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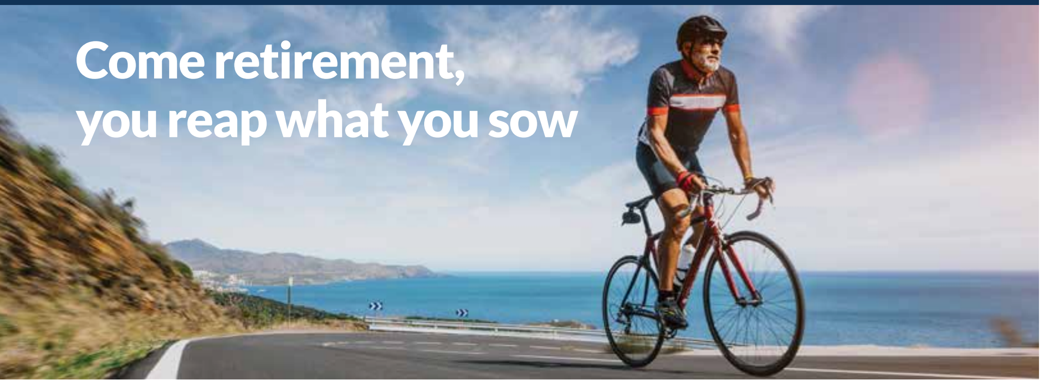
Your Window on

Money

SUMMER 2022

Come retirement, you reap what you sow



Hindsight, they say, is a wonderful thing and that is certainly true for many retirees struggling financially. Diligent planning at the earliest opportunity, however, can make all the difference between enjoying a comfortable retirement and enduring a regretful one.

Retirement regrets
Research constantly shows that people typically leave retirement planning too late and regret not saving more across their working lives. For instance, a survey[1] recently revealed one in five people expect to leave planning for their retirement until they are aged at least 60. Another study[2] found almost half of over-50s regret not saving into a pension sooner, while nearly two thirds wished they had made larger contributions at an earlier stage. These findings vividly highlight the need for more people to take control and prioritise retirement planning earlier in their working lives.

Pension blind spots
Other research[3] has revealed the cost of being kept in the dark on key pension details, with over three-quarters of people not knowing how much they pay in pension fees. Additionally, a third of pension holders are unaware of their pension's risk profile, with a similar proportion invested in low-risk funds. This lack of awareness in relation to fees and investment choices is estimated to cost an average pension holder around £120,000 over their working life.

Engagement gap
The lack of engagement has led the Association of British Insurers and Pensions and Lifetime Savings Association to launch an industry campaign to boost people's understanding of pensions. The campaign, which is due to run this autumn and winter, will aim to raise awareness of various pension-related issues so that more people can ultimately enjoy a better standard of living in retirement.

Help at hand
While current everyday financial pressures can make saving a difficult task, it is clearly imperative not to neglect your pension if you do want to avoid retirement regrets. We can help you take control to ensure you are able to enjoy the happy and fulfilling retirement you deserve.

[1]Hargreaves Lansdown, 2022, [2]Aviva, 2022, [3]interactive investor, 2022

When in (financial) doubt – talk it out!

According to a recent survey[4], 90% of households are worried about rising prices. Financial worries can cause a great deal of stress and anxiety; nearly one in five people say they have lost sleep over soaring prices in recent months[5].

Money and wealth often feel like a bit of a taboo topic for families. Research[6] found that a third of people keep financial secrets from their partner, for example, hiding savings or investments from them.

It's so good to talk
With the rising cost-of-living impacting so many people, taking the time to discuss important financial matters with other family members will help to ensure that the right financial plans are in place to potentially support other family members and safeguard family interests.

Keep focused
Openly discussing financial matters with both your family and us can help establish priorities, clarify goals and ensure that plans are put in place to support each generation according to their financial needs. Having a holistic approach to your family's wealth can stand you in good stead and provide real focus. We are increasingly being asked to be part of these conversations, not least because we offer sound practical advice in a dispassionate manner. If you'd like us to help your family, then please do get in touch.

[4]BritainThinks, 2022, [5]Shawbrook Bank, 2022, [6]Royal London, 2022

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.

INSIDE THIS ISSUE:

Don't give up your protection policy

With households facing the biggest squeeze on their incomes in many years, it's understandable that families are looking for ways to cut costs.

When looking to cut back, reviewing subscriptions and direct debits (for example, for streaming services, food subscription boxes or gym memberships) is often a good place to start, but there is one cost that you shouldn't be so quick to give up.

Protection is vital

As tempting as it is to cancel protection insurance policies, times of financial difficulty are exactly when we need protection the most.

Many policyholders aren't aware that life insurance cover can be flexible, and there are ways to reduce your cover rather than cancelling it outright.

Get in touch

If you have any questions about your protection policy, please do get in touch. We can help you organise your finances and keep your vital protection cover in place.

'Side hustling' becomes the norm

Nearly half (46%) of people are supplementing their income with a 'side hustle', according to recent research[7]. The phrase, which originated in the United States, means taking on a part-time job in addition to one's regular job in order to make more money. Of those who have a side hustle, over half (56%) first started it during the pandemic.

Returns trump ESG for two thirds of investors

Despite the growing trend towards Environmental, Social and Governance (ESG) investing, return on investment remains the ultimate priority for the majority of investors. Research[8] has revealed that 66% of investors prioritise profit over humanitarian concerns. There are significant differences between the generations, however; just 28% of Baby Boomers said ESG was a factor when choosing investments, against 56% and 57% of younger Millennials and Gen Z investors, respectively.

More Baby Boomers work past retirement age and provide financial support to family

Nearly 40% of Baby Boomers (i.e. the generation aged between 57 and 75) are set to continue working past the current State Pension age of 66[9]. On average, this group plan to work for a further 4.3 years past their 66th birthday. The same study highlighted that just under a quarter (23%) of Boomers are financially supporting their children, with this intergenerational subsidisation also cascading to a second generation; 16% of Boomers are providing financial support to their grandchildren.

[7]Airtasker, 2022, [8]Charles Schwab, 2022, [9]Dunstan Thomas, 2022

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Know your pension numbers

With so many financial priorities to juggle, it can be hard to put your pension first, especially with spiralling household costs. Starting or maintaining your pension contributions is important.

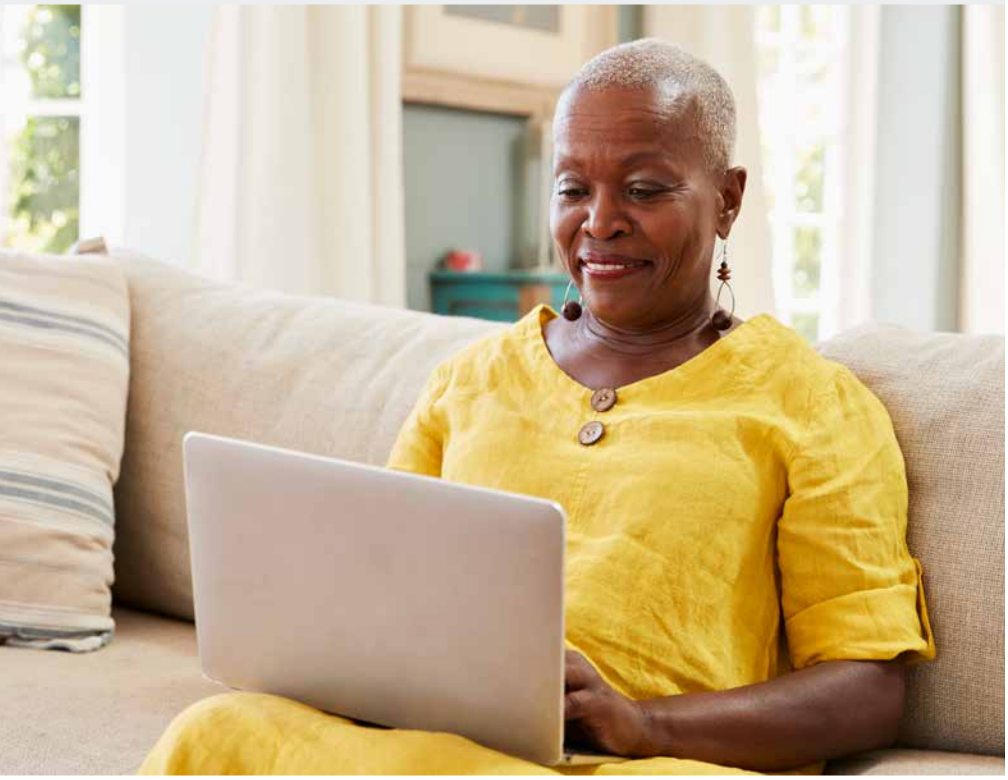
Whatever type of pension plan you have, you get tax relief at the highest rate of Income Tax you pay on all contributions you make, subject to annual and lifetime allowances. This effectively means that some of your earnings which would have gone to the government as tax are diverted to boost your pension pot instead.

Make the most of your allowances
The Annual Allowance for pensions is **£40,000**. For those with an income above **£240,000** (£200,000 threshold income plus the £40,000 you can save into a pension) the Annual Allowance begins to taper; for every £2 of adjusted income above £240,000, the Annual Allowance for that year reduces by £1. The minimum Annual Allowance is **£4,000**.

The Lifetime Allowance – the maximum amount you can have in a pension over a lifetime without incurring an extra tax charge is **£1,073,100**.

Don't forget your State Pension
From 6 April, the new single-tier State Pension increased to **£185.15** per week and the older basic State Pension rose to **£141.85** per week. You can get a projection and find out your retirement age here www.gov.uk/check-state-pension

Treating you as an individual
We offer advice and help with all aspects of pensions and retirement planning, whether you're just starting out and want help choosing the most appropriate pension products, or you're approaching the stage of life when you need to utilise your pension pot and want to know the most efficient way to access your funds.



Good to know – JISA to adult ISA transition period

Currently a Junior Individual Savings Account (JISA) can be held by a child until the day they turn 18, the annual allowance for which is currently £9,000. On their 18th birthday, the child can open an adult stocks and shares ISA, the annual subscription which is currently £20,000. All pretty straightforward.

Now, for the interesting part – at present a child can open an adult cash ISA when they turn 16, benefiting from the full £20,000 adult allowance – a child can hold an adult cash ISA alongside a JISA whilst they are under 18.

So, with current allowances, a total of £29,000 can be paid into their ISAs in one tax year. Repeatable in the tax years they turn 17 and 18, contributions totalling £87,000 can be made in under three years.

It's a wrap
For people looking to put money aside for their children or grandchildren, there are interesting tax wrapper opportunities out there. Now, that's worth considering, isn't it?

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Sandwich generation: how are you?

The sandwich generation are certainly used to challenges and putting other people's needs before their own. However, cost-of-living challenges look set to heap further pressure on this group which makes it vitally important they seek advice before taking any rash decisions which could sacrifice their financial futures.

Stiff upper lip

Research[10] suggests that, although many over-45-year-olds have found themselves facing potential financial vulnerability, they tend to keep this firmly to themselves. In total, seven out of ten respondents had personally experienced such a situation, but few said they had been willing to ask for help.

Double whammy

Other analysis[11] shows the potential for such problems is mounting. This is because people who provide support to adult loved ones will typically be hit twice by the cost-of-living crisis; not only will they find their own household bills rising but also those of the people they are supporting financially. This is particularly true for people in their early 40s who are most likely to be helping family members with the cost of monthly essentials.

Investors ponder contributions

There is also evidence that rising cost pressures are now resulting in people cutting back on their long-term savings commitments, with recent research[12] showing one in four investors halting contributions to ISAs and pensions. Depending on your circumstances, for many investors, it may be more important than ever to continue to put long-term savings in the stock market. Over the longer term, investing in equities can be regarded as an effective way to keep pace with inflation.

We can help

Although it can seem unnatural for members of the sandwich generation to consider their own needs, we are here to listen, support and provide advice when you need it. So if you do need to talk, get in touch and we'll do our best to help keep your finances firmly on track.

[10]Just Group, 2022; [11]Legal & General, 2022, [12]interactive investor, 2022

At your fingertips – IHT refresh

Inheritance Tax (IHT) receipts are increasing. With thresholds frozen at current levels – the nil-rate band is £325,000 and the main residence nil-rate band is £175,000 – now's a good time for an IHT refresh:

- **Gifts** – use your **£3,000** annual allowance before the end of each tax year. You can also make gifts of up to **£250** per person per tax year
- **Trusts** – for example putting money into a trust to pay for a grandchild's education or to support another relative
- **Make a Will** – and keep it up to date
- **Leave money to charity** – if you leave at least **10%** of your net estate to charity, the IHT rate reduces from 40% to 36%
- **Take out life assurance** – this won't reduce your estate but instead provides a lump sum to your beneficiaries to pay the IHT bill. The policy should be written under a suitable trust
- **Take advice** – sensible IHT planning can help to reduce the amount of IHT your beneficiaries will have to pay and safeguard your wealth for the future.

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. The Financial Conduct Authority (FCA) does not regulate Will writing, tax and trust advice and certain forms of estate planning.

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