Jigsaw Financial Planning Ltd
info@jigsaw-fp.co.uk

Your Window on

Money

AUTUMN 2019

How much do you need to retire comfortably?

People on an average salary who wish to retire at the age of 65 will now typically require a pension pot of almost £450,000 in order to fund their retirement until they are 100 years old, recent analysis has found[1].

Never too early to start saving

The research also shows that an individual who starts saving into a pension at 25 years of age will need to invest around £235 a month in order to accumulate a retirement fund of that size. However, a delay of 10 years would see this monthly figure almost double to £428, while someone who only starts saving at the age of 45 would need to set aside £859 a month to attain a pension fund of that size.

This analysis vividly demonstrates the benefit of starting to save for retirement at the earliest opportunity, ideally from the day you first start work. While other financial challenges can inevitably make this difficult, investing regular amounts in a pension throughout your working life provides the best chance of building up sufficient money to enjoy a prosperous retirement.

Better late than never

Although it's undoubtedly better to start saving for a pension early in your working life, it's never too late to begin saving for your retirement. Employer contributions, including those made through automatic enrolment, allied with the favourable tax treatment pensions enjoy and their potential for investment growth means that any contributions you make later in life can also still make a huge difference to your standard of living in retirement.

Make pension saving a priority

While it can seem a long time until retirement, it does come round a lot faster than people expect. So, the sooner you engage with the topic, the better the chance of enjoying the retirement you deserve.

[1]AJ Bell, June 2019

Gender protection gap revealed

Figures released by financial software firm IRESS highlight a substantial difference in protection sums assured across the gender divide, raising concerns that women are at far greater risk of being underinsured than their male counterparts.

Stark contrast

While the analysis[2] found no significant difference in the number of men and women arranging protection cover, it did reveal large variations in the sums assured. For instance, male sums for critical illness were typically 90% higher than equivalent female ones, while for life cover, the difference was over 50%.

Given the gender pay gap, it may be expected that men will have more protection cover than women. However, IRESS Executive General Manager, Dave Miller, admitted to being 'taken aback' by the size of the differences.

Review your cover

If you're concerned about your level of cover it might be time to review your protection needs. Cover is relatively affordable and should form an integral part of everyone's financial planning. Get in touch.

[2]IRESS, July 2019

INSIDE THIS ISSUE:

CREDIT CARD DEBT AT ALL-TIME HIGH

Bank of England statistics show the total amount of UK credit card debt now stands at a record £72.9 billion, as lower interest rates have driven a decade-long consumer borrowing binge. The data also confirms, however, that a slowdown in the growth in borrowing that has been evident for the past three years has continued, suggesting people are reining in their spending.

INTERGENERATIONAL GAINS STALL

A new report by the Resolution Foundation has found that people under 30 are spending 7% less on non-housing items than the same age group spent in 2001[3]. At the same time, over 65s' spending has risen by 37%. The report concludes that the big gains in living standards previously experienced from one generation to the next are now 'less of a given'.

RUSH TO GO CASHLESS

The rise of contactless payment continues to gather momentum with church collection plates amongst the latest to adopt new payment technology. A decline in free-to-use ATMs and ongoing bank branch closures have been key drivers of this trend amid concerns over the imminent death of cash unless action is taken to protect it.

[3]Resolution Foundation, June 2019

On your radar – key personal finance tips

Taking the time to tune in to a few key pointers can really benefit your finances, helping you plan and manage them effectively.

SAVE INTO YOUR ISA

The ISA allowance for 2019-20 is £20,000. Don't miss this opportunity to save or invest tax-efficiently. We can help you choose the right ISA for your needs.

KEEP TABS ON YOUR PENSIONS

If you've moved jobs a few times, it's likely you've paid into several pensions. It's important to know what your entitlements are; we can advise you whether you'd be better off consolidating them.

YOUR STATE PENSION AGE AND ENTITLEMENT

If you're not sure when you'll receive yours, you can check the date and get a forecast of the amount you'll receive on the government's website https://www.gov.uk/check-state-pension

YOUR HOME CONTENTS POLICY – DON'T RISK BEING UNDERINSURED

If you don't insure your possessions for the right amount and you make a claim you could find your insurance company reduce your payout. It may be time to increase your sum insured in line with the value of your contents.

YOUR MORTGAGE RATE OF INTEREST

With the monthly mortgage repayment often a family's largest outgoing, it's important to review your mortgage, as there may be a better deal to be had by remortgaging, especially if you're currently paying interest at your lender's standard variable rate.

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.

The ISA allowance for 2019–20 is £20,000. Don't miss this opportunity to save or invest tax-efficiently. We can help you choose the right ISA for your needs.

Financial lessons for the next generation

Passing money from one generation to the next can be a difficult issue for parents, particularly when it comes to ensuring children are ready to take on the responsibility of handling family wealth. However, while discussions about money can be uncomfortable, the key to instilling financial responsibility undoubtedly centres on education and communication.

Sooner rather than later

Although each individual family's dynamics and circumstances will be different, the best course of action is typically to begin the process at an early age. This involves talking about a variety of age-appropriate topics in order to initiate and simplify the financial education process.

During their school years, for example, discussions may focus on basic money management skills with reference to pocket money and introducing concepts such as 'saving'. When children are studying at university, the emphasis will shift to applying financial concepts such as budgeting and also introducing other ideas such as investment principles.

Expanding the scope

Once your children start their careers, they will require more in-depth knowledge and advice on specific issues such as investing, pensions and taxation. Other topics for discussion may include charitable-giving options, and a range of financial concepts such as mortgages, trusts and Wills.

The final phase usually takes place when your children are in their forties and involves preparing them for financial leadership. This is likely to include discussions about the wealth-transfer process and future plans relating to how family assets are to be divided.

Increasing importance

In many ways, today's youngsters face greater financial challenges than their parents or grandparents. And this increasing burden of financial responsibility inevitably heightens the need to make the transfer of family wealth as smooth and successful as possible.

What is infrastructure investment?

Investment in infrastructure has grown in popularity over the years, but what does it actually mean? Essentially, infrastructure refers to the basic systems and services that a country needs to function, and includes energy, transportation and communication networks. So, it includes the roads you drive on, the airports you fly to and from, and the mobile phone masts that enable us to receive and make calls. These infrastructure systems, which require large initial investments, are essential for enabling productivity in any modern economy.

As you would imagine, capital outlays for these infrastructure projects can be considerable, prompting financially constrained governments to turn towards the private sector to provide funding.

Infrastructure is generally regarded as a defensive asset class, which has a low correlation to other assets. Some companies and individuals like to invest in infrastructure funds for their defensive characteristics, such as funds involved in transportation or water infrastructure.

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.

Poor financial wellbeing impacting employees

Do you spend much time fretting about money? If your finances cause you sleepless nights, you're certainly not alone. With mental health and wellbeing increasingly under the spotlight, financial worries are a big contributor, including for those in steady employment.

A Financial Wellbeing Index[4], assessing the financial wellbeing of UK employees, reveals a large number of UK employees are suffering from money worries, with over three quarters (77%) of the workforce saying that money worries impact them at work. This figure was even higher for millennials at 87%.

It seems that over a third (34%) of people are not financially prepared for a loss of income or unforeseen costs. Although one of the biggest money worries was coping financially if they lost their job, only 8% of employees have purchased an income protection product.

A large part of financial wellbeing is having the confidence that you can achieve your financial goals. It was therefore surprising to find that 55% of employees do not have a financial plan and 76% don't know what tax allowances and reliefs are available to them or have some awareness but are not sure if they are taking advantage of them.

[4]Close Brothers, Mar 2019

Planning for a family

SAVE TO SUCCEED

Data[5] has revealed that 20% of 16-21-year olds believe they will "need savings to succeed in life", but 17% say they currently don't save anything. Of those who save regularly, six out of ten put their cash with a bank, while 22% save money at home.

One fifth of respondents were unable to identify what 'ISA' stands for, whilst 33% didn't know how much you can save into one. Four out of ten said they don't have an ISA; the survey suggests that a lack of knowledge and financial education is partly to blame.

The survey highlights that family members are integral to encouraging this age group to save money, as 15% of respondents said they would definitely save more if their family was better at saving.

[5]BMO, 2019

There are so many vitally important, exciting preparations to make when you are expecting a new baby. While financial planning may not be the most interesting task on the 'to do' list, it is definitely amongst the most critical and certainly should not be put off.

Take stock

Raising a child to the age of 18 can be a costly affair, especially when childcare and school fees are factored in. And parents will typically find themselves having to meet these new costs on a significantly reduced household income. Thorough financial planning before the birth is therefore imperative.

Save, save, save

It's always a good idea to open a savings account before starting a family in order to amass the funds required to cover initial expenses and to help finance the early months when most new parents take a hit to their income. Additionally, reducing outstanding debts is often a sensible strategy that can ultimately save money in the long run.

The future

As well as finding the money to meet the initial costs of a new baby, there are a number of other financial planning decisions it is advisable to consider when starting or expanding a family. For instance, welcoming a new arrival into the family may necessitate extra life protection, a new Will, a change to the named beneficiaries in a pension and even the opening of new savings or investment accounts such as Junior ISAs.

Financial review

So, if you are considering parenthood, it makes perfect sense to review your finances first in order to ensure a financially secure future for yourself and, more importantly, for your whole family.

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.

JISAs GAINING IN POPULARITY

As the emphasis on intergenerational wealth planning intensifies, the popularity of the Junior ISA shows no sign of subsiding. The JISA star continues to rise, with almost 15% more plans subscribed to in 2017/18 than the previous year. Some of this growth can be attributed to the flexibility of the JISA to fit into financial plans, where the aim is to pass wealth down the generations.

A JISA can be set up by the individual with parental responsibility for a child under the age of 18. However, a great benefit is that anyone can pay into the child's JISA, including parents, grandparents and godparents, within the child's allowance of £4,368 in the 2019-20 tax year. Like any other ISA, if the subscription is not used up in a tax year, there is no opportunity to carry forward unused subscriptions. With income and gains from savings and investments exempt from Income Tax and Capital Gains Tax, it's a win win. In normal circumstances, savings and investments held in a JISA cannot be accessed until the child reaches 18.

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