL 55 (57 FROM APRIL 2028). THE VALUE OF YOUR INVESTMENT (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 THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX ADVICE.



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