GenerationWealth

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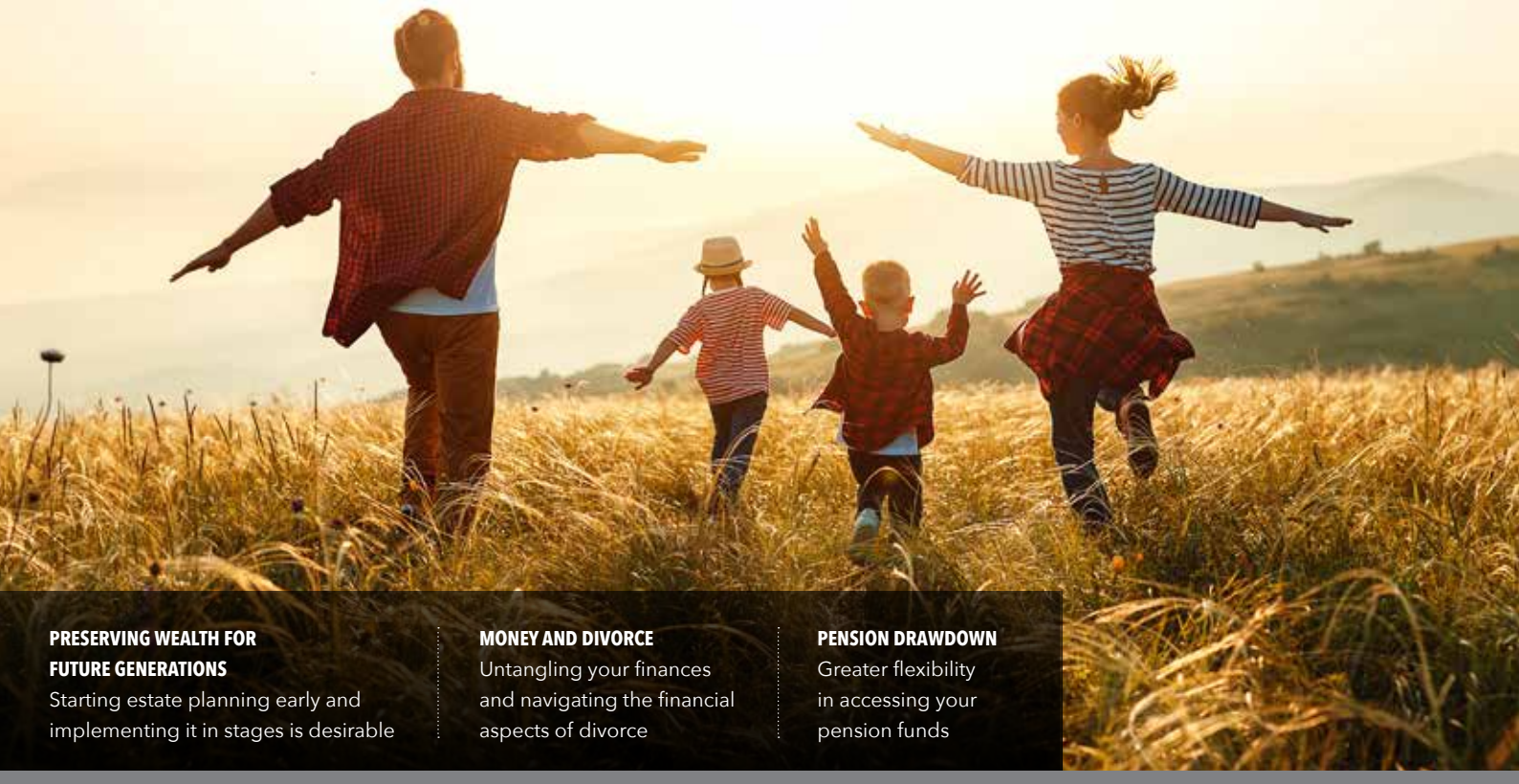
INVESTMENT BONDS

HOW BONDS' STRUCTURE AND TAX ADVANTAGES CAN HELP YOU PASS ON WEALTH



PRESERVING WEALTH FOR FUTURE GENERATIONS
Starting estate planning early and implementing it in stages is desirable

MONEY AND DIVORCE
Untangling your finances and navigating the financial aspects of divorce

PENSION DRAWDOWN
Greater flexibility in accessing your pension funds

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INSIDE **THIS ISSUE**

Welcome to our latest edition. In this issue, we look at investment bonds and explain how they offer several benefits that some investors may be missing out on, which have become even more beneficial due to recent changes in tax regulations. This follows last November's Budget and the Chancellor's decision to reduce the Capital Gains Tax (CGT) Allowance from £12,000 to £6,000 this year and to £3,000 in April 2024. This is likely to increase the appeal of investment bonds for some investors who want to minimise Inheritance Tax (IHT) liabilities when passing on wealth. Read the full article on page 08.

The UK Treasury has been receiving record-breaking Inheritance Tax (IHT) receipts. IHT receipts amounted to approximately £7.09 billion British pounds in 2022/23, compared with £6.05 billion in the previous financial year, according to Statista. On page 05, we consider why IHT can be emotionally challenging for individuals and families who have to pay it, often requiring the sale of cherished family assets to settle the tax bill. That's why starting estate planning early and implementing it in stages is essential.

Divorce is a complex process that often comes with various financial considerations and preparing for a divorce is undoubtedly challenging, especially when it involves untangling your finances. The emotional strain can make it difficult to make clear-headed decisions and the long-term consequences may not be immediately apparent. On page 13, we explain why it's crucial to carefully consider the financial aspects of divorce to ensure that you can sustain the lifestyle you desire post-separation.

Pension drawdown is a flexible way of taking income from your pension, introduced after the pension freedom rules in April 2015. Before that, the government limited how much income you could take from your pension unless you had other sources of income, and annuities were commonly used to provide a guaranteed income for life. Nowadays, you have more flexibility in accessing your pension funds, allowing you to take as much or as little as you want. Turn to page 30 to read the full article.

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

WANT TO LEARN MORE ABOUT HOW WE CAN HELP YOU MEET YOUR FINANCIAL GOALS?
Wealth planning isn't a one-time event. It involves comprehensively evaluating your current and future financial state regularly to formulate and evolve a plan to help meet your financial goals. Please get in touch with us for more information about how we can help you visualise your financial future.

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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.

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KEY TRAITS FOR SUCCESSFUL **WEALTH-BUILDING**

DEVELOPING AN INVESTMENT STRATEGY TAILORED TO YOUR GOALS

Committing to a financial plan is crucial for building wealth and achieving long-term financial goals. When you have a plan, you are more likely to stay focused on your objectives and take the necessary steps to reach them.

Planning allows you to develop an investment strategy tailored to your risk tolerance and financial goals. It helps you understand different investment options, diversify your portfolio and make informed decisions about where to allocate your funds. A comprehensive investment strategy also addresses potential risks and provides contingency measures.

BASIC PRINCIPLES TO FOLLOW FOR INVESTING AND AVOIDING COSTLY MISTAKES

Invest early: Starting early is critical to building wealth. Investing for a more extended period allows for the power of compounding, where your savings generate even more earnings over time.

Invest regularly: Consistent investing throughout the year is essential. By investing a fixed amount regularly, you can buy more when prices are low and less when prices are high, potentially reducing the average cost of your investment.

Invest enough: Saving enough today is crucial for achieving long-term financial goals. Knowing how much you need to save now can help you have a sufficient investment portfolio for your future goals.

Have a plan: It's essential to have a well-structured plan to avoid making hasty investment decisions based on short-term market movements. Maintaining perspective and long-term focus can help you stay committed to your plan.

Diversify your portfolio: Diversification is critical to managing risk and improving your chances of success. Investing in various asset classes, geographical markets and industries allows you to tap into different opportunities and potentially create a smoother investment experience.

Building wealth is a long-term endeavour. A financial plan keeps you focused on the bigger picture, reminding you of your long-term objectives even during short-term market fluctuations or economic downturns. It instils discipline and patience, key traits for successful wealth-building.

Remember, these principles provide general guidance, and it's always important to consult a financial professional before making investment decisions. ◀

LOOKING FOR HELP TO TAKE THE NEXT STEP WITH INVESTING?

Investing your money could be a good way to start if you're looking to build wealth over time. Don't know where to begin? To find out more, speak to us today.

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

PRESERVING WEALTH FOR **FUTURE GENERATIONS**

STARTING ESTATE PLANNING EARLY AND IMPLEMENTING IT IN STAGES IS DESIRABLE

The UK Treasury has been receiving record-breaking Inheritance Tax (IHT) receipts. IHT receipts amounted to approximately £7.09 billion British pounds in 2022/23, compared with £6.05 billion in the previous financial year[1].

For individuals and families who have to pay it, IHT can be emotionally challenging, often requiring the sale of cherished family assets to settle the tax bill. That's why starting estate planning early and implementing it in stages is essential. Also, having an open conversation about estate planning with family members is very beneficial but depends on family dynamics and wealth levels.

MINIMISE TAX LIABILITIES

However, families should take proactive measures to minimise the possibility of facing a substantial IHT bill. By planning ahead and seeking professional advice, individuals can ensure their assets are managed to minimise tax liabilities.

Creating a comprehensive wealth strategy involves considering various factors.

HERE ARE SOME KEY POINTS TO KEEP IN MIND

LIFETIME CASH FLOW

We can help you assess your assets and income to ensure we support your desired lifestyle throughout your lifetime. By understanding your cash flow needs, we can assist in structuring investments and creating a sustainable financial plan.

LIFETIME GIFTING

Gifting can be a valuable tool in wealth planning, allowing you to reduce a potential IHT tax burden. We can guide you on the various gifting allowances and exemptions available, such as the annual gifting allowance, wedding gifts and gifts from normal expenditure out of income.

TRUSTS

Most trusts offer flexibility and control over how your assets are distributed. They can also help reduce taxes on inheritance. This excludes Absolute Trusts, where control over assets is discretionary. Working closely with us, you can explore different trust options and understand how they can be incorporated into your wealth planning strategy.

PENSIONS

Pensions are important in wealth planning, offering tax advantages and the potential for long-term financial security. We can help you navigate the complexities of pensions, including risk assessment, accessing pension funds and maximising tax benefits.

PROTECTION COVER

Protecting your loved ones in the event of death or illness is crucial. We can advise on selecting the right protection products to provide liquidity for IHT and other associated costs.

BUSINESS RELIEF

Incorporating business relief into your wealth planning strategy can be advantageous if you own a business or have qualifying assets. We'll help you understand the eligibility criteria and how to leverage this relief effectively.

FINANCIAL CONTROL AND ESTATE PLANNING

Creating a Will ensures that your assets are distributed according to your wishes. Additionally, appointing a Lasting Power of Attorney provides someone with financial control over your assets and peace of mind if you cannot manage your affairs.

Estate planning is not a one-size-fits-all approach. Although there is no requirement to address IHT, proactive planning can minimise the tax burden on families. Seeking professional advice and taking steps early can help reduce the risk of leaving loved ones with a larger tax bill than necessary. ◀

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WANT THE PEACE OF MIND TO TAX-EFFICIENTLY PASS ON YOUR WEALTH TO LOVED ONES?

When you've worked hard to build up your wealth, you want the peace of mind to pass this on to your loved ones. There's much to consider, especially if you have a complex estate. Who should it go to? And when? Is it sensible to pass on wealth during your lifetime? To discuss how we can help, don't hesitate to contact us.

Source data:

[1] https://www.statista.com/statistics/284325/united-kingdom-hmrc-tax-receipts-inheritance-tax/

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THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.

ESTATE PLANNING IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND ON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

WILL YOU MAKE THE RIGHT DECISIONS AROUND **YOUR PENSION POT?**

WHY DEFINED CONTRIBUTION PENSIONS ARE EVEN MORE APPEALING FOR WEALTH TRANSFER

The announcement of the removal of the Lifetime Allowance (LTA) from the 2024/25 tax year in March's Spring Budget 2023 has made defined contribution pensions even more appealing for wealth transfer. This benefits individuals over 55 who intend to leave their tax-free lump sum intact with their pension to maximise their benefits.

There may be further changes to pension allowance rules. However, removing the LTA charge allows for an unlimited sum tax-free for individuals who pass away before age 75. After the age of 75, the sum will be subject to taxation at the beneficiary's marginal rate. It is important to note that although the charge has been removed, an LTA check still takes place to work out available tax free cash and the taxation of certain lump sum payments.

WITHOUT INCURRING INHERITANCE TAX (IHT)

New research reveals that almost a fifth of those aged over 55 (18%) do not plan to access their tax-free pension cash, to enable them to pass on more wealth to loved ones without incurring Inheritance Tax charges[1]. Men are more likely to do this than women, and 38% of workers also plan to leave their tax-free pension cash where it is.

Pensions usually don't count towards a person's estate for IHT purposes, and can be passed on completely tax-free if someone dies before the age of 75. With no LTA charge and an increased annual pension allowance, pensions have become attractive for those looking to mitigate IHT. However, nearly three in ten over-55s say they were unaware of this.

PENSION AS A TAX-FREE LUMP SUM

The research also found that almost half of all consumers (46%) believe that the amount that can be taken out of a pension as a tax-free lump sum should increase in line with inflation.

It is worth noting that since the LTA has been abolished, the amount that can be taken out of a pension as a tax-free lump sum has also been capped at 25% of the old LTA. This means that individuals are currently limited to withdrawing a maximum of 25% of the previous LTA as a tax-free lump sum from their pension, unless any protection is in place.

HERE ARE SOME TIPS TO HELP ENSURE YOUR LOVED ONES BENEFIT FROM YOUR PENSION:

Check if your pension offers death benefits: Not all pensions provide the same level of flexibility when it comes to death benefits. Check with your provider to see if your pension plan allows you to nominate beneficiaries who will inherit your pension savings, as beneficiary drawdown may not be an option.

Specify your beneficiaries: While making a Will can be beneficial in many ways, it usually doesn't control who inherits your pension savings. Your pension provider or trustees have the final say in where your pension savings go. Name your beneficiaries directly with your pension provider or employer to ensure your wishes are considered.

Regularly review your beneficiaries: Life circumstances change, and reviewing and updating your beneficiaries as needed is essential. Major life events like the birth of children, marriages or divorces can impact who you want to receive your pension savings. Ultimately the trustees of a scheme have discretion. So although there are no guarantees, by keeping your beneficiaries up to date, you can ensure that your desired beneficiaries are considered first when it comes to your pension savings should you pass away.

Consider the tax implications: Pensions can be a tax-efficient way to pass on your wealth since they are not typically subject to Inheritance Tax. With the removal of the lifetime allowance charge, pensions offer an even more attractive option for passing on your wealth to your loved ones. However, it's essential to consider any potential tax liabilities your beneficiaries may face when receiving your pension funds.

Remember, seeking professional advice tailored to your specific circumstances regarding financial planning and pension matters is essential. ◀

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DO YOU WANT TO DISCUSS CREATING A RETIREMENT PLAN TO GIVE YOU THE CONFIDENCE TO ENJOY LATER LIFE?

Retirement should be the golden age of your life. It's when you finally relax, enjoy new hobbies, travel or spend time with loved ones. But retirement can only be fully enjoyed if you have financial freedom. To discuss your options or to find out more, please get in touch with us.

Source data:

[1] Opinium conducted research for Standard Life among 2,000 UK adults aged 18+ between 12–16 May 2023. Results have been weighted to be nationally representative.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE 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.

BUILDING A RELIABLE INCOME STREAM FOR **YOUR GOLDEN YEARS**

MAKE SURE YOU MAXIMISE YOUR RETIREMENT INCOME THROUGH ANNUITY SHOPPING

When it comes to using your pension pot, buying an annuity is one option that provides a regular and guaranteed retirement income for either your lifetime or a fixed term. However, it's important to note that purchasing an annuity is typically an irreversible decision.

Do you know that shopping around for an annuity could earn you £15,000 more over your retirement?[1] Recent analysis has shed light on the benefits of exploring your options regarding annuities. Therefore, it becomes crucial to carefully consider your options, select the appropriate type of annuity and strive to secure the best possible deal.

VALUABLE TOOL FOR RETIREMENT PLANNING

Annuities are a valuable tool for retirement planning as they offer a reliable and predictable income stream, often lacking in other investment options. Furthermore, certain annuities can be linked to inflation rates, providing stability during periods of economic volatility. This makes annuities attractive for individuals prioritising risk aversion in their pension savings strategy.

The primary difference between annuities and pension drawdown products is that annuities require using the entire pension pot to purchase an insurance product that provides a fixed retirement income. In contrast, pension drawdown products allow flexible income withdrawals with the remaining funds invested.

BALANCE SECURITY AND FLEXIBILITY

Unlike pension drawdown arrangements, annuities do not typically pass down any remaining funds to beneficiaries after the holder's death. However, it is possible to balance security and flexibility by partially combining annuities with pension drawdown.

According to the analysis, a 66-year-old with a £100,000 pension pot can now purchase an annuity with an annual income of £6,790. This represents an increase of £842 compared to the previous year. The surge in interest rates has resulted in the highest demand for annuities in years.

IMPORTANCE OF SHOPPING AROUND

Data further emphasises the importance of shopping around. It has revealed that the difference between the best and worst annuity rates available can be substantial. For a 66-year-old with a £100,000 pension pot, rates can differ by as much as 9.1%, translating to a potential annual income difference of £622 or a staggering £14,928 over the average retirement period.

The recent focus on annuities can be attributed to rising interest rates, which have a tangible impact on the income of those who have already purchased an annuity. However, it is essential to understand that while record rates are advantageous, they should be considered part of a broader discussion. ◀

LOOKING FOR A GUARANTEED INCOME THROUGHOUT YOUR LIFETIME?

Annuities continue to be attractive for individuals seeking peace of mind and the assurance of a guaranteed income throughout their lifetime. If you are contemplating an annuity, speak to us and we'll explain how to assess all your options. As the research suggests, shopping around is crucial in securing the best possible deal for your retirement income.

Source data:

[1] Research by Legal & General Retail as of 30/6/23 based on a standard lifetime annuity with a rate of 6.79% for a single life with a £100k premium, 66 years old, with a 5-year guarantee and a level benefit paid monthly in advance. Legal & General Retail estimates that an average 66-year-old with a standard level of health will have a life expectancy of 90 years.

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INVESTMENT **BONDS**

HOW BONDS' STRUCTURE AND TAX ADVANTAGES CAN HELP YOU PASS ON WEALTH

Investment bonds offer several benefits that some investors may be missing out on, and have become even more beneficial due to recent changes in tax regulations following the Chancellor's decision to reduce the Capital Gains Tax (CGT) Allowance from £12,000 to £6,000 this year and to £3,000 in April 2024.

MINIMISE INHERITANCE TAX

These changes will likely appeal to investors who want to minimise Inheritance Tax (IHT) liabilities when passing on wealth. The IHT nil-rate threshold has remained at £325,000 since 6 April 2009, with no indications of future increases. As a result, more individuals are considering trusts to keep their money outside their estates.

Investors who have already utilised their ISA allowances and other tax-efficient wrappers, or those who have received substantial windfall payments, such as inheritances, could benefit from using investment bonds. Investment bonds primarily fall into two categories: onshore and offshore. The key difference is their tax treatment, which can significantly impact returns.

ONSHORE BONDS

Onshore bonds are subject to UK Corporation Tax. However, this tax is offset by your provider, which means you, as an investor, do not have to worry about it directly. While this may seem like an advantage, it's important to note that the tax could lower your return compared to an offshore bond.

OFFSHORE BONDS

On the other hand, offshore bonds are issued from outside the UK. The returns from these bonds roll up gross of tax in the funds, with the exception of Withholding Tax. This can potentially offer higher returns compared to onshore bonds, depending on your personal tax situation.

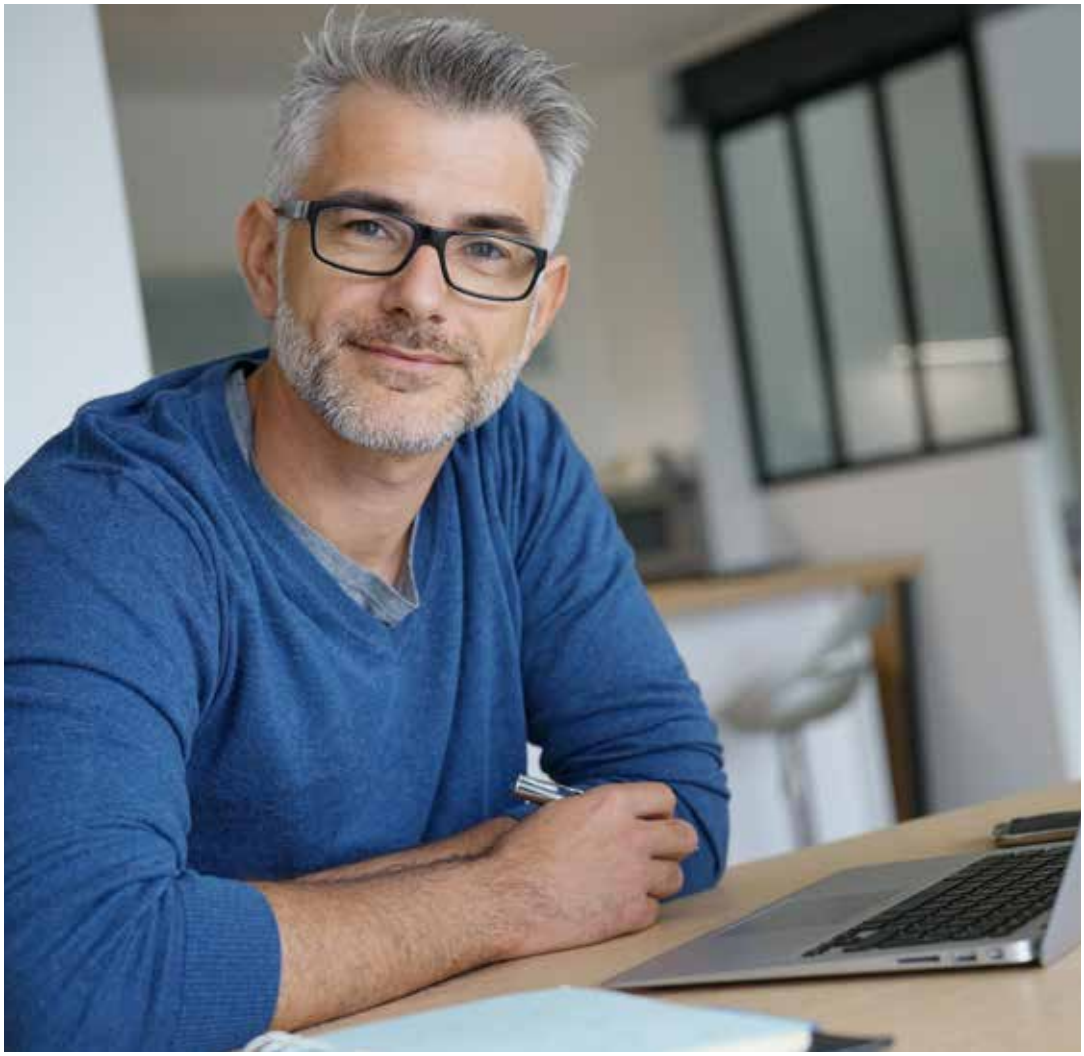
UNDERSTANDING OF THE TAX RULES

Despite these advantages, the research reveals that only a minority of investors fully understand investment bonds. However, there is potential interest among certain demographics. For example, 18% (9 million) of non-bond investors would consider investing in bonds. This interest is particularly prevalent among mass affluent consumers, those with children aged between 0 to 10, and individuals with a household income of £100,000 and above.

It is worth noting that only 10% of UK adults claim to have a clear understanding of the tax rules regarding bonds. This lack of knowledge could hinder investors from fully capitalising on the benefits offered.

NOT SUBJECT TO CAPITAL GAINS TAX

One of the key advantages of investment bonds is that they are not subject to CGT. Onshore bonds are treated as having already paid 20% tax on any gains when calculating a chargeable gain. In reality, the actual tax



> **OFFSHORE BONDS ARE ISSUED FROM OUTSIDE THE UK. THE RETURNS FROM THESE BONDS ROLL UP GROSS OF TAX IN THE FUNDS, WITH THE EXCEPTION OF WITHHOLDING TAX.**

deducted is likely to be less than this amount.

In addition, investment bonds can be beneficial for IHT planning. If held in a trust, they can be exempt from IHT after seven years. However, despite this potential advantage, only a quarter of bondholders have written their bonds in trust, which means the bonds would still be considered part of their estate for IHT purposes.

CHARGEABLE EVENT OCCURRING

Investors can withdraw up to 5% of their initial investment each year without triggering a chargeable event or incurring immediate tax liability.

Furthermore, top-slicing relief is available to reduce tax liability when a chargeable event occurs. This relief can eliminate or significantly reduce any tax liability, which can be advantageous for individuals in the accumulation phase and those preparing for retirement. For example, someone may be a higher rate taxpayer while owning the bond but can become a basic rate taxpayer when encashing it.

MAKE INFORMED INVESTMENT DECISIONS

Investment bonds also offer options for assigning them between spouses. From a tax perspective, the assignment is generally treated as if the new owner had always owned the bond. This can be particularly beneficial if one spouse is a basic rate taxpayer, as they may have no tax to pay upon encashment.

Overall, investment bonds present numerous advantages, including tax benefits, that investors should consider. However, it is crucial for individuals to fully understand these benefits and the tax rules associated with bonds in order to make informed investment decisions. ◀

WANT TO LEARN MORE ABOUT UTILISING BONDS AS PART OF YOUR INVESTMENT PLAN?

An investment bond gives you the potential for medium to long-term growth on your money, over five to ten years or more, along with fund management expertise. You also get access to a mixture of funds, which are looked after by professional investment managers. If you'd like to learn more about utilising bonds as part of your investment plan, please get in touch.

Source data:
[1] LV= research – Don't forget the benefit of bonds – published 23 May 2023

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MISSING OUT ON UNCLAIMED MONEY **THAT COULD BE IN YOUR POCKET?**

£1.3 BILLION PENSION TAX RELIEF UNCLAIMED BY PENSION SAVERS OVER A FIVE-YEAR PERIOD

According to recent research, higher rate and additional rate taxpayers in the UK leave millions of pounds of pension tax relief unclaimed yearly[1]. This amounts to a staggering total of £1.3 billion over a five-year period. This unclaimed money could be in your pocket instead.

Pension tax relief is a government incentive to encourage individuals to save for retirement. It boosts your pension contributions based on your income level, the amount which is being contributed and the type of pension scheme you have. The two main methods of receiving tax relief are relief at source and net pay.

BOOST YOUR RETIREMENT SAVINGS

Understanding how pension tax relief works is important, and seeking professional financial advice ensures you claim everything you're entitled to. Depending on your tax bracket, you may be eligible for 20%, 40% or even 45% tax relief on your pension contributions. Taking advantage of this relief can significantly boost your retirement savings.

If you are a higher rate or additional rate taxpayer, reviewing your pension contributions and ensuring you maximise your tax relief benefits is essential. Doing so can secure a more comfortable retirement and make the most of the money that should rightfully be yours. It's important to note that income rates vary in different parts of the UK, so the specific rules may differ depending on where you live.

TAX BENEFITS UPFRONT

The main reason why £1.3 billion is left unclaimed in tax relief is that higher rate and additional rate taxpayers often need to claim the additional tax relief manually. The process can vary depending on the type of pension plan or the setup of your employer's pension scheme.

If you're in a 'net pay' arrangement, you'll automatically receive tax relief because your pension payment is deducted from your salary before taxes are applied. This means you receive the tax benefits upfront.

UNCLAIMED TAX RELIEF

On the other hand, if you're in a 'relief at source' arrangement, such as a personal pension plan or some workplace pension plans, your pension payment is deducted from your salary after taxes. In this case, your pension provider will add basic rate tax relief (20%) to your payment and claim it back from the government.

However, any higher rate or additional rate relief must be claimed by you directly from the government. There is so much unclaimed tax relief because many higher and additional rate taxpayers are unaware they need to claim the extra 20% or 25% tax relief on top of the basic rate relief.

> **UNDERSTANDING HOW PENSION TAX RELIEF WORKS IS IMPORTANT, AND SEEKING PROFESSIONAL FINANCIAL ADVICE ENSURES YOU CLAIM EVERYTHING YOU'RE ENTITLED TO.**

THERE ARE SEVERAL OPTIONS TO CLAIM BACK TAX RELIEF IF YOU'RE A HIGHER OR ADDITIONAL RATE TAXPAYER. HERE'S WHAT YOU NEED TO KNOW:

Determine your pension arrangement: Firstly, finding out what kind of arrangement you're a part of is important. You don't need to take any action if you're in a net pay arrangement. However, if you're part of a relief at source arrangement, follow the steps below.

Complete a self-assessment tax return: To claim extra tax relief, you can complete a self-assessment tax return. This can be done online, and the deadline for online tax returns is typically 31 January each year. Alternatively, you can contact the government directly to claim the tax relief.

Be aware of deadlines: If you choose to submit a paper return, the deadline will be earlier, usually 31 October. It's important to keep track of these deadlines and set reminders to ensure you submit your claim on time.

Receive your tax relief: Once you have claimed the tax relief, you will either receive it as a rebate at the end of the year or through an adjustment to your tax code. The specific method of receiving the relief may depend on your individual circumstances.

Additionally, suppose you didn't use your full pension contribution allowance over the previous three tax years. You can combine this unclaimed tax relief to make a one-off, large pension contribution. To meet the criteria, you must have contributed less than £40,000 to your pension last year (including tax relief), been a member of a pension scheme for the past three years and NRE (non-relevant earnings) would need to be sufficient to cover the contribution.

You can use your unused allowance to make a larger contribution this year. The annual pension allowance until 5 April 2023 was £40,000 per year. The annual pension allowance increased to £60,000 in July this year following the Spring budget changes. ◀

WILL YOUR PLANS REMAIN ON TRACK THROUGHOUT YOUR RETIREMENT JOURNEY?

What do your retirement plans look like? We'll guide you through the various options to ensure your plans remain on track throughout your retirement journey. To find out more, contact us – we look forward to hearing from you.

Source data:

[1] Standard Life – Millions unclaimed pension tax relief – published 10/07/23.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE 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.

YOUR OWN PERSONAL CIRCUMSTANCES, INCLUDING WHERE YOU LIVE IN THE UK, WILL HAVE AN IMPACT ON THE TAX YOU PAY. LAWS AND TAX RULES MAY CHANGE IN THE FUTURE.

SAVING FOR THE **NEXT GENERATION**

TAKING PROACTIVE STEPS IN SECURING YOUR CHILD'S OR GRANDCHILD'S FINANCIAL FUTURE

Many parents and grandparents set aside money for the next generation to help with their financial needs. The rising cost of education, housing, and life in general, has created concerns about financial stability for future generations.

Increasingly, parents and grandparents want to ensure their children and grandchildren have the financial resources to navigate these challenges successfully. Additionally, a greater awareness of the importance of financial planning and wealth accumulation has prompted many individuals to take proactive steps in securing their children's financial futures.

INVESTING STRATEGICALLY

Starting early and investing strategically will enable you to provide a solid foundation for your child's or grandchild's economic wellbeing. The desire to give the next generation a head start in life and empower them to overcome any financial hurdles is a driving force behind why many parents and grandparents focus on setting aside money for children and grandchildren.

When considering the tax implications and how to arrange your affairs best, tax-efficient structures like Junior ISAs (JISAs) or bare trusts can be worth exploring.

PASSING ASSETS TO YOUNG PEOPLE

A bare trust is commonly used to pass assets to young people. In a bare trust, the assets are held in the name of the trustee (typically a parent or grandparent) until the beneficiary reaches a specific age, in this case 18.

On the other hand, a JISA has a current annual allowance of £9,000 (tax year 2023/24) and anyone can contribute to it. There is no limit to the amount that can be settled in a bare trust, while there are restrictions on JISAs, and a change of beneficiary is not allowed.

EXEMPT FROM INCOME OR CAPITAL GAINS TAX

Assets held in a JISA are exempt from Income or Capital Gains Tax, providing a significant tax advantage. However, taxes still apply to assets held in bare trusts. If the funds in a bare trust come from the parents, and the return is £100 per annum or more, the Income Tax will be applied to the parent.

If a grandparent contributes, the assets are taxed as belonging to the grandchild, usually resulting in a lower tax burden. Contributions to bare trusts and JISAs are potentially exempt transfers for Inheritance Tax purposes if the donor survives for seven years from the date of the gift.

PAYING FOR SCHOOL FEES

Regarding access to the funds, money can be withdrawn from a bare trust while the beneficiary is still a minor, as long as it is used for their benefit, such as for school fees. Conversely, funds cannot be withdrawn from a JISA until the beneficiary reaches the age of 18, but they can assume control of the account from the age of 16.

One common concern with JISAs and bare trusts is what happens when the child turns 18 and gains asset access. At this point, they have control over the funds, and there may be little that can be done if the money is misused.

SETTING ASIDE A PORTION OF SAVINGS

Trustees of bare trusts have a duty to inform the beneficiary about the trust's existence when they turn 18, and income from the trust should be reported on the beneficiary's tax return, making it difficult to ignore the trust's existence.

It's worth considering alternatives to JISAs and bare trusts, such as setting aside a portion of your savings for your children or grandchildren. More complex trust and inheritance arrangements are also available, and you should always obtain professional advice. ◀

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READY TO BUILD YOUR CHILD OR GRANDCHILD'S FINANCIAL FUTURE WITH SMART ADVICE?

Investing early for your children or grandchildren can give them a significant financial headstart. As the costs of private education, university, getting on the property ladder and weddings continue to grow, to find out more about investing for your children or grandchildren, please speak to us.

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MONEY AND DIVORCE

UNTANGLING YOUR FINANCES AND NAVIGATING THE FINANCIAL ASPECTS OF DIVORCE

Divorce is a complex process that often comes with various financial considerations, and preparing for a divorce is undoubtedly challenging, especially when it involves untangling your finances. The emotional strain can make it difficult to make clear-headed decisions, and the long-term consequences may not be immediately apparent.

It is crucial to carefully consider the financial aspects of divorce to ensure you can sustain the lifestyle you desire post-separation. It's desirable to seek legal and financial advice from professionals specialising in divorce cases. Our team is here to assist you in navigating the financial aspects of divorce.

HERE ARE SOME FINANCIAL CONSIDERATIONS

CREATE A LIST OF ASSETS

Create a comprehensive list of all assets, including properties, pensions, investments, businesses you own and other financial accounts. Include accurate valuations, and be sure to note down both joint and individual assets. Additionally, document your income and outgoings, both joint and individual, to clearly understand your financial standing. This will clarify what needs to be divided and help with accurate valuation.

BUDGET FOR THE FUTURE

Consider your post-divorce financial goals and plan accordingly. Start saving and budgeting in advance to align with the life you envision for yourself after the divorce. Remember that what you desire financially from the divorce may not necessarily align with the outcome. Obtain a copy of your credit report, especially if you anticipate needing a new mortgage or taking on new financial responsibilities. A credit report will provide insight into any joint lending or liabilities you may still be responsible for after the divorce.

CONSIDER THE DIVISION OF YOUR HOME

There are several options for dividing your home, such as selling it, one partner buying out the other's share or maintaining joint ownership until certain circumstances arise. It's important to consider the financial implications of each option. Keeping the home may be challenging, especially if managing mortgage repayments on a single income becomes difficult. Consult a financial professional to assess the financial viability of each option.

SEEK ADVICE ON SPLITTING PENSIONS

During divorce proceedings, it is essential to consider the division of pension savings, often overlooked in favour of other assets like the family home. Dividing pensions can have long-lasting effects on your financial security. There are two commonly used methods for dividing pensions during a divorce or separation. Pension sharing involves splitting one or more pensions between the separating partners. Alternatively, with pension offsetting, the value of the pension rights is balanced against other assets, such as property or savings. This approach allows for a more flexible and customised asset division based on the separating partners' unique circumstances.

EVALUATE SAVINGS AND INVESTMENTS

The process is usually straightforward when splitting cash savings accounts during a divorce. One partner can transfer money from their account to their ex-spouse's account. However, if you have Individual Savings Accounts (ISAs), you or your ex-spouse would need to withdraw the money first and then provide it to the other partner. It's important to note that dividing investments and savings may have tax implications and involve charges. Therefore, seeking professional financial advice is crucial to ensure that the division is done appropriately and is financially beneficial.

BE AWARE OF CGT LIABILITIES

Capital Gains Tax (CGT) may apply when transferring assets during a divorce. As of 6 April 2023, new rules have been implemented that extend the time frame for separating partners to transfer assets without incurring CGT. Under the new rules, you now have up to three years from the end of the tax year in which you separate to make these transfers without facing CGT liabilities. ◀

NEED PROFESSIONAL ADVICE TO TAKE THE FIRST STEP TOWARDS A SECURE FINANCIAL FUTURE?

Regardless of your specific needs, we are committed to providing the support and guidance you require during this challenging time. We understand the complexities of divorce and finances and are here to help you make informed decisions. Contact us today to schedule a consultation and take the first step towards a secure financial future.

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COST OF CARE IN **LATER LIFE**

CHOOSING THE BEST OPTION FOR YOURSELF OR YOUR LOVED ONES

The costs of care in later life can vary greatly and depend on a multitude of factors. Notably, the type of care required, the individual's financial situation and their location within the UK play a significant role in determining these costs

Many underestimate the true extent of care home costs and fail to plan for them adequately. However, a comprehensive wealth strategy can provide essential financial preparedness for long-term care. In England, individuals with assets worth more than £23,250 are typically expected to pay their own care home costs unless they have significant ongoing health needs.

BRING PEACE OF MIND

It is crucial to consider contingency plans for care costs, whether that involves a care home or care at home. Having funds earmarked for later-life care can bring peace of mind and enable you to choose the best option for yourself or your loved ones.

You can explore various strategies to address care costs, including Inheritance Tax planning and annuities for care home fees. Seeking expert professional advice can help you establish a 'care costs plan' that provides peace of mind and eliminates worries about managing care home expenses when the time comes.

TAKING A HOLISTIC VIEW

If your circumstances change and residential care becomes necessary for you or another family member, taking a holistic view of your overall wealth is essential. By doing so, your professional adviser can create the right financial plan to support you throughout the rest of your life. This may involve care home tax planning for capital maintenance, assistance with inheritance plans, or utilising an annuity for care home fees.

Deciding on the best course of action for care can be stressful, especially when determining how to finance it. It's natural to feel overwhelmed by the numerous decisions and unsure of where to start or who to consult. However, seeking guidance from professionals experienced in long-term care planning can alleviate this burden and guide you towards a secure financial future.

WHEN IT COMES TO MAKING PLANS FOR CARE AT HOME, HERE ARE SOME STEPS YOU CAN TAKE:

Assess your current situation: Start by evaluating your or your loved one's needs for care. Consider the required assistance level, such as medical support, personal care and household tasks. Assess any specific health conditions or limitations that need to be addressed.

> IT IS CRUCIAL TO CONSIDER CONTINGENCY PLANS FOR CARE COSTS, WHETHER THAT INVOLVES A CARE HOME OR CARE AT HOME. HAVING FUNDS EARMARKED FOR LATER-LIFE CARE CAN BRING PEACE OF MIND AND ENABLE YOU TO CHOOSE THE BEST OPTION FOR YOURSELF OR YOUR LOVED ONES.

Research available resources: Look into the options and resources available for home-based care. This may include home healthcare agencies, community support services and government programmes. Research the types of care providers, their qualifications and their services.

Create a care plan: Develop a comprehensive care plan that outlines the specific services needed and the frequency of care required. Include details on medication management, therapy, meal preparation and other specific needs. Consult with a healthcare professional such as your GP, or a care coordinator to assist you in creating an effective plan.

Budgeting and financial planning: Determine the financial implications of home-based care. Consider the costs associated with hiring caregivers, purchasing medical equipment, modifying the home for accessibility, and any ongoing medical expenses. Review your financial situation and explore options like long-term care insurance or veterans' benefits.

Seek professional advice: Consult with a professional financial adviser who can provide guidance on financial planning and long-term care options. They can help you understand the costs, explore potential funding sources and create a sustainable financial plan.

Communicate with family members: Discuss your intentions and plans with your family or close friends. Involve them in the decision-making process and ensure everyone is on the same page. Consider their availability and willingness to contribute to caregiving responsibilities or financial support.

Remember, each individual's situation is unique, and it's essential to tailor your plans according to your specific needs and circumstances. It's recommended to consult professionals who specialise in eldercare and financial planning to ensure you make informed decisions. ◀

CONCERNED ABOUT HOW TO PAY FOR CARE IN LATER LIFE?

Planning for care in later life is a crucial aspect of financial wellbeing. It's important to consider various options and strategies to ensure you have the necessary funds to cover care expenses, whether at home or in a care facility. To discuss your options, please contact us for more information.

THE COST OF CARE COULD REDUCE YOUR PERSONAL WEALTH SIGNIFICANTLY AND ALTER ANY PLANS YOU MIGHT HAVE TO LEAVE AN INHERITANCE TO YOUR LOVED ONES.

RETIREMENT CASH **FLOW MODELLING**

ASSESSING YOUR CURRENT AND PROJECTED WEALTH, INCOME AND EXPENSES

Retirement planning is of utmost importance, regardless of your income or wealth. It ensures a steady income stream after retirement and provides financial security for you and your loved ones.

Retirement cash flow modelling can provide numerous benefits to individuals seeking financial security and planning for the future. By assessing your current and projected wealth, income and expenses, retirement cash flow modelling can help you understand your current and potential future finances.

HERE ARE SOME KEY REASONS WHY RETIREMENT CASH FLOW PLANNING IS CRUCIAL:

Avoid running out of money: Planning helps you calculate the savings rate required to support your desired lifestyle during retirement, ensuring you don't run out of money.

Setting retirement income goals: This involves determining your retirement income goals and identifying the necessary steps to achieve them. This allows you to plan for various financial sources and secure a comfortable retirement.

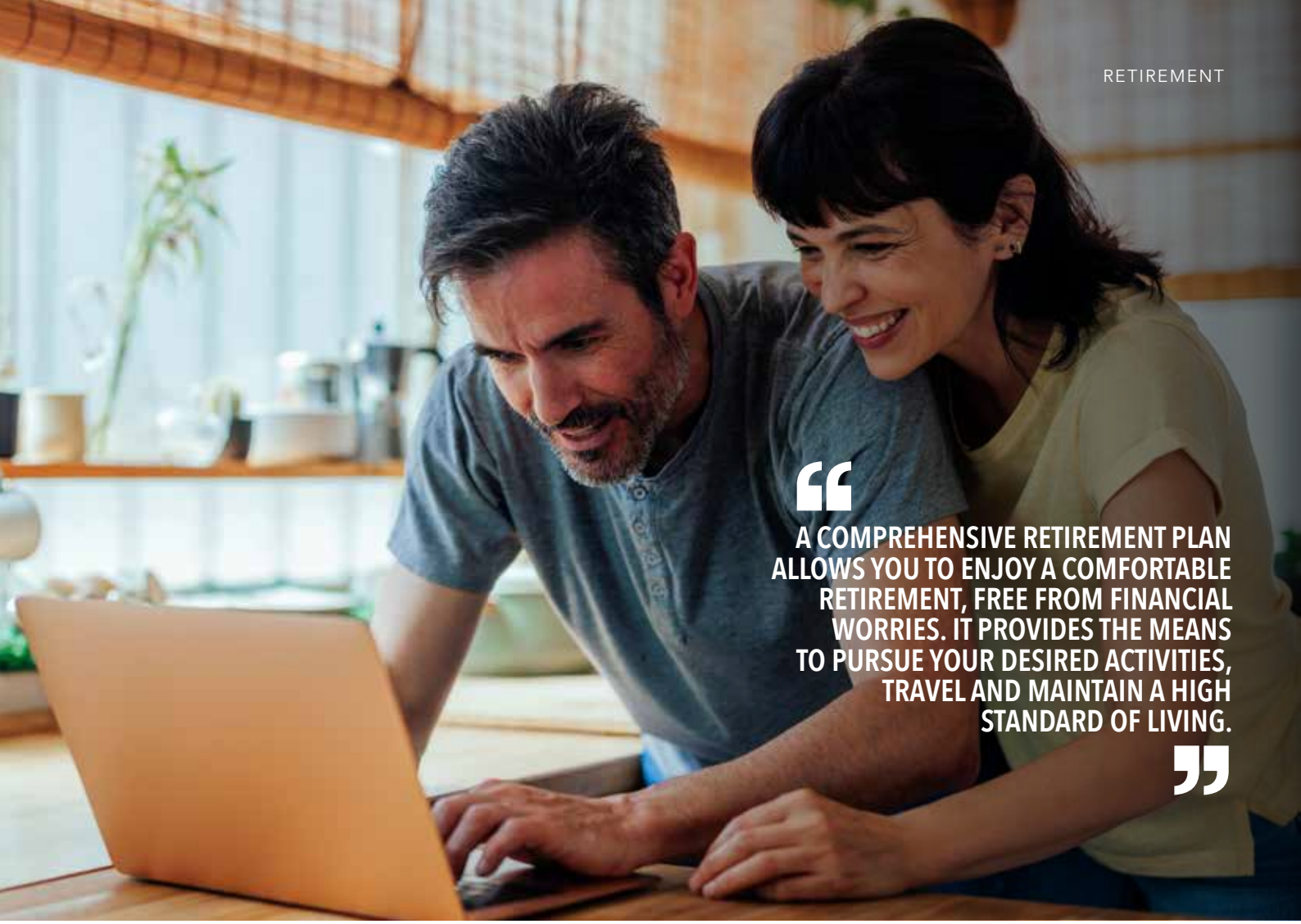
Creating a regular flow of income: A well-structured and regularly reviewed plan enables you to create a regular flow of income after retirement. This fixed income substitutes your pre-retirement salary, ensuring financial stability.

Strategic investment decisions: Retirement planning involves making strategic investment decisions to achieve specific savings goals. This helps in maximising returns and growing your retirement fund over time.

Financial security: By having a solid retirement plan, you can provide yourself and your loved ones with financial security. This is particularly important as more than social security benefits is needed to sustain your desired lifestyle.

Enjoying a comfortable retirement: A comprehensive retirement plan has the potential to allow you to enjoy a comfortable retirement, free from financial worries. It provides the means to pursue your desired activities, travel and maintain a high standard of living.

Reviewing existing pension arrangements: Regularly reviewing your existing pension arrangements and taking the required steps can significantly affect the amount of money you'll accumulate for retirement. Seeking professional help can ease the process and ensure you make informed decisions.



> **A COMPREHENSIVE RETIREMENT PLAN ALLOWS YOU TO ENJOY A COMFORTABLE RETIREMENT, FREE FROM FINANCIAL WORRIES. IT PROVIDES THE MEANS TO PURSUE YOUR DESIRED ACTIVITIES, TRAVEL AND MAINTAIN A HIGH STANDARD OF LIVING.**

HOW RETIREMENT CASH FLOW MODELLING CAN WORK FOR YOU

Managing accumulated wealth: If you have accumulated wealth, retirement cash flow modelling can assist you in effectively managing your financial position and making informed decisions as you retire.
Long-term planning: Cash flow planning is especially beneficial if you have long-term personal or business objectives. It lets you determine how much you need to save and the returns required to meet those goals.
Care home fees planning: Cash flow modelling can also be used for planning care home fees, helping you understand the financial implications of such expenses and prepare accordingly.

THE RETIREMENT CASH FLOW PLANNING PROCESS INVOLVES:

- Assessing your current financial situation, including income, expenses, assets and liabilities.
- Understanding your future financial commitments and goals.
- Creating a lifetime cash flow modelling plan tailored to your needs.
- Providing a comprehensive analysis of your income, expenditure and potential future cash flow.
- Working towards achieving and maintaining financial independence.
- Adequately addressing the financial consequences of death or disability.
- Minimising tax liabilities through effective planning.
- Developing an investment strategy for your capital and surplus income.
- Identifying Inheritance Tax issues that may impact your beneficiaries.

ANSWERING CRITICAL QUESTIONS

Ultimately, retirement cash flow modelling helps answer critical questions such as whether your savings and assets are sufficient to support your aspirations if you can retire early, if your investment risk is appropriate and if you will have enough money to sustain yourself throughout retirement. ◀

ARE YOU LOOKING TO CREATE YOUR RETIREMENT CASH FLOW PLAN?

Contact us now for more information. We assist you in analysing your current financial situation and creating a customised plan to ensure your retirement meets your goals. If it turns out that your cash flow plan falls short, don't worry! We have various retirement planning strategies to help get you back on track.

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PREPARING THE NEXT GENERATION TO **ENGAGE WITH THEIR FINANCES**

HOW TO HELP WITH MONEY MANAGEMENT AND FINANCIAL LITERACY

Passing on the benefit of your experience to your children or grandchildren is crucial for their future success. However, financial planning can be complex, and even the most knowledgeable individuals may need help.

Breaking down barriers around talking about family wealth takes time and patience. It requires ongoing conversations and a willingness to address any fears or concerns that may arise. By starting early and progressively educating the younger generations, families can establish a foundation of knowledge and create a legacy of open communication and responsible wealth management.

It is essential to encourage younger family members to engage with their finances from an early age. These tips can help lay a strong foundation for money management and financial literacy in the next generation.

1. Start sooner rather than later: Begin conversations about money when children are preschool or primary school age. Teach them basic concepts such as saving, spending and the value of money. As they age, introduce more complex ideas like budgeting, investing, responsible credit use and philanthropy.

2. Share stories and values: Discuss the family's history, values and journey to wealth accumulation. Sharing stories and personal experiences can help younger generations understand the importance of responsible wealth management and its associated values.

3. Focus on what interests them: Children learn through observation, play and experimentation. Find opportunities to engage them in money-related topics based on their interests. For example, if they love playing Minecraft, use it to teach them about budgeting and earning virtual money.

4. Identify personal goals and priorities: Increase their responsibility as they get older by providing pocket money or an allowance. Encourage them to make spending decisions based on individual goals and priorities. It's okay to acknowledge disappointment when they can't have everything they want.

5. Gradually disclose information: Start by sharing lower-level concepts and provide more detail as the younger generations grow older and demonstrate a greater understanding and maturity. This will help prevent overwhelming them with information while allowing them to develop a solid foundation of knowledge.

6. Learning from mistakes: Allow children to make and learn from age-appropriate mistakes. Minor errors now can prevent bigger ones in the future. Help them reflect on their decisions and find ways to do things differently next time.

7. Have honest and age-appropriate conversations: Encourage open and honest communication within the family. Make it clear that discussing family wealth is not taboo and that everyone's perspectives and opinions are valued. Ensure they understand the family's financial situation is not their fault or responsibility.

8. Approaching financial challenges: Children pick up on their parent's emotions. Evaluate your feelings before discussing financial matters with children. Seek support from a friend or family member if needed. Show them how to approach economic challenges with a proactive mindset.

9. Set boundaries around money: Money should not be used to control family dynamics. Avoid overpromising or overindulging children's wants. Help them appreciate non-materialistic things like shared experiences and relationships. Set boundaries around money and explain the reasons behind them. ◀

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NEED GUIDANCE ON HELPING YOUNG INDIVIDUALS DEVELOP GOOD FINANCIAL HABITS?

By taking these steps, you can help young individuals develop good financial habits, make informed investment decisions and set themselves up for a secure financial future. Remember, financial education is an ongoing process, and it's important to continue learning and adapting strategies as circumstances change. For more information, please get in touch with us.

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HOW TO REDUCE THE IMPACT OF INFLATION ON **RETIREMENT INCOME**

DURING PERIODS OF ECONOMIC UNCERTAINTY, IT'S ADVISABLE TO REASSESS YOUR RETIREMENT PLAN

Living on a fixed income, such as a pension, during high inflation can be challenging. As costs rise, your monthly income remains the same, potentially causing your pension pot to deplete faster than anticipated and impacting your retirement standard.

Whether your retirement income will last for the rest of your life and manage to combat inflation depends on a wide range of factors, including the size of your pot and what you choose to do with your retirement savings.

During such periods of economic uncertainty, it's advisable to reassess your retirement plan and consider any necessary adjustments.

There are several strategies that retirees can employ to reduce the impact of inflation on their retirement income to help protect their pension income from the cost of living increases:

Retire later: Delaying retirement can help you avoid periods of high inflation, protecting your pension investments from potential stock market volatility.

Use Cash Individual Savings Accounts (ISAs) first: If you have other savings, like Cash ISAs, consider using them as a backup source of income before drawing on your pension. This strategy allows time for stock markets to recover and your invested retirement pot to grow.

Withdraw less: Reducing your pension withdrawal amount might seem counterintuitive during a cost of living crisis, but it can help your pension grow in the long run. Keeping more of your pension invested could potentially allow it to grow at a similar rate to inflation.

Stay invested, but understand where: It's important not to panic and sell your investments during volatile market conditions. Instead, consider where your funds are invested and if any adjustments need to be made.

Add to your pension: Volatile stock markets can present an opportunity to buy more assets at lower prices. Consider topping up your pension pot, but be aware of tax implications if you have already begun drawing on your pension. ◀

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NEED HELP TO UNDERSTAND WHAT RETIREMENT CHOICES YOU HAVE?

Every individual's situation is different. It's always essential to seek professional financial advice when considering changes to your retirement planning. For a conversation about tailor-made options that suit your requirements, don't hesitate to contact us to learn more.

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MACRO TRENDS IMPACTING **WEDDINGS IN 2023**

MAIN PRESSURES ARE RISING COSTS AND UNEXPECTED EXPENSES FROM SUPPLIERS

The cost of living crisis, inflation and social media pressures are causing couples to go over budget on their special day. Rising costs and unexpected expenses from suppliers are the main reasons for increased spending. According to new data, several macro trends have impacted weddings in 2023[1].

Two-fifths (38%) of newlyweds, and brides- and grooms-to-be are going over budget on their special day, with most of these couples citing the rising cost of living (51%) and suppliers being more expensive than they anticipated (44%) as the reasons for this increased spend.

ADOPTING A MORE ECONOMICAL APPROACH

Over a third (36%) say they are overspending because they want to make the most of the once-in-a-lifetime event. On average, couples exceed their budget spend by an additional £5,034.

The data also reveals that one in five Britons spend over £25,000 on their wedding celebrations, with 7% spending more than £50,000. However, 17% of respondents are sticking to a budget of less than £5,000 by adopting a more economical approach. Some couples even decide to have a smaller wedding or make cutbacks to save money.

TOP WEDDING TRENDS AND COST-SAVING BEHAVIOURS IDENTIFIED IN THE REPORT

DIY APPROACH

More than 90% of couples take a DIY approach to at least one aspect of their wedding. This includes making their wedding stationery, decorations and flower arrangements, and even asking friends or family members to officiate the ceremony.

PHOTOGRAPHY AND SOCIAL MEDIA

One in ten couples feel pressured to spend more on photography and videography due to social media influences. While some couples create a wedding hashtag and encourage guests to share images, others discourage social media posting on the day or even ban smartphones altogether.

PROPOSAL TRENDS

Social media plays a key role in proposals as well. A quarter of respondents updated their social networks within 24 hours of getting engaged, and 14% captured the proposal on camera. Some proposals happened in sentimental locations or abroad; on average, Britons spend £1,397 on an engagement ring.

WEDDING ATTIRE

Wedding attire is one aspect where couples are willing to spend more. The data shows increased spending per individual at bridalwear and groomswear retailers.

> **OVER A THIRD (36%) SAY THEY ARE OVERSPENDING BECAUSE THEY WANT TO MAKE THE MOST OF THE ONCE-IN-A-LIFETIME EVENT. ON AVERAGE, COUPLES EXCEED THEIR BUDGET SPEND BY AN ADDITIONAL £5,034.**

However, 20% of brides opt for high-street dresses instead of designer brands, and 13% buy pre-loved wedding outfits.

ECO-FRIENDLY WEDDINGS

Eco-weddings are chosen by 11% of couples, making sustainable choices to reduce costs. This includes using paperless invites, renting decorations, buying second-hand wedding attire, going single-use plastic-free and using flower petals or natural confetti. Some couples also plan to sell items from the day to recoup costs.

MAXIMISING MUSIC

Around 31% of couples prioritise spending on music, with 71% hiring entertainment for their wedding. Additionally, 18% of couples opt to have a live wedding singer perform, while 7% opt for a 'silent disco' experience. Some couples also take a DIY approach to music and entertainment by playing, performing or asking a friend to help.

THE RISE OF THE 'STEN' DO

Around 11% of couples plan joint stag and hen parties, merging the traditional separate celebrations into one event. This helps to make the celebration more economical and fits within the budget.

FRUGAL FLOWER BUYING

Many couples are finding ways to save on floral arrangements. About 22% of couples make DIY flower arrangements, while 19% opt for cost-efficient displays using native or in-season flowers. Some couples are even turning to wholesalers or supermarkets for their flowers.

SAVVY SAVING

Couples get financial help from various sources to afford their dream wedding. Three out of ten couples receive financial support from their parents, while 33% save by cutting back on spending leading up to the wedding. Some couples choose to have a more prolonged engagement to save more, and 17% take on side hustles or second jobs to boost their wedding fund.

LIMITED OPEN BAR

Only 16% of couples offer an open bar at their wedding, signalling a shift towards more cost-conscious choices regarding wedding expenses.

These trends and behaviours reflect the changing landscape of weddings in 2023, where couples find creative ways to manage costs while creating memorable and enjoyable celebrations. ◀

WANT TO DISCUSS YOUR FUTURE FINANCIAL PLANS?

Planning a wedding can be expensive, but it can be managed effectively with the right budgeting and planning. Don't hesitate to contact us to discuss your future financial plans.

Source data:

[1] The consumer confidence survey was carried out between 29 June and 10 July 2023 by Opinium Research on behalf of Barclays. 1,000 UK adult respondents were engaged or married in the last 12 months.

DO OUR LATER LIFE DREAMS REALLY BECOME **RETIREMENT REALITY?**

TAKING THE NECESSARY STEPS TOWARDS A FULFILLING RETIREMENT

UK adults aged 50 and above were asked about their retirement dreams and whether they had turned out as planned. The survey revealed various insights into retirement hopes, realities and the importance of preparation[1].

When it comes to retirement priorities, financial security was emphasised by 94% of respondents, as they wanted to maintain their desired lifestyle. Spending quality time with family was important for 90% of participants, while affording necessary care and financing major family events were key priorities for 81% and 73%, respectively.

MOST ANTICIPATED RETIREMENT ACTIVITIES

Regarding post-work life, UK adults aged 50 anticipated retirement activities that included travelling or going on holiday (52%), dedicating more time to existing hobbies (38%) and engaging in DIY and renovations (28%).

However, the financial reality didn't always align with people's needs. Approximately 41% of respondents stated they needed more money than initially planned, with one in five individuals requiring significantly more. This trend was more prevalent among early retirees aged between 50 to 59, where 53% expressed needing more money than anticipated.

IMPORTANCE OF SEEKING PROFESSIONAL ADVICE

The research also sheds light on pension pots, revealing that the average amount saved for retirement was just over £185,000. However, there were significant variations in retirement savings, with 16% of people retiring without funds in their pension pot. On the other hand, 12% had saved over £500,000, and 5% had accumulated between £700,000 and £899,000.

When deciding about their retirement savings, 31% of respondents did not seek advice, while 26% consulted a financial adviser. Given that financial concerns ranked as the primary cause of pre-retirement anxiety (41%), these findings underscore the importance of seeking professional advice to make informed decisions and ensure a financially secure retirement.

MAKE THE RIGHT FINANCIAL DECISIONS

While planning for retirement may seem daunting, individuals must imagine their later life hopes and dreams, evaluate their savings and make appropriate pension pot choices. Seeking professional financial advice can help you to make the right financial decisions and secure enough money to last a lifetime. Despite the challenges of our current financial climate, research suggests that planning ahead is essential.

Ultimately, whether one's retirement aspirations involve spending time with loved ones, exploring the world or maintaining one's current lifestyle, the key takeaway is to plan ahead. By doing so, individuals can take the necessary steps towards a fulfilling retirement. ◀

WANT TO DISCUSS YOUR RETIREMENT PLANS?

There's a lot to think about when planning for retirement, from deciding when to retire to what to do with different pension pots. It can be both exciting and daunting. To discuss your retirement plans and to make sure that are on track, please get in touch with us.

Source data:

[1] Survey of 2,004 individuals aged 50+ commissioned by Legal & General between 14 to 19/04/2023.

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GAP IN KNOWLEDGE AND UPTAKE OF **POWER OF ATTORNEY**

PROTECTING INDIVIDUALS AND FACILITATING SMOOTHER DECISION-MAKING PROCESSES

Recent data highlights a concerning gap in knowledge and the uptake of Power of Attorney in the UK[1]. While 95% of adults know of its existence, only one in three truly understand how it is utilised in practice.

A Power of Attorney, or general Power of Attorney, is suitable for temporary situations when you need assistance. It remains valid only as long as you have mental capacity. This can be helpful for tasks like managing finances during a business trip or medical treatment abroad.

HEALTHCARE, FINANCES AND PROPERTY

A Lasting Power of Attorney is a long-term arrangement with no expiry date. If you lose mental capacity, it allows someone you choose to decide on your behalf. It can also be used whilst an individual still has capacity with consent. It is a comprehensive document that covers various aspects, such as healthcare, finances and property. This would involve two separate Lasting Power of Attorney arrangements, Health and Welfare for health care purposes, and Property and Financial affairs for finances and property.

The lower adoption of Power of Attorney compared to other forms of financial protection could be attributed to this lack of awareness. Despite 74% of Britons acknowledging its importance, only 37% have taken the necessary steps to establish one. In contrast, 76% of individuals in relationships have discussed Wills and trusts with their partners.

CRITICAL LEGAL DOCUMENT

Power of Attorney is a critical legal document that empowers a designated person to make decisions or act on behalf of an individual who becomes unable to do so, and in some circumstances where the individual still has capacity. It is crucial in managing various financial assets, including mortgages, bills and investments.

Surprisingly, less than half (41%) of married couples have Power of Attorney in place, and 24% have no intention of doing so. This suggests that many married couples view this measure as unnecessary, possibly due to a mistaken belief that Power of Attorney automatically applies to married couples.

DELEGATE CERTAIN RESPONSIBILITIES

Same-sex married couples face a disproportionate impact in this regard. Though their awareness of the importance of Power of Attorney is higher than the average population (87% compared to 76%), their actual adoption rate is lower (30% compared to 41%).

With a Lasting Power of Attorney, you can delegate certain responsibilities to someone you trust. There are two types of Lasting Power of Attorney: Property and Financial Affairs, and Health and Welfare.

LIFE-SUSTAINING TREATMENT

Property and Financial Power of Attorney allows the appointed person to handle tasks such as collecting benefits or pensions, paying bills, managing bank accounts, buying and selling investments, selling your home and giving gifts to relatives.

Health and Welfare Power of Attorney grants the chosen individual the authority to make decisions regarding matters like moving into a care home, medical care (including life-sustaining treatment), and daily routine, such as bathing, dressing and eating. ◀

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NEED ADVICE SETTING UP POWER OF ATTORNEY?

Taking proactive steps to establish Power of Attorney can protect individuals and facilitate smoother decision-making processes during challenging circumstances. To find out more, please get in touch with us.

Source data:

[1] Scottish Widows – Power-of-attorney.pdf – 13/03/23.

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RETIREMENT CHALLENGES **FACED BY WOMEN**

NEARLY HALF OF WOMEN AGED 50-65 PLAN TO CONTINUE WORKING IN SOME CAPACITY AFTER REACHING THE STATE PENSION AGE

Years of gender-based earnings disparity have resulted in a significant pension savings gap between men and women, leaving many women in their 50s and 60s financially precarious. According to analysis, women are more than twice as likely to rely on financial support from their partner[1].

One in three women feel somewhat unconfident or not at all confident about their retirement provision meeting their needs, compared to 28% of men. Additionally, nearly half of women aged between 50 to 65 plan to continue working in some capacity after reaching State Pension age. Of this group, 13% plan to work the same hours, while 31% plan to work fewer.

FINANCIAL SECURITY

The analysis is based on qualitative data from the Office for National Statistics. It shows that 34% of women in this age group have changed their retirement plans in the two years before September 2022 and expect to stay in paid work for longer.

The study also highlights the stark contrast in future financial security between men and women. While the State Pension is the most common means of funding retirement for both genders, significantly fewer women plan to rely on a private pension than men.

SECURING EMPLOYMENT

The analysis suggests that the number of women planning to continue working after the State Pension age may have increased even further due to the subsequent cost of living crisis.

The challenges faced by women in securing employment after periods of unemployment or caregiving responsibilities contribute to their vulnerability. Many women aged 50-65 struggle to find work due to age discrimination or a lack of flexible work opportunities.

RETIREMENT PROSPECTS

Additionally, they are too young to claim their State Pension, further exacerbating their financial situation as they approach retirement. While the State Pension age for men and women may now be equal, this data demonstrates that the retirement prospects of men and women are far from equal.

The analysis underscores the need for addressing gender disparities in earnings, pension savings and access to flexible work opportunities to ensure financial security and equality in retirement.

HERE ARE FIVE WAYS TO BOOST YOUR RETIREMENT SAVINGS:

Maximise your pension contributions: Add as much as possible to your workplace pension or retirement savings to take advantage of tax relief. Check if your employer offers matching contributions.

Save more by making small changes: Review your budget and find areas where you can cut expenses to increase your savings.
Consider investing: Explore options providing higher long-term growth than a traditional savings account. Investments come with risk, so do thorough research and consider lower-risk options.
Make the most of joint allowances: If you're in a partnership, examine your pensions and savings together to optimise your retirement plan.
Adjust your retirement plans: If you're nearing retirement age and are concerned about insufficient funds, consider delaying retirement or switching to reduced working hours. Inform your pension provider about any changes and explore investment options that align with your new timeline. ◀

READY TO GET YOUR RETIREMENT PLANS IN MOTION?
Remember, it's never too early or late to start saving for retirement. Take action today for a more comfortable future! To tell us about your situation or for advice, don't hesitate to contact us.

"IF YOU'RE IN A PARTNERSHIP, EXAMINE YOUR PENSIONS AND SAVINGS TOGETHER TO OPTIMISE YOUR RETIREMENT PLAN."

Source data:
[1] Analysis by Rest Less, data reviewed from the ONS, which was issued in September 2022 entitled: Over-50s Lifestyle Study Wave 2, Great Britain: 10 to 29 August 2022 – Reasons workers aged 50 years and over left and returned to work during the coronavirus (COVID-19) pandemic, Great Britain, Wave 2.

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MILLIONS MAY HAVE TO RETHINK THEIR **RETIREMENT PLANS**

MORE THAN ONE IN TEN HAVE MORTGAGE DEBT IN THE FINAL DECADE BEFORE THEY RETIRE

Two-thirds (67%) of Britons admit to having debt that is weighing them down, according to a recent study[1]. Additionally, nearly one in ten (9%) adults in the UK are unsure about the amount they owe in outstanding debts, rising to more than one in six (16%) among those aged 45 and over.

Credit or store card debt is the most common form of debt, accounting for 32% of respondents, followed by personal loans (16%), overdrafts (15%) and unpaid household or utility bills (10%). Surprisingly, more than one in ten (11%) individuals aged 55 and above have mortgage debt in the final decade before retirement.

IMPACTING RETIREMENT PLANS AND FINANCIAL SECURITY

Having debt can significantly impact retirement plans and financial security, leading to increased stress and reduced income in retirement. Taking proactive measures to reduce debt before entering retirement is essential. These actions include consolidating debt, paying off high-interest loans, reducing unnecessary expenses and working with financial advisers to create a comprehensive retirement plan.

FUNDS TO COVER UNFORESEEN EXPENSES

Comparing results from 2021 to 2023, the survey found that debt has increased among 52% of 45-54-year-olds. However, respondents have also tried to address their debt situation, with 38% cutting back on non-essential spending, 21% working overtime or getting a second job, and 13% seeking advice from debt services or helplines.

Furthermore, unexpected bills have posed challenges for many individuals, with 31% of Britons paying an unexpected necessary bill of £850 or more in the past 12 months. While 57% of UK adults claim to have emergency savings, only 24% used these funds to cover unforeseen expenses.

IMPORTANCE OF MANAGING DEBT EFFECTIVELY

Instead, 19% relied on credit cards, 11% sought help from family or friends, and 8% took out loans or used their overdraft. Additionally, 5% resorted to payday loans, and another 5% cashed in their pensions to manage unexpected costs.

These findings highlight the importance of managing debt effectively and planning ahead to ensure a secure financial future. ◀

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LOOKING FOR FINANCIAL ADVICE TAILORED TO YOUR NEEDS AND GOALS?

Navigating the world of finance can be daunting, with numerous options and decisions to make. That's where we come in. We offer personalised financial planning and advice tailored to your needs and goals. To learn more about how we can help you, please don't hesitate to contact us.

Source data:

[1] The research was conducted by Censuswide between 20–24 April 2023 of 2,009 general consumers, aged 18+, national representative sample. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

HOW MUCH WILL I NEED TO **LIVE ON IN RETIREMENT?**

PLANNING FOR YOUR LIFE AFTER WORK TO ENSURE A FINANCIALLY SECURE FUTURE

Retirement planning is an important step to ensure a financially secure future. When calculating how much you'll need to live on in retirement, there are various factors to consider. Everyone's circumstances are different.

While the general rule of thumb suggests aiming for around two-thirds of your final salary at retirement after taxes, it's crucial to consider your requirements and desired lifestyle. Some individuals may need more or less depending on housing costs, healthcare expenses, travel plans and other lifestyle choices.

It's essential to assess your situation and obtain professional financial advice to determine the appropriate amount to fund your desired retirement lifestyle.

HERE ARE FIVE KEY QUESTIONS TO ASK YOURSELF WHEN PLANNING FOR YOUR RETIREMENT

1. WHAT DOES MY IDEAL RETIREMENT LOOK LIKE?
Consider what you want to do in retirement and how you envision spending your time. Whether travelling, pursuing hobbies or spending time with loved ones, understanding your retirement goals will help you plan accordingly.

2. HOW MUCH WILL IT COST?
Evaluate your expected expenses in retirement by categorising them into essentials and non-essentials. Essentials include housing costs, utility bills, insurance and everyday living expenses. Non-essentials may include leisure activities, travel and entertainment.

3. WHAT SIZE PENSION DO I NEED?
Once you estimate your required retirement income, you must determine how much savings you'll need to generate that income. This calculation considers life expectancy, investment growth, tax implications and inflation. Obtaining professional financial advice will assist you in determining the appropriate pension size for your retirement goals.

4. ARE MY EXISTING SAVINGS ENOUGH?
Assess your current savings and investments to determine whether they are sufficient to meet your retirement goals. If there is a shortfall, consider strategies to boost your pension savings, such as increasing contributions or extending your working years. Additionally, evaluate other potential sources of retirement income, such as Individual Savings Accounts (ISAs) or the State Pension.

5. AM I ENTITLED TO STATE BENEFITS?
If you have made 35 years of National Insurance (NI) contributions through work or by claiming certain benefits, you are entitled to claim a State Pension from age 66. The full new State Pension is now £203.85 a week (tax year 2023/24). And if you reached the State Pension age before April 2016 and are on the older basic State Pension, you will now receive £156.20 (tax year 2023/24). However, it's important to note that this amount may not be sufficient to fund a comfortable retirement and may fall below the essential income level for many individuals. ◀

WANT TO PLAN YOUR RETIREMENT INCOME STEP BY STEP?
Retirement planning can be complex. By taking proactive steps and making informed decisions, you can work towards a financially secure and fulfilling retirement. Please get in touch with us to find out how we can help you put in place the right retirement plans for your future.

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PROFESSIONAL FINANCIAL ADVICE, **WHERE'S THE VALUE?**

MAKING MORE INFORMED DECISIONS ABOUT MONEY LEADS TO BETTER FINANCIAL HEALTH IN THE LONG RUN

We readily trust medical professionals with our health and legal professionals with complex legal matters. Yet, some people hesitate when seeking advice on financial matters. This might be attributed to a few different factors.

Firstly, finance can feel incredibly personal and private, leading to discomfort at the thought of discussing it openly. There's also a common perception that financial advice is only for the wealthy, which isn't necessarily true.

INFORMED DECISIONS ABOUT OUR MONEY

Secondly, the perceived cost of financial advice can also deter some people. However, considering it as an investment in your financial health is essential. The insights and guidance you gain will help you make informed decisions, saving you money in the long run.

Financial professionals are highly trained and qualified experts like doctors and solicitors. They can provide valuable insights and advice tailored to your unique circumstances and goals. By overcoming any hesitations, informed decisions can be made about our money, potentially leading to better financial health in the long run.

PROVIDING EMOTIONAL SUPPORT

There are numerous benefits to seeking professional financial advice. These range from developing a holistic personal financial plan and regularly reviewing progress towards financial goals to investment diversification, proactive retirement planning and rebalancing portfolios.

Financial professionals also work with clients to create personalised investment plans and can help identify opportunities to help grow wealth. They assist in managing money and mapping out plans for the future, including retirement. Importantly, they provide emotional support, especially during challenging economic conditions, which clients highly value.

FEEL MORE CONFIDENT ABOUT YOUR FINANCES

A recent study highlights that peace of mind and reassurance are the main benefits of seeking professional advice[1]. This emotional support helps clients feel more confident about their finances, particularly during difficult times such as the current cost of living crisis.

The study also found that rising costs have forced many UK households to find an extra £441 a month on average compared to last year. This has caused significant concern, with nearly half (46%) saying they're incredibly apprehensive about costs.

EXPERTISE HELPS MITIGATE CONCERNS

However, this concern is much less pronounced among those with access to professional financial advice, with only 21% of advised clients expressing concern.

Given the current financial climate marked by high inflation and rising interest rates, financial professionals are crucial in providing guidance and reassurance. Their expertise will also help mitigate concerns related to inflation, market volatility and the impact of interest rates on mortgage payments. ◀

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READY FOR EXPERT ADVICE TO SECURE YOUR FINANCIAL FUTURE?

So, if you've ever hesitated to seek professional financial advice, it might be time to reconsider. Remember, the goal is to secure your financial future, and seeking advice could be a step in the right direction. For more information, don't hesitate to get in touch with us.

Source data:

[1] Surveys by Opinium commissioned by Royal London between 1-6 March 2023, with 218 financial advisers and 4,000 nationally representative UK adults between 27 February and 6 March 2023.

HOW TO FIND OR **TRACE A LOST PENSION**

TOTAL VALUE OF LOST PENSION POTS £26.6 BILLION IN 2022

Tracking down a lost pension pot can be daunting, especially if you've switched jobs multiple times throughout your career. The good news is that resources and strategies are available to help simplify the process.

According to research, one in six (16%) UK adults have attempted to trace or find a pension that has been lost or forgotten, with only one in ten (9%) managing to do so successfully[1]. Amidst the current cost of living crisis, these lost pensions could be a lifeline for many facing financial hardships.

THE AVERAGE LOST PENSION TOTAL FOUND WAS £6,351

Among those who have managed to find their lost pension, the average total was £6,351. Most respondents discovered pensions worth between £1,000 and £5,000 (24%). However, nearly one in ten (8%) traced pensions worth over £20,000.

Despite the substantial amount of money at stake, worryingly, one in ten (8%) individuals know they have a missing pension but have yet to try to trace it.

STARTING THE SEARCH JOURNEY SOONER RATHER THAN LATER

The lost pensions challenge in the UK has escalated significantly in recent years, particularly exacerbated by the pandemic, which led to many people changing jobs.

The Pension Policy Institute estimates the total value of lost pension pots at a staggering £26.6 billion in 2022[2]. Given the potential benefits, starting the search journey sooner rather than later is crucial.

HERE ARE SOME TIPS FOR FINDING A LOST PENSION

KEEP YOUR INFORMATION UPDATED

With the introduction of auto-enrolment in 2012, around ten million people have started saving for their futures through employer-sponsored pensions. Each new job potentially means a new pension scheme. Make sure to update all of your pensions with any changes of address.

RETAIN DETAILS

Keep a record of all the pension schemes you've been enrolled in.

USE THE GOVERNMENT'S TRACING SERVICE

This is a free service designed to help if you can't find the details of an old pension scheme. You can call the tracing service on **0800 731 0193**.

RESEARCH YOUR OPTIONS

Once you have found any missing pensions, explore your next steps, including consolidation, which brings them together in one place.

However, be careful as there may be valuable benefits attached to your pensions which you may lose if you consolidate. Always double-check and seek professional financial advice to ensure you make the right decision. ◄

READY TO TRACK DOWN YOUR OLD PENSIONS?

Understanding the value of your pension savings is crucial for retirement planning. If you have multiple pensions, it can be challenging to keep track of all of them. For more information about your retirement options, don't hesitate to contact us; we'll explain how we can help.

Source data:

[1] Research conducted by Opinium among 2,001 UK adults between 25–28 October 2022.

[2] https://www.pensionspolicyinstitute.org.uk/sponsor-research/research-reports/2022/2022-10-27-briefing-note-134-lost-pensions-2022-what-s-the-scale-and-impact/

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PENSION DRAWDOWN

GREATER FLEXIBILITY IN ACCESSING YOUR PENSION FUNDS

Pension drawdown is a flexible way of taking income from your pension, introduced after the pension freedom rules in April 2015. Before that, the government limited how much income you could take from your pension unless you had other sources of income, and annuities were commonly used to provide a guaranteed income for life.

Nowadays, you have more flexibility in accessing your pension funds, allowing you to take as much or as little as you want. However, you must be aware of potential tax consequences if you withdraw the entire amount at once. Some individuals prefer to invest their pension funds for potentially higher growth rates rather than opting for annuities or a combination of both options.

SPECIFIC TAX IMPLICATIONS TO CONSIDER

It's essential to seek professional advice well before retirement to ensure that you have a clear understanding of your income requirements and how much you need to have invested to meet these needs. Doing so allows you to access your money in a way that suits your financial goals. Waiting until the last minute can make the process more challenging.

When accessing your pension, there are specific tax implications to consider. Once you reach the age of 55, you can take up to 25% of your pension completely tax-free. You don't have to take the full 25% in one go; many people choose to drip their tax-free cash out slowly. This allows them to benefit from continued growth in the remaining pension while regularly accessing a portion of their tax-free cash for tax efficiency.

WITHDRAWALS FROM YOUR PENSION

Uncrystallised pension lump sum rules apply to achieve this, and only 25% of each withdrawal is paid tax-free. It's important to note that any withdrawals from your pension, excluding the tax-free cash, are taxed at your marginal Income Tax rate. Therefore, caution is required before taking a lump sum from your pension. You could easily be pushed into a higher tax band if you withdraw a significant amount in a single tax year.

> **WHEN ACCESSING YOUR PENSION, THERE ARE SPECIFIC TAX IMPLICATIONS TO CONSIDER. ONCE YOU REACH THE AGE OF 55, YOU CAN TAKE UP TO 25% OF YOUR PENSION COMPLETELY TAX-FREE.**

Obtaining professional financial advice will enable you to build assets within multiple tax vehicles alongside your pension to reduce your tax burden. By diversifying your income sources, you can effectively manage your tax obligations.

READY TO DISCUSS YOUR RETIREMENT GOALS?

Pension drawdown allows you to access your money as and when needed within specific tax rules. You also need to ensure that your pension scheme supports flexi-access drawdown; if it doesn't, you may need to transfer your funds. To find out more, please contact us to tell us about your retirement goals and how we can help you.

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