John Yuille MIFS DipFA
Independent Financial Adviser

e. john@jyfs.co.uk m. 07976 720065 f. 01506 845557 w. www.jyfs.co.uk

Your Window on
Money
SPRING 2019

Planning your pension in the new world of work

Not long ago, work meant a 9-to-5 role, probably spent with the same employer and ending abruptly when you reached retirement age. Things are very different today. People tend to move jobs more frequently and many more of us are self-employed, thanks to the rise of the gig economy. Those past State Pension age are much more likely to still be in employment, perhaps choosing to work less hours or even embark on a new career. Equally, the change in pension rules that came into effect in 2015 means that if you want to retire at 55, you can do so. Thanks also to strides in modern medicine, many can look forward to a retirement that could last a good few decades.

Taking control of your future

Whatever your stage of working life, we believe it's never been as important as it is now, to take professional advice about your pension. To enjoy a comfortable retirement, especially if you plan to retire early, you need to have saved enough to make this a reality. The tax breaks available on pension contributions (subject to the Annual and Lifetime Allowances) act as a clear incentive to save as much as you can comfortably afford.

Know your numbers

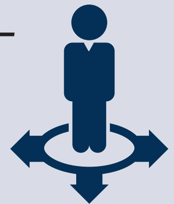
Reviewing your pension arrangements with us will help keep your plans on track, as will drawing up a budget of your likely income needs in retirement. Getting a State Pension forecast makes sense too.

Plans to match your needs

Pension plans come in various forms to suit the needs of different types of worker, from the basic State Pension to Self-Invested Personal Pensions (SIPPs), personal or private pensions, and workplace pensions schemes, to name but a few.

So, whether you're self-employed, an employee, work part-time, run your own business or have accumulated pension pots with past employers, we can offer you advice. After all, your retirement should be a time to enjoy life, not a time spent worrying about money.

Side hustles – what they are and why they work



A side hustle is any type of work undertaken in addition to a full-time job. It's often freelance or piecework in nature and provides extra income. It's not the same as a part-time job, which entails working for someone else who governs the terms of your employment and the hours you work. Side hustles often involve doing things that you're passionate about and tend to take place in the evening or at weekends. Data shows that side hustles have risen by 32% over the last decade[1].

Exploring new avenues

For those who are considering a change of career direction, a side hustle gives the opportunity to try out new ideas and ways of working. The extra cash generated is often used to bolster savings, a deposit for a home, or a cash reserve that can be used to set up a new business.

Side hustles come in all shapes and sizes, from dog walking, freelance writing, teaching or tutoring, to selling things like handicrafts or clothes. They are proving increasingly popular, particularly amongst women who might want to leave a mainstream career at some point and need a Plan B.

[1] CEBR, Nov 2018

INSIDE THIS ISSUE:

In the News // Financial mistakes even the experts can make // Scams update – new warnings issued // Worry for carers without protection policies // 'Sandwich generation' facing major challenges // Tax allowances – use them or lose them! // Financial advice for new parents // Middle classes most impacted by Inheritance Tax

DEPARTMENT FOR WORK AND PENSIONS REPORT ON AUTOMATIC ENROLMENT

This research[2] confirms that the pension message is being heard. The amount of money going into pensions through auto enrolment is up over £4bn in a year, showing that the increase in contribution rates hasn't put people off saving for their retirement.

WOMEN'S RETIREMENT AGE RISING FASTER THAN MEN'S

On average women now work until they are 64, a jump of 3.3 years since 1989, partly due to the controversial rise in women's State Pension age currently under way. Exit from the labour force for men comes at around 65. Figures from the DWP[3] show that 10.4% of individuals are working beyond age 65, double the number in 2000; since 2011, employers have not generally been allowed to force retirement at a specific age.

35 YEARS OF THE FTSE 100

Research[4] shows that £100 invested in the FTSE 100 index at its inception in 1984 would be worth more than £1,700 now (without adjusting for the effect of inflation) if dividend income had been reinvested. The same £100 left in an easy-access savings account over the same time period would be worth just £340.

[2]DWP, Dec 2018 and [3]Oct 2018

[4]Salary Finance, Nov 2018

Financial mistakes even the experts can make

We're all human, lead increasingly busy lives, and can be prone to making mistakes. When it comes to our money, it can be easy to lose track of the big picture; here are just a few financial mistakes we can all avoid.

Not keeping an eye on statements
Checking your bank and credit card statements regularly will help you budget better, get rid of expenditure you no longer need, and alert you to any signs of fraud.

Allowing your insurance policies to automatically renew
Although it can seem a chore, it makes sense to keep your insurance policies under regular review to ensure that you're paying a fair price and have the cover you need.

Letting your mortgage drift
If your fixed-rate deal is nearing its end or has already ended, then it makes sense to ask us to recommend a new one. When your deal ends, you will generally find your lender moves you to their Standard Variable Rate, which could mean you'll end up paying far more than you need to each month.

Not seeking professional advice about retirement
With many of us set to enjoy several decades in retirement, it's important to get the right advice about saving enough money during our working lives. When it's time to access our pension pots, we can all use professional help to make sure that our money lasts as long as we do.

Not thinking ahead
Putting a Power of Attorney in place and making a Will are important steps to safeguard family finances. They provide the valuable peace of mind of knowing that your wishes will be followed, and your family provided for when you are no longer able to.

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

Will writing and Powers of Attorney are not regulated by the FCA.

Putting a Power of Attorney in place and making a Will are important steps to safeguard family finances

Scams update – new warnings issued

January saw the introduction of the long-awaited ban on nuisance calls about pensions. Those who flout the cold-calling ban face a potential fine of £500,000. According to data released by the FCA[5] (compiled by Action Fraud), there was £197 million of reported losses last year.

Pension scams can have devastating outcomes, with fraudsters conning victims out of thousands of pounds worth of savings. Scammers stole an average of £29,000 per victim last year, according to data compiled by the Financial Conduct Authority. The total figure is based on frauds reported; it's thought the actual sum could be substantially higher as many people feel ashamed of being conned and don't report their loss.

What to look out for
Members of the public are still being urged to stay alert, as cold-calling is only one of the ways that scammers use to search out their victims. Pensions remain a tempting target for fraudsters and some will inevitably look to find a way round the ban or simply ignore it altogether.

Authorised push payment scams
These involve fraudsters convincing victims to move money from their bank accounts into the fraudster's account. Often the caller impersonates a bank employee and requests that you move money to another account for your own safety. The caller can be very convincing and will sound as if they are genuinely trying to help you. In many instances victims have been persuaded to divulge their pins, usernames and passwords, something that your bank would never ask you to do.

There have been appeals for government to work with the finance industry to put additional safeguards in place; in the meantime, everyone needs to redouble their efforts to protect their personal financial data.

[5]FCA, Feb 2019

'Sandwich generation' facing major challenges

Those caring for both sick, disabled or older relatives and dependant children are more likely to report symptoms of mental ill-health, feel less satisfied with life, and struggle financially compared to the general population, according to figures published by the Office for National Statistics[6].

Around 3% of the UK general population have twin caring duties; these people are more likely to experience conditions such as anxiety and depression than those who do not (22%).

[6]ONS, Jan 2019

Worry for carers without protection policies

With an ageing population and NHS resources under severe strain, it's unsurprising that over seven million people[7] in the UK find themselves actively caring for others. The assistance they provide can take many forms such as personal care, helping with shopping or taking someone to appointments.

Little protection for carers
A recent survey from a major insurer[8] shows that more than seven out of ten of those who care for family members or other people do not have any protection policies in place. This could mean that those they look after might not receive the care they need if they were to fall ill themselves.

A fifth (21%) of those surveyed do not know who would take over their caring duties if they fell ill themselves, and 20% do not know who would give them the care they might need.

Just three in ten of those who look after family or community members have life insurance (28%), while just 12% – approximately 1.2m – have critical illness cover. If you would like to know more about the benefits and costs of protection policies, do get in touch.

[7]Carers Trust

[8]Scottish Widows, April 2018

Tax allowances – use them or lose them!

As a new tax year begins, it's time to ensure that you make plans to use your tax allowances, like topping up your ISA (the tax-free allowance for 2019-20 is £20,000). Don't forget about other tax-efficient investments or to make pension contributions within the allowance rules.

If you're concerned about Inheritance Tax, you should make sure you use your annual tax-exempt gift allowance of £3,000.

For advice on these and other tax-saving strategies, do get in touch.

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.

Financial advice for new parents

Parents can often find their time entirely taken up with looking after the newest member of their family. It's a life changing experience that will have an impact on their finances too.

Planning pays

For any couple, one of the biggest adjustments is managing on one salary, so working out a budget together will ensure that they have taken care of the monthly overheads. As well as statutory maternity pay or maternity allowance, you may be entitled to other things like tax credits or child benefits, free NHS prescriptions and dental care.

Protecting what's important

Parents want to do what's best for their children, but many overlook putting insurance plans in place in case anything should happen to either of them. It may be an uncomfortable topic to discuss, but nobody would want to leave their family struggling financially. The monthly cost of a protection plan is a lot less than many people imagine, often no more than a family might spend on a round of coffee and cake on the high street.

Saving for their future

A Junior ISA is a tax-free savings scheme that enables parents to put money aside either into a cash or a stocks and shares account for their child's future. The allowance for the 2019-20 tax year has been increased to £4,368. On their 18th birthday, the child can access their savings.

Those who want to plan even further ahead can open a pension for their child, saving up to £2,880 per year tax-free. Tax relief on pension contributions at 25% means that the amount actually invested becomes £3,600. When the child reaches 18, they can continue to invest in it and access their pension at age 55.

It may be an uncomfortable topic to discuss, but nobody would want to leave their family struggling financially

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.

MIDDLE CLASSES MOST IMPACTED BY INHERITANCE TAX

In a recent consultation, more than 3,500 people gave their views on Inheritance Tax (IHT) and their verdict was that it was uniquely unpopular and complex in its operation.

In addition, the amount of paperwork involved represented an additional burden to families at a time when they were dealing with the loss of a loved one. IHT raised £5.2bn in 2017. This figure is expected to be £6.9bn in 2023-24.

Who pays the tax?

The standard Inheritance Tax rate is 40% and is only chargeable on the part of your estate above that threshold. However, after allowances, spouse and civil partner exemptions and available reliefs, the rate payable is less. For example, estates with a net value of less than £1m, will pay IHT at 5% (average percentage after allowances). Whilst estates worth between £3m - £7m pay 20% (average percentage after allowances). Estates valued at £10m or more pay 10% (average percentage after allowances), an indication that those with large estates are more likely to seek advice about making lifetime gifts and setting up trusts to lessen the impact of the tax.

The Office of Tax Simplification has been tasked by the Chancellor to make IHT simpler and more streamlined, and to review the rules on gifting, pensions and property.

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