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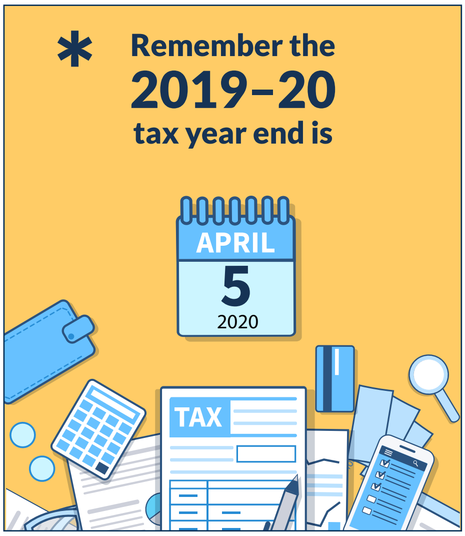
Your Window on
Money

WINTER 2020

Tone up your finances in 2020



As we face the year ahead with great anticipation, thoughts of resolutions, often centred around lifestyle improvements and healthy living, usually feature high on our to-do lists. It's all too easy to overlook the resolution to take stock and refocus on your finances. A new year is the perfect opportunity to do this.

Whilst a financial overhaul may seem a duller prospect than taking on a new challenge or hobby, taking the time to do this now could really have a positive impact on your future wealth.

Reconnect with your goals

Whatever life stage you've reached, you'll no doubt have some short and long-term financial goals you want to achieve, such as moving to a new home, saving for a child's education, travelling the globe, providing financial support to family or retirement planning. Reviewing these goals and determining the amount of money required to fulfil them is a good discipline and helps you connect to your aspirations, standing you in better stead of ultimately achieving them.

Prioritising your pension

The earlier you start saving into your pension, the more you can contribute and the longer your money has time to grow. With tax relief available on contributions (within limits), pension saving is one of the best ways to ensure you stay on track for a comfortable retirement. No matter what age you are, your pension should be regarded as an essential part of your financial plan.

Tax-efficient saving opportunities

As the tax year end approaches, you still have time to use your annual ISA allowance, giving you even more opportunity to build up your savings tax-efficiently. Don't forget about the Junior ISA too, for your children or grandchildren, which can form the basis of a great financial foundation for your loved ones.

Revisit your mortgage

If it's been a while since you took out your existing mortgage, there could be a more suitable deal for you. Usually a family's biggest monthly outgoing, considering your mortgage options is essential in being nimble with your hard-earned money. Being savvy here could potentially enable you to deflect money into your pension or savings.

Review protection policies

Life insurance and other types of protection, such as income protection or critical illness cover, should form a vital part of your financial plan. It's worth reviewing these policies as your circumstances change, to ensure you have the right type and level of cover in place.

Keep talking

When it comes to reviewing and planning your finances, it's important that you keep us in the picture if your circumstances alter. You may have moved home and have a larger mortgage, inherited a sum of money, changed jobs, divorced or extended your family. If you keep us in the loop, that will enable us to ensure that your plans are perfectly tailored to your circumstances and attitude to risk.

Make 2020 shape up to be the year you prioritise your finances, an invigorating prospect.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

INSIDE THIS ISSUE:

FAMILIES RELYING HEAVILY ON GRANDPARENTS FOR FREE CHILDCARE

For many families, childcare is a significant expense that often eats a good chunk out of their monthly income. It's no surprise then, that many parents are turning to their own parents for help. Recent research[1] shows that 85% of grandparents offer some kind of support with childcare, spending an average eight hours a week taking care of their grandchildren.

With grandparents saving families an astonishing £22 billion per year – an average of £4,027 per family, they really are worth their weight in gold!

YOU COULD LOSE THOUSANDS OF POUNDS BY NOT DOING ONE SIMPLE THING

Insurance firm Aviva has warned that pension savers could lose up to £10,000 simply by failing to update their default retirement age with their pension provider.[2]

This is due to a process called de-risking, whereby your pension provider moves your money from higher to lower risk funds as you approach retirement. Because higher risk funds will typically offer higher returns, you could lose out to the tune of thousands if the de-risking process is triggered early (e.g. because the default age on your pension scheme is set at 63 rather than 68).

[1]SunLife, 2019

[2]Aviva, 2019

The sandwiched: finding time to thrive

One consequence of an ageing population and delayed parenthood is the growing number of people who are left sacrificing their own time, wellbeing and finances in order to care for those around them. And it's very easy for this group to simply focus on surviving rather than thriving.

The 'sandwich generation'

This term was first coined in the 1980s to describe adults 'sandwiched' between a dependent child and an adult relative requiring care. And estimates[3] suggest this group now represent a sizeable chunk of the UK population, with almost four million people in the sandwich generation.

Time-poor

A fundamental problem facing the sandwiched is that the dual challenge of caring for younger and older relatives can leave them incredibly time poor. Indeed, research[3] suggests almost half of this group devote less than 35 minutes a day to themselves. In other words, putting themselves in the picture represents a genuine challenge.

Plan, plan, plan

However, while it may seem unnatural for the sandwiched to consider their own needs, it is vital they do so, particularly in relation to their finances. It's therefore imperative to secure financial stability by planning diligently, saving carefully and keeping retirement provision a top priority. Seeking sound professional advice and developing an effective financial plan is therefore arguably more important for the sandwich generation than any other group.

[3] Aviva/YouGov, March 2019

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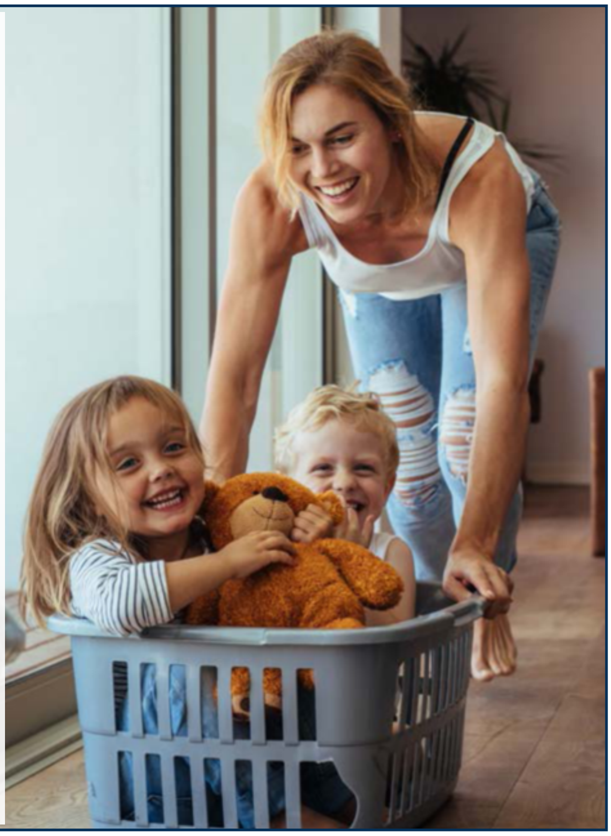
Stay protected in 2020

Don't overlook the importance of having the right plans in place to protect yourself, your family, your valuables and your home, in case an unexpected event should happen.

Insurance cover isn't just about a payout when you die. It can also give you peace of mind in knowing that you would be able to cope financially if you were ill, have an accident, lose valued possessions or suffer damage to your home.

We can help you find the right cover, so you stay protected.



ATOMIC explosion!

Acronyms **T**ake **O**ver **M**any **I**nvestment **C**oncepts

From ASOS to Zoopla, acronyms, abbreviations and made-up names are everywhere in the digital age. It may seem like a phenomenon largely confined to online marketing and, though there has been an eruption of new monikers in that arena, the process of shortening or updating ordinary corporate names, regulators' titles and investment plans has also seen some explosive phases.

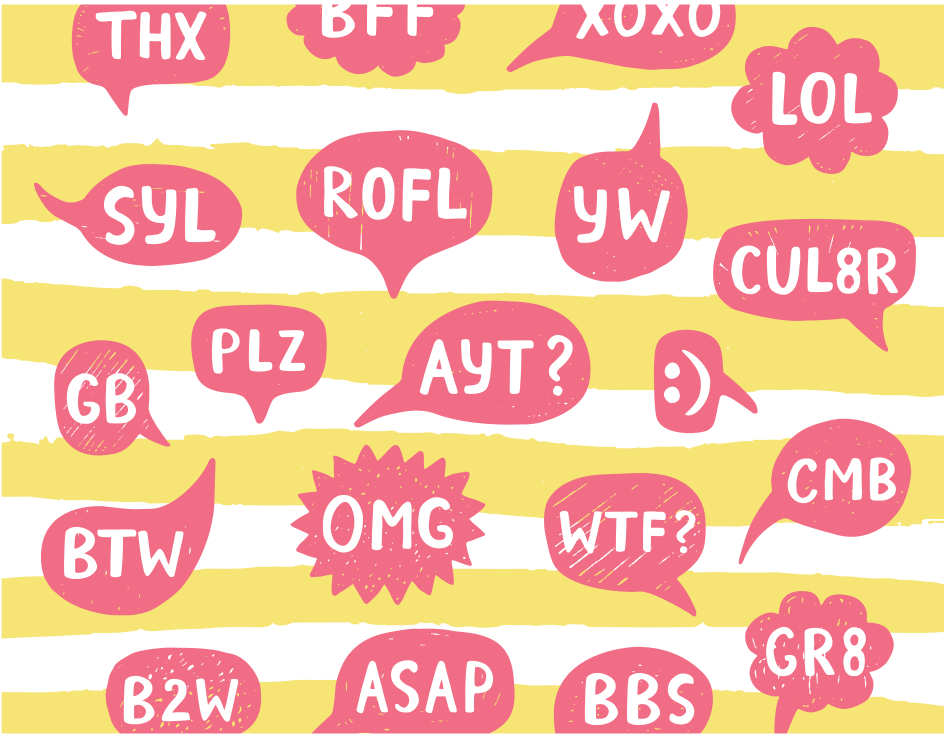
BP's journey from Anglo-Persian Oil Company Limited to BP PLC, adopted in 2000, involved five changes of name along the way. It took many years for the corporate image to catch up with the familiar filling-station branding. Through the years, many combinations of initials have been employed and almost everyone knows BA and BT, GKN and GSK, and lots more besides.

Pardon my jargon

As the regime for regulating investment business evolved, changes made to the framework brought yet more shorthand jargon. Among examples that came and went were PIA, FSA and SFA (pardon? – the Securities and Futures Authority!). In their roles today we have FCA and PRA.

The UK has also seen new financial products such as PEP, TESSA, ISA, TESSA-only ISA, VCT, SIPP, SSAS, OEIC and ICVC. In 2002, after 205 years' trading, insurer Norwich Union gave itself a made-up name, Aviva, not to be mistaken for your local transport operator Arriva or IT firm AVEVA. We can't help you with train times, but we can explain financial gobbledygook for you in plain English. TTFN.

The financial sector provides further examples, including HSBC, RBS, TSB and the merged Halifax Building Society and Bank of Scotland that became HBOS for a while.



Pension inequality starts at birth

In recent years, the gender pay gap has been a rather hot topic. However, the difference between the pensions savings of men and women – or gender pension gap – is perhaps less discussed. By the age of 50, women have accumulated an average of just £56,000 in pensions savings against £112,000 for men[4].

Girls are losing out

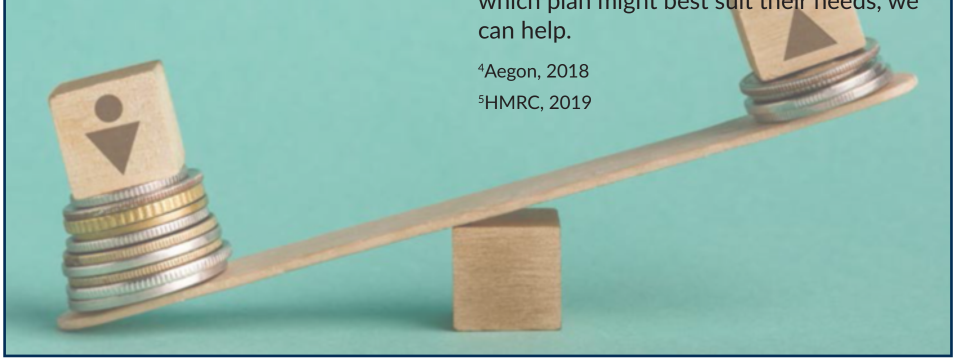
What's more, HMRC data shows that the gender pension gap begins as early as infancy. According to recent statistics, 13,000 girls had money paid into a pension on their behalf by parents or grandparents in 2016/17, compared with 20,000 boys[5].

What you can do

Starting to save for your child or grandchild (whatever their gender!) early in life can make a huge difference to their pension pot down the line. If you'd like to find out how much you can pay into a pension on behalf of your child, or explore which plan might best suit their needs, we can help.

[4]Aegon, 2018

[5]HMRC, 2019



University challenge of digs and tuition

In recent years it has become more widely accepted that university isn't the only route to satisfying and rewarding employment. Apprenticeships and vocational training are among the other paths available; and there are many instances of success in business by those who entered a workplace direct from school and worked their way to the top.

Equality of opportunity may still have some way to go but increasing numbers of able youngsters from what are classified as deprived areas of the UK are now applying for university places. Details of the extent of this trend emerged in the 2019 figures from the Universities and Colleges Admissions Service.

UCAS said: *"In England, the number of young people applying from the most deprived areas has increased 6% to 38,770. In Scotland, young applicants from the most deprived areas have grown by 3%. In Wales, applicants from the most deprived areas remained at 1,390[6]".*

As for the situation across the spectrum, it was revealed that 39.5% of 18-year-olds in England made a UCAS application, a new record. In Northern Ireland the rate was 46.9%, Scotland 32.7% (not including Scottish further education college undergraduate applications) and Wales 32.9%.

Helping out with costs

With accommodation costs and tuition fees to be met by most students (assistance may be granted in some cases UK-wide and for eligible students from Scotland), planning ahead for university costs makes sense and can be more effective if it involves parents and wider family such as grandparents.

The sooner saving for university begins the better. Investing in a Junior ISA every year (2019–20 annual limit £4,368 per child) can produce a useful sum, accessible on reaching 18. We can advise on JISAs and other savings and investment products to enable family members to help with university and life beyond, whilst also providing for their own future needs.

[6]UCAS, July 2019

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WORK FOR YOURSELF? MAKE YOUR PENSION WORK FOR YOU

Self-employment offers many benefits: being your own boss and having the flexibility to choose your working hours being but a couple of examples. But when it comes to pensions, those who work for themselves are finding they're at a disadvantage.

Research[7] has revealed that, although 74% of self-employed people think it's important to save for retirement, only 24% are currently paying into a pension. Furthermore, over half (55%) would welcome more guidance on funding their retirement, suggesting they lack the confidence and knowledge to plan for the future alone.

Excluded from auto-enrolment

One major reason why so few self-employed people are currently contributing to a pension is that they are not eligible for auto-enrolment. Over 10 million employed people have now been automatically enrolled in a workplace pension scheme by their employer, but no such option is available for the self-employed[8].

Professional advice for your peace of mind

If you are self-employed and want to begin saving for retirement, but perhaps don't know how best to go about it, then professional advice will really help to give you peace of mind and boost your confidence about the years ahead. We can support you to find the pension plan that best suits you, so that you can look forward to the future.

[7]Nest Insight, 2019

[8]The Pensions Regulator, 2019

It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. If you withdraw from an investment in the early years, you may not get back the full amount you invested. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency. Taxation depends on individual circumstances as well as tax law and HMRC practice which can change.

The information contained within this newsletter is for information only purposes and does not constitute financial advice. The purpose of this newsletter is to provide technical and general guidance and should not be interpreted as a personal recommendation or advice.

IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.