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Financial Planning
BECAUSE THE WORLD IS...

MARCH/APRIL 2022

# INVEST YOUR WAY **OUT OF INFLATION**

Why now is the time to make sure you protect your wealth

**PENSION FREEDOMS**
You work, you save and then you retire

**IMPROVING YOUR FINANCIAL HEALTH**
Staying on track to achieving specific financial goals

**"TIME IS MONEY"**
Five principles of investing everyone should know

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# Inside **this issue**

**Welcome to our latest edition.** Inside, we look at why now is the time to make sure you protect your wealth. The word 'inflation' had barely featured in the market's vocabulary in the last three decades until it suddenly started to come back with a vengeance in 2021. As higher inflation looks set to persist throughout 2022, on page 11 we consider why finding ways to generate a return on investments greater than inflation will be a key investment theme – otherwise your wealth falls in real terms.

A full and happy retirement is a priority for many. But no two people are alike. A 'one-size-fits-all' system cannot accurately account for everyone's individual lifestyle choices, so it makes sense that the way you prepare for your future is likely to be different from others. On the surface, retirement planning hasn't changed all that much over the years. You work, you save and then you retire. Read the full article on page 05.

On page 08 we look at the importance of staying on track to achieving your specific financial goals. All of your financial decisions and activities have an effect on your financial health. To help improve your financial health during this period of rising inflation and interest rates, we explain three areas that could help keep you on track to achieving your financial goals.

Are your investments working as hard as they could be? With so many options out there, it can be confusing. We can help you navigate your options, and provide a personalised recommendation based on your investment goals. On page 12 we look at five principles that affect everyone who invests their money.

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

**LOOKING TO MAKE THE MOST OF TOMORROW BY PLANNING TODAY?**

Your wealth needs to serve you differently at different stages of your life. Find out how we can help you make the most of tomorrow by planning today. To discuss how we can help, please contact us.

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# CONTENTS

# COST-OF-LIVING **CRUNCH**

## Savers still recognise the importance of long-term planning

**Britain's cost-of-living crunch has hit the country hard, with inflation at its highest level in three decades,** petrol prices spiralling, retail price increases rising to their highest levels in ten years and, most recently, Ofgem announcing a 54% price hike in energy bills affecting 22 million households.

Chancellor Rishi Sunak has been forced to announce an emergency £350 of support per household to help with the cost of heating. As a result, almost half (47%) of those not retired say that they cannot afford to save right now due to the rising costs of everyday living, a new survey has revealed[1].

### IMMEDIATE FUTURE

The news comes following widespread reports of many UK households struggling to make ends meet following higher inflationary pressures – sending everyday bills soaring – as the country tries to recover from the effects of the COVID-19 pandemic.

Yet despite the concern about saving for the immediate future, savers are still recognising the importance of long-term planning and having a suitable pension in place for when it comes to retirement.

### RELATIVELY COMFORTABLE

The survey – which took place at the start of this year – also found that around a third of people with a pension said that they spent some of their time over Christmas reviewing their finances, including their pension (31%). This was especially true for those aged 18-34 years old (41%) compared with those aged 55+ (24%).

Overall, just 5% of Britons describe themselves as being 'very comfortable' financially. Two in five (39%) are relatively comfortable, while a third (34%) say they can normally cover essential costs but don't often have money for luxuries. One in seven (14%) say they can only just afford their costs and struggle to make ends meet, and 3% say they cannot afford their costs at all and often have to go without essentials, like food and heating.

### FUNDAMENTAL MISUNDERSTANDINGS

Around a third (32%) of those surveyed said they could afford to contribute more to their pensions now in order to boost their retirement income. But while savers are seeing the value of pensions, the survey discovered that there remains a number of key fundamental misunderstandings by savers about their pensions, with many unsure how their contributions were being invested on their behalf.

The survey also revealed that only a third of people know the minimum contribution rate that people make via Automatic Enrolment. Additionally, around two-fifths (39%) are not sure if the government gives tax relief on their pension contributions and around a third (31%) are unsure if their pension savings are invested in stocks, bonds or other investments.

**WANT TO DISCUSS ACHIEVING YOUR FINANCIAL GOALS NOW AND IN LATER LIFE?**

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Our service looks at your financial arrangements as a whole. We can help you to manage all aspects of your finances and investments and ensure they are structured to achieve your financial goals now and in later life. Speak to us to find out how we can help you.

**Source data:**

*[1] Pensions and Lifetime Savings Association (PLSA) research conducted by Yonder Data Solutions from 10/01/22 to 11/01/22 with a nationally representative sample of 2,093 adults*

# PENSION FREEDOMS

## You work, you save and then you retire

**A full and happy retirement is a priority for many.** But no two people are alike. A 'one-size-fits-all' system cannot accurately account for everyone's individual lifestyle choices, so it makes sense that the way you prepare for your future is likely to be different from others.

On the surface, retirement planning hasn't changed all that much over the years. You work, you save and then you retire. But while the mechanics may be the same, today's savers are facing some challenges that previous generations didn't have to worry about.

### GOLDEN YEARS

First of all, life expectancy is longer, which means you'll need your money to last longer. This is compounded by the fact that more companies are moving away from defined benefit pensions – which guaranteed you a certain amount of money in your golden years – to defined contribution plans, which are more subject to market ups and downs.

So, how can you have the retirement you've always wanted? Retirement is inevitable, but that doesn't mean you have to stop living. Your retirement should be a time for enjoying your life and the things you most enjoy doing.

### WORKING LIVES

However, some people are unprepared for retirement due to high debt levels at the end of their working lives or because they were not saving enough during their careers. Sometimes, people are forced into retirement through circumstances outside of their control.

Some people might choose to live off their savings entirely, while others may choose to supplement their income with rental properties. Still others might prefer to have a mix of sources for retirement incomes.

### PENSION MONEY

Whatever the case, being aware of the options available today can help you prepare for your future in an effective way. With the introduction of pension freedoms, there is no onus on us to cash in our pensions at set ages, and instead we can take our pension money any way we choose. But, with this freedom also comes responsibility, and for some, uncertainty.

Some people find they don't have a clear plan for what they want from their retirement, and many underestimate how much money they will actually need when they do eventually retire. The reality is our goals are all very individual, but whatever it is you want from your retirement, it pays to plan ahead.

**If you have a defined contribution pension, here are six simple tips to consider:**

1. Use pay rises as an excuse to save more
2. Pay in more when a regular spend ends
3. Maximise any employer contributions
4. Invest lump sums you receive
5. Put off breaking into your pension pot
6. Be choosy about your investment choices

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**TIME TO TAKE CONTROL OF YOUR RETIREMENT PLANNING?**

Planning for your financial future can help ensure that your lifestyle is what you want it to be after you retire. There's a whole lot to think about when you're planning for retirement. But where do you begin? To ensure your plans stay on track or for more information, please contact us.

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THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

# GETTING **READY TO RETIRE?**

## Bolstering your retirement lifestyle as you approach retirement

**Have you ever wondered what you need to consider as you approach retirement?** Whatever your concept of what is a good pension pot, one certainty is that relying on the State Pension alone will not give you a good enough pension to live on comfortably through your retirement.

'Will I be able to retire when I want to?' 'Will I run out of money?' 'How can I guarantee the kind of retirement I want?' These are hard questions to answer unless you obtain professional financial advice and why you need to start by reviewing your finances sooner rather than later to ensure your future income will allow you to enjoy the lifestyle you want.

After decades of working and saving, you can finally see retirement on the horizon. If you plan to retire within the next five years or so, consider taking these steps today to help ensure that you have what you need to enjoy a comfortable retirement lifestyle.

Taking these actions now could help bolster your retirement lifestyle as you approach your planned retirement date.

### 8 THINGS TO CONSIDER AS YOUR RETIREMENT APPROACHES

### 1. TRACK DOWN YOUR PENSIONS

It's important to track down all the different pension schemes you've previously paid into, so you can be sure you're claiming everything you're entitled to in retirement.

If you're unsure where to start, the UK government offers a pension tracking service to help you find lost pensions.

### 2. WHEN CAN YOU ACCESS YOUR PENSIONS?

Since April 2015, pension freedoms have given savers in defined contribution (DC) schemes greater access to their cash, allowing flexible withdrawals from the age of 55.

### 3. WHAT'S YOUR PENSION'S VALUE?

The easiest way to find out how much your pension is worth is to check your pension statements. Whatever type of pensions you have, you'll receive an annual pension statement from your provider.

In it they'll tell you how much your pension is currently worth and what it's expected to pay out at your retirement date.

### 4. GET A STATE PENSION FORECAST

You can call the Future Pension Centre and ask for a State Pension statement. Your statement will tell you how much State Pension you have built up so far based on the National Insurance contributions and credits that are on your National Insurance record at the time your statement is produced.

Contact the Future Pension Centre for questions about the State Pension or to ask for a statement. Telephone: 0800 731 0175, or from outside the UK: +44 (0)191 218 3600. Or obtain a forecast online at https://www.gov.uk/check-state-pension

### 5. GETTING INVESTMENT ADVICE

If you are close to, or at retirement, you may want to reevaluate your plans. If you have access to other savings and investments, you might want to consider using these before accessing your pension.

If you have other investments or savings, such as Individual Savings Accounts, stocks and shares, bonds, funds, property, etc, it's worth checking their value as you approach retirement age as they can support you in addition to your pension.

### 6. HOW WILL YOU ACCESS YOUR PENSION?

When it comes to deciding how to use your pension pot, there's no one 'right answer'. There are more pension options than ever thanks to the pension freedoms that allow savers access to every penny of their retirement savings.

Your options may include taking a regular income or lump sums and keep investing the remainder in the stock market, or cashing in the entire amount. You can also choose to swap the money for a guaranteed income via an annuity.

### 7. HOW IS YOUR PENSION INVESTED?

Pensions may be for the long term, but it's important regularly to review where your money is being invested. You need to keep a close eye on which funds your retirement savings are in so that you can check you're comfortable with the risks involved.

You should also keep a close eye on how much you're being charged, as fees can have a big impact on the amount you end up with at retirement.

### 8. THE BENEFITS OF ADVICE

Pension advice is important because pension products can be complicated, and life can be unpredictable. Professional financial advice will help you make the right decisions about your money and your future.

Retirement planning is important because it can help you avoid running out of money in retirement. You need to know how much you've got, how to access it and when you can afford to retire comfortably.

**THINKING OF RETIRING SOON? WE'RE HERE TO HELP**

The good news is that whatever your situation, and however you want to enjoy retirement, we can help set up bespoke arrangements that are right for your needs. To discuss your plans or for further information, please contact us.

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# LOOKING TO BUILD A BIGGER PENSION?

Don't miss the deadline to give your pension savings a boost

**As another extraordinary financial year comes to a close,** it's more important than ever to make good use of your annual pension allowances. Giving your pension savings a boost and assessing where you stand will give you peace of mind that you are on track to enjoying the retirement you are planning for.

The 2021/22 tax year ends on 5 April. Staying on top of your retirement plans is important all year round but with the tax year ending on 5 April, just a few weeks away, it's a good time to consider if you've made the most of this year's pension tax benefits. If you haven't, there's still time for any payments or changes to be processed.

### TAX RELIEF

Pension tax relief is an extra amount that's added to your pension contributions. So it effectively means it'll cost you less to save more into your pension plan. Although most people receive tax relief on their pension contributions, depending on how your pension scheme works (if you're part of a salary sacrifice or salary exchange scheme, for example) you might receive tax benefits in a different way. So you should either speak to us or check with your employer if you're not sure.

The amount of tax relief you receive on your own contributions usually depends on the rate of income tax you pay. For most of the UK, this means basic rate taxpayers (who pay 20% income tax) receive tax relief at the same rate. If you're a higher rate taxpayer you receive 40% tax relief on contributions that are matched by income taxed at that rate, and the same for additional rate taxpayers at 45%, but you'll need to claim back anything over 20% from the government unless you pay using salary sacrifice or are a member of an occupational scheme operating the 'net pay' method of tax relief.

### ANNUAL ALLOWANCE

If you don't earn any taxable income, you're still entitled to receive 20% tax relief on your contributions up to the amount you earn. If you have no earnings, or earn less than £3,600 in the current tax year, you can still receive tax relief on contributions up to £3,600 (i.e. if you pay £2,880 net of basic rate tax relief, an amount of £3,600 is added to your pension). While income tax is slightly different in Scotland, the effect on your pension contributions is broadly the same.

In addition to the tax relief limit described above, there is an annual allowance, which is £40,000 for most people. If all contributions combined, including those from an employer, exceed the annual allowance in a tax year, a tax charge will be applied to the excess.

### PENSION CONTRIBUTIONS

The annual allowance applies to the total amount of contributions made into all of your pension plans in a tax year – including the ones your employer, or any third-party, makes on your behalf. The good news is that if you haven't used all of your pension annual allowances in the last three tax years, you may be able to carry them over and use them to pay in more in the current tax year.

When planning to make large pension contributions, spreading them across tax years can make tax sense, for example, that will mean higher rate relief is available on the full contributions. Remember that you still can't contribute more than 100% of your earnings in any tax year if tax relief is to be available on the contributions.

### RETIREMENT GOALS

Most people can contribute up to £40,000 to pensions each year and benefit from tax relief. But if your income rises above a certain level – which is £200,000 for the 2021/22 tax year – this allowance could be reduced or 'tapered'. The tapered annual allowance effectively reduces the amount of money that can be contributed to a pension by you and/or your employer before having to pay tax.

The taper doesn't usually apply if your 'threshold income' is less than £200,000. If it is above this level, you will need to check whether your 'adjusted income' is greater than £240,000 (2021/22 tax year). The annual allowance reduces by £1 for every £2 that your adjusted income exceeds £240,000, to a minimum tapered allowance of £4,000. Without careful financial planning, you could find yourself subject to an unwelcome tax charge.

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**READY TO PLAN YOUR RETIREMENT INCOME WITH US, STEP BY STEP?**

You should bear in mind that tax rules and legislation may change and your own individual circumstances, including where you live in the UK, will have an impact on your tax treatment. For more information about how we can help you build a bigger pension, please contact us.

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# IMPROVING YOUR **FINANCIAL HEALTH**

## Staying on track to achieving specific financial goals

**All of your financial decisions and activities have an effect on your financial health.** To help improve your financial health during this period of rising inflation and interest rates, we look at three areas that could help keep you on track to achieving your specific financial goals.

### BEAT THE NATIONAL INSURANCE RISE

The National Insurance rise from April this year is going ahead for workers and employers despite pressure to reverse the decision to increase this by 1.25%, which is aimed at raising £39 billion for the Treasury. From April 2023, it is set to revert back to its current rate, and a 1.25% health and social care levy will be applied to raise funds for further improvements to care services.

One way to beat the National Insurance increase is by taking advantage of salary sacrifice, which means you and your employer pay less National Insurance contributions. Some employers may decide to maximise the amount of pension contributions by adding the savings they make in lower employer National Insurance contributions (NICs) to the total pension contribution amount they pay.

This is also a way to make your pension savings more tax-efficient. If you choose to take up a salary sacrifice scheme option, you and your employer will agree to reduce your salary, and your employer will then pay the difference into your pension, along with their contributions to the scheme.

As you're effectively earning a lower salary, both you and your employer pay lower NICs, which could mean your take-home pay will be higher. Better still, your employer might pay part or all of their NICs saving into your pension too (although they don't have to do this).

### REVIEW YOUR SAVINGS ACCOUNTS AND RATES

Money held in savings accounts hasn't grown much in recent years due to historically low interest rates. But with inflation running higher, your savings are now at risk of losing value in 'real' terms as you'll be able to buy less with your money.

In some respects, inflation can be seen as a positive. It's a sign of strong economic recovery post-COVID, increasing salaries and higher consumer spending. But it's bad news for your cash savings. Relying solely or overly on cash might prevent you from achieving your long-term financial goals, which may only be possible if you accept some level of investment risk.

In an environment where the cost of living is rising faster than the interest rates received on cash, there is a danger that your savings will slowly become worth less and less, leaving you in a worse position later on.

If you have money in savings, it is important to keep an eye on interest rates and where your money is saved. Rates are low and you will lose money in real terms if inflation is higher than the interest rate offered on your savings account or Cash ISA.

### SHIFT LONGER-TERM SAVINGS INTO EQUITIES

During times of high inflation, it's important to keep your goals in mind. For example, if your investment goals are short term, you may not need to worry much about how inflation is impacting your money. But if you're investing for the long term, inflation can have a larger impact on your portfolio if it's sustained – although high inflation that only lasts for a short period may end up just being a blip on your investment journey.

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If you have large amounts of money sitting in cash accounts one way to beat inflation is to invest some of your money in a long-term asset that will appreciate with time, thus increasing your buying power over time. There are many ways to invest your money, but most strategies revolve around one of two categories: growth investments and income investments.

Historically, equities have offered an effective way to outperform inflation. Cyclical stocks – like financials, energy and resources companies – are especially well-suited to benefit from rising prices. These sectors typically perform better when the economy is doing well, or recovering from a crisis.

Depositing funds into your investment portfolio on a regular basis (such as monthly from salary) can help you invest at different prices, averaging out the overall price at which you get into the market. Known as pound-cost averaging, this can help you smooth out any fluctuations caused by market volatility over the long term. While volatility will always exist, it can be managed and reduced by taking this approach.

**LET US HELP CHART YOUR PATH THROUGH LIFE**

The most effective way to make the most of your money is by receiving professional financial advice. We can help you chart your path through life, ensuring you are financially ready for every stage. To discuss your requirements, please contact us for more information.

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# HOW MUCH DO I NEED TO SAVE TO RETIRE?

Questions to help you live your best life in later life

**The question, 'Have I saved enough to retire?' is a difficult one.** It requires a lot of information about you, your family, your income needs in retirement, and an understanding of the various financial vehicles available for saving and investing before it can be answered definitively.

It's hard to know exactly how much you'll need in later life because everyone has different circumstances and different expectations. But by planning how much you'll need, and working out how best to build up your pension pot, you'll be in a better position to live your best life in later life.

Most people know they should save money to fund their retirement. But they may not know, however, how much money they should be saving in order to retire comfortably. So what should you consider?

### Q: WHAT WILL MY LIFE LOOK LIKE WHEN I RETIRE?

While this might seem obvious, it's easy to forget about all of the little details when thinking about retiring or what your daily life will look like after retirement. Your budget is aimed at having a certain standard of living now, while working. Will that standard of living carry over into your retirement years? Will you need to scale back? Or will you be able to enjoy more of the finer things in life after you retire?

### Q: HOW MUCH AM I CURRENTLY SAVING TOWARDS RETIREMENT EACH MONTH OR YEAR?

This is always a good metric to know how well your current savings are holding up, especially since you can compare it with other metrics later on. Saving early means your money is invested for longer and has more time to grow – and any returns your savings make are also reinvested and have a chance to grow too. If you know how much money is being put away for retirement now, it's easier to estimate how long it will take before that particular goal has been reached.

### Q: HOW WOULD MY DAILY LIFE CHANGE IF I HAD LESS INCOME COMING IN?

By looking at your current income and expenditure, you can start to get a picture of what life would look like with a smaller income. Your expenses will likely decrease as you retire if it's only necessary to pay for the essentials, such as housing, food and utilities. You may be able to save more or spend more on things that make you happy (within reason). If most of your lifestyle doesn't change much after retirement, chances are that you're doing all right with your savings. But be mindful that people are living longer than ever, and that will create some challenges for retirees.

### Q: HOW LONG WILL MY MONEY LAST IN RETIREMENT?

This is where it starts getting complicated because there are several questions involved: How much money do we plan to live on each month (that includes any and all expenses)? How long will that money need to support us? How much income do we expect to have throughout retirement? It may take several years of research, but being aware of your 'magic number' for retirement is a good way to see how well you are doing with saving. Turning your dreams into reality will take careful planning and budgeting. Once you've got a good idea of your life expectancy, pension pot and any other retirement income, we can help you make an informed decision about when the right time to start your retirement is likely to be.

### Q: HOW CERTAIN AM I THAT MY SAVINGS ARE ENOUGH?

No one has an exact answer as to how much money they should be saving towards retirement – everyone's situation is different. Knowing your savings certainty can help you better understand whether or not it's enough for your needs. This metric may require some thinking about what type of lifestyle you want in the future, what expenses will change or go away, and how long you might live if nothing changes. Retirement can be a long time, so it's important to think about how you plan to spend your golden years. The common perception is that you'll need between half and two-thirds of the final salary you had when you were working, after tax, to maintain your lifestyle once you retire. ◂

**NEED HELP PUTTING A RETIREMENT PLAN IN PLACE, AND KEEPING IT ON TRACK?**

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If it looks like what you have won't cover the lifestyle you want in retirement or you want to review your current retirement plan, speak to us. We'll give you peace of mind by helping you put a plan in place, and keeping it on track, so you can make the most of your retirement. Don't delay, please contact us if you require further information.

# INVEST YOUR WAY **OUT OF INFLATION**

Why now is the time to make sure you protect your wealth

**The word 'inflation' had barely featured in the market's vocabulary in the last three decades** until it suddenly started to come back with a vengeance in 2021. As higher inflation looks set to persist in 2022, finding ways to generate a return on investments greater than inflation will be a key investment theme – otherwise your wealth falls in real terms.

### SPENDING SPREE

There are two basic reasons why inflation has been increasing: supply and demand. Starting with the latter, consumers have been on a spending spree after having spent a large proportion of time during 2020 and 2021 at home bingeing on Netflix.

The main reason for the current rise is due to the global price of energy. This has meant higher energy and transport bills for businesses, many of whom pass on the extra costs to their customers. Supply problems and higher shipping costs are also continuing to have an impact on businesses.

### HEALTHY ECONOMY

Central banks kept saying that inflation was 'transitory', but this now seems to have been replaced by the word 'persistent'. The result is that inflation will remain high on the economic agenda in 2022.

Inflation is a measure of how much prices have gone up over time. It's the rate at which cash becomes less valuable – £1 this year will get you further than £1 next year. It tends to be a good sign in a healthy economy, but too much of it can be hard to reel in and control.

### BOE FORECAST

The Bank of England (BoE)[1] expects inflation to reach over 7% by spring 2022 and then start to come down after that. That's because most of the causes of the current high rate of inflation won't last. It's unlikely that the prices of energy and imported goods will continue to rise as rapidly as they have done recently. And this means that inflation will eventually decline.

The BoE forecasts the rate to be much closer to their 2% target in two years' time. But even though the rate of inflation will slow down, the prices of some things may stay at a high level compared with the past.

### PURCHASING POWER

Beating inflation means earning higher returns from an investment than the inflation rate in the economy. If your return on investment is less than the inflation rate, this could basically nullify the returns you have earned. Due to various reasons, the purchasing power of money decreases significantly every year.

Investing with inflation in mind is essential for protecting your current and future wealth and involves choosing assets that naturally keep pace with rising prices. These mostly include either real, tangible assets, or investments that pay a variable rate and appreciate or increase over time.

**LOOKING FOR A BETTER CHANCE OF BEATING INFLATION OVER THE LONG TERM?**

If you've already got an emergency fund, or have excess cash in the bank, it may be time to consider investing some of it to protect your wealth from inflation. Investing some of your money may give you a better chance of beating inflation over the long term. To discuss your options, please contact us.

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 AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

**Source data:**

*[1] https://www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising*

# 'TIME IS MONEY'

Five principles of investing everyone should know

**Are your investments working as hard as they could be?** With so many options out there, it can be confusing. We can help you navigate your options and provide a personalised recommendation based on your investment goals.

The following five principles will help you get on top of some key issues that affect everyone who invests their money.

**1. SET INVESTMENT GOALS**

Successful investing begins by setting measurable and attainable investment goals and developing a plan for reaching those goals. Keeping your plan on track also means evaluating the progress on a regular, ongoing basis.

Whatever your personal investment goals may be, it is important to consider your time horizon at the outset, as this will impact the type of investments you should consider to help achieve your goals.

Committing to investment goals will put you on the path to building further wealth. Investors who make the effort to plan for the future are more likely to take the steps necessary to achieve their financial goals.

**2. INVEST AS SOON AS POSSIBLE**

It's easy to say that it is better to invest early, but why? The benefits of investing early are numerous and should not be overlooked. However, the benefits that come with starting your investment portfolio as soon as possible will also depend on your attitude towards investment risk and how patient you can be. It is no secret that the well-known proverb 'time is money' could not ring more true in today's society.

You might be inclined to ask yourself the following questions: 'Why bother investing early?' 'What difference does it make?' And 'Why should I invest now instead of next year or beyond?' The answer is that time allows you to take more calculated risks.

**If you invest for the long term, any short-term volatility shouldn't affect your ability to reach your investments goals over time.**

If you invest early and incur a loss, you have more time to make up for the loss on investment. Whereas an investor who starts investing at a later stage in life will get less time to recover any losses. Thus, with early investments, your investment has the opportunity of more time to grow in value.

Not only is time your best friend when you're investing, but you'll also reap the benefits of something called 'compounding'. To paraphrase Ben Franklin: Your money makes money. And then you make more money on the money your money makes. The longer your money can benefit from the power of compounding, the bigger your gains will be as time goes on.

**3. INVEST REGULAR AMOUNTS**

By investing regularly, you benefit from highs and lows in the market – called 'pound cost averaging' – and this helps cut down the risk of investing when the market is high. Dips in the market, particularly in the early years, could even work to your advantage provided you have committed to investing for a lengthy period.

If your chosen investments have become cheaper to accumulate it means your investment buys more shares or units to keep for the long term. By investing regular monthly amounts, rather than a larger lump sum in one go, you end up buying more shares or units when prices become cheaper and fewer when they become more expensive.

Although it might sound quite technical, it essentially means adding money on a regular basis into your investment. This is an effective way to invest because if you keep buying when the market falls you could, over time, turn volatility to your advantage.

**4. DIVERSIFY YOUR PORTFOLIO**

Diversification is spreading investment risk, the goal being to increase your odds of investment success. Your investment portfolio risk tolerance should be split across different types of investment, so your money is less

likely to be affected by any single event or economic development.

A simple example might be splitting £10,000 between shares in FTSE100 companies and shares in small companies, government bonds and corporate bonds. Diversification is important in investing because markets can be volatile and unpredictable. While individual asset classes can suffer declines, it's very rare that any two or three assets with very different sources of risk and return, like government bonds, gold and equities, would experience declines of this magnitude at the same time.

Where possible, always make investment decisions and portfolio allocations based on your personal circumstances and goals. Accordingly, asset allocations in a portfolio should not only be guided by your risk tolerance and its ability to guard against market volatility, but also by the stage of life you are at.

### 5: RESIST THE URGE TO PANIC SELL

What this means is that your ability to cope with short-term volatility in your investments is just as important as the choices you make at the outset of your investment journey. But if, say, there is a stock market correction, resist the urge to sell up immediately; instead sit tight and ride out any downward movement before looking for opportunities to exploit if they arise later.

The fear of incurring major losses could make it extremely tempting to sell your investments. Yet while this may temporarily alleviate your nerves, doing so could put a significant dent in your long-term gains. Investment trends show that leaving your money invested increases the chances of it growing and building your wealth pot.

If you invest for the long term, any short-term volatility shouldn't affect your ability to reach your investment goals over time. Keep calm and carry on building up your investments. History has shown that over long enough time periods, no matter what challenges the global economy has faced, markets recover from significant downturns.

**VALUABLE ADVICE, TAILORED TO YOU**

We believe in helping you plan for the life you want rather than letting the future take you by surprise. We want to give you access to our financial and investment expertise, to help give you the chance to choose what your financial future looks like. To find out more, please contact us.



**/// By investing regularly, you benefit from highs and lows in the market – called 'pound cost averaging' – and this helps cut down the risk of investing when the market is high. Dips in the market, particularly in the early years, could even work to your advantage provided you have committed to investing for a lengthy period.**

# DISRUPTING SOCIAL PLANS **LEADS TO SAVINGS SURGE**

## Britons saved almost £4bn as a result of the Omicron variant

**New research[1] has highlighted Britons saved almost £4bn[2]** as a result of the Omicron variant disrupting social plans during the festive period.

The identification of the new variant and the subsequent surge in positive cases caused many to put festive plans on hold this year, resulting in 35% of people saving money, with an average saving of £212 per person. 1% of people cancelled bigger plans over Christmas, resulting in savings of over £1,000. Overall UK adults saw total savings amount to approximately £4bn.

### VARIANT'S EMERGENCE

The data also revealed that those aged between 25 and 34 saw the biggest savings, with 41% saying they had saved money on socialising during the festive period following the Omicron variant's emergence. Previous research[3] in 2020 found that 18 to 30-year-olds were the most likely to be saving more money as a result of the pandemic, with almost 48% saying they had put more money aside following the first lockdown.

With the cost of living impact becoming ever more prevalent as we move through 2022, many will no doubt be thankful to have saved a few extra pounds from the festive season. Being in control of your finances enables you to manage them more effectively, and eliminates the pressure of worrying about money as you have the sense of security that comes with knowing how much you have available to spend.

### FINANCIAL DIFFICULTIES

There will always be times throughout the year when expenditure will vary, so having well-managed finances will allow you to be prepared, regardless of what changes may happen along the way. If you have money set aside for emergencies, you're far less likely to experience financial difficulties or have to borrow at a high interest rate if things go wrong or your circumstances change. Knowing you've got some money tucked away might help you sleep better at night too.

Saving regularly is a good way to build up an emergency fund. You'll find that if you get into the habit of saving each month your savings will soon mount up. There isn't a one-size-fits-all approach to emergency savings because everyone's expenses, income and priorities are different. Your end goal ideally should be to set aside between three to six months of your expenses.

**READY TO EXPLORE YOUR OPTIONS AND DISCUSS THE NEXT STEPS?**

Financial planning may seem complex, but it doesn't have to be difficult. With your goals in mind, we can explore your options and discuss the next steps. To find out more, please contact us.

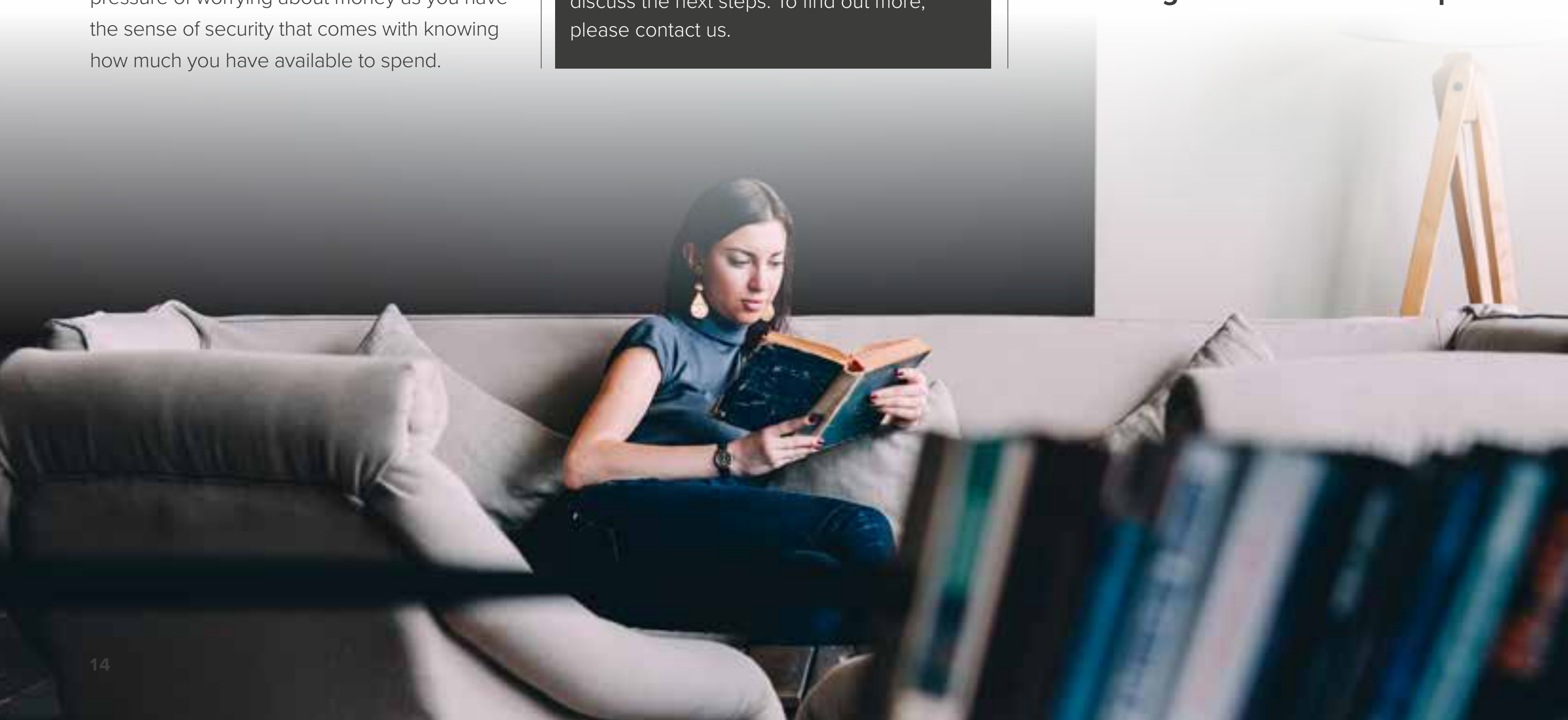
**Source data:**

*[1] YouGov research conducted for Quilter. Total sample size was 2,069 adults. Fieldwork was undertaken online between 23-25 December 2021. The figures have been weighted and are representative of all UK adults*

*[2] Total savings calculated by Quilter using median savings figure. Total UK adult population calculated by Quilter using ONS estimated population data Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland – Office for National Statistics (ons.gov.uk).*

*[3] Survey conducted by Toluna on behalf of Quilter between 27–30 April 2020 with 1,014 UK adults*

**/// Saving regularly is a good way to build up an emergency fund. You'll find that if you get into the habit of saving each month your savings will soon mount up.**



/// The research also identified the average number of pension pots at different ages. Two-thirds (66%) of workers have more than one pension, with two pension pots being the most common (30%). More than 60% of 18 to 41-year olds have two or more pension pots.

# ‘JOB FOR LIFE’ A THING OF THE PAST

## Most Millennials and Gen Z have two or more pension pots

**If you’ve worked multiple jobs over the years, you may have been auto-enrolled into a number of pension plans by past employers.** You might also have a few pension plans that you opened yourself. Keeping track of all your plans’ policy numbers and knowing exactly how much is in each of them might start to get confusing as the years go by.

Ten years after auto-enrolment was introduced, new research shows almost two-thirds (63%) of Millennial and Gen Z workers aged 18 to 41 have two or more pension pots[1]. The government’s Pensions Dashboards programme is due to launch in 2023 and will enable people to see information about all of their pensions in one place.

### DIFFERENT AGES

The research also identified the average number of pension pots at different ages. Two-thirds (66%) of workers have more than one pension, with two pension pots being the most common (30%). More than 60% of 18 to 41-year-olds have two or more pension pots.

15% of working-age people have four or more and the proportion doesn’t change much with age – 13% of under-40s compared with 16% of over-40s – suggesting that more frequent job moves among the younger generation, together with auto-enrolment, are having a significant impact on the experience of building up a pension. One in 17 (6%) did not know how many pension pots they had.

### PENSION HOLDINGS

This will be more of an issue for Millennials (1980 to 1995) and Gen Z (those born between 1996 and 2010), who have the most to gain from seeing all their pensions in one place. The Department for Work and Pensions previously estimated that people would have an average of 11 jobs over their working lives.

Younger workers tend to move more quickly between jobs than the older generation did earlier in their working lives. This change in the way careers are built – from ‘jobs for life’ to jobs for two or three years – occurring at the same time as auto-enrolment means that as people build up experience and pay rises between different employers, they also build up an increasingly complex pension history.

### SECURING THE FUTURE YOU WANT

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Although the Pensions Dashboards will be extremely useful, it doesn’t fully mitigate the need to keep all of your pension information for yourself. It will still be a good idea to keep documentation from different providers and pensions – if you wish to make changes to any of your pensions, for example, to the underlying investments, you would still need to contact the providers directly. To find out more or to discuss your situation, please contact us.

**Source data:**

*[1] https://media-prod.ii.co.uk/s3fs-public/pdfs/Great_British_Retirement_Survey_2021.pdf*

**/// The research also identified the average number of pension pots at different ages. Two-thirds (66%) of workers have more than one pension, with two pension pots being the most common (30%). More than 60% of 18 to 41-year-olds have two or more pension pots.**

# ROADMAP FOR **INVESTORS**

## Increased confidence portfolios will perform well in 2022

**In 2021, there was a return to some form of normality across a vast majority of regions following successful vaccine roll-outs around the globe.** But will the economic rebound continue in 2022, or be stymied by rising energy prices, higher inflation and further continued uncertainty brought about by the pandemic fallout?

**/// Ethical investing considerations continue to grow, with twice as many investors this year saying they are conscious of what their money is funding (30% compared with 15%). The biggest challenges are seen as inflation (43%), interest rate increases (42%), new COVID-19 variants (34%) and the continued impact of Brexit (31%).**

Will we finally see material change in the way investors assess sustainable companies? What's going to happen in 2022? To answer some of these questions, new research has revealed that investors have headed into this year feeling more optimistic about the year ahead.

### MARKET FLUCTUATIONS

The findings show that nearly two-thirds (62%) of investors are confident that their portfolios will perform well in 2022. Twice as many investors are likely to add money into the stock market this year compared to last year.

Half (49%) of investors say that the market fluctuations since lockdown mean they are more likely to invest more in the stock market this year – a considerable increase since last year when just one in four (24%) said they are likely to.

### INCREASING INVOLVEMENT

Ethical investing considerations continue to grow, with twice as many investors this year saying they are conscious of what their money is funding (30% compared with 15%). The biggest challenges are seen as inflation (43%), interest rate increases (42%), new COVID-19 variants (34%) and the continued impact of Brexit (31%).

Along with the confidence in the market has come increasing involvement, with half of investors (49%) saying they have become more actively engaged in their portfolio.

### RESPONSIBLE INVESTING

The trend for socially responsible investing continues to increase, with almost one-third of investors (30%) saying they are now more conscious of the types of businesses and industries that they are funding – double the number (15%) of last year.

When it comes to geographical regions, 36% of respondents see the UK as offering the greatest opportunities, followed by emerging markets (32%) and the US (31%).

### INFLATION PERSISTING

Investors are also conscious of the challenges their portfolios may face this year. With concerns about inflation persisting, people are right to look to the stock market as one of the ways they can preserve spending power over time. As always, diversification is key to more reliable investing success.

The future will remain unpredictable, as the last few years have demonstrated. As the world changes, the areas of the stock market that may prosper over the next five or ten years will not necessarily be the same as the previous decade.

### DIFFERENT SECTORS

The same is true of other investible asset classes, from government bonds to commodities – the leader board for the years ahead could look entirely different to the one in our rear view mirror.

To give investors' money the greatest chance of growing, it is important to spread the bulk of it out across different sectors, regions and asset classes and leave it there for at least five years. For those investors that want to take a more speculative approach with their portfolio by backing individual companies they believe in, remember this is a higher risk approach, so do so with a smaller share of your money and see it as garnishing.

**WANT TO ENSURE YOU KEEP YOUR PORTFOLIO IN BALANCE?**

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As economic imbalances wrought by the pandemic begin to ease, some investors could be in for hotter-than-expected growth and inflation. To ensure you keep your portfolio in balance, please contact us to discuss your requirements, or to find out more please contact us for more information.

**Source data:**

*[1] Censuswide data collected from two comparison surveys, run in December 2021 and November 2020. Both surveys have a representative sample size of 2,000 respondents. All respondents were 18+ and had previously invested money.*

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 AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

# WILL I BE ABLE TO RETIRE **WHEN I WANT TO?**

## Financial planning and advice for the 'unretired'

**The changes in the retirement landscape mean that many people today are having to adjust their outlook towards retirement.** With more people living longer, expectations of retirement are being reshaped and there is no longer a one-size-fits-all approach to retirement planning.

**/// If you are approaching retirement age, it's important to know your pension is going to finance your plans. But what questions should you be asking about your retirement? Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want? Should I invest my retirement savings?**

To different people, retirement means different things. Retirement offers the gift of time to do the things that matter most, whether that's looking to continue to work in one capacity or another, embark on a new project or business venture, or stop work entirely.

Retirement is a very personal stage in all of our lives and it may also affect others, so it's important to consider loved ones. Over the course of someone's retirement, there may be a change to their family situation, including changes due to death or divorce, or perhaps welcoming new partners and possibly grandchildren.

### RIGHT CHOICES

If you are approaching retirement age, it's important to know your pension is going to finance your plans. But what questions should you be asking about your retirement? Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want? Should I invest my retirement savings?

These are just some of the questions you'll want to know the answers to. But there are many other things to consider as you approach retirement. It's good to start by reviewing your finances to ensure your future income will allow you to enjoy the lifestyle you want. Making the right choices now could make a big difference to how much money you have in the future.

### PENSION SAVINGS

Retirement might seem a long way off but the later you leave planning for it, the less chance you have of achieving the retirement you want. We all dream of how we'll spend our retirement but that dream looks different for everyone.

Some people want to spend more time with their family, while others want to enjoy long holidays and see the world, or simply wish to be financially independent. No matter what your dreams are, they rely on having sufficient pension savings to achieve them and live comfortably.

### RETIREMENT GOALS

People who associate confidence with retirement are most likely to have specific retirement goals and know what steps they need to take to reach them. But sadly, some people don't feel confident that they will have enough savings to live comfortably after they retire.

Some people may have a fear of outliving their money, and may not have a clear idea of how much money they will need during retirement. It's important to remember that retirement doesn't happen at a certain age, it happens when you have enough money to live on. And having this clear direction and understanding will give you peace of mind that you're on the right track.

### DO YOU FEEL CONFIDENT ABOUT YOUR RETIREMENT?

Pensions can seem complex and overwhelming, and there are many reasons you might lack confidence in your retirement plans.

- You might be worried that you're not saving enough, but don't feel you can afford to save more
- You might feel ready to retire now, but you're not sure if you can rely on your current pension savings to provide enough money for the rest of your life
- You might have experienced a change to your financial situation, including life events such as divorce, and have new concerns about whether you can save enough
- You might have previously felt confident about your retirement plan, but the COVID-19 pandemic has derailed your savings

### CREATING A FINANCIAL PLAN THAT'S UNIQUE TO YOU

A positive retirement experience begins with a plan designed to help you live life on your terms. People who know where they're going and how to get there feel more confident in their retirement plan. We'll be able to answer these key questions.

### WHAT DO I NEED TO KNOW?

- How much you need to save for retirement
- How to save tax-efficiently for retirement
- How pensions work
- The type of pension you should choose
- The right amount to contribute to your pension
- How to boost your pension pot
- How your pension should be invested
- How to withdraw money from your pension

### AFTER WE'VE LEFT THE NINE-TO-FIVE BEHIND

We all have our own idea of the life we'd like to lead after we've left the nine-to-five behind. Whatever retirement looks like for you, it's important to make the right plans now, so that you have the freedom to enjoy the time when it comes, however you choose to fill it.

We will ask questions about your finances, personal circumstances and retirement goals, and create a plan that's unique to you and will help you reach the retirement you're aiming for.

### TIME TO DISCUSS WHAT LIFE YOU'D LIKE TO LEAD AFTER YOU'VE LEFT THE NINE-TO-FIVE BEHIND?

It is possible to be confident about your retirement, but it's important to ensure you're looking at the whole picture. Continuous progress toward saving for retirement builds confidence and keeps you motivated. When it comes to saving for a financially secure retirement, it is often said that slow and steady wins the race. To discuss how we can help you win the retirement race or to find out more, please contact us for more information.

# INHERITANCE TAX

## What will your legacy look like?

**Intergenerational planning helps you put financial measures in place to benefit your children later in life,** and even your future grandchildren, but it's important to start planning early.

**/// Commencing 6 April 2017, an additional 'residence nil-rate band' (RNRB) allowance was introduced if you leave your interest in the family home to direct descendants (such as children, step-children and/or grandchildren). This only applies to your main home but can be available even if that home had been sold after July 2015.**

You may want to keep an element of control when passing on your assets. You may want your money to be used for a particular reason, such as paying for school or university fees or for a first property deposit. Or you may just want to make sure your money stays within the family.

### WHEN YOU PASS AWAY

Without appropriate provision, Inheritance Tax could become payable on your taxable estate that you leave behind when you pass away. Your taxable estate is made up of all the assets that you owned, the share of any assets that are jointly owned, and the share of any assets that pass automatically by survivorship. Careful planning can reduce or even eliminate the Inheritance Tax payable.

Inheritance Tax is not payable on the first part of the value of your estate – the 'nil-rate band'. The current 2021/22 nil-rate band is £325,000. If the total value of your estate does not exceed the nil-rate band, no Inheritance Tax is payable. Outstanding debts and funeral expenses can be deducted from the value of your estate.

### INTEREST IN THE FAMILY HOME

An additional 'residence nil-rate band' (RNRB) allowance was introduced in 2017 and is available if you leave your interest in the family home to direct descendants (such as children, step-children and/or grandchildren). This can apply to any individual property that has been your main residence at some time and can be available even if that home had been sold after 7 July 2015.

For the 2021/22 tax year, the maximum RNRB additional allowance is £175,000, potentially increasing your total Inheritance Tax allowance to £500,000 (£1,000,000 for a married couple).

There are legitimate ways to plan to reduce the amount of Inheritance Tax you may have to pay. We can advise you on the ways that you may mitigate any exposure, including these:

### MAKE A WILL

Dying intestate, or dying without a Will, means that you may not be making the most of the Inheritance Tax exemption that exists if you wish your estate to pass to your spouse or registered civil partner. For example, if you don't make a Will, then relatives other than your spouse or registered civil partner may be entitled to a share of your estate, and this might trigger an Inheritance Tax liability.

### MAKE LIFETIME GIFTS

Non-exempt gifts made more than seven years before the donor dies are free of Inheritance Tax. Exempt gifts are immediately out of the donor's estate. So, it might be appropriate to pass on some of your wealth while you are still alive. This will reduce the value of your estate when it is assessed for Inheritance Tax purposes, and there is no limit on the sums you can pass on.

You can gift as much as you wish to other individuals or bare trusts with no immediate Inheritance Tax issue. This type of gift is known as a 'Potentially Exempt Transfer' (PET). If you live for seven years after making such a gift, then it will be exempt from Inheritance Tax, but should you be unfortunate enough to die within seven years, then it will still be counted as part of your estate.

However, if the PET is above your nil rate band, the longer you survive after making the gift (subject to surviving over three years), the lower the Inheritance Tax charge on the recipient of the gift:

- If you survive between three to four years from the date of the gift, the Inheritance Tax charge on the gift is reduced by 20%
- If you survive between four to five years from the date of the gift, the Inheritance Tax charge on the gift is reduced by 40%
- If you survive between five to six years from the date of the gift, the Inheritance Tax charge on the gift is reduced by 60%
- If you survive between six to seven years from the date of the gift, the Inheritance Tax charge on the gift is reduced by 80%

You need to be careful if you are giving away your home to your children with conditions attached to it, or if you give it away but continue to benefit from it. This is known as a 'Gift with Reservation of Benefit' and isn't effective for Inheritance Tax purposes.

### LEAVE A PROPORTION TO CHARITY

Being generous to your favourite charity can reduce your tax bill. As well as the gift itself being exempt from Inheritance Tax, if you leave at least 10% of your net estate to a charity or number of charities, then your Inheritance Tax liability on the taxable portion of the estate is reduced to 36% rather than 40%.

### SET UP A TRUST

As part of your Inheritance Tax planning, you may want to consider putting assets in trust – either during your lifetime or under the terms of your Will. Putting assets in trust – rather than making a direct gift to a beneficiary – can be a more flexible way of achieving your objectives.

Family trusts can be useful as a way of reducing Inheritance Tax, making provision for your children and spouse, and potentially protecting family businesses. Trusts enable the donor to control who benefits (the beneficiaries) and under what circumstances, sometimes long after the donor's death.

Compare this with making a direct gift (for example, to a child), which offers no control to the donor once given. When you set up a trust, it is a legal arrangement and you will need to appoint 'trustees' who are responsible for holding and managing the assets. Trustees have a responsibility to manage the trust on behalf of and in the best interest of the beneficiaries, in accordance with the trust terms. The terms will be set out in a legal document called 'the trust deed'. ◂

**PASSING ON OUR ASSETS TO OUR LOVED ONES**

Being wealthy can have its benefits, and its challenges too. When we die, we like to imagine that we can pass on our assets to our loved ones so that they can benefit from them. In order for them to benefit fully from our assets, it is important to consider the impact of Inheritance Tax. If you would like to review the potential impact on your estate, please contact us.

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# HOW CONFIDENT ARE YOU ABOUT **YOUR RETIREMENT?**

Hopes, fears and aspirations of people approaching and in retirement

**People aged between 55 and 64 are now less confident about their retirement than they were a year ago,** with over-55s most likely to be worried about rising prices.

**/// 55% of over-65s (who weren't yet retired) are confident they have saved enough for retirement compared to 60% in December 2020. Women (35%) are much less likely than men (52%) to be confident about their retirement prospects.**

Many of us are unsure about what to expect when it comes to planning for the future. Study after study has indicated that many of us aren't sure whether we will be able to retire comfortably. It really does seem that it's increasingly difficult for some to feel confident about retirement.

### RETIRED PEOPLE

New research has highlighted an interesting insight into the hopes, fears and aspirations of people approaching and in retirement[1]. How much your retirement will cost depends on your lifestyle, so it differs for everyone. That said, it may be more expensive than you'd expect. Inflation concerns have been rising since last summer and rising prices pose a problem for retired people.

The research also revealed 33% of UK adults are worried about rising prices of everyday items, up from 27% in September 2021. People aged over 55 (36%) are most likely (of all age groups) to say they are worried about the rising prices of day-to-day items.

### RISING PRICES

Women (40%) are more anxious about rising prices than men (26%). Retirement confidence is also falling for over-55s. The proportion of people aged over 55 who are confident about retirement has fallen in the last year.

In December 2021, 41% of people aged between 55 and 64 (who weren't yet retired) said they were confident that they have saved enough for a comfortable retirement, compared to 44% in December 2020.

### COMFORTABLE RETIREMENT

55% of over-65s (who weren't yet retired) are confident they have saved enough for retirement, compared to 60% in December 2020. Women (35%) are much less likely than men (52%) to be confident about their retirement prospects.

However, mass affluent people – those with assets of between £100,000 and £500,000 excluding property – are much more likely to be confident about retirement. Some 71% of mass affluent consumers are confident that they have saved enough for a comfortable retirement, compared to 43% of the population as a whole.

### PURCHASING POWER

The proportion of mass affluent consumers who are confident about retirement has also increased, from 60% in December 2020 to 71%. Previous research found that a large proportion (84%) of this group saved money during the COVID pandemic and one in five (20%) mass affluent said their household saved over £10,000. This group is more likely to have put these savings into a pension (8% vs 5% UK adults).

Those on fixed incomes will see the purchasing power of their incomes fall. Those drawing an income from their pension fund may be forced to withdraw more money from their fund than they anticipated and increase the risk of running out of funds in retirement.

### CAUTIOUS INVESTORS

One likely reason why over-55s are more worried about inflation is that they typically have a larger proportion of their savings in deposit accounts that are not keeping pace with rising prices. Wealthier households are probably more confident because they tend to have a greater proportion of their investments in real assets such as equities and property, which have risen in value over the past few years.

Rising inflation poses a dilemma for cautious investors. They are generally uncomfortable with the volatility that investing in stock market-based funds can bring but are also concerned that their savings fail to keep pace with rising prices. One option for them is a fund that invests in a wide range of assets but which helps to smooth out the ups and downs of the stock market.

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**A FINANCIAL PLAN THAT IS TAILORED TO YOU**

Every successful financial plan starts with understanding you, your commitments, your ambitions and your aspirations. To find out more about your options for taking an income in retirement and what you need to consider, please contact us.

**Source data:**

*[1] The LV= Wealth and Wellbeing Monitor is a quarterly survey of 4,000+ consumers which examines their attitudes to spending, saving and retirement. LV= surveyed 4,000+ nationally representative UK adults via an online omnibus conducted by Opinium in December 2021.*

# SMART MONEY HABITS

## Best practice, smart money habits

**Does the idea of looking at your bank account cause a sense of dread?** Does the ping of your banking app make you question every single one of your spending choices?

Taking the time to manage your money better can really pay off. Learning to budget will help you stay on top of your bills and save you a considerable amount of money each year. You might be able to use savings to pay off any debts, put them towards your pension, or spend them on your next car or holiday.

### SPENDING AWARENESS

If you don't know what and where you're spending each month, there's a good chance your personal spending habits have room for improvement. Smart money habits begin with spending awareness. Track your spending and identify how much you're spending on non-essentials such as dining, entertainment and even that daily coffee. Once you've identified these personal spending habits, you can make a plan to improve.

### CREATE A BUDGET

Use your monthly spending habits, as well as your monthly take-home pay, to set a budget you know you can keep. There's no use setting a strict budget based on drastic changes, such as never eating out, when you're currently eating out four times a week. Create a budget that works with your lifestyle and spending habits. You should see a budget as a way to encourage better smart money habits, such as cooking at home more often, but give yourself a realistic chance of meeting this budget. That's the only way this money management method will work.

### EMERGENCY FUND

Create an emergency fund that you can dip into when unforeseen circumstances strike. Even if your contributions are small, this fund can save you from risky situations in which you're forced to borrow money at high interest rates or possibly find yourself unable to pay your bills on time. You should also make general savings contributions to strengthen your financial security in the event of a job loss.

### PAYING BILLS

Paying bills on time is an easy way to manage your money wisely, and it comes with excellent benefits. It helps you avoid late payment fees and prioritises essential spending, and it can also improve your credit score, enabling you to obtain more competitive rates of interest on a future mortgage or car loan.

### RECURRING CHARGES

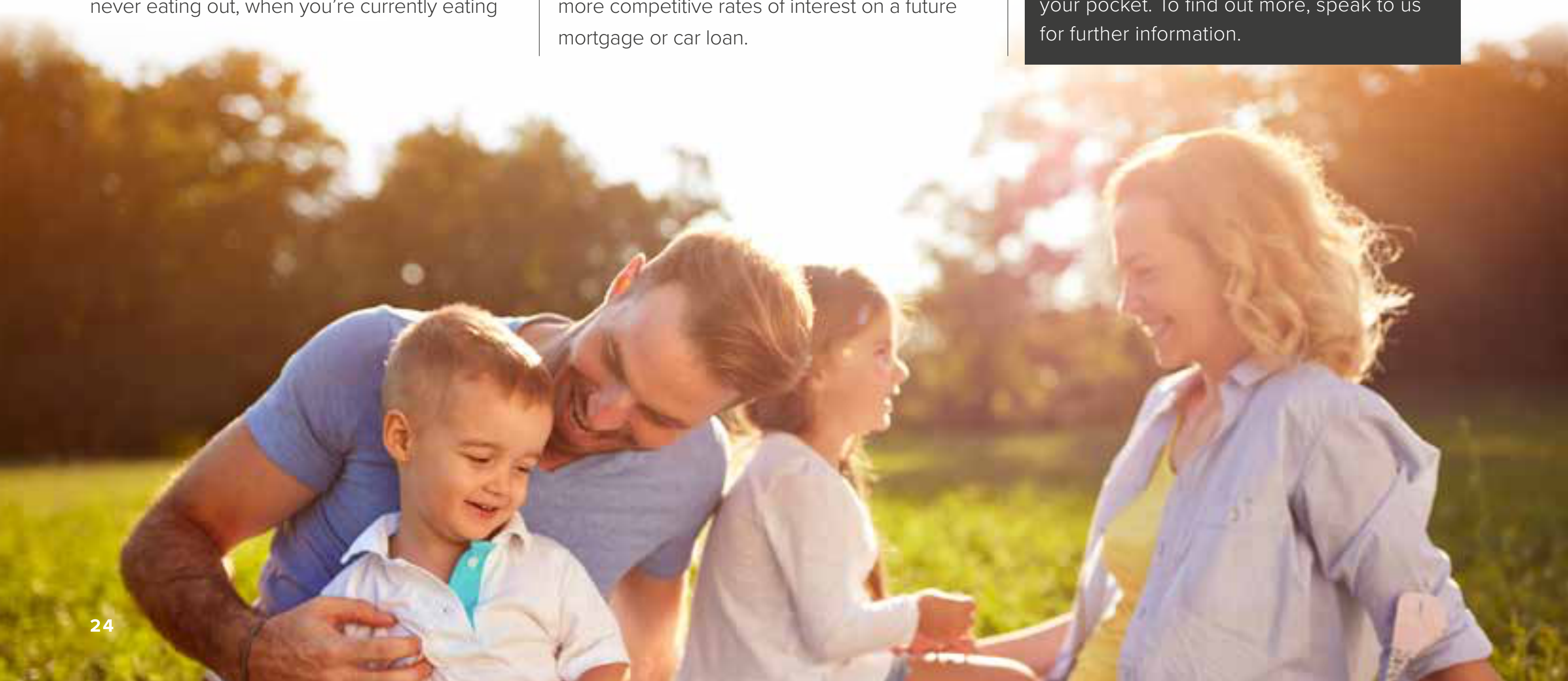
Do you subscribe to services you never use, such as a gym membership? It's easy to forget about monthly subscriptions to streaming services and mobile apps that charge your bank account even when you don't regularly use these services. Review your spending for charges like these, and consider cancelling unnecessary subscriptions to hold onto more money each month.

### INVESTMENT STRATEGY

Even if your ability to invest is limited, small contributions towards your pension and investments can help you use your earned money to generate more income for your future financial security. Write down all the things you want to accomplish throughout your life, then work out how much you need to set aside each month to reach your goals in the timeframe you want – then pay yourself this amount each month as if it is another bill.

### GREAT MONEY MANAGEMENT SKILLS

The path to better finances starts with changing your own habits. Some of these changes will be easier than others, but if you stay committed to this transformation, you'll end up with great money management skills that will serve you throughout your life – and in the meantime, you'll have more money in your pocket. To find out more, speak to us for further information.



# UNLOCKING CASH FROM THE VALUE OF YOUR HOME

## Homeowners release a record-breaking £4.4bn in property wealth

**Despite the pandemic, 2021 saw older homeowners release a record-breaking £4.4bn in property wealth** at a rate of more than £12m a day to help family members and secure their own finances by repaying debt or remortgaging existing borrowing, according to newly released data[1].

If you're a homeowner aged 55 and over and looking for ways to release some tax-free funds in your later life, perhaps to fulfil some long-held dreams, or to renovate your home, equity release might be for you. You should always obtain expert advice before you can go ahead with equity release.

**Lifetime mortgage –** This is the most common type of equity release. You borrow money secured against your home. The mortgage is usually repaid from the sale of your home when you die or move permanently into residential care.

**Home reversion plan –** You raise money by selling all or part of your home while continuing to live in it until you die or move into permanent residential care.

### INCREASED FLEXIBILITY

Around one in five equity release plans (19%) taken out in 2021 was used to support family while two in five (38%) were used to repay residential mortgages or remortgage existing equity release borrowing. This trend has developed as some people realised how they could benefit from lower rates and increased flexibility offered by modern products.

Focused on supporting wider families and managing debt, some over-55s released an average £104,792 worth of housing equity via equity release during 2021 – an increase of 23% on the previous year and 37% higher than 2019 before the pandemic started.

### DEBT REPAYMENT

Remortgaging became much more prevalent in 2021. An average balance moved was £135,529 from an interest rate of 5.1% to 3.6% and the volume of cases accounted for 22% of all equity released used for debt repayment.

The number of people using property wealth to pay off mortgages nearly doubled from 20% in 2020 to 38% last year, and the numbers using it to pay off unsecured debt remained steady at around 27%.

### NEW FEATURES

The growth in the amount used to repay mortgages was driven in part by the significant uplift in the number of people remortgaging equity release plans to access new features, improve interest rates and increase borrowing.

However, the amount of money used to pay unsecured debt dropped from 18% to just 6%, suggesting older homeowners were able to use their incomes to pay off debts as COVID-19 restrictions impacted on spending. Spending on holidays continued to fall from 23% in 2020 to just 7%.

**IS IT RIGHT FOR ME?**

Understanding the features and risks of equity release can be complicated. It's essential to obtain professional advice from a fully qualified and experienced equity release adviser.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR MORTGAGE IS SECURED ON YOUR HOME, WHICH YOU COULD LOSE IF YOU DO NOT KEEP UP YOUR MORTGAGE PAYMENTS.

EQUITY RELEASE MAY INVOLVE A HOME REVERSION PLAN OR LIFETIME MORTGAGE WHICH IS SECURED AGAINST YOUR PROPERTY. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.

EQUITY RELEASE REQUIRES PAYING OFF ANY OUTSTANDING MORTGAGE. EQUITY RELEASED, PLUS ACCRUED INTEREST, TO BE REPAID UPON DEATH OR MOVING INTO LONG-TERM CARE. EQUITY RELEASE WILL AFFECT THE AMOUNT OF INHERITANCE YOU CAN LEAVE AND MAY AFFECT YOUR ENTITLEMENT TO MEANS-TESTED BENEFITS NOW OR IN THE FUTURE.

CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT.

IF YOU ARE IN ANY DOUBT, SEEK PROFESSIONAL FINANCIAL ADVICE.

**Source data:**

*[1] https://www.keyadvice.co.uk/about/press-release/older-homeowners-release-a-record-4-4-billion-in*

# EXTENDING THE SCOPE OF THE **TRUST REGISTER**

## Deadline for non-taxable trust registrations announced

**Trusts are a way of managing wealth, money, investments, land or property, for you,** your family or anyone else you'd like to benefit. When you put assets in a trust, they are under the control of an appointed person or persons called 'trustees'. The trustees then manage the trust according to your instructions, even after your death.

New rules were introduced on 6 October 2020, as part of the UK's implementation of the Fifth Money Laundering Directive (5MLD), that extend the scope of the trust register to all UK and some non-UK trusts that are currently open, whether or not the trust has to pay any tax, but with some specific exclusions.

## PREVENTATIVE WORK IN THE FIELD OF ANTI-MONEY LAUNDERING

From 1 September 2021, the extended Trust Registration Service (TRS) opened for non-taxable trust registrations, with non-taxable trusts having until 1 September 2022 to register. Under the new rules, organisations and persons involved in preventative work in the field of anti-money laundering, counter-terrorist financing and associated offences can request access to details on the register about the people associated with a trust.

The information will only be released on request in certain limited circumstances and anyone with a legitimate interest will be able to view information on the TRS from late 2022. HMRC has stated that 'each request will be reviewed on its own merits, and access given only where there is evidence that it furthers work to counter money laundering or terrorist financing activity.'

There are also safeguarding measures to protect trusts with minors and vulnerable beneficiaries from requests for information from third-parties.

## TRUSTS THAT NEED TO BE REGISTERED

Trusts that need to be registered are broadly all UK express trusts, unless they are specifically excluded; and non-UK express trusts that acquire land or property in the UK, or have at least one trustee resident in the UK and enter into a 'business relationship' within the UK. If the trust needs a Unique Taxpayer Reference (UTR) for Self Assessment purposes, it must still register to get this, even if it's highlighted in the exclusion list.

## TRUSTS THAT DO NOT NEED TO BE REGISTERED

Certain trusts do not need to register unless they are liable to pay UK tax.

**These include:**

- trusts used to hold money or assets of a UK-registered pension scheme, such as an occupational pension scheme
- trusts used to hold life or retirement policies providing that the policy only pays out on death, terminal or critical illness or permanent disablement, or to meet the healthcare costs of the person assured
- trusts holding insurance policy benefits received after the death of the person assured, providing the benefits are paid out from the trust within two years of the death
- charitable trusts which are registered as a charity in the UK or which are not required to register as a charity
- 'pilot' trusts which were set up before 6 October 2020 and which hold no more than £100 – pilot trusts set up after 6 October 2020 will need to register
- co-ownership trusts set up to hold shares of property or other assets which are jointly owned by two or more people for themselves as 'tenants in common'
- Will trusts which are created by a person's Will and come into effect on their death providing they only hold the estate assets for up to two years after the person's death
- trusts for bereaved children under 18 or adults aged 18 to 25 set up under the Will (or intestacy) of a deceased parent or the Criminal Injuries Compensation Scheme
- 'financial' or 'commercial' trusts created in the course of professional services or business transactions for holding client money or other assets

## EXCLUDED FROM REGISTRATION

Other less common types of express trusts which are set up for particular purposes are also excluded from registration unless they have to be registered because they are liable to pay tax. These are set out in the legislation and will be described in the detailed guidance.

Trusts which are not set up deliberately by a settlor but are imposed by Courts or created by legislation, are not 'express trusts' and therefore do not have to register unless they are liable to tax.

**Examples of such trusts include a trust:**

- set up under the intestacy laws when a person dies without a valid Will and the assets in the estate are held by a trust before passing to relatives
- set up under a Court Order to hold compensation payments
- to hold jointly owned assets, such as a home jointly owned with a spouse, partner or relation as 'joint tenants', or a joint bank account

## TAXABLE AND NON-TAXABLE TRUSTS

You should obtain professional advice if you are unsure whether a product or arrangement is a trust or if it should be registered. The trustees or agents will have to give some basic information about the persons involved in the trust (the settlors and beneficiaries). This will apply to both taxable and non-taxable trusts.

Registerable taxable trusts are required to register by 31 January following the end of the tax year in which the trust had a liability to UK taxation, or 5 October after the end of the tax year for a first time liability to Income Tax or Capital Gains Tax.

## FURTHER GUIDANCE AND CONFIRMATION

From 2022 onwards, any beneficial ownership information of a trust registered on TRS must be kept updated. Trustees must notify HMRC of any changes to registered information within 90 days from the date the trustees become aware of the change: further guidance and confirmation of procedures is expected from HMRC in due course.

### PROTECTING AND MANAGING YOUR ASSETS NOW AND FOR THE FUTURE

We understand that every person's financial and family situation is totally unique. If you have any concerns about your financial plans, please contact us.

*/// Feeling an emotional connection to your investments doesn't always have to be a bad thing, especially if you use it as a tool to invest in funds you feel passionate about.*

# INVESTMENT CHOICES

## Behavioural patterns shaping our way of investing, for better or worse

**When it comes to money and investing,** we're not always as rational as we may think. Every human being is driven by emotions – more than we would like to admit. Emotions are the key drivers of our behaviour, and these behavioural patterns shape our way of investing, for better or worse.

Investors know they shouldn't let emotions or impulses drive their investment choices, but many just can't help themselves, according to new research that has revealed half of British investors (50%) admit to having made an impulsive investment decision, with two-thirds (67%) going on to regret it.

### INVESTMENT DECISIONS

When asked what influenced their investment decisions, social media topped the list, with a third (32%) of investors citing it as a factor, closely followed by friends (31%) and the fear of missing out (30%). The research also showed separating emotions from investments is hard no matter what it is investors are feeling. A third (34%) of them have made an impulsive investment decision while excited, a fifth (21%) when feeling impatient and 16% have made a decision in fear.

More broadly, just under half (47%) of investors have admitted they often feel anxious about their investments and two-thirds often feel excited when checking on their investments. Anxiety and excitement can also lead to other bad investment habits, with 62% feeling the need to constantly monitor their investments to succeed, meaning they could be prone to react to short-term fluctuations in the market.

### DIVERSIFIED PORTFOLIO

Feeling an emotional connection to your investments doesn't always have to be a bad thing, especially if you use it as a tool to invest in funds you feel passionate about. However, when your feelings start to cloud your decision-making, it's time to take a step back. By understanding your emotions, it's easier to manage them and create a diversified portfolio that does not just take advantage of market opportunities but can also weather any storms.

It's understandable that many investors enjoy the thrill and excitement of investing. One compromise investors can make is the 'core-satellite approach'. Investors may want to put their money into something stable and less exciting, and then add a small, satellite component of investments that give them more enjoyment, keep them engaged and give them an emotional reward – but without causing investors to make any decisions they may regret. ◂

### CREATING THE FUTURE YOU WANT

We understand the impact your wealth has today and for generations to come. That's why we work with you to help your investments create the future you want. We listen to you and build our service around your vision. To find out more, please contact us.

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 AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

**Source data:**

*[1] All data, unless otherwise specified is taken from 2,000 respondents of a representative sample size conducted by Censuswide in September 2021 – all respondents were 18+ and had previously invested money.*

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