

ESSENTIALLY **WEALTH**

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ENHANCE YOUR WEALTH**

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TAKING FINANCIAL ADVICE WILL ENHANCE YOUR WEALTH

A recent report¹ has shown that consumers who take financial advice find themselves better off than those who don't take advice when making major financial decisions.

Entitled 'The Value of Financial Advice', it was produced by the UK think-tank, the International Longevity Centre, in conjunction with insurers Royal London, and demonstrates that those who receive financial advice are on average £40,000 better off than those who don't.

The report examines two groups. The affluent group, comprised of wealthier people who are more likely to have degrees, be part of a couple, and be homeowners. The other, the 'just getting by' group, was more likely to have lower levels of educational attainment, be single, divorced or widowed, and be renting.

The 'affluent but advised'

This group accumulated on average £12,363 (or 17%) more in liquid financial assets, and £30,882 (or 16%) more in pension wealth than those who were affluent but hadn't received advice.

The 'just getting by but advised'

Here a similar picture emerged. This group accumulated on average £14,036 (or 39%) more in liquid financial assets, and £25,859 (21%) more in pension wealth than those who were 'just getting by but not advised'.

What financial advice provides

Getting the best mortgage deal, saving into the right pension plan, or investing wisely for the future are just some of the occasions where getting informed professional advice can help you make the right decisions for your money.

So, if you'd like help with life's important financial decisions, or feel that you could benefit from an assessment of your current circumstances, or would like help devising a comprehensive wealth plan for your future, then do get in touch, we're here to help.

The value of investments and the income they produce can fall as well as rise. You may get back less than you invested.

¹International Longevity Centre, 2017

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PENSION FREEDOMS – STAY INFORMED TO MAKE THE RIGHT CHOICES

The pensions landscape has undergone a complete overhaul since the introduction of the 'new' pension legislation in 2015. However, it hasn't all been plain sailing. Amid fears that some pension savers are making poor and uninformed choices, MPs on the Work and Pensions Committee have launched a wide-ranging review into the retirement income market.

Scams a major concern

A major concern has been the amount of money lost to pension scams. Police figures show that about £43m has been unwittingly paid over to fraudsters. Bogus investments and pension-liberation scams with extortionate charges are just two examples of how people have been conned into parting with their money.

The Financial Conduct Authority has found that taking cash before the age of 65 is becoming increasingly prevalent, with most choosing to take lump-sums rather than opting for a regular income. The concern here is that these people may be risking their future financial security, could run out of money in later life, and may also face higher-than-necessary tax bills by adopting this approach.

The committee is also looking at ways of encouraging pension savers to take advice before taking decisions on their pension

pot, to ensure they get the best value from their savings. Without advice, it can be particularly difficult for those who aren't used to dealing with the complexities of pension and retirement planning to make the right choices. Many are unaware that they have the right to shop around, and don't automatically have to take the pension option offered by their current pension provider. When choosing pension drawdown, for instance, it's particularly important not to take too much cash too soon, as that could mean risking running out of cash later in retirement.

Choices on offer

Those retiring other than with a defined benefit (final salary) pension face several choices. They can choose to keep their pension pot invested and draw cash from it, take a lump sum of cash out of it, or even withdraw the whole lot. They can still purchase an annuity that provides a regular guaranteed payment for life.

Each option comes with its own benefits and drawbacks, and there's also taxation to consider and the need to work out how to make your pension pot last throughout retirement.

So, if you would like some in-depth professional advice to help you make the best use of your retirement savings, then please get in touch.

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TEN YEARS SINCE THE FINANCIAL CRISIS

Just over ten years since the start of the financial crisis, the global economy is well and truly in recovery mode. In the aftermath, investors were blindsided as global equities fell by 38% and UK equities by 46%. Aggressive policy stimulus by governments and central banks were pivotal in reducing the length and depth of the recession.

An anniversary worth celebrating?

Well, global equity markets hit all-time highs in the summer with over \$10 trillion added to their value in the first half of the year, clearly demonstrating a healthy investor appetite. With the global economy faring better, the changing stance of central banks is evident as the need for emergency policy stimulus is receding, even if the situations in the US, UK and the euro area are quite different.

The global growth story is supported by positive economic data from many regions. The Organisation for Economic Co-operation and Development (OECD) projects global GDP growth to increase to around 3.5% this year and 3.7% in 2018, a small increase on earlier predictions.





ARE YOU SAVING ENOUGH FOR RETIREMENT?

It's estimated that people aged 45 to 54 spend more time planning their summer holidays than they do planning their pension¹. However, if you want to be able to enjoy holidays in retirement, then you'll need to have saved sufficient to be able to afford them.

The common perception is that you'll need between half and two-thirds of the final salary you received when you were working, after tax, to maintain your lifestyle in retirement. The consumer champion Which? recently revealed that a retired couple need an income of around £18,000 a year to cover their basic living costs. To enjoy extras like holidays, they need around £26,000.

When thinking about retirement, many people find it helpful to draw up a budget that includes all their sources of income, such as any investments and savings as well as pension income, and covers living expenses and includes the type of holidays and leisure pursuits they want to enjoy when they have more free time.

Don't underestimate how much you need to save to provide the level of income you need. If you're looking to achieve an income of £26,000 a year at retirement you will probably need to have a pension pot of over £500,000 when you retire, much more if you intend retiring at 55.

How to prepare for retirement

It's wise not to place too much reliance on the state pension. It was never designed to be anything more than a safety net, and the age at which you can claim it is being pushed back further and further. The government recently announced that it will rise from 67 to 68 in 2037–39, seven years earlier than planned.

Ideally, everyone should have their own pension plan in place. If you're eligible to join a workplace pension scheme, you should consider doing so as soon as possible, as employer contributions will help towards building up your pension pot. If you're self-employed, you won't benefit from employer contributions, so it's even more important to start saving into your own personal pension plan. Don't forget that tax relief is available on pension contributions.

It's not always easy to know exactly how much you'll need to put away to ensure you're on track to get a reasonable income when you retire. That's where taking financial advice really pays. We can help you put in place plans to help make

your retirement a financially-comfortable time.

If you're making plans for your retirement and would like some professional advice, then please get in touch.

¹LV, 2017

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FINANCIAL MARKETS – A YEAR OF TWO HALVES?

This year has been interesting, but what lies ahead for investors over the next few months? Experience has taught us to expect the unexpected, as many investors are becoming used to a wide variety of financial, economic and political factors and learning to look through the 'noise' to focus on what really matters. Recent political events have further exemplified the difficulty of investing on the basis of prediction. As global growth becomes self-sustaining and policymakers are presented with difficult decisions, the risk of political upset disrupting markets remains.

What we do know is that market volatility will continue and pockets of value exist, which makes asset allocation a prime tool when planning your portfolio. What really matters is identifying your attitude to risk, selecting suitable investments in line with your risk and objectives and having conviction in these decisions.

Rule Britannia?

With a backdrop of modest global growth, clouded by the

added complication of Brexit negotiations, there are mixed signals of growth for the UK. Theresa May outlined plans for a transition period after Brexit, telling EU leaders there is a shared responsibility to make Brexit work "smoothly". Frontline negotiations seem to be making little progress and the clock is ticking. Brexit remains a long-term threat. Weaker sterling has been the main driver of UK blue chip companies with high overseas

earnings and benefiting those industries which export services and goods. Despite inflation remaining above target, many economists do not expect UK interest rates to rise until 2019.

Over the water

On the continent, with 17 consecutive quarters of growth in the bag, there is no longer a requirement for emergency monetary policy settings. The European Central Bank (ECB) is thinking about unwinding its quantitative easing programme, although they are approaching with caution.

The rate of US economic growth picked up steam in the summer. While stock market valuations are full, equities may have further to go as a result of the improved global economic conditions, which are enhancing profit growth. Although political uncertainty still weighs, the improving macroeconomic environment can feed corporate profits

as the third quarter earnings season gets underway. The Federal Reserve has announced that it will begin to reduce a portion of the investments it made to boost the US economy following the financial crisis.

Opportunities ahoy

With global economies finding some momentum and the hint of normalised economic policy on the horizon, investment opportunities exist. As traditional macro concerns return to the fore, portfolio diversity holds the key to approaching your investments and managing risk. Spreading your money across different asset classes and geographic regions is sensible, especially for UK-based investors who are likely to see further sterling weakness.

If you're making plans for your retirement and would like some professional advice, then please get in touch.



IHT: GOVERNMENT RECEIPTS RISE STEEPLY



The amount of inheritance tax (IHT) paid by bereaved families has broken the £5bn barrier for the first time. This is largely due to rising property values and the long freeze in the IHT threshold, and means that many more families are affected. IHT is charged at 40% on the portion of the deceased's estate worth over £325,000. This threshold has been in place since 2009, and isn't scheduled to be reviewed until April 2021.

Residential property accounts for over a third of a typical

estate that pays IHT. Because IHT is usually collected six to 12 months after someone dies, the latest figures reflect the boom in house prices before the recent slowdown.

Family home allowance

Tax receipts would have been even higher had it not been for the introduction of the residential nil-rate band from April. This allowance, commonly referred to as the 'family home allowance', is worth £100,000 per person in this tax year, and applies when passing on a main residence to direct descendants and is in addition to the £325,000 allowance per person. It will increase by £25,000 per year until it reaches £175,000 in April 2020. This will then mean that each person will have a

£500,000 allowance, or £1m per couple. On the first death, any unused allowance will pass to the surviving spouse or civil partner.

However, this new allowance isn't universally good news. Estates worth £2m will see the residential nil-rate band tapered, meaning they will lose £1 for every £2 over the threshold. So, based on the 2017-18 allowance, estates valued at or above £2.2m will not benefit from the extra allowance.

Getting the right advice

There are legitimate ways of reducing the likely effects of IHT, including making full use of annual and other gift allowances, so if you need advice, get in touch.

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PERSONAL FINANCE FACTS WE ALL NEED TO KNOW

Being aware of a few key financial facts can help ensure we all make the best use of our money and tax allowances.

How much you can save into your ISA

The ISA allowance for 2017–18 is £20,000. Don't pass up this important opportunity to save or invest tax-efficiently. We can help you choose the right ISA for your needs.

Your pension contribution limits

For the tax year 2017–18 you can get tax relief on pension contributions of up to 100% of your earnings or a £40,000 annual allowance, whichever is lower. (However, if in this tax year you start to take money from your defined contribution pension, then the annual allowance may reduce to £10,000. The allowance may also taper from £40,000 down to £10,000 if your 'adjusted income' exceeds £150,000). The pension lifetime allowance is now £1m.

How much your valuables are worth

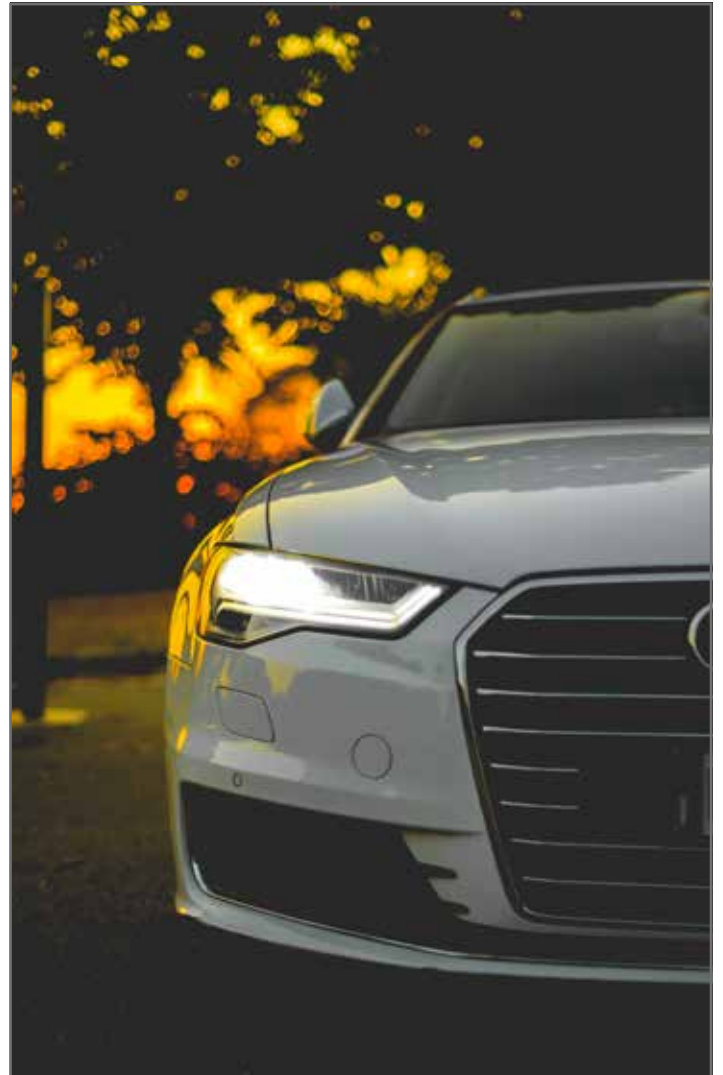
Soaring gold and diamond prices could mean that your jewellery is worth a lot more than it was. If it's been a while since it was valued, you may need to get a new valuation done for insurance purposes. Don't risk being under-insured.

What your inheritance tax allowances are

Each financial year you can make gifts of up to £3,000 (in total, not per recipient) and gifts of £250 per other recipient. Each parent of a bride or groom can give up to £5,000; grandparents or other relatives can give up to £2,500 and any well-wisher can give £1,000. Gifts can also be made from your surplus income, although conditions apply.

Where all your pensions are

If you've moved jobs a few times, the chances are you may have paid into several pensions. It's important to know what your entitlements are; we can advise you whether you'd be better off transferring them into one scheme to cut down on administration and charges.



CAR LOAN DEBT UNDER SCRUTINY

Finance packages known as personal contract purchase plans are amongst the most popular forms of lending for the purchase of a new car. Around 86% of all new private car registrations use some form of credit, with purchase plans leading the market. Under these deals, drivers effectively pay an up-front fee and a monthly 'rental'.

The amount borrowed annually to buy new private cars has trebled over the past eight years, reaching over £30bn last year. This rapid rise in car loans has given rise to concerns that this form of lending could, if left unchecked, lead to the next financial crisis. High levels of personal debt could put household budgets under pressure if interest rates or unemployment were to rise.

The Bank of England has expressed its concerns, and the Financial Conduct Authority is carrying out a review. A House of Lords committee has called for stronger controls on 'rent to own' deals. Drivers looking for car finance can in future expect to face tougher affordability checks.



DON'T BE CAUGHT BY THE LATEST ONLINE SCAMS

Fraudsters are relentless in their efforts to target our money. Action Fraud, the UK's national reporting centre for fraud and cybercrime, is issuing warnings about two new scams that have come to light.

The first is a letter sent to victims of fraud, claiming to be from the National Fraud Intelligence Bureau, offering them the opportunity to have their money returned. It asks for the victim's bank account details. The advice from the police is never to give your contact or bank details to organisations you don't know, and to challenge all approaches of this kind.

The second scam concerns rogue pension websites that are carrying anti-scam messages to trick consumers into believing they are legitimate businesses. As these sites often look genuine, the advice is always to seek professional advice when you need help with your pension.

A committee of MPs is currently investigating whether more needs to be done to clamp down on pension scammers. So far, a colossal £43 million has been lost to fraud, with some people losing all their retirement savings.

HOW WILL YOUR SPENDING CHANGE IN RETIREMENT?

Retirement represents a major lifestyle change; not only will you have more time to enjoy all those things you've never had time to do whilst you were working, you'll also find that your spending habits will change too.

To enjoy a comfortable old age means doing some in-depth thinking about how much you'll need to spend under headings such as basic living costs, spending on your family, and most importantly, enjoying life to the full.

Baby boomers

Those in their 60s are often thought of as wealthy baby-boomers, but research¹ shows that many are managing on a comfortable income rather than living an extravagant lifestyle. With an average income of more than £20,900, they generally have a disposable income of around £337 a month to play with. A few (1.7%) have an income of over £75,000.

Household bills, food, utility bills, insurance account for most of a typical 60-year-old's budget. However, travel, outings and spending time with their families and friends also figure largely in their budget planning. On average, they take one foreign holiday a year, with a lucky few (5.6%), enjoying four trips or more.

Money matters and the over 70s

Research shows that the average income of a 70-something is £21,617. Most of their spending goes on household bills such as food, utilities, insurance, and household goods. On average, they have £301 of disposable income each month. This group are not known for being big spenders, but they do like to use their spare cash for travel, eating out and groceries.

What is particularly noteworthy is that around 30% wished that they had saved more, 34% worry about saving money, and 28% worry about paying their bills.

If you're making plans for your retirement and would like some professional advice, then please get in touch.

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¹Nationwide, 2016

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.