



# ROTHESAY BENNETT

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## FINANCIAL PLANNING

JULY/AUGUST 2022

# SHOW ME THE MONEY

HOW TO INVEST YOUR MONEY  
AND AVOID COSTLY MISTAKES



### **INFLATION EATING YOUR SAVINGS?**

How to benefit from tax reliefs  
in the current financial year

### **TIPS FOR A HEALTHY PENSION AS YOU APPROACH RETIREMENT**

What really important retirement  
questions should you be asking?

### **RISING COST OF LIVING CRISIS**

3 tips to maintain your  
financial wellbeing

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## INSIDE THIS ISSUE

**Welcome to our latest edition.** It's not surprising that the world of investing can seem complex, especially in the current global economic climate. Investors face an endless supply of market news, many investment choices and often-changing market conditions. There are a number of key principles that every investor should follow with the aim of building an effective long-term strategy designed to achieve their financial goals. On page 08 we look at ten principles that every investor needs to know.

As your income increases, the complexity of your finances may too. Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life. However, the type of investment and tax-efficiency you should be looking for depends on whether your priority is to save a lump sum for the future or to draw an income today. On page 11 we consider a number of allowances and reliefs available to UK taxpayers to help reduce your overall tax bill.

As you approach the last five years before your retirement, there will be a lot of things to consider. You'll need to think about your finances, your health, your housing situation and your plans for the future to live comfortably in retirement. There will also be lots of questions to ask and a number of things to review in order to ensure you have a comfortable and enjoyable retirement. Turn to page 12 to read the full article.

The rising cost of living is one of the most pressing issues facing many families today. The price of food, energy, fuel and other necessities has risen significantly in recent months. This has made it difficult to make ends meet and has put a strain on many household budgets. As many people feel the squeeze as the cost of essential items continues to increase, there are a few important things to consider to maintain your financial wellbeing. Read the article on page 05.

A full list of the articles featured in this issue appears opposite.

**FOCUSING ON WHAT'S IMPORTANT AND GIVING YOU THE FREEDOM TO ENJOY LIFE**

Whatever your questions or your life goals, we're here to give you the answers you need, allow you to focus on what's important and give you the freedom to enjoy life, wherever it may take you. If you would like to discuss your concerns or requirements, please contact us. We hope you enjoy reading this issue.

# CONTENTS



## 04

### WEALTH VS HEALTH

More than half ignore medical advice and work despite poor health due to financial worries

## 05

### RISING COST OF LIVING CRISIS

3 tips to maintain your financial wellbeing

## 06

### MANAGING THE IMPACT ON YOUR PENSION

Just two out of five have planned for inflation in retirement

## 07

### SELF-EMPLOYED VULNERABLE TO FINANCIAL SHOCKS

New research highlights that 81% aren't seeking financial advice

## 08

### SHOW ME THE MONEY

How to invest your money and avoid costly mistakes

## 10

### COST OF 'SAVER INACTION'

Millions of savers think inflation will leave them better off

## 11

### INFLATION EATING YOUR SAVINGS?

How to benefit from tax reliefs in the current financial year

## 12

### TIPS FOR A HEALTHY PENSION AS YOU APPROACH RETIREMENT

What really important retirement questions should you be asking?

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.

# CONTENTS



## 14

### **SIGNS YOU'RE REALLY READY TO RETIRE**

No one-size-fits-all answer to this question



## 19

### **RECESSION-PROOF YOUR FINANCES**

10 practical steps to ensure your money is working hard for you



## 24

### **STARTING A FAMILY**

What steps to take to prepare financially



## 16

### **HOW TO REDUCE INHERITANCE TAX BY LEAVING A GIFT**

Planning for your wealth preservation and the eventual transfer of that wealth



## 20

### **PENSION POVERTY AFTER DIVORCE**

Ensuring an equal division of all the assets within the matrimonial pot



## 25

### **HOW TO IMPROVE YOUR FINANCIAL HEALTH**

General principles to help you attain specific goals



## 18

### **WHAT DOES INFLATION MEAN FOR ME AND MY MONEY?**

How to protect and grow your wealth over time



## 22

### **HOW MUCH WILL YOU NEED TO RETIRE?**

Quarter of savers approaching retirement at risk of not having an 'adequate pension'



## 26

### **MIDLIFERS SET TO BE IMPACTED TWICE BY THE COST OF LIVING**

Financial planning essential to help balance priorities

/// NEARLY A THIRD (32%) ADMITTED TO NOT FOLLOWING THEIR DOCTOR'S ADVICE BECAUSE THEY COULDN'T AFFORD TO TAKE TIME OFF, WHILE 43% WOULD PUT OFF GOING TO THE DOCTORS DUE TO FINANCIAL CONCERNS - EVEN IF CONCERNED THEY MAY HAVE A SERIOUS ILLNESS.

# WEALTH VS HEALTH

MORE THAN HALF IGNORE MEDICAL ADVICE AND WORK DESPITE POOR HEALTH DUE TO FINANCIAL WORRIES

**When you are off work due to an illness or injury**, worries about how you are going to pay your bills can make an already stressful situation worse. So much so that many people are finding themselves in the very difficult position of having to put the need to earn money over their health by continuing to go to work, even when advised not to by a doctor.

**W**orse still, financial concerns mean some are avoiding seeing their GP altogether, even when concerned they may have a serious illness. Money worries see six in ten people go to work when they are ill, with one in three ignoring their doctor's advice due to financial concerns, even when they are worried about serious illness, according to new research<sup>[1]</sup>.

## NO FINANCIAL PROTECTION IN PLACE

Three in ten people have no financial protection if they were off work should they fall ill or become injured, while 27% could financially only last for a month. The findings highlight that sick and injured Britons are forcing themselves back into work, despite doctors' advice, due to having no financial protection in place.

Nearly a third (32%) admitted to not following their doctor's advice because they couldn't afford to take time off, while 43% would put off going to the doctors due to financial concerns - even if concerned they may have a serious illness.

## NEGATIVE IMPACT ON MENTAL WELLBEING

The research also highlights that while nearly half (49%) say they would benefit from a policy that would cover their income if off work for an extended period, just 27% actually have any

income protection cover in place, with 32% unaware of what such a policy is.

Money worries can have a negative impact on people's mental wellbeing, with nearly two-thirds (64%) of those surveyed saying they fret about how they would cope financially if they needed to take four weeks or more off work due to poor health.

## SICK AND ON A REDUCED INCOME

Three in ten (30%) surveyed have nothing in place to support them financially should they be ill or injured, while 29% would rely on Statutory Sick Pay, which at £99.35 per week for up to 28 weeks (tax year 2022/23), pays much less than many people need to cover the cost of living, which continues to rise.

If on long-term sick pay and on a reduced income, many would use their existing savings (45%), make reduced payments (33%), borrow money from family or friends (25%), or use a credit card or loan (15%). However, during the pandemic a third (34%) of people had already dipped into their savings, meaning they may now have less to fall back on.

## LONGER-TERM FINANCIAL IMPACTS

As a result of this situation, more than half (55%) admit they could only survive for three months,

while more than a quarter (27%) would struggle after just one month. The additional financial pressures of being off sick for four weeks or more could push people to prioritise their household expenditures. The top five things that the people surveyed prioritise include utilities (67%), mortgage/rent (65%), food (56%), insurance i.e. car/home/pet (15%) and internet/broadband (13%).

As well as the immediate impact of long-term sickness, many people are also concerned about the longer-term financial impacts, with almost half (49%) of those surveyed saying they worry about the impact on their ability to get credit in future. This is particularly an issue for the self-employed, where 43% worry about losing customers and just over a third (36%) worry that their business would have to fold. ■

i

## TIME TO DISCUSS INSURANCE THAT WORKS WHILE YOU CAN'T?

Consider how you'd cover your usual monthly costs if you were ill or injured and couldn't work for a while. Would you be able to carry on paying the bills using Statutory Sick Pay or your savings? If not, it's worth thinking about insurance. To find out more, please contact us.

### Source data:

[1] Survey conducted by Censuswide for Nationwide between 10-14 February of 2003 people who are self-employed or employed but receive Statutory Sick Pay when off work through illness or injury.

/// WHEN IT COMES TO FINANCIAL SECURITY, ONE OF THE MOST IMPORTANT THINGS YOU CAN DO IS TO KEEP EMERGENCY SAVINGS ASIDE FOR WHEN YOU NEED IT.

# RIISING COST OF LIVING CRISIS

## 3 TIPS TO MAINTAIN YOUR FINANCIAL WELLBEING

**The rising cost of living is one of the most pressing issues facing many families today.** The price of food, energy, fuel and other necessities has risen significantly in recent months. This has made it difficult to make ends meet and has put a strain on many household budgets.

**P**lanning for the rising cost of living can be a challenge, especially if your income isn't keeping up with inflation. As many people feel the squeeze as the cost of essential items continues to increase, there are a few important things to consider to maintain your financial wellbeing.

### 1. REVIEW SPENDING

The rising cost of living can be a real problem, especially if you're not mindful of your spending. Going through your spending with the finest tooth comb can help you find areas where you may be able to cut back, and save money in the long run. Keep an eye on your budget and make adjustments as necessary to ensure that you are aware of your outgoing costs and can adapt your spending accordingly. Being able to see exactly where your money's going will help you to pin down where you can make savings and cuts.

Ask yourself: What's coming in and going out? Can I get something for cheaper? And (often the hardest of all): Do I really need that? Look at the money you have coming into your home - whether that's just you or with

someone else. You want to look at every single thing that's going out (there may be a lot more than you think).

### 2. EMERGENCY SAVINGS

When it comes to financial security, one of the most important things you can do is to keep emergency savings aside for when you need them. Having a nest egg that you can tap into in times of need can help you weather a storm. One method is to create a dedicated savings account that you only use for this purpose. This way, you can easily access the funds when you need them but they remain out of reach for everyday spending.

Aim to build up enough to cover between three to six months' expenses, or as much as you can afford. The best thing to do is make room for your savings in your budget as one of your outgoings. By doing so, it'll help you see your savings as a must, rather than a must-do-later. And if you can, set up an automated payment from your normal bank account straight into your savings account - that way you don't even need to think about it.

### 3. PENSIONS AND INVESTMENTS

As many people across the country are feeling the squeeze of a cost of living crisis, it's more important than ever to make sure your finances are in good shape. One way to do this is by making sure you don't touch your pension or investments. While it may be tempting to dip into these savings to help make ends meet in the short term, it's important to think about the long-term impact this could have on your retirement plans.

Drawing down on your pension or selling investments could leave you worse off in the long run, so it's important to consider all of your options before making any decisions. Consolidating your old pensions into one could help you cut down on management fees and give you a better picture of how your finances are looking. But before transferring your pensions it is essential to obtain professional financial advice. ■

#### **DON'T FORGET YOUR LONG-TERM FINANCIAL SECURITY**

It's important to think about the long term when it comes to your finances. Making short-term decisions could jeopardise your long-term financial security. To discuss your situation or plans or for further information, please contact us.



# MANAGING THE IMPACT ON YOUR PENSION

## JUST TWO OUT OF FIVE HAVE PLANNED FOR INFLATION IN RETIREMENT

**Retirement planning can be complex at the best of times**, so it is easy to understand how some people can find it daunting to take into account factors like inflation. The reality is that inflation hurts everyone, but it can be especially harmful to retirees.

**W**hether it's the price of food, fuel, energy or other goods and services that we purchase, inflation is definitely increasing. The current economic climate clearly illustrates just how important it is to consider the impact of inflation on your future retirement income and take proactive steps to manage this.

### REACHING HISTORIC HIGHS

Just two out of five (37%) over-55s have planned for the impact of inflation on their spending power when they stop work, according to new research<sup>[1]</sup>. As the consumer price inflation continues to reach historic highs, many over-55s who are either approaching retirement or have retired are facing an inflation shock as they try to manage their retirement income.

Indeed, 41% admitted they had not planned for inflation or did not know whether they had. The other 22% say they just have not planned their retirement income at all. Interestingly, the current discussion around inflation has impacted people's approach to retirement, with 43% of those who are working full-time planning to factor this challenge in – up from 39% of those who have already retired.

### RETIREMENT SPENDING POWER

The current challenging economic situation is also encouraging a more thoughtful approach to retirement, with only 15% of the employed confessing to a lack of retirement planning compared to 23% of those who are already retired.

Among those who say they have planned for the impact of inflation on their retirement

spending power, more than a third (34%) say they can rely on the State Pension keeping pace with rising prices while 33% believe their company pension will rise in line with inflation.

### INFLATION ROSE SHARPLY

As well as looking to the State Pension and company pensions, the 30% of those who have prepared for inflation say they have anticipated the need for their income to rise each year and have approached their savings accordingly.

Around a quarter (26%) say they have considered how much spending they might need to cut if inflation rose sharply. The main reason for failing to take account of inflation was its unpredictability – 31% say they did nothing because they could not forecast it, while 30% say they had been caught out by the recent increase in inflation after years of stability.

### EXPLORE DIFFERENT OPTIONS

The importance of future proofing your finances is clearly moving up the agenda and when you compare retirees with those over-55s who are still working, you can see that the recent inflation shock has encouraged people to plan more carefully.

No one wants to find that as they age, they need to cut back more and more just to make ends meet. While saving as much as possible for retirement and careful planning is clearly important, it is also vital to consider all your assets and to explore different options, whether it is boosting your tax-free savings, downsizing or accessing your housing equity. ■



### CONCERNED ABOUT HOW INFLATION COULD AFFECT YOUR RETIREMENT PLANS?

Deciding when to retire is a potentially life-changing decision and can feel like a daunting leap. It's never too early to start thinking about how you should plan to fund your retirement and take into account the impact of rising inflation on those plans. To find out more, please contact us.

#### Source data:

[1] Key Advice 18 May 2022.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR MORTGAGE IS SECURED ON YOUR HOME, WHICH YOU COULD LOSE IF YOU DO NOT KEEP UP YOUR MORTGAGE PAYMENTS.

EQUITY RELEASE MAY INVOLVE A HOME REVERSION PLAN OR LIFETIME MORTGAGE WHICH IS SECURED AGAINST YOUR PROPERTY. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.

EQUITY RELEASE REQUIRES PAYING OFF ANY OUTSTANDING MORTGAGE. EQUITY RELEASED, PLUS ACCRUED INTEREST, TO BE REPAID UPON DEATH OR MOVING INTO LONG-TERM CARE. EQUITY RELEASE WILL AFFECT THE AMOUNT OF INHERITANCE YOU CAN LEAVE AND MAY AFFECT YOUR ENTITLEMENT TO MEANS-TESTED BENEFITS NOW OR IN THE FUTURE.

CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT.

IF YOU ARE IN ANY DOUBT, SEEK PROFESSIONAL FINANCIAL ADVICE.

/// IF YOU ARE SELF-EMPLOYED, YOU MAY NOT HAVE THE SAME SAFETY NET AS THOSE WHO ARE EMPLOYED BY SOMEONE ELSE.

# SELF-EMPLOYED VULNERABLE TO FINANCIAL SHOCKS

NEW RESEARCH HIGHLIGHTS THAT 81% AREN'T SEEKING FINANCIAL ADVICE

**As more and more people reject the traditional working structure in favour of becoming self-employed,** some people could be at risk of financial insecurity as they lose out on employee benefits that offer protection in the present, and financial planning for the future.

**N**ew research highlights this group's vulnerability to financial shocks and the importance of expert financial advice to open up conversations to ensure that all aspects of protection are discussed, and that the right solutions are in place to help create financial peace of mind.

## FACING FINANCIAL HARDSHIP

If you are self-employed, you may not have the same safety net as those who are employed by someone else. If you become sick or injured and are unable to work, you could face financial hardship without income protection insurance.

Income protection insurance could help replace your lost income if you are unable to work due to an illness or injury. It can give you peace of mind knowing that you will still be able to meet your financial obligations even if you are unable to work.

## SEEKING FINANCIAL ADVICE

Over half (57%) of self-employed workers in the UK rely on personal savings when they are

not working, yet a massive 81% aren't seeking financial advice according to new research<sup>[1]</sup>. Nearly two-thirds (64%) of those who are self-employed in the UK revealed they are without a regular income, with just one in five (23%) receiving a monthly pay packet.

The research also found that almost half (48%) of self-employed people see their income fluctuate as a result of owning their own business, with a similar proportion (49%) putting this down to being a freelancer, contractor or consultant.

## VULNERABILITY TO FINANCIAL SHOCKS

As the cost of living rises and private rents and mortgages in the UK increase at the fastest rate in five years, a quarter (24%) of those surveyed said they only had enough money to cover such costs for three months if they were unable to work.

With the research highlighting the group's vulnerability to financial shocks and the importance of expert financial advice, worryingly one-quarter (24%) say they hadn't thought about seeking professional advice.

## SECURE FINANCIAL PROTECTION

Not being eligible for Statutory Sick Pay (SSP) can prove a real problem for the self-employed and their financial resilience - during the pandemic, a fifth (21%) of all applications to the Test and Trace Support Payment scheme were from this group, according to a Freedom of Information request by The Community Union.

And while many have taken steps to secure financial protection for themselves and their families, 13% of self-employed workers in the UK still don't have critical illness cover or life insurance. ■

## NOT SURE WHAT YOU NEED?

When you're self-employed or a contractor, you get the perk of being your own boss, but you wave goodbye to traditional employee benefits like company sick pay. To discuss how we can help protect your future financial wellbeing and to discuss the options available to you, please contact us for more information.

## Source data:

[1] The research was carried out online by Opinium Research across a total of 2,002 UK adults (booster sample of 502 self-employed workers and 1,015 renters). Fieldwork was carried out between 21-27 October 2021.

/// THERE ARE A NUMBER OF KEY PRINCIPLES THAT EVERY INVESTOR SHOULD FOLLOW WITH THE AIM OF BUILDING AN EFFECTIVE LONG-TERM STRATEGY DESIGNED TO ACHIEVE THEIR FINANCIAL GOALS.

# SHOW ME THE MONEY

HOW TO INVEST YOUR MONEY AND AVOID COSTLY MISTAKES

**It's not surprising that the world of investing can seem complex,** especially in the current global economic climate. Investors face an endless supply of market news, many investment choices and often-changing market conditions.

**T**here are a number of key principles that every investor should follow with the aim of building an effective long-term strategy designed to achieve their financial goals.

**HERE'S OUR RUNDOWN OF THE 10 PRINCIPLES THAT EVERY INVESTOR NEEDS TO KNOW:**

**1. SET INVESTMENT GOALS**

- It's important that you set yourself investment goals - this will help you stay focused and on track to achieving your financial objectives - with a well-structured plan in place, you can confidently stay committed to it.
- There are a number of factors to consider when setting your goals, such as your age, investment timeframe and risk tolerance.

**2. PLAN ON LIVING A LONG TIME, AND SAVING MORE FOR IT**

- People aged 65 years in the UK in 2020 can expect to live on average a further 19.7 years for males and 22.0 years for females, projected to rise to 21.9 years for males and 24.1 years for females aged 65 years in 2045<sup>(1)</sup>.
- Investors should start early, invest with discipline and have a plan for their future.

**3. CASH IS RARELY KING, AND INFLATION EATS AWAY AT YOUR PURCHASING POWER**

- Cash is a popular asset class, but it's important to remember that it is not always king - inflation can erode the purchasing power of your cash, making it a less attractive option in the long run.



- When inflation is taken into account, cash typically lags behind other asset classes such as stocks and bonds, which can mean that over time, cash will generally be worth less in terms of purchasing power.

#### 4. START EARLY AND RE-INVEST INCOME - COMPOUNDING WORKS MIRACLES

- Compounding is often called the eighth wonder of the world - by starting to invest early and reinvesting your income, you can take advantage of compounding to build your wealth over time.
- The power of compounding is so great that delaying investing by even just a few years, or choosing not to reinvest income, can make an enormous difference to your eventual returns.

#### 5. RETURNS AND RISKS GENERALLY GO HAND IN HAND, SO BE REALISTIC ABOUT YOUR OBJECTIVES AND WHAT YOU CAN ACHIEVE

- Of course, you always want to aim for the highest possible return while taking on the least amount of risk. But in reality, there is usually a trade-off involved - the higher the potential return, the higher the risk. And vice versa.
- Therefore, if you want to target a higher level of return, you have to be willing, and able, to tolerate larger swings in the value of your investments along the way.

#### 6. VOLATILITY IS NORMAL, SO KEEP YOUR HEAD WHEN ALL ABOUT YOU ARE LOSING THEIRS

- Volatility is a normal part of the market, so don't let it rattle you - keep your head when all about you

are losing theirs, and remember that the best time to invest is often when others are panicking.

- So don't panic when the markets are down. Instead, stay calm and focused on your long-term goals.

#### 7. TIMING THE MARKET IS DIFFICULT, STAYING INVESTED MATTERS

- It's no secret that timing the stock market is difficult. In fact, it's often said that trying to time the market is a fool's errand. By staying invested you ensure that you're participating in the long-term growth of the market, which helps to mitigate the effects of volatility.
- Staying invested in the market allows you to take advantage of opportunities as they arise. By staying invested, you'll be in a position to buy when prices are low and sell when prices are high.

#### 8. DIVERSIFICATION WORKS: DON'T PUT ALL YOUR EGGS IN ONE BASKET

- By spreading your money across different investments, you can minimise your risk and maximise your chances of success.
- Over time, different investments will tend to even out, so the aim is to grow your money even if some investments underperform due to market movements.

#### 9. REVIEW YOUR PORTFOLIO

- Reviewing your investment portfolio allows you to monitor your progress and ensure that your investments are performing as expected, giving you the opportunity to make changes to your portfolio if necessary.
- It helps you stay disciplined and focused on your long-term goals.

#### 10. IF IT SEEMS TOO GOOD TO BE TRUE, IT USUALLY WILL BE

- Promises of high returns with little or no risk are almost always too good to be true - there are a lot of scams out there, and many people looking to take advantage of unsuspecting investors.
- Before investing, consult with a financial professional to help you understand the risks involved.

#### WHAT ARE YOUR LONG-TERM WEALTH PRIORITIES?

Whatever your long-term wealth priorities, our first investment will always be in understanding your priorities and building a personal relationship with you. To discuss your plans or for further information, please contact us.



#### Source data:

[1] The Office for National Statistics (ONS) - Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070

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.

/// MILLIONS OF SAVERS (64%, THE EQUIVALENT OF 10.3 MILLION) HAVE TAKEN NO ACTION ON THEIR SAVINGS, DESPITE CASH EARNING NEXT TO NOTHING IN INTEREST AND INFLATION RISING STEEPLY.



# COST OF 'SAVER INACTION'

MILLIONS OF SAVERS THINK INFLATION WILL LEAVE THEM BETTER OFF

**Despite inflation reaching its highest rate for many decades,** some people in the UK are not aware of its impact on their finances. More than half of all cash savers (52%) don't know what impact inflation will have on the real value of their cash savings over time.

**O**ne in ten (13%) incorrectly believe inflation will leave them better off and 13% think the real value of their savings would stay the same, according to new research<sup>[1]</sup>.

## IMPACT INFLATION COULD HAVE ON CASH

More than a quarter (26%) say they don't know what impact inflation could have on their cash

Millions of savers (64%, the equivalent of 10.3 million) have taken no action on their savings, despite cash earning next to nothing in interest and inflation rising steeply.

In fact, half of all savers (54%) currently keep their money in cash over the long term.

## OPTIONS TO MAKE MONEY WORK HARDER

The total cost of 'saver inaction' in such an environment could amount to £18 billion if this trend continues over the next five years<sup>[2]</sup>. Savers currently have £136 billion sitting in Cash Individual Savings Accounts (ISAs) with, on average, interest rates equating to 0.26% per year<sup>[3]</sup>.

Many savers don't realise inflation is eating away at millions of pounds sitting in low-interest paying accounts. Whilst it is essential to keep some cash in the bank for an emergency fund, savers might want to consider other options to make their money work harder.

## 3 WAYS OF PROTECTING YOUR SAVINGS FROM INFLATION

### TIP 1: WORK OUT HOW MUCH TO PUT ASIDE AS AN EASY-ACCESS EMERGENCY FUND

As a rule of thumb, aim to cover your essential expenses for between three to six months, or what you can afford. For example, bills like

energy, your mortgage, rent, travel and food costs, so should the unexpected happen, you'll be prepared. And you'll know exactly how much money you need to keep in cash (which can be impacted by inflation), so you can start saving any extra income in more inflation-proof ways.

### TIP 2: GET THE BEST INTEREST RATE YOU CAN ON YOUR SAVINGS

Make sure that any cash savings you have are receiving the highest interest rate possible. These days you can switch savings accounts and ISAs relatively easily. But if you do find a higher rate, remember that they can quickly go down. For example, it's common for Cash ISAs to offer high rates for the first year. Those rates can then drop dramatically after the first year. So always set a reminder to keep an eye on any new savings rates you find.

### TIP 3: THINK ABOUT INVESTING YOUR MONEY OR TOPPING UP YOUR PENSION TO BEAT INFLATION

It's important to be aware of the long-term impact on pension contributions, alongside the compounding effects of investing. Consider topping up your pension, or investing in a Stocks & Shares ISA. It's understandable you may feel unsure about the future at this moment in time, but the key thing to remember is that investing is for the long term.

With time on your side, you can balance out the ups and downs of market volatility and economic uncertainty. And once you have an emergency fund in place, investing your money is one of the best ways to beat inflation. By investing your money, you can grow your wealth while preserving the value of your money. ■

## TRULY UNDERSTANDING YOUR VISION



Financial planning is a journey that spans your entire lifetime and it centres around where you are now, where you want to be and your values. Your financial plan is the roadmap that gets you there, and it can only be created once we truly understand your vision. For more information about how we can help you, please contact us.

### Source data:

[1] Opinium survey of 2,001 UK adults in the UK conducted between 4-8 February. The 10.3 million savers refers specifically to Cash ISA savers.

[2] This is based on 10,303,247 Cash ISA savers with median savings of £7,231 stalling their investment decision. The total savings amount is projected over five years at a Cash ISA rate of 0.26%, allowing for a 6%, 7% and 8% rate of inflation per annum. This results in an erosion of value of £18 billion, £21 billion and £23 billion over a five-year period.

[3] As at January 2022, average interest rate for instant access Cash ISAs: <https://www.which.co.uk/news/2022/01/a-month-on-from-the-base-rate-rise-have-savings-rates-improved/>

INVESTORS DO NOT PAY ANY PERSONAL TAX ON INCOME OR GAINS.

TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

STOCKS AND SHARES ISAS INVEST IN CORPORATE BONDS; STOCKS AND SHARES AND OTHER ASSETS THAT FLUCTUATE IN VALUE.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

# INFLATION EATING YOUR SAVINGS?

## HOW TO BENEFIT FROM TAX RELIEFS IN THE CURRENT FINANCIAL YEAR

### As your income increases, the complexity of your finances may too.

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

**H**owever, the type of investment and tax-efficiency you should be looking for depends firstly on whether your priority is to save a lump sum for the future or to draw an income today.

There are a number of allowances and reliefs available to UK taxpayers on their savings and investments. It is important to make use of these, as they can help to reduce your overall tax bill.

#### MAXIMISE YOUR ISA ALLOWANCE

If you're looking to save money on your taxes, if you're a UK resident one way to do so is by contributing to an Individual Savings Account (ISA). With an ISA, you can shelter up to £20,000 of your income from taxation in the 2022/23 tax year.

#### STOCKS & SHARES ISA

If you're looking to maximise your ISA allowance in this current tax year, you could consider opening a Stocks & Shares ISA. With a Stocks & Shares ISA, you can invest in a wide range of assets, including shares, corporate and government bonds, unit trusts, investment trusts, exchange-traded funds, individual stocks and shares and OEICs (Open Ended Investment Companies). Not only will your investment grow tax-efficiently, you'll also benefit from the potential for capital gains.

#### CASH ISA

Another option is to open a Cash ISA. With a Cash ISA, you can earn interest on your savings without having to pay any tax on the interest earned. This makes it an ideal way to boost your savings while minimising your tax liability. A Cash ISA is available to anyone aged 16 or over, while an ISA invested in any combination of cash and shares is available to those over the age of 18.

#### LIFETIME ISA (LISA)

If you're looking to save for retirement or to buy your first home, you may also want to consider opening a Lifetime ISA (LISA), which is available for people aged between 18 and 40. With a Lifetime ISA, you can save up to £4,000 in the current tax year, which counts towards your annual ISA allowance. The government will add a 25% bonus to savings held in a LISA, up to a maximum of £1,000 per year, and this does not count towards your ISA allowance.

You need to bear in mind that the money you put into a LISA each year forms part of your overall £20,000 ISA allowance – so if you put £4,000 in a LISA during the tax year, you'll be able to put £16,000 into other ISAs.

#### JUNIOR ISA (JISA)

Finally, if you have children, you may want to consider opening a Junior ISA (JISA) for them. The Junior ISA is available to UK residents aged under the age of 18 who do not have a child trust fund account (a child trust fund can be transferred into a Junior ISA to enable future subscriptions to be made to the Junior ISA – or the child trust fund can be kept and up to £9,000pa can be paid into it instead of the Junior ISA). Under-18s, or their parents, can put up to £9,000 in a Junior ISA each tax year. The money saved in a Junior ISA will grow tax-efficiently and can be used for a wide range of purposes, including education and training costs.

If unused, your ISA allowance cannot be carried from one tax year to the next.

#### CONSIDER PUTTING MORE INTO A PENSION

Under the current rules for tax year 2022/23, the maximum gross contributions that are eligible for tax relief each tax year are the lower of your gross earned income and £40,000. That includes employer and employee combined contributions and if this Annual Allowance is exceeded, a tax charge applies on the excess unless it can be covered by using carry forward. Very high earners may have a lower Annual Allowance.

Increasing your pension contributions is a very effective way of saving for retirement. By putting more into your pension, you will be able to build up a larger pot of money which can provide you with a comfortable retirement income.

#### MAKING THE MOST OF RETIREMENT PROSPECTS

It is also worth considering increasing your pension contributions if you have recently had a pay rise or come into some extra money. By doing this, you will ensure that you are making the most of your finances and making the most of your retirement prospects. You can also carry forward unused annual allowances from the previous three tax years, subject to certain rules,

providing further scope for making contributions.

If you earn over £100,000, making pension contributions can be highly advantageous. Your personal allowance is reduced by £1 for every £2 of income above £100,000; this means your allowance is zero if your income is £125,140 or above. However, if you make a pension contribution this comes off your income figure for this purpose and so if the gross contribution is enough to reduce your total income below £125,140, you are able to offset or remove the reduction in your personal allowance. ■

#### COULD YOU SAVE A SIGNIFICANT AMOUNT OF MONEY IN TAXES?

Making use of these allowances and reliefs could save you a significant amount of money in taxes every year. Speak to us to see how you can make the most of them – to find out more, please contact us.



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THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

INVESTORS DO NOT PAY ANY PERSONAL TAX ON INCOME OR GAINS. TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

STOCKS AND SHARES ISAS INVEST IN CORPORATE BONDS; STOCKS AND SHARES AND OTHER ASSETS THAT FLUCTUATE IN VALUE.



# TIPS FOR A HEALTHY PENSION AS YOU APPROACH RETIREMENT

WHAT REALLY IMPORTANT RETIREMENT QUESTIONS SHOULD YOU BE ASKING?

**As you approach the last five years before your retirement, there will be a lot of things to consider.** You'll need to think about your finances, your health, your housing situation and your plans for the future to live comfortably in retirement.

**T**here will be lots of questions to ask: How much money will I need to have saved? What will my income sources be in retirement? What kind of lifestyle do I want in retirement? What will my health care needs be in retirement? What are my long-term care needs in retirement? What are my estate planning needs in retirement? What are my tax considerations in retirement?

There are also a number of things to review in order to ensure you have a comfortable and enjoyable retirement.

**THINGS YOU MIGHT WANT TO CONSIDER AS YOUR RETIREMENT APPROACHES. HERE ARE JUST A FEW:**

#### **TRACK DOWN YOUR PENSIONS**

There are a number of ways you can track down a pension in the UK. But the most straightforward is to use the government's Pension Tracing Service to help you find lost pensions - visit: <https://www.gov.uk/find-pension-contact-details>

The most important thing is to keep good records and to know where your pension money is invested. If you have moved jobs or changed address, update

your records with your current contact details. This will help ensure that you receive any correspondence relating to your pension.

#### **WHEN CAN YOU ACCESS YOUR PENSION/S?**

The earliest you can currently access your UK pension is age 55 (this will be changing to age 57 in 2028 unless your pension plan has a protected lower pension age). However, this does not mean you automatically receive your pension at this age - it simply means that you can start to take benefits if you wish. The exact amount and how often you receive your pension payments will depend on the rules of the specific scheme you're in.

For workplace and personal pensions, there's no set retirement age, so it's down to the rules of the individual scheme. Some schemes may require you to retire at a certain age, while others may give you the flexibility to carry on working for as long as you want. The decision of when to take your pension is a personal one, and will depend on your individual circumstances.

#### **WHAT'S YOUR PENSION'S VALUE?**

There are many benefits to checking your UK pension's value regularly as you approach



retirement. By doing so, you can ensure that your pension remains on track to providing you with the income you will eventually want in retirement.

By keeping track of your pension's value, you can be sure that you are making the most of your investment and are keeping an eye on any changes in the value of your retirement fund. This is important because it will help you identify what adjustments, if any, need to be made to your retirement plans.

#### GET A STATE PENSION FORECAST

A State Pension forecast gives you an estimate of the amount of money you will receive from the government once you reach retirement age. You can obtain your forecast online through the government's website, visit: <https://www.gov.uk/check-state-pension>. When requesting your forecast, you will need to provide personal information, such as your date of birth and National Insurance number.

Once you have received your forecast, it is important to keep in mind that the amount stated is only an estimate. The actual amount you receive may be higher or lower than what is indicated on your forecast, depending on a number of factors.

#### FIND OUT THE VALUE OF YOUR OTHER INVESTMENTS

You need to obtain an accurate estimate of the value of your other investments when planning for retirement. These will play a role in how much money you'll need to withdraw from your retirement accounts each year. If you have a large investment portfolio, you may be able to withdraw less each year, which could help stretch your retirement savings further.

The value of your other investments is likely to impact on how much income you'll need to generate from them in order to meet your retirement expenses. If you have a more modest portfolio, you may need to withdraw more each year in order to cover your costs. Knowing the value will enable you to determine whether you're on track to reaching

your retirement goals. If your portfolio is worth less than you had hoped, you may need to make adjustments to your savings and investment strategy in order to realign your retirement plans.

#### HOW WILL YOU ACCESS YOUR PENSION?

If you have a UK Defined Contribution pension, you may be able to take some or all of your pension benefits as a lump sum from age 55 (age 57 in 2028 unless your plan has a protected lower pension age). This is known as 'crystallising' your pension. You can take up to one-quarter of your pension pot as a tax-free lump sum. The remaining balance can be used to provide an income for life or to draw on flexibly as required.

However, there are some things you should bear in mind before taking this step. Taking all of your pension benefits as a lump sum will mean that you will have less money to live on in retirement. This is because the lump sum above the 25% tax-free amount will be subject to Income Tax. Taking your pension fund as a lump sum does not affect your State Pension, but it can affect certain means-tested state benefits.

#### MAKE A RETIREMENT BUDGET

It's no secret that retirement can be expensive, especially with the effects of rising inflation. In addition to the obvious costs, like housing and healthcare, there are a myriad of other expenses that can quickly add up. From travel and leisure to groceries and utilities, retirees have plenty of bills to pay. That's why it's so important to create a retirement budget. By understanding where your money is going, you can identify potential areas of improvement.

A retirement budget doesn't have to be complicated. But it should include all of your expected sources of income, as well as all of your anticipated expenses. Once you have a clear picture of your cash flow, you can start making adjustments to ensure you can look forward to enjoying your retirement years. ■

**/// IT'S NO SECRET THAT RETIREMENT CAN BE EXPENSIVE, ESPECIALLY WITH THE EFFECTS OF RISING INFLATION. IN ADDITION TO THE OBVIOUS COSTS, LIKE HOUSING AND HEALTHCARE, THERE ARE A MYRIAD OF OTHER EXPENSES THAT CAN QUICKLY ADD UP.**

#### READY TO DISCUSS YOUR RETIREMENT PLANS?

Before making any decisions about your retirement plans, it's important to seek professional financial advice. This will help you understand all of your options and make the best decision for your individual circumstances. For more information or to discuss your requirements, please contact us.

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# SIGNS YOU'RE REALLY READY TO RETIRE

NO ONE-SIZE-FITS-ALL ANSWER TO THIS QUESTION

**When is the right time to retire? There's no one-size-fits-all answer to this question** - it depends on your personal circumstances. However, there are a few things to consider that may help you decide when the right time for you is.



**F**or example, think about your financial situation. Do you have enough saved up to support yourself in retirement? If not, you may need to work longer to ensure a comfortable retirement.

Your health is another important factor to consider. If you're in good health, you may be able to enjoy a longer retirement. However, if you have health problems, you may want to retire sooner so that you can enjoy your retirement while you're still healthy enough to do so.

You should also consider your personal preferences. Do you enjoy your job? If not, you may be ready to retire sooner. On the other hand, if you love your job, you may want to keep working even after you reach retirement age.

There's no wrong answer when it comes to deciding when to retire. It's a personal decision that depends on your unique circumstances. However, considering factors like your financial situation, health and personal preferences can help you decide when the right time for you is.

### **WHAT IMPACT COULD INFLATION HAVE ON YOUR RETIREMENT PLANS?**

When it comes to retirement planning, inflation is one of the most important factors to consider. After all, if prices are rising faster than your investment returns, you could end up struggling to make ends meet in retirement. If you have a fixed income in retirement, rising prices can quickly start to eat into your savings. This is because your income won't keep pace with inflation, meaning you'll have less purchasing power over time.

Inflation can also cause your living expenses to go up, and this can lead to a reduction in your standard of living. Clearly, too, high inflation can make it harder to save enough for retirement because you'll need to invest more money to keep up with rising prices and it can impact on your future retirement lifestyle.

### **WHAT IS YOUR RETIREMENT TIMELINE?**

Your retirement timeline is the amount of time from now until you retire. This can be different for everyone, depending on when you plan to retire and how much money you have invested. If you are close to retirement, it is important to start thinking about your timeline so that you can make the most of your time and money. There are a few things to consider when creating your retirement timeline, such as: When do you want to retire? How much

money do you need to save? What kind of lifestyle do you want in retirement?

Answering these questions will help you create a retirement timeline that works for you. It is important to remember that retirement planning is an ongoing process, so you may need to adjust your timeline as you get closer to retirement. If you are still early in your career, you may not have given much thought to your retirement timeline. However, it is never too early to start planning for the future. By creating a retirement timeline now, you can ensure that you are on track to meet your goals.

### **COULD RETIREMENT CASH FLOW MODELLING HELP YOU?**

You may be wondering if you have enough money to last through your retirement years. One way to find out is to create a retirement cash flow model. A retirement cash flow model shows how much income you can expect to receive from various sources, such as state benefits, pensions and investments. It also takes into account your estimated expenses, such as healthcare and housing costs. Creating a cash flow model will help you understand whether your current retirement savings are on track to meet your needs.

It can also give you a better idea of how much you may need to invest in order to maintain your desired lifestyle in retirement. You can use it to test different scenarios and make adjustments to your retirement plans as needed. This will give you a clearer picture of your financial future and help you make more informed decisions about your retirement plans.

### **ARE YOU SITTING ON TOO MUCH CASH SAVINGS?**

You may have heard that cash is king but when it comes to retirement planning is this really true? If you're sitting on too much cash for your retirement planning purposes, it could be impacted by the effects of rising inflation. While inflation can be mild in some years, over time it can have a significant impact on the purchasing power of your money as we've seen over recent months. As such, it's important to consider how inflation may impact on your retirement plans and make adjustments accordingly.

One way to help offset the effects of inflation is to invest in assets that have the potential to appreciate in value over time and grow along with the cost of living. By investing

in a diversified portfolio and including assets that can keep pace with inflation, you can help ensure that your retirement savings will last as long as you need them.

### **WHAT IS YOUR ATTITUDE TO INVESTMENT RISK?**

When it comes to investing, there is always some element of risk involved, so it's important to understand your own attitude towards risk before making any investment decisions. Some people are more comfortable with higher levels of risk, knowing they could potentially make higher returns. Others prefer to remain more cautious, even if that means sacrificing some potential upside.

There is no right or wrong answer when it comes to investment risk. It's all about understanding your own tolerance for risk and making investment decisions accordingly. Once you have a better understanding of your own risk profile, you'll be in a better position to make informed investment decisions with a view to ensuring that the income derived from that portfolio can at least keep pace with inflation. ■

### **LET US KEEP YOUR RETIREMENT GOALS ON TRACK**

When it comes to your retirement, inflation is one of the biggest factors you have to consider. There is no 'one solution' but forward planning with expert professional financial advice can ensure you make the most of your hard-earned money. To find out more or to discuss your situation, please contact us.

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# HOW TO REDUCE INHERITANCE TAX BY LEAVING A GIFT

PLANNING FOR YOUR WEALTH PRESERVATION  
AND THE EVENTUAL TRANSFER OF THAT WEALTH



### /// THERE ARE SOME GIFTS THAT ARE EXEMPT FROM INHERITANCE TAX, SUCH AS GIFTS TO YOUR SPOUSE OR REGISTERED CIVIL PARTNER, OR GIFTS TO CHARITIES.

**When you've worked hard and invested carefully to build your wealth,** you want to look after it. That's why it's important to plan for your wealth preservation and the eventual transfer of that wealth.

If you're considering making a gift to someone, there are a few things you need to know about Inheritance Tax. Gifts can be a great way to reduce the amount of Inheritance Tax that your family will have to pay when you die, but there are some rules that you need to follow.

#### MAKE USE OF THE ANNUAL EXEMPTION

Inheritance Tax is a tax that is levied on the estate of a person who has died. The estate is the value of all the property and assets that the person owned at the time of their death (with some exceptions for certain business assets and pension funds). Inheritance Tax is charged at 40% (tax year 2022/23 – a UK tax year runs from 6 April to the following 5 April) on anything above the Inheritance Tax threshold, which is currently £325,000.

There are some gifts that are exempt from Inheritance Tax, such as gifts to your spouse or registered civil partner, or gifts to charities. However, you can also reduce the amount of Inheritance Tax that your family may have to pay by making use of the annual exemption and also carrying forward any unused annual exemption from the previous year.

#### AVOID PAYING INHERITANCE TAX

If you're thinking about making a gift, there are a few things you need to bear in mind. Firstly, you need to make sure that the gift is genuine and that you're not just trying to avoid paying Inheritance Tax. Secondly, you need to consider whether the person you're giving the gift to can afford to pay any Inheritance Tax that might be due on it (which would apply if the cumulative gift exceeds your nil-rate band). And finally, you need to think about what will happen to the asset after you die.

You can make exempt gifts of up to £250 as long as each gift goes to a different person and each person has had no more than £250 from you in gifts in that tax year. This will commonly include birthday and Christmas gifts.

#### MONEY OR ITEMS OF PROPERTY

A wedding gift from a parent to their child of up to £5,000, from grandparent to grandchild of up to £2,500, or up to £1,000 to someone else, is also exempt.

In addition, each tax year you have what's known as an 'annual exemption'. Under this you can give away money or items of property to the value of £3,000. This can all go to one person or be shared between several people. And if you didn't use that exemption in the previous tax year, you can use it in the current tax year and give away £6,000.

#### MAKING REGULAR PAYMENTS

Known as 'normal expenditure out of excess income', you're able to make regular payments from income you don't need to maintain your normal standard of living. For example, if you wanted to pay a loved one's rent or mortgage, or make regular payments into a savings account for your grandchild.

There isn't a limit on how much you can give away and, like the exempt gifts above, the amount you gift will leave your estate straight away. But you must be able to afford the payments after your regular living costs and without having to cut back. Plus the payments need to come from your normal monthly income.

#### WORKING OUT IF THERE'S TAX TO PAY

If you wanted, you could combine regular payments with your annual exemption in the same tax year so that one person can receive

even more. It's important to consider carefully how much you can afford – although you may not need the money now, your circumstances in the future could change.

Keeping a record of the gifts you give is essential. It helps you show which are exempt and which may have to be included as part of your estate. And in the event of your death, it will also help those responsible for the administration of your estate when it comes to claiming any allowances and working out if there's tax to pay.

#### NON-EXEMPT GIFTS

If you wish to make larger gifts that fall outside the above exemptions, those gifts won't fall out of your estate for Inheritance Tax purposes for seven years. ■

#### READY TO DISCUSS HOW TO PROTECT AND PASS ON YOUR WEALTH?

We are living in an unprecedented age of personal wealth. Many of today's baby boomer generation are far wealthier than any before, built on the back of generous pensions, secure high paid jobs and soaring property values. But for many of the next generation, future financial security and goals may be increasingly reliant on receiving a sizeable inheritance. To discuss how to protect and pass on your wealth, please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

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# WHAT DOES INFLATION MEAN FOR ME AND MY MONEY?

## HOW TO PROTECT AND GROW YOUR WEALTH OVER TIME

**Inflation is one of the most important factors that savers and investors must take into account when making decisions about their money.** Although inflation can eat away at the purchasing power of your savings, it can also create opportunities for profit if you invest in assets that are expected to increase in value faster than prices overall.

Inflation is thus a crucial factor to consider when making any decisions about your money. By understanding how it works and its potential impact on your finances, you can make more informed choices about how to protect and grow your wealth over time.

### YEARS OF VERY LOW AND STEADY INFLATION

After years of very low and steady inflation, prices are currently moving higher rapidly. In the UK, this is most obvious in the rising cost of energy, fuel and food. And because of the crisis in Ukraine, it doesn't look like inflationary pressures will ease any time soon.

Oil and gas prices are likely to remain higher for much longer as sanctions against Russia, one of the world's largest oil and gas exporters, take effect. Food prices are likely to continue to rise too because Russia and Ukraine are big grain suppliers.

### MORE OPPORTUNITY TO GROW IN VALUE

For savers, or those in retirement, it's important to manage savings to help mitigate the impact of inflation. To do this, your money needs to grow in value. Which is where investments can be so valuable as they give your money more opportunity to grow in value over the longer term than cash savings, and importantly to keep pace with, or even beat inflation.

Another way to protect your portfolio from inflation is to invest in assets that generate income. For example, bonds and dividend-paying stocks can provide you with a steady stream of income that can help offset the effects of inflation.

### TAKE ADVANTAGE OF INFLATIONARY TRENDS

Finally, you can also take advantage of inflationary trends by investing in assets that are likely to benefit from rising prices. For example, commodities like oil and gas, as we have seen over recent months, tend to do well when inflation is on the rise.

No matter what strategy you use, it's important to stay diversified and to monitor your investment portfolio closely. By doing so, you'll be better positioned to weather any potential storms that may arise due to inflation. ■

### IS YOUR MONEY WORKING AS HARD AS IT SHOULD BE?

We take a personal and proactive approach to managing your wealth. Once we've understood your requirements, including your timeframes, the amount of risk that you are comfortable with and how much loss you can bear, we'll tailor an investment portfolio to meet these objectives. To find out more, please contact us.



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/// BY CONDUCTING A THOROUGH AUDIT OF YOUR FINANCES AND GAINING A COMPREHENSIVE UNDERSTANDING OF ALL YOUR INCOMES AND OUTGOINGS, THIS WILL SHOW YOU EXACTLY WHERE YOUR CASH IS GOING AND, MOST IMPORTANTLY, HELP YOU IDENTIFY PROBLEMATIC SPENDING BEHAVIOUR.

# RECESSION-PROOF YOUR FINANCES

## 10 PRACTICAL STEPS TO ENSURE YOUR MONEY IS WORKING HARD FOR YOU

**In these uncertain times**, it's more important than ever to make sure your finances are in order. The Bank of England believes that a painful squeeze on our living standards, driven primarily by soaring energy prices, is set to intensify and will push the UK economy into recession later this year.<sup>[1]</sup>

**M**aking your finances recession-proof is all about taking practical steps to ensure your money is working hard for you. It is vital to be completely honest with yourself about your financial situation.

By conducting a thorough audit of your finances and gaining a comprehensive understanding of all your incomes and outgoings, this will show you exactly where your cash is going and, most importantly, help you identify problematic spending behaviour.

### HERE ARE 10 TIPS TO HELP YOU RECESSION-PROOF YOUR FINANCES:

- 1. Make a budget and stick to it** This will help you keep track of your spending and ensure that you're not overspending.
- 2. Save, save, save!** Try to put away as much money as you can into a savings account so that you have a cushion in case of tough times.

**3. Invest in yourself** Take the time to learn new skills or improve upon existing ones. This will make you more valuable in the job market if you need to make a job or career change.

**4. Remove any unnecessary payments** Look at your bank account and remove any pain-free direct debits. Consider if you're currently paying for things you don't really need, for example, subscriptions.

**5. Time to switch** Look at energy tariffs, home insurance, car insurance, broadband, TV package, mobile tariff - now might be a good time to switch.

**6. Stay disciplined with your debt** Make sure you're making all of your payments on time and in full. This will help you avoid costly late fees and keep your credit in good shape.

**7. Pay off high interest** Prioritise any high-interest debt, such as credit card debt, freeing up more money in your budget to cover other expenses if your income decreases.

**8. Have an emergency fund** This is a must in case you lose your job or have any unexpected

expenses. Try to save up at least between three to six months' worth of living expenses so that your expenditure is covered.

**9. Diversify your income** Don't put all your eggs in one basket. Having multiple streams of income can really help. If one income source starts to dwindle - or gets eliminated completely - this will provide other sources to fall back on.

**10. Diversify your investments** In addition to diversifying your income, it's also important to diversify your investments. Review your investment portfolio and make sure your investments are spread across different industries and even different types of asset classes. ■

### SECURE YOUR FINANCIAL FUTURE

Following these tips will help you secure your financial future and protect yourself from the effects of rising inflation and the cost of living crisis. If you would like to find out more or to discuss your situation, please contact us.

#### Source data:

[1] <https://www.bankofengland.co.uk/monetary-policy-report/2022/may-2022>

# PENSION POVERTY AFTER DIVORCE

ENSURING AN EQUAL DIVISION OF ALL THE ASSETS WITHIN THE MATRIMONIAL POT

**The breakdown of a marriage is often referred to one of the most traumatic and stressful events anyone can go through.** Divorce can also be a costly experience, often including legal fees, a new home, a new car and new childcare costs. So, it's perhaps predictable that so many need to rely on savings or credit cards for support during this time.



**/// THE UK CURRENTLY HOLDS £15.2 TRILLION POUNDS IN HOUSEHOLD WEALTH<sup>[3]</sup>. PRIVATE PENSIONS REPRESENTS THE BIGGEST SINGLE COMPONENT OF THIS WEALTH - AT AROUND 42% OF THE TOTAL (£6.4 TRILLION).**

**W**hen dealing with finances on divorce, the starting point is an equal division of all the assets within the matrimonial pot. It's critical that, as part of the separation process, couples take time to think about and discuss one of their single most valuable assets, their pension.

#### RELEVANT FACTOR IN ANY DIVORCE

It's common that one party will have significant pension provision, and the other party may have little or none. Clearly, this could be a relevant factor in any divorce.

Figures<sup>[1]</sup> show that in 2020 there were 103,592 divorces granted in England and Wales, but with a new law that came into force on 6 April 2022 making it much easier for couples to get divorced through a 'no fault' plea<sup>[2]</sup>, this figure is likely to increase in the coming years.

#### IMPACT OF DIVORCE ON FINANCES

Thinking about family finances may be the last thing couples want to do at this difficult time. However, it's important to understand the impact that divorce will have on finances, including pensions.

The UK currently holds £15.2 trillion pounds in household wealth<sup>[3]</sup>. Private pensions represent the biggest single component of this wealth - at around 42% of the total (£6.4 trillion). Agreeing a fair separation of this pension wealth at a time of divorce will be critical to the future financial wellbeing of both parties.

#### AVERAGE AGE REACHES AN ALL-TIME HIGH

As a result of divorce, as many as nearly one in five (19%) say they will be, or are, significantly worse off in retirement. The average age for getting divorced has reached an all-time high of 47 years and 5 months for men and 44 years

and 9 months for women<sup>[4]</sup>, so it's fair to assume that the levels of wealth accumulated in couples' pension pots may also be fairly high.

The research suggests that one in seven (15%) of divorced people didn't realise their pension could be impacted by getting divorced and more than a third (34%) made no claim on their former partner's pension and it was not included as an asset in the settlement when they did divorce.

#### SIGNIFICANTLY WORSE OFF IN RETIREMENT

Worryingly, almost one in twelve (8%) divorcees say they didn't have their own pension savings as they were relying on their partner to finance their retirement. As a result of divorce, as many as one in five (19%) say they will be, or are, significantly worse off in retirement. It's critical that, as part of the separation process, couples take time to think about and discuss one of their single most valuable assets, their pension.

To supplement their income following a divorce, a third of divorcees (32%) said they dipped into their savings; one in five (20%) used credit cards for everyday living expenses; a similar number (18%) borrowed from friends or family; and just over one in seven (15%) regularly sold clothing/toys/other household items just to make ends meet.

#### FUTURE RETIREMENT INCOME AT RISK

One in eight (12%) respondents admitted to having to go out to work, having not worked before their divorce, or get a second job (10%). Worryingly, one in eight (12%) also cut back, or cancelled, their pension contributions - putting their future retirement income further at risk.

There are several options available to the Family Court when dealing with pensions at divorce - pension sharing, earmarking and offsetting against other assets<sup>[5]</sup>. It can often be a

very complex issue so, as well as hiring a family lawyer, couples should consult a professional financial adviser to walk them through the pension valuation and financial process. ■

#### HOW CAN WE HELP WITH YOUR PENSION?

If you're going through a divorce, one of the many things you'll need to think about is your pension. What will happen to it? Who will get what? These are important questions to ask, because pensions can be a significant asset in a divorce settlement. If you would like to discuss your options, please contact us.

#### Source data:

*The research was conducted by Censuswide between 07/04/2022-13/04/2022, with 1,008 respondents who have been through a divorce in the UK. Respondents are referred to as divorcees or divorced people throughout.*

*[1] Divorces in England and Wales - Office for National Statistics (ons.gov.uk)*

*[2] New divorce laws will come into force from 6 April 2022 (gov.uk)*

*[3] Total wealth: Wealth in Great Britain (ons.gov.uk)*

*[4] Divorces in England and Wales - Office for National Statistics (ons.gov.uk)*

*[5] Aviva Adviser: Pension and Divorce (avivab2b.co.uk)*



# HOW MUCH WILL YOU NEED TO RETIRE?

QUARTER OF SAVERS APPROACHING  
RETIREMENT AT RISK OF NOT HAVING  
AN 'ADEQUATE PENSION'

/// WITH UK HOUSEHOLDS FEELING THE PINCH OFF THE BACK OF THE COST-OF-LIVING CRISIS, WAR IN UKRAINE AND TWO YEARS OF COVID-19 RESTRICTIONS, SAVERS HAVE REPORTED THAT THEY HAVE LONG-TERM CONCERNS AS TO THEIR FINANCIAL HEALTH WHEN THEY STOP WORKING.

**One of the biggest mistakes you can make is not saving enough for your retirement.** This can leave you struggling to make ends meet in your later years, and may even force you to rely on others for financial support. It's never too early to start saving, and the sooner you start, the better off you'll be.

**T**he question of whether or not you are saving enough for your retirement is a difficult one to answer. It depends on a number of different factors, including your age, your current income, your anticipated expenses in retirement and the amount of time you have left to save.

#### **COST-OF-LIVING CRISIS**

According to a new survey, just over a quarter of savers surveyed (26%) who have a workplace pension think that their current amount of pension saving will not be enough to get by on when it comes time to retire<sup>[1]</sup>.

With UK households feeling the pinch off the back of the cost-of-living crisis, the war in Ukraine and two years of COVID-19 restrictions, savers have reported that they have long-term concerns as to their financial health when they stop working.

#### **LOW-INCOME HOUSEHOLDS**

In the survey, those aged between 35 and 54 (29%) were most concerned that they wouldn't have enough to live off, compared to those aged over 55 (20%). Just under a third of women were concerned (31%), compared to one in five men (21%).

Furthermore, 35% of those in low-income households, whose total income is up to £14k, and 31% with an income of £14k - £28k stated their concerns. This figure drops to just one in five

(20%) for those in households with an income of over £48k.

#### **MINIMUM STANDARD OF LIVING**

One in five people surveyed (21%) who have a pension say that they save into a pension to ensure that they have a minimum standard of living in retirement - a pension that meets all their basic needs.

The findings show that a majority of people save to get either a moderate (41%) or comfortable (33%) Retirement Living Standard. However, far fewer people think their current pension saving will achieve this, with slightly over a quarter (27%) saying moderate and just 14% comfortable.

#### **REACHING YOUR FUTURE GOALS**

There are some key questions that will help give you a sense of whether you're saving enough for retirement. These include: How much have I saved so far? How much will I need to save? What is my expected rate of return? What sources of income will I have in retirement?

Keep in mind that these are just general guidelines. The best way to know if you're on track for retirement is to obtain professional financial advice to develop a personalised retirement plan and make sure you're on track to reaching your goals. ■

#### **TIME TO START THINKING ABOUT YOUR RETIREMENT?**

No matter what your situation is, it is important to start thinking about retirement saving as soon as possible. The sooner you start, the more time you will have to reach your goals. To discuss your options, please contact us.

#### **Source data:**

[1] The research was conducted on behalf of the PLSA by Yonder Data Solutions from 10/01/22 to 11/01/22 with a nationally representative sample of 2,093 adults.

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 TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

///ONE OF THE BEST WAYS TO PREPARE FOR THE ADDED EXPENSES OF HAVING A BABY IS TO CREATE A BUDGET. TRACK YOUR INCOME AND SPENDING SO YOU HAVE A CLEAR IDEA OF WHERE YOUR MONEY IS GOING EACH MONTH.



# STARTING A FAMILY

## WHAT STEPS TO TAKE TO PREPARE FINANCIALLY

**Having a baby is one of the most exciting,** life-changing events that you'll ever experience. But along with the joy and happiness that comes with starting a family, there is also the reality of the added costs.

**O**n average in 2021, the total cost of raising a child to the age of 18 now stands at £160,692 for a couple and £193,801 for a lone parent<sup>[1]</sup>. These numbers aren't small, which is why it is important to consider your financial planning options before starting a family.

The total cost of raising a child, the report highlights, is the highest it has been since calculations started in 2012. Since 2012, the total cost has risen by 13% for couples and 25% for lone parents. The rise in the last year has been particularly large – 36% for couples and 33% for lone parents.

Fortunately, there are ways to ease the financial burden and protect your new family.

### CREATE A BUDGET

One of the best ways to prepare for the added expenses of having a baby is to create a budget. Track your income and spending so you have a clear idea of where your money is going each month. Then, start setting aside money each month to cover the anticipated costs of having your baby.

If your income is likely to change after the arrival of your baby (for example, if you reduce or stop working) then it may also be a good idea to consider cutting some costs. It can be helpful to sort your expenses into essential and non-essential items so you can find ways to save.

### EMERGENCY FUND

Building an emergency fund is a savings account that you can easily access and use in case of

unforeseen circumstances. This could help you weather a financial storm that comes your way and keep you from going into debt. Aim to save at least three to six months' worth of living expenses, or what you can afford, so you have a cushion in case of an unexpected financial emergency.

Remember, this is a pool of money that should only be used during times of financial need, for example, resulting from a job loss or unexpected expenses such as major home or car repairs, illness, etc, that can cause real financial hardship.

### FAMILY PROTECTION

This is all about having a financial safety net in place so that your family can remain financially secure should the unthinkable happen. Family protection will typically include life insurance, critical illness cover and income protection.

It is also essential to make a Will that shares your wishes after death. You will need to appoint executors and trustees to administer your estate and ensure it is shared in the way you intended it to be. You can also determine who will be your child's guardian, should you die before they become adults.

### FINANCIAL FOUNDATION

All parents want to give their child the best possible start in life. As a new parent, one of your key priorities is undoubtedly ensuring that your child has everything they need to lead a happy and successful life. Part of this involves setting

aside money for their future – whether it be for their education, purchasing a first property or simply establishing a solid financial foundation. It can also teach them valuable lessons about managing their finances.

When it comes to saving and investing, the sooner you begin, the more time the money has to grow. Options may include: Bank/building society accounts, Junior Individual Savings Accounts (JISAs) and a Junior Self-Invested Personal Pension (JSIPP). No matter how you choose to save or invest for your child's future, the important thing is that you start now. ■

### TIME TO DISCUSS PREPARING FINANCIALLY FOR YOUR NEW BABY?

When it comes to making the sorts of plans we've mentioned above, the help of an expert can be invaluable. Preparing financially for your new baby doesn't have to be difficult or overwhelming. By following these simple tips, you can ease the financial burden and focus on enjoying this special time with your new bundle of joy. To discuss how we could help, please contact us for more information.

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE AND YOU COULD GET BACK LESS THAN YOU INVEST. IF YOU'RE NOT SURE ABOUT INVESTING, SEEK PROFESSIONAL ADVICE.

**Source data:**

[1] <https://cpag.org.uk/policy-and-campaigns/report/cost-child-2021>

# HOW TO IMPROVE YOUR FINANCIAL HEALTH

## GENERAL PRINCIPLES TO HELP YOU ATTAIN SPECIFIC GOALS

**The cost of living crisis is putting immense pressure on many households across the country.** In order to make ends meet, some people are cutting back on their spending and looking for ways to save money. One of the best ways to save money is to set goals.

**S**etting financial goals can help you stay on track with your spending and make sure that your money is going towards what is most important to you. When you have a goal in mind, it is easier to resist temptation and make wise choices with your money.

### ACHIEVING FINANCIAL STABILITY

Being financially stable has been identified as the top goal or dream by almost seven in ten people, according to new research<sup>[1]</sup>. Over half say setting goals makes them feel motivated to work towards them.

The findings show nine in ten of us are working towards some kind of goal or aspiration, with the majority (70%) working to achieve financial stability. This was followed by becoming a homeowner (40%) and then to be successful in their job (37%).

### POWER TO ACHIEVE GOALS

Almost three-quarters of people felt that they had the power to achieve their goals in their own hands; however, one in ten felt this was completely down to luck. Just over half of people (52%) said financial barriers were the biggest obstacle to achieving their goals, leading some to put their plans on hold.

In fact, 28% of respondents said that they had done this because they had less disposable income to put towards their plans. This was followed by having low motivation

(23%) and not wanting to take risks during uncertain times (19%).

### ORGANISED AND IN CONTROL

For some people, the act of setting the goal was inspiring in itself. Over half (51%) said they felt motivated by having the challenge. Over two-fifths (41%) said they felt organised and in control of their life while chasing a dream.

However, for others there are different emotions, such as anxiety or worry experienced by almost a third (29%) when tackling a new challenge. Thinking about what hasn't been achieved was a cause of upset for over one in ten (15%).

**If you're not sure where to start with setting financial goals, there are a few key things to keep in mind:**

**1. Be realistic** - it's important to set goals that are achievable and realistic, based on your current financial situation.

**2. Set specific targets** - rather than setting vague goals such as 'saving more money for retirement', try to be as specific as possible with your targets, for example, 'save an additional £500 monthly for my retirement'.

**3. Make a plan** - once you've identified your goals, take some time to develop a plan of action for how you're going to achieve them.

**4. Review and adjust** - as your circumstances change, it's important to review your goals and make any necessary adjustments along the way.

### ACHIEVING A GOAL OR ASPIRATION

The vast majority of us are working towards achieving a goal or aspiration, whether it's to do with our personal, financial or professional lives. Having a goal to work towards can be extremely motivating, as it gives us that boost to keep going in the face of difficulties and obstacles.

Achieving our ambitions rarely, if ever, happens overnight but don't be downhearted, as making regular small steps towards a goal really can grow into huge strides. A great first step is to seek the help of a professional financial adviser who can create the right path to financial freedom, whatever life throws at us. ■

### NEED HELP IMPROVING YOUR OVERALL FINANCIAL WELLBEING?

By taking the time to set financial goals, you can improve your overall financial wellbeing and put yourself on the path to success. To find out more, please contact us for more information.

#### Source data:

[1] The research was carried out online by Research Without Barriers - RWB, between 18 February 2022 and 22 February 2022, from a sample comprising 1,001 UK adults.

**///ALMOST THREE-QUARTERS OF PEOPLE FELT THAT THEY HAD THE POWER TO ACHIEVE THEIR GOALS IN THEIR OWN HANDS; HOWEVER, ONE IN TEN FELT THIS WAS COMPLETELY DOWN TO LUCK.**



# MIDLIFERS SET TO BE IMPACTED TWICE BY THE COST OF LIVING

## FINANCIAL PLANNING ESSENTIAL TO HELP BALANCE PRIORITIES

**As the cost of living crisis continues to rise**, midlifers are set to be impacted particularly hard. This is because many midlifers are still paying off mortgages and other debts, while also trying to support their families. This means that they often have less disposable income than younger people.

In addition, midlifers are more likely to face redundancy or early retirement, which can make it even harder to make ends meet. And, with life expectancy increasing, midlifers are also likely to need to pay for more health care and other costs in their later years.

### FINANCIAL RESPONSIBILITY COULD RISE

According to new analysis, the financial responsibility of people in midlife (40 to 60 years old) could rise significantly in 2022<sup>[1]</sup>. Midlifers who provide financial support to adult loved ones (17%) could be impacted twice by the cost of living crisis, due to increases in their own household bills and those of the adult loved ones they support.

Households are likely to see their income affected by a minimum of £1,200 this year due

to tax rises and soaring energy bills<sup>[2]</sup>, which could see midlifer households' essential bills increase by at least 10% (from £12,457 a year to £13,657<sup>[3]</sup>). This is on top of the £3,577 that midlifers already provide in financial support to their adult loved ones.

### STEEPEST LEVELS OF SUPPORT

The effect could be a particular problem for people aged 40 to 44 years old, who face the steepest levels of support. Despite the fact that their household income is at its highest point (£38,956 on average), their outgoings (£13,491) and non-mortgage debt (£19,149) combined with their financial support for loved ones (£4,195) are the highest of any other group in midlife.

People in midlife who provide financial support for their loved ones are often called

upon to help with the cost of monthly essentials, so are likely to suffer from the rising cost of living twice. As the data shows, this is particularly true for people in their early forties, who have high outgoings and tend to provide a greater degree of financial support. ■

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### IT'S GOOD TO TALK

The cost of living crisis is putting a significant strain on many household budgets, and is leaving some midlifers struggling to make ends meet. All of this means that you need to be especially careful about how you manage your finances. To discuss your situation or to find out more, please contact us.

### Source data:

[1] *Opinium survey of 4,009 UK adults aged between 40 and 60 years old in the UK was conducted between 28 December and 6 January 2021.*

[2] *Year of the Squeeze, Resolution Foundation.*

[3] *Average essential outgoings for midlifers were £12,457; an increase of £1,200 as predicted by the Resolution Foundation could see them increase by 10% to £13,657.*

